

Financial Report

The Corporation of the Town of Grimsby

2015

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Independent auditor's report

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To the Members of Council, Inhabitants and Taxpayers of
The Corporation of the Town of Grimsby

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Grimsby, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 consolidated financial position of The Corporation of the Town of Grimsby as at December 31, 2015, and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matter

The financial statements of The Corporation of the Town of Grimsby for the year ended December 31, 2014, were audited by another auditor who expressed an unqualified opinion on those statements on April 18, 2016.



Port Colborne, Canada
October 17, 2016

Chartered Professional Accountants
Licensed Public Accountants

The Corporation of the Town of Grimsby

Consolidated Statement of Financial Position

As at December 31

2015

2014

Financial assets

Cash and cash equivalents	\$ 13,126,430	\$ 11,402,426
Portfolio investments (Note 2)	15,156,058	17,551,271
Taxes receivable (Note 3)	2,856,109	3,090,760
User charges receivable	1,448,407	1,373,074
Other receivables	2,178,725	2,286,748
Investment in Niagara Power Incorporated (Note 4)	<u>16,164,107</u>	<u>16,359,271</u>
	<u>50,929,836</u>	<u>52,063,550</u>

Liabilities

Accounts payable and accrued liabilities	4,805,158	6,456,059
Due to trust funds	230,212	96,469
Deferred revenue – obligatory reserve funds (Note 5)	9,725,785	9,088,106
Deferred revenue – other (Note 6)	554,852	581,849
Post-employment benefits (Note 7)	990,800	974,000
Long term debt (Note 8)	<u>16,744</u>	<u>31,610</u>
	<u>16,323,551</u>	<u>17,228,093</u>

Net financial assets

34,606,285 34,835,457

Non-financial assets

Tangible capital assets (Note 9)	245,933,051	244,046,612
Inventory and prepaid expenses	<u>543,624</u>	<u>566,791</u>

Accumulated surplus (Note 10)

\$ 281,082,960 \$ 279,448,860

Commitments and contingencies (Notes 22 and 23)

Approved by

Chief Administrative Officer

Director of Finance/Town Treasurer

See accompanying notes and schedules to the consolidated financial statements

The Corporation of the Town of Grimsby

Consolidated Statement of Operations

For the Year Ended December 31, 2015

	Budget 2015 (Note 26)	Actual 2015	Actual 2014
Revenue			
Taxation (Note 13)	\$ 14,612,890	\$ 14,694,069	\$ 14,692,412
User fees and charges (Note 15)	7,564,170	7,866,443	7,454,454
Government transfers (Note 16)	2,422,490	1,650,236	2,232,511
Other (Note 17)	<u>10,265,875</u>	<u>3,506,639</u>	<u>3,253,466</u>
	<u>34,865,425</u>	<u>27,717,387</u>	<u>27,632,843</u>
Expenses			
General government	2,417,092	2,346,670	2,364,973
Protection to persons and property	2,452,890	2,303,441	2,219,512
Transportation services	4,351,414	4,101,524	3,914,291
Environmental services	11,435,234	10,962,424	12,081,696
Health services	259,416	289,625	234,293
Social and family services	249,343	254,747	254,359
Recreation and culture services	5,127,840	5,121,587	4,737,426
Planning and development	<u>709,052</u>	<u>703,269</u>	<u>799,627</u>
	<u>27,002,281</u>	<u>26,083,287</u>	<u>26,606,177</u>
Annual surplus	7,863,144	1,634,100	1,026,666
Accumulated surplus (Note 10)			
Beginning of year	<u>279,448,860</u>	<u>279,448,860</u>	<u>278,422,194</u>
End of year	<u>\$ 287,312,004</u>	<u>\$ 281,082,960</u>	<u>\$ 279,448,860</u>

See accompanying notes and schedules to the consolidated financial statements

The Corporation of the Town of Grimsby

Consolidated Statement of Changes in Net Financial Assets

For the Year Ended December 31, 2015

	Budget <u>2015</u> (Note 26)	Actual <u>2015</u>	Actual <u>2014</u>
Annual surplus	\$ 7,863,144	\$ 1,634,100	\$ 1,026,666
Amortization of tangible capital assets	5,143,077	5,143,077	5,088,415
Acquisition of tangible capital assets, net of construction in process capitalized	(17,056,981)	(6,995,113)	(6,700,090)
Contributed tangible capital assets	-	(241,699)	(864,206)
Proceeds on disposal of tangible capital assets	-	-	14,340
Loss on disposal of tangible capital assets	<u>-</u>	<u>207,296</u>	<u>396,492</u>
	(4,050,760)	(252,339)	(1,038,383)
Use (acquisition) of inventory and prepaid expenses	<u>-</u>	<u>23,167</u>	<u>(134,651)</u>
Decrease in net financial assets	(4,050,760)	(229,172)	(1,173,034)
Net financial assets			
Beginning of year	<u>34,835,457</u>	<u>34,835,457</u>	<u>36,008,491</u>
End of year	<u>\$ 30,784,697</u>	<u>\$ 34,606,285</u>	<u>\$ 34,835,457</u>

See accompanying notes and schedules to the consolidated financial statements

The Corporation of the Town of Grimsby

Consolidated Statement of Cash Flows

For the Year Ended December 31

2015

2014

Increase (decrease) in cash and cash equivalents

Operating activities		
Annual surplus	\$ 1,634,100	\$ 1,026,666
Non-cash items		
Amortization of tangible capital assets	5,143,077	5,088,415
Loss on disposal of tangible capital assets	207,296	396,492
Contributed tangible capital assets	(241,699)	(864,206)
Changes in:		
Taxes receivable	234,651	426,071
User charges receivable	(75,333)	(26,010)
Other receivables	108,023	(206,057)
Accounts payable and accrued liabilities	(1,650,901)	2,045,416
Due to trust funds	133,743	9,095
Deferred revenue – obligatory reserve funds	637,679	1,836,628
Deferred revenue – other	(26,997)	266,843
Post-employment benefits	16,800	(800)
Inventory and prepaid expenses	<u>23,167</u>	<u>(134,651)</u>
	<u>6,143,606</u>	<u>9,863,902</u>
Capital activities		
Proceeds on disposal of tangible capital assets	-	14,340
Acquisition of tangible capital assets, net of construction in process capitalized	<u>(6,995,113)</u>	<u>(6,700,090)</u>
	<u>(6,995,113)</u>	<u>(6,685,750)</u>
Investing activities		
Decrease in investment in subsidiary	195,164	219,645
Decrease (increase) in portfolio investments	<u>2,395,213</u>	<u>(814,296)</u>
	<u>2,590,377</u>	<u>(594,651)</u>
Financing activities		
Repayment of long term debt	<u>(14,866)</u>	<u>(859,305)</u>
Net increase in cash and cash equivalents	1,724,004	1,724,196
Cash and cash equivalents		
Beginning of year	<u>11,402,426</u>	<u>9,678,230</u>
End of year	<u>\$ 13,126,430</u>	<u>\$ 11,402,426</u>

See accompanying notes and schedules to the consolidated financial statements

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

1. Significant accounting policies

Management responsibility

The consolidated financial statements of The Corporation of the Town of Grimsby ("Municipality") are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The significant accounting policies used are as follows:

(a) Reporting entity

The consolidated financial statements reflect the financial assets, liabilities, non-financial assets, revenues, expenses and changes in accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the Municipality and which are owned or controlled by the Municipality. In addition to general government tax-supported operations, they include the following:

The Grimsby Public Library
The Grimsby Museum
The Grimsby Public Art Gallery
The Grimsby Downtown Improvement Area

Interdepartmental and organizational transactions and balances are eliminated.

Niagara Power Incorporated ("NPI") is a subsidiary corporation of the Municipality and is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises (Note 4). Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the Municipality and inter-organizational transactions and balances are not eliminated. The Municipality recognizes its equity interest in the annual income or loss of NPI in its Consolidated Statement of Operations with a corresponding increase or decrease in its investment asset account. Any dividends that the Municipality may receive from NPI are reflected as reductions in the investment asset account.

Trust funds and their related operations administered by the Municipality are not consolidated, but are reported separately on the Trust Funds Statements of Financial Position and Operations (Note 20 and Pages 39 and 40).

(b) Basis of accounting

Sources of revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting records revenues in the period they are earned and measurable and expenses in the period the goods and services are acquired and a liability is incurred.

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

1. Significant accounting policies (continued)

(c) Cash and cash equivalents

Cash and cash equivalents are represented by cash on hand, cash on deposit in chartered banks and investments that mature within three months.

(d) Portfolio investments

Portfolio investments are valued at the lower of cost and market value. Interest income is reported as revenue in the period earned.

(e) Deferred revenue

Receipts which are restricted by legislation of senior governments or by agreement with external parties are deferred and reported as deferred revenues. When qualifying expenses are incurred, deferred revenues are recognized as revenue at equal amounts. Revenues received in advance of expenses, which will be incurred in a later period, are deferred until they are earned by being matched against those expenses.

(f) Employee future benefits

i) The Town provides certain employee benefits which will require funding in future periods. These benefits include extended health and dental benefits for a closed group of early retirees.

An independent actuarial study to determine the liabilities for future payments of extended health and dental benefits has been undertaken using management's best estimate of insurance and health care cost trends, long term inflation rates and discount rates.

ii) The costs of multi-employer defined benefit pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period.

(g) Contaminated sites liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Municipality:
 - 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 is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

1. Significant accounting policies (continued)

(h) Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location and in the condition necessary for its intended use. Contributed tangible capital assets are capitalized at their estimated fair value upon acquisition.

The Municipality does not capitalize interest as part of the costs of its capital assets.

Works of art for display in municipal property are not included as capital assets. The works of art are held for exhibition, educational and historical interest. Such assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. The cost of art is not determinable or relevant to their significance. No valuation of the collection has been conducted or disclosed in the consolidated financial statements.

Leases are classified as capital or operating leases. Leases that transfer substantially all benefits incidental to ownership are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Amortization is calculated on a straight-line basis to write-off the net cost of each asset over its estimated useful life for all classes except land. Land is considered to have an infinite life without amortization. Residual values of assets are assumed to be zero for all assets with any net gain or loss arising from the disposal of assets recognized in the Consolidated Statement of Operations.

Amortization is based on the following classifications and useful lives:

<u>Classification</u>	<u>Useful Life</u>
Land improvements	15 to 60 years
Buildings	50 to 70 years
Vehicles, machinery and equipment	3 to 20 years
Roads infrastructure	6 to 75 years
Water and wastewater infrastructure	40 to 90 years

One-half the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(i) Subdivision infrastructure

Subdivision streets, lighting, sidewalks, drainage and other infrastructure are required to be provided by subdivision developers. Upon completion they are turned over to the Municipality. The Municipality is not involved in the construction.

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

1. Significant accounting policies (continued)

(j) Inventory

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

(k) Reserves for future expenses

Certain amounts, as approved by Municipal Council, are set aside in reserves and reserve funds for future operating and capital expenses.

(l) Revenue recognition

i) Taxation

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Municipality is required to collect on behalf of the Region of Niagara and the Province of Ontario in respect of education taxes. Realty taxes are billed based on the assessment rolls provided by MPAC. Taxation revenues are recorded at the time tax billings are issued.

A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment. Once a supplementary roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Assessments of the related property taxes are subject to appeal. Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined and the effect shared with the Region of Niagara and school boards, as appropriate.

ii) User charges

User charges are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

iii) Government transfers

Government transfers are recognized in the consolidated financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

iv) Other

Other revenue is recorded when it is earned and collection is reasonably assured.

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

1. Significant accounting policies (continued)

(l) Revenue recognition (continued)

v) Investment income

Investment income earned on operating surplus funds and reserves and reserve funds (other than obligatory reserve funds) are recorded as revenue in the period earned. Investment income earned on obligatory reserve funds are recorded directly to each respective fund balance and forms part of the deferred revenue – obligatory reserve funds balance.

(m) Region of Niagara and school board transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the Region of Niagara are not reflected in the accumulated surplus of these consolidated financial statements.

(n) Use of estimates

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(o) Change in accounting policies

i) Liability for contaminated sites

In June, 2010, the Public Sector Accounting Board (PSAB) issued the Liability for Contaminated Sites standard PS 3260 effective for fiscal years beginning on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into the air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard.

In the past, the Municipality would have only reported environmental liabilities based on its obligations resulting from federal legislation. The new PSAB standard requires that provincial legislation or regulation also be considered when reporting environmental liabilities even if no order for remediation has been issued, but the contamination is in excess of the standard. Environmental clean-up is often linked to past industrial activities.

This change has been applied prospectively without the restatement of prior periods.

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

1. **Significant accounting policies** (continued)

(o) **Change in accounting policies** (continued)

ii) **Niagara Power Incorporated (“NPI”), first time adoption of International Financial Reporting Standards (“IFRS”)**

NPI, which is owned 90% by the Town of Grimsby, adopted IFRS on January 1, 2015. The adoption of IFRS requires retrospective application of the new accounting framework to January 1, 2014, the date of transition. As a result, the amounts reported by NPI for its December 31, 2014 year end and the opening balance sheet as at the date of transition have been restated.

In preparing its opening IFRS consolidated balance sheet NPI has adjusted amounts reported previously in its consolidated financial statements prepared in accordance with Canadian GAAP.

IFRS 1 requires an entity to explain how the transition from its previous GAAP to IFRS affected its reported financial position, financial performance and cash flows by providing reconciliations of shareholder’s equity, comprehensive income and cash flows for prior periods.

Accordingly, NPI prepared their first annual consolidated financial statements in accordance with IFRS and IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS 1) has been applied. There were no significant adjustments required in the Town’s financial statements due to NPI’s transition to IFRS.

2. Portfolio investments	<u>2015</u>	<u>2014</u>
Provincial bonds	\$ 14,118,058	\$ 16,513,271
Guaranteed investment certificates	<u>1,038,000</u>	<u>1,038,000</u>
	<u>\$ 15,156,058</u>	<u>\$ 17,551,271</u>

Portfolio investments carry an effective interest rate ranging from 2% to 10.95% and maturity dates ranging from August, 2016 to September, 2025. Interest is receivable on maturity. Portfolio investments reported on the Consolidated Statement of Financial Position have a market value of \$ 15,965,046 (2014 - \$ 18,282,820). The Municipality’s investment policy is to be able to hold investments until maturity. Accordingly, the financial statements only recognize gains or losses on investments sold prior to maturity.

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

3. Taxes receivable

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"), an agency of the Ontario government. All assessed property values in the Municipality were reviewed and new values established based on a common valuation date that was used by the Municipality in computing the property tax bills. However, the property tax revenue and taxes receivable of the Municipality are subject to measurement uncertainty as a number of appeals submitted by taxpayers have yet to be heard. Any adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined and the effect shared with the Region of Niagara and school boards, as appropriate. The Province of Ontario instituted a mandatory capping program through the provisions of Bill 140 which limits assessment related increases in property tax bills.

	<u>2015</u>	<u>2014</u>
Current year's taxes receivable	\$ 1,856,315	\$ 1,819,717
Prior year's taxes receivable	706,341	843,633
Previous year's taxes receivable	293,453	493,175
Allowance for uncollectable taxes	<u>-</u>	<u>(65,765)</u>
	<u>\$ 2,856,109</u>	<u>\$ 3,090,760</u>

4. Investment in Niagara Power Incorporated

Niagara Power Incorporated ("NPI") is the holding company of the three (2014 – four) Grimsby utility subsidiaries, Grimsby Power Incorporated ("GPI"), Grimsby Energy Incorporated ("GEI") and Grimsby Hydro Incorporated ("GHI"). NPI is 90% owned and controlled by the Municipality.

GPI is structured to carry out all the regulatory requirements including capital and maintenance work on the plant infrastructure (poles, wires and underground equipment). It is also responsible for the local administration plus the billing and collection function that was previously done under the auspices of the former Grimsby Hydro-Electric Commission. As well, GPI is also the provider of electricity to customers who do not sign an agreement for power with a retailer.

GEI is a services company which is responsible for exploring green energy and other business opportunities.

GHI is the deregulated company that was set up as a retail affiliate. It has a 25% equity ownership in a region-wide telecommunication business known as Niagara Regional Broadband Networks ("NRBN").

Niagara West Transformation Corporation ("NWTC") was structured to provide for the long term power requirements of Grimsby and area customers. The main assets are a transformer station located south of Grimsby from which electricity for approximately half of Grimsby customers is drawn. On October 1, 2015, NWTC amalgamated with GPI.

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

4. Investment in Niagara Power Incorporated (continued)

The investment in NPI is represented by the following:

	<u>2015</u>	<u>2014</u>
Promissory note receivable from GPI	\$ 5,782,746	\$ 5,782,746
Common and preferred shares	7,987,417	7,987,417
Retained earnings	1,706,223	1,891,338
Add: Adjustment on acquisition of subsidiary	915,004	915,004
Less: Non-controlling interest	<u>(227,283)</u>	<u>(217,234)</u>
	<u>\$ 16,164,107</u>	<u>\$ 16,359,271</u>

The promissory note receivable from GPI bears interest at 5.01% (2014 – 5.01%) and matures February 1, 2020.

The following table provides condensed supplementary financial information for NPI:

	<u>2015</u>	<u>2014</u>
Financial position		
Assets		
Current assets	\$ 7,448,235	\$ 6,730,100
Capital assets	30,909,438	25,716,605
Long term assets	<u>880,674</u>	<u>1,089,092</u>
Total assets	<u>39,238,347</u>	<u>33,535,797</u>
Liabilities		
Current liabilities	12,759,774	7,516,544
Long term liabilities	<u>15,313,263</u>	<u>14,968,827</u>
Total liabilities	<u>28,073,037</u>	<u>22,485,371</u>
Net assets	<u>\$ 11,165,310</u>	<u>\$ 11,050,426</u>
Results of operations		
Revenues	\$ 25,315,821	\$ 23,969,701
Expenses	<u>25,027,965</u>	<u>24,161,330</u>
Net income (loss)	287,856	(191,629)
Dividends	<u>(472,972)</u>	<u>(28,178)</u>
Net decrease in equity of subsidiary	<u>\$ (185,116)</u>	<u>\$ (219,807)</u>

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

4. Investment in Niagara Power Incorporated (continued)

Commitments and contingencies

- (a) NPI has guaranteed the indebtedness of its subsidiary, GPI, in the amount of \$ 6,500,000. As of December 31, 2015 \$ 3,758,000 (2014 - \$ 4,042,000) of the loan was outstanding and all financial covenants have been met.

NPI has guaranteed the payment of a penalty in the event of early termination of a fixed rate loan agreement between GPI and a bank. The company's liability is estimated at \$ 787,319 (2014 - \$ 780,645).

- (b) A letter of credit in the amount of \$ 964,845 (2014 - \$ 964,845) has been issued by GPI in favour of the Independent Electricity System Operator ("IESO") as security for a subsidiary's purchase of electricity through IESO. No amounts were drawn down on the letter of credit at year end.

Subsequent event

On January 1, 2016, NPI reorganized its various corporate investments. Effective January 1, 2016, NPI's only investment will be GPI. GEI and GHI will be owned by a new holding company.

The financial position information is as reported by NPI at December 31, 2015 and the results of operations are as reported for the year ended December 31, 2015. The comparative financial position and results of operations figures are as reported by NPI at December 31, 2014.

The following summarizes the Municipality's related party transactions with NPI for the year. All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

	<u>2015</u>	<u>2014</u>
Amounts received from NPI		
Interest on promissory note payable	\$ 289,716	\$ 289,716
Dividends	459,437	-
Property services, water and vehicle fuel costs	45,073	46,266
Amounts paid to NPI		
Electricity and street lighting costs paid	595,385	544,545

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

5. Deferred revenue – obligatory reserve funds

The following balances are reflected as deferred revenue – obligatory reserve funds as provincial legislation restricts how these funds may be used and under certain circumstances these funds may be refunded:

	<u>2015</u>	<u>2014</u>
Building code	\$ 1,554,724	\$ 1,442,418
Development charges	6,619,702	6,304,088
Gas tax	371,108	71,130
Parkland dedication	28,380	121,465
Subdivision administration	<u>1,151,871</u>	<u>1,149,005</u>
	<u>\$ 9,725,785</u>	<u>\$ 9,088,106</u>

The deferred revenue – obligatory reserve funds reported on the Consolidated Statement of Financial Position, are comprised of the following:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	<u>\$ 9,088,106</u>	<u>\$ 7,251,478</u>
Contributions from		
Development Charges Act	1,274,375	2,739,713
Building Code Act	101,578	625,614
Planning Act	15,150	64,000
Subdivider contributions	-	119,022
Interest earned	190,324	154,173
Gas tax grants received		
Federal	<u>733,296</u>	<u>752,913</u>
	<u>2,314,723</u>	<u>4,455,435</u>
Utilized for		
Operations	99,709	483,408
Tangible capital asset acquisitions	<u>1,577,335</u>	<u>2,135,399</u>
	<u>1,677,044</u>	<u>2,618,807</u>
Balance, end of year	<u>\$ 9,725,785</u>	<u>\$ 9,088,106</u>

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

6. Deferred revenue – other	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 581,849	\$ 315,006
Add: Contributions	446,300	333,244
Less: Revenue recognized	(176,710)	(31,401)
Less: Refunds during the year	<u>(296,587)</u>	<u>(35,000)</u>
Balance, end of year	<u>\$ 554,852</u>	<u>\$ 581,849</u>

7. Post-employment benefits	<u>2015</u>	<u>2014</u>
Post-employment benefits	<u>\$ 990,800</u>	<u>\$ 974,000</u>

The Municipality pays certain medical and dental benefits for early retirees and life insurance benefits on behalf of its retired employees. The post-employment benefits as at December 31, 2015 of \$ 990,800 (2014 - \$ 974,000) was determined by actuarial valuation.

The accrued benefit obligation at December 31, 2015 of \$ 725,500 (2014 - \$ 675,500) was determined by an actuarial valuation using a discount rate of 5%.

The Municipality's obligation under the post-employment benefits provision of employment agreements will be funded out of current revenue. During the year, benefit payments of \$ 17,900 (2014 - \$ 27,600) were paid to retirees.

Actuarial valuations for accounting purposes are performed every three years using the projected benefit method, pro-rated on service. Under this method, the projected post-employment benefits are deemed to be earned on a pro-rata basis over the employee's years of service.

The most recent actuarial valuation was performed as at December 31, 2013. The main assumptions employed for the valuation are as follows:

Discount rate – the accrued benefit obligation was determined using a discount rate of 5%.

Dental costs – dental costs were assumed to increase to 5% per annum.

Medical costs – medical costs were assumed to increase to 8% per annum for 2015 grading down 1% per annum to a rate of 5% per annum in 2018 onward.

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

7. Post-employment benefits (continued)	<u>2015</u>	<u>2014</u>
Accrued benefit obligation:		
Beginning of year	\$ 675,500	\$ 639,000
Current service cost	32,900	31,300
Interest cost	35,000	32,800
Benefit payments	<u>(17,900)</u>	<u>(27,600)</u>
End of year	<u>\$ 725,500</u>	<u>\$ 675,500</u>
Funded status:		
Employment benefit plan liabilities	\$ 725,500	\$ 675,500
Unamortized net actuarial gain	<u>265,300</u>	<u>298,500</u>
	<u>\$ 990,800</u>	<u>\$ 974,000</u>

The net benefit expense for the employee benefit plan is as follows:

Current service cost	\$ 32,900	\$ 31,300
Interest cost	35,000	32,800
Amortization of actuarial gain	<u>(33,200)</u>	<u>(37,300)</u>
Net benefit expense	<u>\$ 34,700</u>	<u>\$ 26,800</u>

8. Long term debt	<u>2015</u>	<u>2014</u>
Capital lease obligations	<u>\$ 16,744</u>	<u>\$ 31,610</u>

(a) The balance of net long term debt reported on the Consolidated Statement of Financial Position is made up of the following:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>2015</u>	<u>2014</u>
Leased vehicles and equipment	2% to 5.2%	2017	<u>\$ 16,744</u>	<u>\$ 31,610</u>

(b) Principal repayments in each of the next two years are due as follows:

2016	\$ 12,238
2017	4,506

(c) Total charges for interest, which are reported on the Consolidated Statement of Operations amounts to \$ 4,481 (2014 - \$ 31,012).

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

9. Tangible capital assets

The net book values of the tangible capital assets are as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 36,822,661	\$ 36,822,661
Land improvements	4,016,076	3,329,097
Buildings	20,246,748	20,274,761
Vehicles, machinery and equipment	<u>4,195,861</u>	<u>4,617,637</u>
	<u>65,281,346</u>	<u>65,044,156</u>
Infrastructure		
Roads	89,009,841	89,966,277
Water and wastewater	<u>88,111,495</u>	<u>87,121,687</u>
	<u>177,121,336</u>	<u>177,087,964</u>
Construction in process	<u>3,530,369</u>	<u>1,914,492</u>
	<u>\$ 245,933,051</u>	<u>\$ 244,046,612</u>

See Pages 29 and 30 for more detail.

10. Accumulated surplus

	<u>2015</u>	<u>2014</u>
Operating surplus	\$ 107,597	\$ -
Investment in tangible capital assets	245,933,051	244,046,612
Investment in government business enterprises	16,164,107	16,359,271
Reserves and reserve funds (Note 11)	19,885,749	20,048,587
Unfunded liabilities (Note 12)	<u>(1,007,544)</u>	<u>(1,005,610)</u>
	<u>\$ 281,082,960</u>	<u>\$ 279,448,860</u>

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

11. Reserves and reserve funds	<u>2015</u>	<u>2014</u>
Reserves set aside by Council for specific purposes:		
Working funds	\$ 700,000	\$ 700,000
Contingencies	1,157,848	1,912,371
Equipment replacement	3,097,801	2,197,865
Insurance	47,779	47,779
Workplace safety and insurance	157,252	157,252
Parking revenues	5,538	5,538
Downtown Improvement Area	206	12,624
Other	417,522	397,246
Capital projects		
General government	825,513	485,037
Protection to persons and property	14,210	38,364
Transportation services	1,173,174	1,575,289
Environmental services	7,791,413	7,197,532
Social and family services	13,335	79,163
Recreation and culture services	1,022,432	1,059,059
Planning and development	<u>259,926</u>	<u>210,346</u>
 Total reserves	 <u>16,683,949</u>	 <u>16,075,465</u>
Reserve funds set aside by Council for specific purposes:		
Museum	67,371	67,068
Tree planting	-	38,066
Other	<u>3,134,429</u>	<u>3,867,988</u>
 Total reserve funds	 <u>3,201,800</u>	 <u>3,973,122</u>
	<u>\$ 19,885,749</u>	<u>\$ 20,048,587</u>

12. Unfunded liabilities	<u>2015</u>	<u>2014</u>
Post-employment benefits	\$ 990,800	\$ 974,000
Long term debt	<u>16,744</u>	<u>31,610</u>
	<u>\$ 1,007,544</u>	<u>\$ 1,005,610</u>

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

13. Taxation	Budget 2015 (Note 26)	Actual 2015	Actual 2014
Real property		\$ 47,904,022	\$ 46,308,727
From other governments			
Payments in lieu of taxes		<u>540,018</u>	<u>542,140</u>
		<u>48,444,040</u>	<u>46,850,867</u>
Less: taxation collected on behalf of (Note 14)			
Region of Niagara		24,124,049	22,893,386
School boards		<u>9,625,922</u>	<u>9,265,069</u>
		<u>33,749,971</u>	<u>32,158,455</u>
Net taxes available for municipal purposes		<u>\$ 14,694,069</u>	<u>\$ 14,692,412</u>
Residential, multi-residential and farm	\$ 12,228,985	\$ 12,440,202	\$ 12,414,818
Commercial and industrial	<u>2,383,905</u>	<u>2,253,867</u>	<u>2,277,594</u>
Net taxes available for municipal purposes	<u>\$ 14,612,890</u>	<u>\$ 14,694,069</u>	<u>\$ 14,692,412</u>

14. Collections for the Region of Niagara and school boards

Total taxation received or receivable on behalf of the Region of Niagara and the school boards were as follows:

	<u>2015</u>	<u>2014</u>
Region of Niagara	\$ 24,124,049	\$ 22,893,386
School boards	<u>9,625,922</u>	<u>9,265,069</u>
	<u>\$ 33,749,971</u>	<u>\$ 32,158,455</u>

The Municipality is required to levy and collect taxes on behalf of the Region of Niagara and the school boards. These taxes are recorded as revenue at the amounts levied. The taxes levied over (under) the amounts requisitioned are recorded as accounts payable (receivable).

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

15. User fees and charges	Budget 2015 (Note 26)	Actual 2015	Actual 2014
Operating			
Fees and service charges	\$ 1,818,420	\$ 1,949,672	\$ 1,862,583
Water charges	5,647,750	5,780,659	5,459,501
Sewage charges	<u>98,000</u>	<u>136,112</u>	<u>132,370</u>
	<u>\$ 7,564,170</u>	<u>\$ 7,866,443</u>	<u>\$ 7,454,454</u>
16. Government transfers			
	Budget 2015 (Note 26)	Actual 2015	Actual 2014
Operating			
Government of Canada	\$ 58,290	\$ 70,786	\$ 62,131
Province of Ontario	261,400	339,268	301,913
Municipal	<u>58,800</u>	<u>69,357</u>	<u>71,808</u>
	<u>378,490</u>	<u>479,411</u>	<u>435,852</u>
Capital			
Government of Canada	1,050,000	449,292	1,333,863
Province of Ontario	269,000	268,553	-
Municipal	<u>725,000</u>	<u>452,980</u>	<u>462,796</u>
	<u>2,044,000</u>	<u>1,170,825</u>	<u>1,796,659</u>
	<u>\$ 2,422,490</u>	<u>\$ 1,650,236</u>	<u>\$ 2,232,511</u>

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

16. Government transfers (continued)

The Municipality recognizes the transfer of government funding as revenues or expenses in the period that the events giving rise to the transfer occurred. The government transfers reported on the Consolidated Statement of Operations are:

	<u>2015</u>	<u>2014</u>
Revenue		
Province of Ontario		
Ontario Municipal Partnership Fund	\$ 159,575	\$ 158,575
OMAFRA	268,553	-
OMAFRA drainage superintendent	9,468	3,603
Operating grants		
Senior citizens centre	54,246	54,930
Library	65,631	34,803
Art gallery	27,500	27,500
Museum	<u>22,848</u>	<u>22,502</u>
	<u>607,821</u>	<u>301,913</u>
Government of Canada		
Federal gas tax	449,292	1,333,863
Operating grants		
Art gallery	35,129	17,425
Museum	9,877	10,342
Wage subsidies	<u>25,780</u>	<u>34,364</u>
	<u>520,078</u>	<u>1,395,994</u>
Regional Municipality of Niagara		
Provincial Offences Act	42,887	71,808
Operating grants		
Art gallery	15,000	-
Heritage	9,470	-
Capital grants		
Bridges and culverts	-	462,796
Roads	387,835	-
Wastewater	40,145	-
Recreation facilities	25,000	-
Other		
Downtown improvement area	<u>2,000</u>	<u>-</u>
	<u>522,337</u>	<u>534,604</u>
	<u>\$ 1,650,236</u>	<u>\$ 2,232,511</u>
Expenses		
Charitable and not-for-profit organizations	<u>\$ 306,000</u>	<u>\$ 306,000</u>

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

17. Other	Budget 2015 (Note 26)	Actual 2015	Actual 2014
Operating			
Penalties and interest on taxes	\$ 572,000	\$ 534,252	\$ 597,623
Fines	30,000	11,747	20,401
Licences and permits	500,300	394,336	387,395
Rental income	32,000	30,299	30,449
Development charges	-	58,369	37,345
Investment income	568,935	574,234	620,490
Investment income – reserves and reserve funds	-	70,851	87,813
Donations	79,120	75,977	109,604
Donations – reserves and reserve funds	1,500	1,750	1,984
Niagara Power Incorporated net earnings (loss)	-	264,272	(218,699)
Other	<u>302,850</u>	<u>297,755</u>	<u>297,964</u>
	<u>2,086,705</u>	<u>2,313,842</u>	<u>1,972,369</u>
Capital			
Development charges	6,418,170	1,022,223	772,250
Donations	1,681,000	30,349	11,849
Contributed tangible capital assets	-	241,699	864,206
Loss on disposal of capital assets	-	(207,296)	(396,492)
Other	<u>80,000</u>	<u>105,822</u>	<u>29,284</u>
	<u>8,179,170</u>	<u>1,192,797</u>	<u>1,281,097</u>
	<u>\$ 10,265,875</u>	<u>\$ 3,506,639</u>	<u>\$ 3,253,466</u>

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

18. Pension agreement

The Municipality makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of the members of its staff. The plan is a defined benefit plan that 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.

Since OMERS is a multi-employer pension plan, the Municipality does not recognize any share of the pension plan deficit of \$ 5.3 billion (2014 - \$ 5.3 billion) based on the fair market value of the plan's assets, as this is a joint responsibility of all Ontario municipal entities and their employees. Contributions were made in the 2015 calendar year at rates ranging from 9.0% to 15.8% depending on the member's designated retirement age and level of earnings. Employer contributions for current and past service are included as an expense in the Consolidated Statement of Operations. Employer contributions to OMERS for 2015 current and past service was \$ 573,213 (2014 - \$ 585,133) and were matched by employee contributions in a similar amount.

19. Workplace safety and insurance obligations

The Municipality is a Workplace Safety and Insurance Board ("WSIB") Schedule II employer under the Workplace Safety & Insurance Act and follows a policy of self-insurance for all its employees.

An actuarial estimate of future liabilities has been completed and forms the basis for the estimated liability reported in these financial statements. The estimated future liability amounts to \$ Nil (2014 - \$ Nil). The Municipality remits payments to the WSIB as required to fund disability payments. During the year \$ Nil (2014 - \$ Nil) was paid by the Municipality to the WSIB in relation to these benefits.

A workplace safety and insurance reserve, funded by annual contributions from operations, has also been established to protect against any unknown future liability. The balance in the reserve at December 31, 2015 is \$ 157,252 (2014 - \$ 157,252).

The Municipality also maintains an insurance policy, which protects the Corporation against single claims in excess of \$ 500,000.

20. The Corporation of the Town of Grimsby – Trust Funds

Trust Funds administered by the Municipality amounting to \$ 1,004,282 (2014 - \$ 966,489) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

21. Credit facility

The Municipality has a credit facility agreement with a Canadian financial institution bearing interest at the bank's prime rate less 0.5%. The maximum draw under the terms of the operating line is \$ 2,000,000. At year end the Municipality has not utilized any amount under this credit facility.

22. Commitments

Debt guarantee

The Municipality has guaranteed the indebtedness of GEI, a wholly owned subsidiary of NPI, in the amount of \$ 4,500,000 plus costs. As of December 31, 2015 \$ 3,845,000 (2014 - \$ Nil) of the loan was outstanding.

Hospital

The Municipality has pledged financial support of \$ 2,500,000 to the West Lincoln Memorial Hospital Foundation for the building campaign. The funds are to be provided on commencement of the construction of the new hospital facility.

YMCA

The Municipality has pledged \$ 1,530,000 towards the construction of the West Niagara YMCA in annual payments of \$ 306,000 for five years. The first payment was made in 2011 and the last payment was made in 2015.

Capital expenses

The estimated future capital expense commitments based on projects in progress at December 31, 2015 is approximately \$ 1,157,041 (2014 - \$ 2,226,189). These projects will be financed by grants, taxation or long term liabilities in future years.

The Municipality has committed to funding the Woodview sewage pump station. The total estimated cost by the Region of Niagara is \$ 1,500,000. The Municipality's estimated share of this cost is \$ 750,000.

23. Contingencies

The Municipality is involved from time to time in litigation, which arises in the normal course of business. In respect of any outstanding claims, the Municipality believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation, therefore no provision has been made in the accompanying consolidated financial statements.

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

24. Subsequent event

On June 21, 2016, the Town issued a promissory note to Grimsby Energy Inc. ("GEI") for \$ 600,000 to be repaid by October 19, 2016. Interest is payable at 2% per annum on the unpaid balance after October 19, 2016. In the event the note shall be in default, GEI agreed to pay interest at a rate of 5% per annum from the date of default. The note may be repaid at any time in whole or in part without penalty and shall become immediately due and payable on demand.

25. Comparative figures

Certain of the comparative figures have been reclassified to conform with the consolidated financial statement presentation adopted for the current year.

26. Budget

The budget by-law adopted by Council on March 25, 2015 was not prepared on a basis consistent with that used to report actual results in accordance with Canadian Public Sector Accounting Standards (PSAS). The budget was prepared on a modified accrual basis while PSAS require a full accrual basis. As a result, the budget figures presented in the Consolidated Statements of Operations and Changes in Net Financial Assets represent the budget approved by Council with the following adjustments:

Approved budgeted annual surplus	\$ -
Add: Acquisition of tangible capital assets	17,056,981
Less: Transfers from reserves and reserve funds - net	(4,050,760)
Amortization of tangible capital assets	<u>(5,143,077)</u>
Budgeted surplus reported on the Consolidated Statement of Operations	<u>\$ 7,863,144</u>

27. Segmented information

The Municipality provides a wide range of services to its citizens. Municipal services are provided by departments and their activities are reported in the Consolidated Statement of Operations. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

General government

The mandate of this functional area is to provide political governance, administrative executive management and those expenses and revenues which are corporate in nature and cannot be easily apportioned to other departments. Reported in this functional area are departments such as Council, Clerks, Town Manager, Finance and Information Systems.

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

27. Segmented information (continued)

Protection to persons and property

Reported in this functional area are Fire and Building Services. The mandate of Fire Services is to provide emergency services through a range of services to protect the lives and property of the inhabitants of the Municipality. The mandate of Building Services is to inform and assist customers to ensure safe and orderly development and provide efficient delivery of building approvals, inspections and management systems.

Transportation services

Reported in this functional area are Roadways and Winter Control. The mandate for Roadways is to provide quality road and traffic maintenance and operations to the residents and businesses of the Municipality. This area is also responsible for Winter Control.

Environmental services

Reported in this functional area are Sanitary, Storm and Water Systems. The mandate is to provide a safe and reliable water resource system and is responsible for the maintenance and operation of the systems and monitoring and administering environmental programs.

Recreation and cultural services

Reported in this functional area are Parks, Recreation and Culture. The Parks department is responsible for the maintenance, improvement and beautification of various parks as well as the planning and construction of new parkland and open space. The Recreation and Culture departments are responsible for the delivery of various related programs and the provision of facilities as well as the support of groups and organizations throughout the Municipality.

Health services

Reported in this functional area are Cemeteries. The Public Works department is responsible for providing the related services and the maintenance, improvement, and beautification of the cemetery sites.

Social and family services

Reported in this functional area is the Livingston Activity Centre. The Recreation and Culture departments are responsible for the delivery of the various related senior focused programs and the provision of the facility.

Planning and development

The Planning department creates the policy framework and implementation tools required to shape the future of the Municipality. The department is responsible for ensuring that the Municipality's land development standards are achieved on all development applications.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. The consolidated schedules of segment disclosure and the schedules of segment disclosure with budget information follow the notes.

The Corporation of the Town of Grimsby

Consolidated Schedule of Tangible Capital Assets

For the Year Ended December 31, 2015

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Vehicles, Machinery and Equipment</u>	<u>Roads Infrastructure</u>	<u>Water and Wastewater Infrastructure</u>	<u>Construction in Progress</u>	<u>2015</u>
Cost								
Beginning of year	\$ 36,822,661	\$ 5,014,433	\$ 25,120,126	\$ 10,499,401	\$ 126,354,674	\$ 119,780,495	\$ 1,914,492	\$ 325,506,282
Add additions	-	903,067	353,491	386,951	1,016,998	2,919,776	4,991,764	10,572,047
Less disposals during the year	-	(58,716)	-	(311,947)	(162,078)	(323,481)	(3,375,887)	(4,232,109)
End of year	<u>36,822,661</u>	<u>5,858,784</u>	<u>25,473,617</u>	<u>10,574,405</u>	<u>127,209,594</u>	<u>122,376,790</u>	<u>3,530,369</u>	<u>331,846,220</u>
Accumulated amortization								
Beginning of year	-	1,685,336	4,845,365	5,881,764	36,388,399	32,658,806	-	81,459,670
Add amortization during the year	-	216,088	381,504	805,509	1,931,340	1,808,636	-	5,143,077
Less amortization on disposals	-	(58,716)	-	(308,729)	(119,986)	(202,147)	-	(689,578)
End of year	-	<u>1,842,708</u>	<u>5,226,869</u>	<u>6,378,544</u>	<u>38,199,753</u>	<u>34,265,295</u>	-	<u>85,913,169</u>
Net book value	<u>\$ 36,822,661</u>	<u>\$ 4,016,076</u>	<u>\$ 20,246,748</u>	<u>\$ 4,195,861</u>	<u>\$ 89,009,841</u>	<u>\$ 88,111,495</u>	<u>\$ 3,530,369</u>	<u>\$ 245,933,051</u>

The Corporation of the Town of Grimsby Consolidated Schedule of Tangible Capital Assets

For the Year Ended December 31, 2014

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Vehicles, Machinery and Equipment</u>	<u>Roads Infrastructure</u>	<u>Water and Wastewater Infrastructure</u>	<u>Construction in Progress</u>	<u>2014</u>
Cost								
Beginning of year	\$ 36,822,661	\$ 4,963,714	\$ 25,080,750	\$ 10,383,513	\$ 124,637,708	\$ 116,900,054	\$ 1,082,930	\$ 319,871,330
Add additions	-	119,113	39,376	725,194	2,529,355	3,319,701	2,802,003	9,534,742
Less disposals during the year	-	(68,394)	-	(609,306)	(812,388)	(439,261)	(1,970,441)	(3,899,790)
End of year	<u>36,822,661</u>	<u>5,014,433</u>	<u>25,120,126</u>	<u>10,499,401</u>	<u>126,354,675</u>	<u>119,780,494</u>	<u>1,914,492</u>	<u>325,506,282</u>
Accumulated amortization								
Beginning of year	-	1,549,863	4,469,810	5,622,548	35,006,912	31,240,940	-	77,889,773
Add amortization during the year	-	203,867	375,555	853,956	1,920,394	1,734,643	-	5,088,415
Less amortization on disposals	-	(68,394)	-	(594,740)	(538,908)	(316,776)	-	(1,518,518)
End of year	-	<u>1,685,336</u>	<u>4,845,365</u>	<u>5,881,764</u>	<u>36,388,398</u>	<u>32,658,807</u>	-	<u>81,459,670</u>
Net book value	<u>\$ 36,822,661</u>	<u>\$ 3,329,097</u>	<u>\$ 20,274,761</u>	<u>\$ 4,617,637</u>	<u>\$ 89,966,277</u>	<u>\$ 87,121,687</u>	<u>\$ 1,914,492</u>	<u>\$ 244,046,612</u>

The Corporation of the Town of Grimsby

Consolidated Schedule of Segment Disclosure

For the year ended December 31, 2015

	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Recreation and culture services	Planning and development	2015
Revenues									
Taxation	\$ 1,019,026	\$ 1,080,588	\$ 3,309,234	\$ 5,375,526	\$ 111,284	\$ 85,784	\$ 3,447,949	\$ 264,678	\$ 14,694,069
User charges	70,754	132,631	18,664	5,916,772	101,681	79,438	1,282,322	264,181	7,866,443
Government transfers	159,575	42,887	846,595	308,698	-	54,246	223,465	14,770	1,650,236
Other	410,455	603,328	489,446	528,796	77,139	6,885	1,344,858	45,732	3,506,639
	1,659,810	1,859,434	4,663,939	12,129,792	290,104	226,353	6,298,594	589,361	27,717,387
Expenses									
Salaries and benefits	1,485,910	1,660,593	1,717,859	1,739,611	174,718	167,042	2,722,145	444,343	10,112,221
Operating materials and supplies	444,448	190,355	863,611	142,739	13,464	41,606	1,316,371	170,166	3,182,760
Contracted services	227,016	195,844	546,472	5,548,924	6,996	29,144	352,629	63,804	6,970,829
Rent and financial expenses	105,352	25,819	60,573	66,186	10,639	2,958	95,073	1,800	368,400
External transfers to others	306,000	-	-	-	-	-	-	-	306,000
Amortization	262,093	176,015	1,259,139	2,890,024	15,071	6,753	529,775	4,207	5,143,077
Interfunctional expenses	(484,149)	54,815	(346,130)	574,940	68,737	7,244	105,594	18,949	-
	2,346,670	2,303,441	4,101,524	10,962,424	289,625	254,747	5,121,587	703,269	26,083,287
Annual surplus (deficit)	\$ (686,860)	\$ (444,007)	\$ 562,415	\$ 1,167,368	\$ 479	\$ (28,394)	\$ 1,177,007	\$ (113,908)	\$ 1,634,100

The Corporation of the Town of Grimsby

Consolidated Schedule of Segment Disclosure

For the year ended December 31, 2014

	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Recreation and culture services	Planning and development	2014
Revenues									
Taxation	\$ 1,090,884	\$ 1,020,316	\$ 2,827,469	\$ 5,852,919	\$ 101,979	\$ 90,425	\$ 3,423,821	\$ 284,599	\$ 14,692,412
User charges	33,977	178,545	13,115	5,591,872	72,069	76,092	1,227,376	261,408	7,454,454
Government transfers	158,575	71,808	1,800,261	-	-	54,930	133,837	13,100	2,232,511
Other	(126,187)	562,005	525,692	1,249,920	69,518	8,037	880,598	83,883	3,253,466
	1,157,249	1,832,674	5,166,537	12,694,711	243,566	229,484	5,665,632	642,990	27,632,843
Expenses									
Salaries and benefits	1,370,202	1,593,556	1,676,855	1,679,859	154,006	161,253	2,592,632	463,538	9,691,901
Operating materials and supplies	394,594	172,448	928,579	125,787	9,847	50,216	1,082,865	213,586	2,977,922
Contracted services	361,805	191,807	280,019	6,880,923	6,380	28,261	303,883	96,861	8,149,939
Rent and financial expenses	110,174	25,622	57,467	65,115	2,594	2,594	127,834	600	392,000
External transfers to others	306,000	-	-	-	-	-	-	-	306,000
Amortization	286,048	182,659	1,238,457	2,824,939	15,021	5,594	527,975	7,722	5,088,415
Interfunctional expenses	(463,850)	53,420	(267,086)	505,073	46,445	6,441	102,237	17,320	-
	2,364,973	2,219,512	3,914,291	12,081,696	234,293	254,359	4,737,426	799,627	26,606,177
Annual surplus (deficit)	\$ (1,207,724)	\$ (386,838)	\$ 1,252,246	\$ 613,015	\$ 9,273	\$ (24,875)	\$ 928,206	\$ (156,637)	\$ 1,026,666

The Corporation of the Town of Grimsby Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2015

	Budget <u>2015</u>	Actual <u>2015</u>	Actual <u>2014</u>
General government			
Revenue			
Taxation	\$ 1,013,396	\$ 1,019,026	\$ 1,090,884
User charges	37,400	70,754	33,977
Government transfers	121,600	159,575	158,575
Other	<u>103,923</u>	<u>410,455</u>	<u>(126,187)</u>
	<u>1,276,319</u>	<u>1,659,810</u>	<u>1,157,249</u>
Expenses			
Salaries and benefits	1,478,651	1,485,910	1,370,202
Operating materials and supplies	450,930	444,448	394,594
Contracted services	274,030	227,016	361,805
Rent and financial expenses	127,760	105,352	110,174
External transfers to others	306,000	306,000	306,000
Amortization	262,093	262,093	286,048
Interfunctional expenses	<u>(482,372)</u>	<u>(484,149)</u>	<u>(463,850)</u>
	<u>2,417,092</u>	<u>2,346,670</u>	<u>2,364,973</u>
Annual deficit	<u>\$ (1,140,773)</u>	<u>\$ (686,860)</u>	<u>\$ (1,207,724)</u>
<hr/>			
Protection to persons and property			
Revenue			
Taxation	\$ 1,074,618	\$ 1,080,588	\$ 1,020,316
User charges	99,500	132,631	178,545
Government transfers	58,800	42,887	71,808
Other	<u>855,403</u>	<u>603,328</u>	<u>562,005</u>
	<u>2,088,321</u>	<u>1,859,434</u>	<u>1,832,674</u>
Expenses			
Salaries and benefits	1,771,170	1,660,593	1,593,556
Operating materials and supplies	212,390	190,355	172,448
Contracted services	212,680	195,844	191,807
Rent and financial expenses	25,820	25,819	25,622
Amortization	176,015	176,015	182,659
Interfunctional expenses	<u>54,815</u>	<u>54,815</u>	<u>53,420</u>
	<u>2,452,890</u>	<u>2,303,441</u>	<u>2,219,512</u>
Annual deficit	<u>\$ (364,569)</u>	<u>\$ (444,007)</u>	<u>\$ (386,838)</u>

The Corporation of the Town of Grimsby

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2015

	Budget <u>2015</u>	Actual <u>2015</u>	Actual <u>2014</u>
Transportation services			
Revenue			
Taxation	\$ 3,290,951	\$ 3,309,234	\$ 2,827,469
User charges	47,200	18,664	13,115
Government transfers	1,481,998	846,595	1,800,261
Other	<u>3,377,951</u>	<u>489,446</u>	<u>525,692</u>
	<u>8,198,100</u>	<u>4,663,939</u>	<u>5,166,537</u>
Expenses			
Salaries and benefits	1,530,465	1,717,859	1,676,855
Operating materials and supplies	545,429	863,611	928,579
Contracted services	435,327	546,472	280,019
Rent and financial expenses	55,970	60,573	57,467
Amortization	1,259,139	1,259,139	1,238,457
Interfunctional expenses	<u>525,084</u>	<u>(346,130)</u>	<u>(267,086)</u>
	<u>4,351,414</u>	<u>4,101,524</u>	<u>3,914,291</u>
Annual surplus	<u>\$ 3,846,686</u>	<u>\$ 562,415</u>	<u>\$ 1,252,246</u>
Environmental services			
Revenue			
Taxation	\$ 5,345,829	\$ 5,375,526	\$ 5,852,919
User charges	5,745,750	5,916,772	5,591,872
Government transfers	319,000	308,698	-
Other	<u>1,530,388</u>	<u>528,796</u>	<u>1,249,920</u>
	<u>12,940,967</u>	<u>12,129,792</u>	<u>12,694,711</u>
Expenses			
Salaries and benefits	1,800,336	1,739,611	1,679,859
Operating materials and supplies	254,754	142,739	125,787
Contracted services	5,892,684	5,548,924	6,880,923
Rent and financial expenses	67,520	66,186	65,115
Amortization	2,890,025	2,890,024	2,824,939
Interfunctional expenses	<u>529,915</u>	<u>574,940</u>	<u>505,073</u>
	<u>11,435,234</u>	<u>10,962,424</u>	<u>12,081,696</u>
Annual surplus	<u>\$ 1,505,733</u>	<u>\$ 1,167,368</u>	<u>\$ 613,015</u>

The Corporation of the Town of Grimsby Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2015

	Budget 2015	Actual 2015	Actual 2014
Health services			
Revenue			
Taxation	\$ 110,669	\$ 111,284	\$ 101,979
User charges	103,000	101,681	72,069
Other	<u>84,641</u>	<u>77,139</u>	<u>69,518</u>
	<u>298,310</u>	<u>290,104</u>	<u>243,566</u>
Expenses			
Salaries and benefits	168,790	174,718	154,006
Operating materials and supplies	10,600	13,464	9,847
Contracted services	6,646	6,996	6,380
Rent and financial expenses	2,630	10,639	2,594
Amortization	15,071	15,071	15,021
Interfunctional expenses	<u>55,679</u>	<u>68,737</u>	<u>46,445</u>
	<u>259,416</u>	<u>289,625</u>	<u>234,293</u>
Annual surplus	<u>\$ 38,894</u>	<u>\$ 479</u>	<u>\$ 9,273</u>
<hr/>			
Social and family services			
Revenue			
Taxation	\$ 85,310	\$ 85,784	\$ 90,425
User charges	77,000	79,438	76,092
Government transfers	53,000	54,246	54,930
Other	<u>6,661</u>	<u>6,885</u>	<u>8,037</u>
	<u>221,971</u>	<u>226,353</u>	<u>229,484</u>
Expenses			
Salaries and benefits	159,675	167,042	161,253
Operating materials and supplies	44,020	41,606	50,216
Contracted services	29,150	29,144	28,261
Rent and financial expenses	2,630	2,958	2,594
Amortization	6,753	6,753	5,594
Interfunctional expenses	<u>7,115</u>	<u>7,244</u>	<u>6,441</u>
	<u>249,343</u>	<u>254,747</u>	<u>254,359</u>
Annual deficit	<u>\$ (27,372)</u>	<u>\$ (28,394)</u>	<u>\$ (24,875)</u>

The Corporation of the Town of Grimsby

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2015

	Budget 2015	Actual 2015	Actual 2014
Recreation and culture services			
Revenue			
Taxation	\$ 3,428,901	\$ 3,447,949	\$ 3,423,821
User charges	1,249,070	1,282,322	1,227,376
Government transfers	374,992	223,465	133,837
Other	<u>4,264,707</u>	<u>1,344,858</u>	<u>880,598</u>
	<u>9,317,670</u>	<u>6,298,594</u>	<u>5,665,632</u>
Expenses			
Salaries and benefits	2,822,460	2,722,145	2,592,632
Operating materials and supplies	1,116,505	1,316,371	1,082,865
Contracted services	303,350	352,629	303,883
Rent and financial expenses	93,290	95,073	127,834
Amortization	529,775	529,775	527,975
Interfunctional expenses	<u>262,460</u>	<u>105,594</u>	<u>102,237</u>
	<u>5,127,840</u>	<u>5,121,587</u>	<u>4,737,426</u>
Annual surplus	<u>\$ 4,189,830</u>	<u>\$ 1,177,007</u>	<u>\$ 928,206</u>
Planning and development			
Revenue			
Taxation	\$ 263,216	\$ 264,678	\$ 284,599
User charges	205,250	264,181	261,408
Government transfers	13,100	14,770	13,100
Other	<u>42,201</u>	<u>45,732</u>	<u>83,883</u>
	<u>523,767</u>	<u>589,361</u>	<u>642,990</u>
Expenses			
Salaries and benefits	480,035	444,343	463,538
Operating materials and supplies	141,360	170,166	213,586
Contracted services	62,700	63,804	96,861
Rent and financial expenses	1,800	1,800	600
Amortization	4,207	4,207	7,722
Interfunctional expenses	<u>18,950</u>	<u>18,949</u>	<u>17,320</u>
	<u>709,052</u>	<u>703,269</u>	<u>799,627</u>
Annual deficit	<u>\$ (185,285)</u>	<u>\$ (113,908)</u>	<u>\$ (156,637)</u>



Independent auditor's report

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To the Members of Council, Inhabitants and Taxpayers of
The Corporation of the Town of Grimsby

We have audited the accompanying financial statements of the Trust Funds of The Corporation of the Town of Grimsby, which comprise the statement of financial position as at December 31, 2015, and the statement of operations for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of the Trust Funds of The Corporation of the Town of Grimsby as at December 31, 2015, and the results of its operations for the year then ended in accordance with the financial reporting provisions of the Ministry of Municipal Affairs and Housing.

Basis of accounting and restriction on use

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Trust Funds of The Corporation of the Town of Grimsby to comply with the reporting provisions of the Ministry of Municipal Affairs and Housing. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Town of Grimsby and should not be used by parties other than the Town.

Other matter

The financial statements of the Trust Funds of The Corporation of the Town of Grimsby for the year ended December 31, 2014, were audited by another auditor who expressed an unqualified opinion on those statements on December 17, 2015.



Port Colborne, Canada
October 17, 2016

Chartered Professional Accountants
Licensed Public Accountants

**The Corporation of the Town of Grimsby
Trust Funds
Consolidated Statement of Financial Position**

As at December 31, 2015

	Cemetery Care and Maintenance <u>- Grounds</u>	Cemetery Care and Maintenance <u>- Markers</u>	Total 2015	Total <u>2014</u>
Financial assets				
Cash and cash equivalents	\$ 11,683	\$ 1,490	\$ 13,173	\$ 417,137
Portfolio investments (Note 2)	665,861	84,919	750,780	447,151
Interest receivable	8,973	1,144	10,117	5,732
Due from the Town of Grimsby (Note 3)	<u>204,173</u>	<u>26,039</u>	<u>230,212</u>	<u>96,469</u>
Net financial assets and accumulated surplus	<u>\$ 890,690</u>	<u>\$ 113,592</u>	<u>\$ 1,004,282</u>	<u>\$ 966,489</u>

See accompanying notes to the consolidated financial statements

**The Corporation of the Town of Grimsby
Trust Funds
Consolidated Statement of Operations**

For the Year Ended December 31, 2015

	Cemetery Care and Maintenance <u>- Grounds</u>	Cemetery Care and Maintenance <u>- Markers</u>	Total 2015	Total 2014
Revenue				
Care and maintenance agreements	\$ 35,093	\$ 2,700	\$ 37,793	\$ 31,339
Interest	<u>18,616</u>	<u>2,395</u>	<u>21,011</u>	<u>23,637</u>
	53,709	5,095	58,804	54,976
Expenses				
Investment service charges	6,796	874	7,670	-
Interest earned distributed to the Town of Grimsby	<u>11,820</u>	<u>1,521</u>	<u>13,341</u>	<u>23,637</u>
Annual surplus	35,093	2,700	37,793	31,339
Accumulated surplus				
Beginning of year	<u>855,597</u>	<u>110,892</u>	<u>966,489</u>	<u>935,150</u>
End of year	<u>\$ 890,690</u>	<u>\$ 113,592</u>	<u>\$ 1,004,282</u>	<u>\$ 966,489</u>

See accompanying notes to the consolidated financial statements

The Corporation of the Town of Grimsby

Trust Funds

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

1. Accounting policies

The consolidated financial statements of The Corporation of the Town of Grimsby - Trust Funds are prepared by management in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These estimates have been made using careful judgments.

Significant aspects of the accounting policies adopted are as follows:

(a) Basis of accounting

Sources of revenue and expenses are reported on the cash basis of accounting. The cash basis of accounting records revenues in the period they are received and expenses in the period they are paid.

(b) Cash and cash equivalents

Cash and cash equivalents are represented by cash on hand, cash on deposit in chartered banks and investments that mature within three months.

(c) Portfolio investments

Portfolio investments are valued at the lower of cost and market value. Interest income is reported as revenue in the period earned.

2. Portfolio investments

Portfolio investments consist of Canadian provincial bonds with interest rates of 4.20% maturing between March, 2018 and March, 2024. Portfolio investments have an estimated market value of \$ 784,868 (2014 - \$ 474,003).

3. Due from the Town of Grimsby

The amount due from the Town of Grimsby has no fixed terms of repayment and interest is calculated monthly using the Municipality's pooled investment rate.