

Financial Report

The Corporation of the Town of Grimsby

2017

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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, 2017, 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, 2017, 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.

Emphasis of matter

We draw attention to Note 2 to the financial statements which describes the correction in the current period of an error in the prior period. Our opinion is not qualified in respect of this matter.



Port Colborne, Canada
October 15, 2018

Chartered Professional Accountants
Licensed Public Accountants

The Corporation of the Town of Grimsby

Consolidated Statement of Financial Position

As at December 31, 2017

	<u>2017</u>	<u>2016</u> (As restated) (Note 2)
Financial assets		
Cash and cash equivalents	\$ 11,565,847	\$ 13,662,058
Portfolio investments (Note 3)	15,513,062	18,555,048
Taxes receivable (Note 4)	3,327,241	3,305,097
User charges receivable	1,495,122	1,431,568
Other receivables	3,557,054	2,196,791
Investment in Government Business Enterprises (Note 5)	<u>22,037,915</u>	<u>21,962,249</u>
	<u>57,496,241</u>	<u>61,112,811</u>
Liabilities		
Accounts payable and accrued liabilities	7,455,819	8,306,354
Due to trust funds	21,784	2,771
Deferred revenue – obligatory reserve funds (Note 6)	9,320,630	10,854,908
Deferred revenue – other (Note 7)	686,681	828,842
Employee benefit obligations (Note 8)	1,758,966	1,607,100
Long term debt (Note 9)	<u>3,892,124</u>	<u>69,835</u>
	<u>23,136,004</u>	<u>21,669,810</u>
Net financial assets	34,360,237	39,443,001
Non-financial assets		
Tangible capital assets (Note 10)	265,491,903	252,775,821
Inventory and prepaid expenses	<u>936,395</u>	<u>842,758</u>
Accumulated surplus (Note 11)	<u>\$ 300,788,535</u>	<u>\$ 293,061,580</u>

Commitments and contingencies (Notes 23 and 24)

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, 2017

	Budget 2017 (Note 25)	Actual 2017	Actual 2016 (As restated) (Note 2)
Revenue			
Taxation (Note 14)	\$ 16,371,920	\$ 16,282,651	\$ 15,655,900
User fees and charges (Note 16)	8,514,250	8,380,889	8,305,428
Government transfers (Note 17)	1,588,220	2,034,540	1,473,084
Other (Note 18)	13,077,180	9,057,955	13,940,787
	<u>39,551,570</u>	<u>35,756,035</u>	<u>39,375,199</u>
Expenses			
General government	2,375,074	2,245,979	2,214,637
Protection to persons and property	3,256,375	3,048,605	3,020,682
Transportation services	4,235,505	4,329,094	4,485,037
Environmental services	12,157,545	11,469,750	11,140,438
Health services	272,188	277,931	304,970
Social and family services	261,904	265,236	280,045
Recreation and culture services	5,928,496	5,483,218	5,251,290
Planning and development	987,857	909,267	699,480
	<u>29,474,944</u>	<u>28,029,080</u>	<u>27,396,579</u>
Annual surplus	10,076,626	7,726,955	11,978,620
Accumulated surplus (Note 11)			
Beginning of year	<u>293,061,580</u>	<u>293,061,580</u>	<u>281,082,960</u>
End of year	<u>\$ 303,138,206</u>	<u>\$ 300,788,535</u>	<u>\$ 293,061,580</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, 2017

	Budget <u>2017</u> (Note 25)	Actual <u>2017</u>	Actual <u>2016</u> (As restated) (Note 2)
Annual surplus	\$ 10,076,626	\$ 7,726,955	\$ 11,978,620
Amortization of tangible capital assets	5,653,035	5,653,035	5,240,393
Acquisition of tangible capital assets, net of construction in process capitalized	(24,131,930)	(16,909,347)	(11,308,589)
Contributed tangible capital assets	-	(1,568,882)	(855,803)
Proceeds on disposal of tangible capital assets	-	367,685	1,841
(Gain) loss on disposal of tangible capital assets	<u>-</u>	<u>(258,573)</u>	<u>79,388</u>
	(8,402,269)	(4,989,127)	5,135,850
Acquisition of inventory and prepaid expenses	<u>-</u>	<u>(93,637)</u>	<u>(299,134)</u>
(Decrease) increase in net financial assets	(8,402,269)	(5,082,764)	4,836,716
Net financial assets			
Beginning of year	<u>39,443,001</u>	<u>39,443,001</u>	<u>34,606,285</u>
End of year	<u>\$ 31,040,732</u>	<u>\$ 34,360,237</u>	<u>\$ 39,443,001</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, 2017

	<u>2017</u>	<u>2016</u> (As restated) (Note 2)
Increase (decrease) in cash and cash equivalents		
Operating activities		
Annual surplus	\$ 7,726,955	\$ 11,978,620
Non-cash items		
Amortization of tangible capital assets	5,653,035	5,240,393
(Gain) loss on disposal of tangible capital assets	(258,573)	79,388
Contributed tangible capital assets	(1,568,882)	(855,803)
Changes in:		
Taxes receivable	(22,144)	(448,988)
User charges receivable	(63,554)	16,839
Other receivables	(1,360,263)	(18,066)
Accounts payable and accrued liabilities	(850,535)	3,501,196
Due to trust funds	19,013	(227,441)
Deferred revenue – obligatory reserve funds	(1,534,278)	1,129,123
Deferred revenue – other	(142,161)	273,990
Employee benefit obligations	151,866	616,300
Inventory and prepaid expenses	(93,637)	(299,134)
	<u>7,656,842</u>	<u>20,986,417</u>
Capital activities		
Proceeds on disposal of tangible capital assets	367,685	1,841
Acquisition of tangible capital assets, net of construction in process capitalized	(16,909,347)	(11,308,589)
	<u>(16,541,662)</u>	<u>(11,306,748)</u>
Investing activities		
Increase in investment in subsidiary	(75,666)	(5,798,142)
Decrease (increase) in portfolio investments	3,041,986	(3,398,990)
	<u>2,966,320</u>	<u>(9,197,132)</u>
Financing activities		
Proceeds from long term debt issuance	3,839,035	70,071
Repayment of long term debt	(16,746)	(16,980)
	<u>3,822,289</u>	<u>53,091</u>
Net (decrease) increase in cash and cash equivalents	(2,096,211)	535,628
Cash and cash equivalents		
Beginning of year	<u>13,662,058</u>	<u>13,126,430</u>
End of year	<u>\$ 11,565,847</u>	<u>\$ 13,662,058</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, 2017

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") and 1938427 Ontario Inc. ("1938427") are subsidiary corporations of the Municipality and are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises (Note 5). 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 and 1938427 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 and 1938427 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 21 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, 2017

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.

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

1. Significant accounting policies (continued)

(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 would be recorded net of any expected recoveries. A liability for remediation of contaminated sites would be 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 would be 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.

(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.

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

1. Significant accounting policies (continued)

(h) Tangible capital assets (continued)

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.

(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.

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

1. Significant accounting policies (continued)

(l) Revenue recognition (continued)

i) Taxation (continued)

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.

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.

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

2. Prior period adjustment

During the year management identified there were several tangible capital assets in the prior year that were not correctly amortized. These assets were fully amortized within the year of acquisition as opposed to over their useful life. As a result of this error the prior period has been restated as follows:

	As previously stated	Adjustments	As restated
Accumulated amortization	\$ 90,484,438	\$ (459,196)	\$ 90,025,242
Investment in tangible capital assets	252,316,625	459,196	252,775,821
Amortization expense	5,699,589	(459,196)	5,240,393
Annual surplus	11,519,424	459,196	11,978,620

3. Portfolio investments

	<u>2017</u>	<u>2016</u>
Provincial bonds	\$ 9,018,062	\$ 11,366,313
Guaranteed investment certificates	<u>6,495,000</u>	<u>7,188,735</u>
	<u>\$ 15,513,062</u>	<u>\$ 18,555,048</u>

Portfolio investments carry an effective interest rate ranging from 0.95% to 10.95% and maturity dates ranging from August, 2018 to September, 2025. Interest is receivable on maturity. Portfolio investments reported on the Consolidated Statement of Financial Position have a market value of \$ 15,778,334 (2016 - \$ 19,137,350). 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.

4. 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>2017</u>	<u>2016</u>
Current year's taxes receivable	\$ 2,082,642	\$ 2,148,187
Prior year's taxes receivable	760,907	825,889
Previous year's taxes receivable	483,692	331,021
Allowance for uncollectable taxes	<u>-</u>	<u>-</u>
	<u>\$ 3,327,241</u>	<u>\$ 3,305,097</u>

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

5. Investment in Government Business Enterprises

Niagara Power Incorporated (“NPI”) and 1938427 Ontario Inc. (“1938427”) are the holding companies of the three Town of Grimsby (“Grimsby”) utility subsidiaries. Grimsby Power Incorporated (“GPI”) is 90% owned and controlled by the Municipality and held by NPI. The remaining 10% is owned by Fortis Inc. Grimsby Energy Incorporated (“GEI”) and Grimsby Hydro Incorporated (“GHI”) are 100% owned and controlled by the Municipality and held by 1938427. Effective January 1, 2016, NPI transferred its ownership of GEI and GHI to 1938427.

The Municipality owns 23 common shares and 90 Class A preferred shares in NPI and 100 common shares and 12,900,000 preferred shares in 1938427.

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. GEI is currently building a 1 megawatt bioreactor facility.

GHI is the unregulated services company which is involved in fibre optics for the efficient distribution of internet services. It held a 25% equity ownership in a region-wide telecommunication business known as Niagara Regional Broadband Networks (“NRBN”), which it sold on October 14, 2016.

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 investment in subsidiaries is represented by the following:

	<u>2017</u>	<u>2016</u>
Promissory note receivable from GPI	\$ 5,782,746	\$ 5,782,746
Common and preferred shares	7,987,417	7,987,417
Retained earnings	7,689,272	7,539,925
Add: Adjustment on acquisition of subsidiary	915,004	915,004
Less: Non-controlling interest	<u>(336,524)</u>	<u>(262,843)</u>
	<u>\$ 22,037,915</u>	<u>\$ 21,962,249</u>

The promissory note receivable from GPI bears interest at 4.54% (2016 – 5.01%) and matures February 1, 2020.

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

5. Investment in Government Business Enterprises (continued)

The following table provides condensed supplementary financial information for the subsidiaries:

	<u>2017</u>	<u>2016</u>
Financial position		
Assets		
Current assets	\$ 7,853,999	\$ 13,656,370
Capital assets	38,324,191	35,869,454
Long term assets	<u>2,221,637</u>	<u>1,284,815</u>
Total assets	<u>48,399,827</u>	<u>50,810,639</u>
Liabilities		
Current liabilities	12,083,339	19,271,266
Long term liabilities	<u>19,168,030</u>	<u>14,540,261</u>
Total liabilities	<u>31,251,369</u>	<u>33,811,527</u>
Net assets	<u>\$ 17,148,458</u>	<u>\$ 16,999,112</u>
Results of operations		
Revenues	\$ 29,363,007	\$ 35,744,774
Expenses	<u>29,042,229</u>	<u>29,902,666</u>
Net income	320,778	5,842,108
Reorganization	-	(1,102)
Dividends	<u>(171,432)</u>	<u>(7,304)</u>
Net increase in equity of subsidiaries	<u>\$ 149,346</u>	<u>\$ 5,833,702</u>

Commitments and contingencies

- (a) In the prior year NPI had guaranteed the indebtedness of its subsidiary, GPI, in the amount of \$ 6,500,000. As of December 31, 2016, \$ 3,452,000 of the loan was outstanding and all financial covenants had been met.

NPI had 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 was estimated at \$ 614,000. As at January 31, 2017 the agreement was terminated and was refinanced through a term loan.

- (b) A letter of credit in the amount of \$ 964,845 (2016 - \$ 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.

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

5. Investment in subsidiaries (continued)

The financial position information is as reported by NPI and 1938427 at December 31, 2017 and the results of operations are as reported for the year ended December 31, 2017. The comparative financial position and results of operations figures are as reported by NPI at December 31, 2016.

The following summarizes the Municipality's related party transactions with NPI and 1938427 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>2017</u>	<u>2016</u>
Amounts received from NPI		
Interest on promissory note payable	\$ 262,537	\$ 289,716
Dividends	150,000	-
Directors' fees	30,651	23,640
Property services, water and vehicle fuel costs	48,733	45,534
LED retrofit customer incentive	-	100,185
Amounts paid to NPI		
Electricity and street lighting costs paid	676,665	645,873
Service costs paid	116,767	298,270
Amounts received from 1938427 Ontario Inc.		
Directors' fees	28,652	31,908

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

6. 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>2017</u>	<u>2016</u>
Building code	\$ 2,335,209	\$ 2,248,528
Development charges	3,569,120	6,425,808
Gas tax	1,257,672	467,376
Parkland dedication	677,283	196,947
Subdivision administration	<u>1,481,346</u>	<u>1,516,249</u>
	<u>\$ 9,320,630</u>	<u>\$ 10,854,908</u>

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

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	<u>\$ 10,854,908</u>	<u>\$ 9,725,785</u>
Contributions from		
Development Charges Act	1,242,122	4,261,976
Building Code Act	88,830	670,996
Planning Act	469,237	427,966
Subdivider contributions	181,354	413,614
Interest earned	222,991	188,196
Recoveries	76,871	-
Gas tax grants received		
Federal	<u>783,592</u>	<u>769,960</u>
	<u>3,064,997</u>	<u>6,732,708</u>
Utilized for		
Operations	152,436	46,512
Tangible capital asset acquisitions	<u>4,446,839</u>	<u>5,557,073</u>
	<u>4,599,275</u>	<u>5,603,585</u>
Balance, end of year	<u>\$ 9,320,630</u>	<u>\$ 10,854,908</u>

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

7. Deferred revenue – other	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 828,842	\$ 554,852
Add: Contributions	653,839	919,130
Less: Revenue recognized	(592,569)	(323,730)
Less: Refunds during the year	<u>(203,431)</u>	<u>(321,410)</u>
Balance, end of year	<u>\$ 686,681</u>	<u>\$ 828,842</u>

8. Employee benefit obligations	<u>2017</u>	<u>2016</u>
Workplace Safety and Insurance Board future benefits	\$ 719,366	\$ 606,500
Post-employment benefits	<u>1,039,600</u>	<u>1,000,600</u>
	<u>\$ 1,758,966</u>	<u>\$ 1,607,100</u>

(a) Workplace Safety and Insurance Board future benefits

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 \$ 719,366 (2016 - \$ 606,500). The Municipality remits payments to the WSIB as required to fund disability payments. During the year \$ 9,252 (2016 - \$ 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, 2017 is \$ 157,252 (2016 - \$ 157,252).

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

(b) Post-employment benefits

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, 2017 of \$ 1,039,600 (2016 - \$ 1,000,600) was determined by actuarial valuation.

The accrued benefit obligation at December 31, 2017 of \$ 984,300 (2016 - \$ 938,600) was determined by an actuarial valuation using a discount rate of 4.1%.

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 \$ 28,900 (2016 - \$ 39,900) were paid to retirees.

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

8. Employee benefit obligations (continued)

(b) Post-employment benefits (continued)

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, 2016. The main assumptions employed for the valuation are as follows:

Discount rate – the accrued benefit obligation was determined using a discount rate of 4.1%.

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

Medical costs – medical costs were assumed to be 7% for 2017 grading down 1% per annum to a rate of 5% per annum in 2018 onward.

	<u>2017</u>	<u>2016</u>
Accrued benefit obligation:		
Beginning of year	\$ 1,000,600	\$ 990,800
Benefit payments	(28,900)	(39,900)
Actuarial adjustment	-	(14,500)
Current service cost	35,300	33,900
Interest cost	39,300	37,800
Amortization of actuarial gain	<u>(6,700)</u>	<u>(7,500)</u>
End of year	<u>\$ 1,039,600</u>	<u>\$ 1,000,600</u>
Funded status:		
Employment benefit plan liabilities	\$ 984,300	\$ 938,600
Unamortized net actuarial gain	<u>55,300</u>	<u>62,000</u>
	<u>\$ 1,039,600</u>	<u>\$ 1,000,600</u>

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

Current service cost	\$ 35,300	\$ 33,900
Interest cost	39,300	37,800
Amortization of actuarial gain	<u>(6,700)</u>	<u>(7,500)</u>
Net benefit expense	<u>\$ 67,900</u>	<u>\$ 64,200</u>

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

9. Long term debt	<u>2017</u>	<u>2016</u>
Infrastructure Ontario loan	\$ 3,821,000	\$ -
Capital lease obligations	<u>71,124</u>	<u>69,835</u>
	<u>\$ 3,892,124</u>	<u>\$ 69,835</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>2017</u>	<u>2016</u>
Fire station #2	2.81%	2027	\$ 3,821,000	\$ -
Leased equipment	2.77% to 2.98%	2021-2022	71,124	69,835

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

2018	\$ 353,119
2019	363,121
2020	373,412
2021	382,622
2022	376,336

- (c) Total charges for interest, which are reported on the Consolidated Statement of Operations amounts to \$ 28,209 (2016 - \$ 2,281).

10. Tangible capital assets

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

	<u>2017</u>	<u>2016</u> (As restated) (Note 2)
Land	\$ 37,862,494	\$ 36,822,661
Land improvements	9,547,448	3,954,300
Buildings	26,471,601	19,878,206
Vehicles, machinery and equipment	<u>7,408,267</u>	<u>5,146,626</u>
	<u>81,289,810</u>	<u>65,801,793</u>
Infrastructure		
Roads	87,260,502	88,541,937
Water and wastewater	<u>87,357,120</u>	<u>88,243,232</u>
	<u>174,617,622</u>	<u>176,785,169</u>
Construction in process	<u>9,584,471</u>	<u>10,188,859</u>
	<u>\$ 265,491,903</u>	<u>\$ 252,775,821</u>

See Pages 29 and 30 for more detail.

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

11. Accumulated surplus	<u>2017</u>	<u>2016</u> (As restated) (Note 2)
Operating surplus	\$ 125,069	\$ 132,656
Investment in tangible capital assets	265,491,903	252,775,821
Investment in government business enterprises	22,037,915	21,962,249
Reserves and reserve funds (Note 12)	18,784,738	19,867,789
Unfunded liabilities (Note 13)	<u>(5,651,090)</u>	<u>(1,676,935)</u>
	<u>\$ 300,788,535</u>	<u>\$ 293,061,580</u>

12. Reserves and reserve funds	<u>2017</u>	<u>2016</u>
Reserves set aside by Council for specific purposes:		
Working funds	\$ 700,000	\$ 700,000
Contingencies	246,499	669,548
Equipment replacement	3,857,421	3,625,185
Insurance	47,779	47,779
Workplace safety and insurance	157,252	157,252
Parking revenues	5,538	5,538
Downtown Improvement Area	5,584	210
Other	417,336	427,312
Capital projects		
General government	779,875	638,513
Protection to persons and property	232,625	15,260
Transportation services	1,330,365	1,463,233
Environmental services	8,852,985	9,618,295
Social and family services	23,388	13,388
Recreation and culture services	1,133,350	1,045,831
Planning and development	<u>269,311</u>	<u>287,767</u>
Total reserves	<u>18,059,308</u>	<u>18,715,111</u>
Reserve funds set aside by Council for specific purposes:		
Museum	89,281	87,409
Tree planting	-	22,760
Other	<u>636,149</u>	<u>1,042,509</u>
Total reserve funds	<u>725,430</u>	<u>1,152,678</u>
	<u>\$ 18,784,738</u>	<u>\$ 19,867,789</u>

13. Unfunded liabilities	<u>2017</u>	<u>2016</u>
Employee benefit obligations	\$ 1,758,966	\$ 1,607,100
Long term debt	<u>3,892,124</u>	<u>69,835</u>
	<u>\$ 5,651,090</u>	<u>\$ 1,676,935</u>

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

14. Taxation	Budget 2017 (Note 25)	Actual <u>2017</u>	Actual <u>2016</u>
Real property		\$ 51,683,734	\$ 49,833,444
From other governments			
Payments in lieu of taxes		<u>613,388</u>	<u>548,936</u>
		<u>52,297,122</u>	<u>50,382,380</u>
Less: taxation collected on behalf of (Note 15)			
Region of Niagara		26,016,787	24,838,096
School boards		<u>9,997,684</u>	<u>9,888,384</u>
		<u>36,014,471</u>	<u>34,726,480</u>
Net taxes available for municipal purposes		<u>\$ 16,282,651</u>	<u>\$ 15,655,900</u>
Residential, multi-residential and farm	\$ 13,671,760	\$ 13,528,209	\$ 13,109,502
Commercial and industrial	<u>2,700,160</u>	<u>2,754,442</u>	<u>2,546,398</u>
Net taxes available for municipal purposes	<u>\$ 16,371,920</u>	<u>\$ 16,282,651</u>	<u>\$ 15,655,900</u>

15. 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>2017</u>	<u>2016</u>
Region of Niagara	\$ 26,016,787	\$ 24,838,096
School boards	<u>9,997,684</u>	<u>9,888,384</u>
	<u>\$ 36,014,471</u>	<u>\$ 34,726,480</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, 2017

16. User fees and charges	Budget 2017 (Note 25)	Actual <u>2017</u>	Actual <u>2016</u>
Operating			
Fees and service charges	\$ 2,057,050	\$ 2,068,951	\$ 1,956,753
Water charges	6,329,200	6,121,976	6,161,043
Sewage charges	<u>128,000</u>	<u>189,962</u>	<u>187,632</u>
	<u>\$ 8,514,250</u>	<u>\$ 8,380,889</u>	<u>\$ 8,305,428</u>
17. Government transfers			
	Budget 2017 (Note 25)	Actual <u>2017</u>	Actual <u>2016</u>
Operating			
Government of Canada	\$ 142,380	\$ 71,379	\$ 96,866
Province of Ontario	240,840	263,568	251,603
Municipal	<u>110,000</u>	<u>79,780</u>	<u>39,141</u>
	<u>493,220</u>	<u>414,727</u>	<u>387,610</u>
Capital			
Government of Canada	100,000	784,092	724,232
Province of Ontario	575,000	513,763	283,221
Municipal	<u>420,000</u>	<u>321,958</u>	<u>78,021</u>
	<u>1,095,000</u>	<u>1,619,813</u>	<u>1,085,474</u>
	<u>\$ 1,588,220</u>	<u>\$ 2,034,540</u>	<u>\$ 1,473,084</u>

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

17. 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>2017</u>	<u>2016</u>
Revenue		
Province of Ontario		
Ontario Municipal Partnership Fund	\$ 87,900	\$ 103,400
OMAFRA	513,763	268,553
OMAFRA drainage superintendent	10,019	3,363
Operating grants		
Senior citizens centre	57,700	51,611
Library	34,675	31,391
Art gallery	39,915	26,125
Museum	26,259	22,674
Recreation facilities	7,100	13,040
Capital grants		
Drainage works	-	14,668
	<u>777,331</u>	<u>534,825</u>
Government of Canada		
Clean Water and Wastewater Fund	691,484	-
Federal gas tax	8,183	688,657
Federal Economic Development Agency	84,425	35,575
Operating grants		
Art gallery	25,000	56,159
Museum	5,742	8,603
Wage subsidies	40,637	32,104
	<u>855,471</u>	<u>821,098</u>
Regional Municipality of Niagara		
Provincial Offences Act	37,877	34,795
Operating grants		
Art gallery	7,750	-
Heritage	34,153	3,846
Recreation facilities	-	500
Capital grants		
Roads	189,915	57,293
Wastewater	-	20,727
Recreation facilities	132,043	-
	<u>401,738</u>	<u>117,161</u>
	<u>\$ 2,034,540</u>	<u>\$ 1,473,084</u>

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

18. Other	Budget 2017 (Note 25)	Actual <u>2017</u>	Actual <u>2016</u>
Operating			
Penalties and interest on taxes	\$ 546,840	\$ 567,048	\$ 508,652
Fines	40,000	40,006	7,317
Licences and permits	647,100	421,905	434,869
Rental income	32,000	30,865	25,332
Investment income	519,900	697,268	570,171
Investment income – reserves and reserve funds	-	20,766	57,972
Donations	62,100	68,479	240,793
Donations – reserves and reserve funds	1,000	298	21,706
Subsidiaries net earnings	-	75,665	5,798,142
Other	<u>365,720</u>	<u>422,698</u>	<u>286,917</u>
	<u>2,214,660</u>	<u>2,344,998</u>	<u>7,951,871</u>
Capital			
Development charges	9,456,520	4,304,871	4,575,721
Donations	1,387,000	446,846	344,085
Contributed tangible capital assets	-	1,568,882	855,803
Gain (loss) on disposal of capital assets	-	258,573	(79,388)
Other	<u>19,000</u>	<u>133,785</u>	<u>292,695</u>
	<u>10,862,520</u>	<u>6,712,957</u>	<u>5,988,916</u>
	<u>\$ 13,077,180</u>	<u>\$ 9,057,955</u>	<u>\$ 13,940,787</u>

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

19. 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 surplus of \$ 600 million (2016 - \$ 2.3 billion deficit) 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 2017 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 2017 current and past service was \$ 605,839 (2016 - \$ 589,768) and were matched by employee contributions in a similar amount.

20. Liabilities for contaminated sites

The Municipality reports environmental liabilities related to the management and remediation of any contaminated sites where the Municipality is obligated or likely obligated to incur such costs. Currently no such contaminated sites have been identified and therefore no liability has been recorded.

The Municipality's ongoing efforts to assess contaminated sites may result in future environmental remediation liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. Any changes to the Municipality's liabilities for contaminated sites will be accrued in the year in which they are assessed as likely and reasonably estimable.

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

Trust Funds administered by the Municipality amounting to \$ 1,077,575 (2016 - \$ 1,030,903) 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, 2017

22. 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.

23. Commitments

Debt guarantee

The Municipality has guaranteed the indebtedness of GEI, a wholly owned subsidiary of 1938427 Ontario Inc., wholly owned by the Municipality, in the amount of \$ 4,500,000 plus costs. As of December 31, 2017, \$ 4,500,000 (2016 - \$ 4,500,000) 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.

Capital expenses

The estimated future capital expense commitments based on projects in progress at December 31, 2017 is approximately \$ 7,205,820 (2016 - \$ 3,985,730). These projects will be financed by grants, taxation or long term liabilities in future years.

The Municipality has committed to funding the Woodsvew 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.

Property revitalization tax increment grant

The Town has a commitment of \$ 404,880 (2016 - \$ 404,880) resulting from an agreement entered into as part of the Property Revitalization Tax Increment Grant program. Grant expenses will be recognized over a period of ten years following reassessment by MPAC and when all other eligibility criteria have been met by the applicant.

24. 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, 2017

25. Budget

The budget by-law adopted by Council on April 18, 2017 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	24,131,930
Principal repayments of long term debt	168,190
Less: Proceeds from issuance of long term debt	(3,340,000)
Transfers from reserves and reserve funds - net	(5,230,459)
Amortization of tangible capital assets	<u>(5,653,035)</u>
Budgeted surplus reported on the Consolidated Statement of Operations	<u>\$ 10,076,626</u>

26. Comparative figures

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

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, 2017

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, 2017

	<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>2017</u>
Cost								
Beginning of year	\$ 36,822,661	\$ 5,991,130	\$ 25,492,178	\$ 11,789,333	\$ 128,462,043	\$ 124,054,859	\$ 10,188,859	\$ 342,801,063
Add additions	1,039,833	5,934,967	7,070,001	3,255,795	790,482	991,539	12,764,892	31,847,509
Less disposals	<u>-</u>	<u>(26,827)</u>	<u>-</u>	<u>(552,406)</u>	<u>(46,354)</u>	<u>(176,936)</u>	<u>(13,369,280)</u>	<u>(14,171,803)</u>
End of year	<u>37,862,494</u>	<u>11,899,270</u>	<u>32,562,179</u>	<u>14,492,722</u>	<u>129,206,171</u>	<u>124,869,462</u>	<u>9,584,471</u>	<u>360,476,769</u>
Accumulated amortization								
Beginning of year	-	2,036,830	5,613,972	6,642,707	39,920,106	35,811,627	-	90,025,242
Add amortization	-	341,819	476,606	960,302	2,055,383	1,818,925	-	5,653,035
Less amortization on disposals	<u>-</u>	<u>(26,827)</u>	<u>-</u>	<u>(518,554)</u>	<u>(29,820)</u>	<u>(118,210)</u>	<u>-</u>	<u>(693,411)</u>
End of year	<u>-</u>	<u>2,351,822</u>	<u>6,090,578</u>	<u>7,084,455</u>	<u>41,945,669</u>	<u>37,512,342</u>	<u>-</u>	<u>94,984,866</u>
Net book value	<u>\$ 37,862,494</u>	<u>\$ 9,547,448</u>	<u>\$ 26,471,601</u>	<u>\$ 7,408,267</u>	<u>\$ 87,260,502</u>	<u>\$ 87,357,120</u>	<u>\$ 9,584,471</u>	<u>\$ 265,491,903</u>

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

For the Year Ended December 31, 2016

(As restated – Note 2)

	<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>2016</u>
Cost								
Beginning of year	\$ 36,822,661	\$ 5,858,784	\$ 25,473,617	\$ 10,574,405	\$ 127,209,594	\$ 122,376,790	\$ 3,530,369	\$ 331,846,220
Add additions	-	165,320	18,561	1,799,217	1,534,919	1,987,885	8,880,178	14,386,080
Less disposals	-	(32,974)	-	(584,289)	(282,470)	(309,816)	(2,221,688)	(3,431,237)
End of year	<u>36,822,661</u>	<u>5,991,130</u>	<u>25,492,178</u>	<u>11,789,333</u>	<u>128,462,043</u>	<u>124,054,859</u>	<u>10,188,859</u>	<u>342,801,063</u>
Accumulated amortization								
Beginning of year	-	1,842,708	5,226,869	6,378,544	38,199,753	34,265,295	-	85,913,169
Add amortization	-	227,096	387,103	824,507	1,995,406	1,806,281	-	5,240,393
Less amortization on disposals	-	(32,974)	-	(560,344)	(275,053)	(259,949)	-	(1,128,320)
End of year	-	<u>2,036,830</u>	<u>5,613,972</u>	<u>6,642,707</u>	<u>39,920,106</u>	<u>35,811,627</u>	-	<u>90,025,242</u>
Net book value	<u>\$ 36,822,661</u>	<u>\$ 3,954,300</u>	<u>\$ 19,878,206</u>	<u>\$ 5,146,626</u>	<u>\$ 88,541,937</u>	<u>\$ 88,243,232</u>	<u>\$ 10,188,859</u>	<u>\$ 252,775,821</u>

The Corporation of the Town of Grimsby Consolidated Schedule of Segment Disclosure

For the year ended December 31, 2017

	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Recreation and culture services	Planning and development	2017
Revenues									
Taxation	\$ 1,023,793	\$ 2,511,789	\$ 4,866,855	\$ 5,135,207	\$ 102,340	\$ 78,792	\$ 2,256,656	\$ 307,219	\$ 16,282,651
User charges	59,627	167,254	34,833	6,311,938	93,650	88,643	1,315,411	309,533	8,380,889
Government transfers	87,899	37,877	201,381	1,203,799	-	57,700	392,465	53,419	2,034,540
Other	217,604	123,048	6,183,971	1,003,384	112,702	6,219	1,389,249	21,778	9,057,955
	1,388,923	2,839,968	11,287,040	13,654,328	308,692	231,354	5,353,781	691,949	35,756,035
Expenses									
Salaries and benefits	1,721,984	2,087,400	1,822,510	1,843,307	162,839	173,788	2,925,035	553,383	11,290,246
Operating materials and supplies	472,779	235,180	787,930	103,908	11,992	43,320	1,170,743	173,712	2,999,564
Contracted services	314,067	232,243	542,719	5,871,613	2,915	26,535	486,411	156,075	7,632,578
Rent and financial expenses	110,147	92,357	52,208	65,946	6,117	4,624	121,958	300	453,657
Amortization	333,364	309,195	1,434,225	2,910,365	15,899	7,594	640,506	1,887	5,653,035
Interfunctional expenses	(706,362)	92,230	(310,498)	674,611	78,169	9,375	138,565	23,910	-
	2,245,979	3,048,605	4,329,094	11,469,750	277,931	265,236	5,483,218	909,267	28,029,080
Annual surplus (deficit)	\$ (857,056)	\$ (208,637)	\$ 6,957,946	\$ 2,184,578	\$ 30,761	\$ (33,882)	\$ (129,437)	\$ (217,318)	\$ 7,726,955

The Corporation of the Town of Grimsby Consolidated Schedule of Segment Disclosure

For the year ended December 31, 2016

(As restated – Note 2)

	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Recreation and culture services	Planning and development	2016
Revenues									
Taxation	\$ 966,890	\$ 3,213,662	\$ 2,934,755	\$ 5,006,130	\$ 117,169	\$ 92,884	\$ 3,056,332	\$ 268,078	\$ 15,655,900
User charges	32,648	151,516	19,226	6,348,676	88,206	86,640	1,378,645	199,872	8,305,429
Government transfers	103,400	34,795	729,767	289,280	-	51,611	251,925	12,306	1,473,084
Other	5,892,777	1,278,015	2,229,931	758,948	91,993	6,744	3,654,986	27,392	13,940,786
	6,995,715	4,677,988	5,913,679	12,403,034	297,368	237,879	8,341,888	507,648	39,375,199
Expenses									
Salaries and benefits	1,601,486	2,310,729	1,792,027	1,784,498	179,941	175,828	2,808,412	483,161	11,136,082
Operating materials and supplies	461,806	188,835	807,811	138,942	21,656	43,118	1,237,742	96,717	2,996,627
Contracted services	259,367	237,561	791,796	5,718,275	5,162	40,845	473,752	97,061	7,623,819
Rent and financial expenses	111,135	47,524	51,762	65,383	4,699	4,286	113,066	1,800	399,655
Amortization	284,880	175,938	1,363,018	2,873,400	15,159	7,594	517,926	2,481	5,240,396
Interfunctional expenses	(504,037)	60,095	(321,377)	559,940	78,353	8,374	100,392	18,260	-
	2,214,637	3,020,682	4,485,037	11,140,438	304,970	280,045	5,251,290	699,480	27,396,579
Annual surplus (deficit)	\$ 4,781,078	\$ 1,657,306	\$ 1,428,642	\$ 1,262,596	\$ (7,602)	\$ (42,166)	\$ 3,090,598	\$ (191,832)	\$ 11,978,620

The Corporation of the Town of Grimsby

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2017

	Budget 2017 (Note 25)	Actual 2017	Actual 2016 (As restated) (Note 2)
General government			
Revenue			
Taxation	\$ 1,029,405	\$ 1,023,793	\$ 966,890
User charges	34,650	59,627	32,648
Government transfers	87,900	87,899	103,400
Other	97,173	217,604	5,892,777
	<u>1,249,128</u>	<u>1,388,923</u>	<u>6,995,715</u>
Expenses			
Salaries and benefits	1,727,162	1,721,984	1,601,486
Operating materials and supplies	506,200	472,779	461,806
Contracted services	403,770	314,067	259,367
Rent and financial expenses	111,730	110,147	111,135
Amortization	333,364	333,364	284,880
Interfunctional expenses	(707,152)	(706,362)	(504,037)
	<u>2,375,074</u>	<u>2,245,979</u>	<u>2,214,637</u>
Annual (deficit) surplus	\$ (1,125,946)	\$ (857,056)	\$ 4,781,078
Protection to persons and property			
Revenue			
Taxation	\$ 2,525,560	\$ 2,511,789	\$ 3,213,662
User charges	134,500	167,254	151,516
Government transfers	60,000	37,877	34,795
Other	1,231,857	123,048	1,278,015
	<u>3,951,917</u>	<u>2,839,968</u>	<u>4,677,988</u>
Expenses			
Salaries and benefits	2,198,240	2,087,400	2,310,729
Operating materials and supplies	230,080	235,180	188,835
Contracted services	256,870	232,243	237,561
Rent and financial expenses	169,760	92,357	47,524
Amortization	309,195	309,195	175,938
Interfunctional expenses	92,230	92,230	60,095
	<u>3,256,375</u>	<u>3,048,605</u>	<u>3,020,682</u>
Annual (deficit) surplus	\$ 695,542	\$ (208,637)	\$ 1,657,306

The Corporation of the Town of Grimsby

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2017

	Budget 2017 (Note 25)	Actual 2017	Actual 2016 (As restated) (Note 2)
Transportation services			
Revenue			
Taxation	\$ 4,893,538	\$ 4,866,855	\$ 2,934,755
User charges	54,000	34,833	19,226
Government transfers	259,998	201,381	729,767
Other	9,415,349	6,183,971	2,229,931
	<u>14,622,885</u>	<u>11,287,040</u>	<u>5,913,679</u>
Expenses			
Salaries and benefits	1,740,891	1,822,510	1,792,027
Operating materials and supplies	780,400	787,930	807,811
Contracted services	574,200	542,719	791,796
Rent and financial expenses	52,210	52,208	51,762
Amortization	1,434,225	1,434,225	1,363,018
Interfunctional expenses	(346,421)	(310,498)	(321,377)
	<u>4,235,505</u>	<u>4,329,094</u>	<u>4,485,037</u>
Annual surplus	<u>\$ 10,387,380</u>	<u>\$ 6,957,946</u>	<u>\$ 1,428,642</u>
Environmental services			
Revenue			
Taxation	\$ 5,163,361	\$ 5,135,207	\$ 5,006,130
User charges	6,457,200	6,311,938	6,348,676
Government transfers	560,000	1,203,799	289,280
Other	816,427	1,003,384	758,948
	<u>12,996,988</u>	<u>13,654,328</u>	<u>12,403,034</u>
Expenses			
Salaries and benefits	1,904,210	1,843,307	1,784,498
Operating materials and supplies	188,370	103,908	138,942
Contracted services	6,376,000	5,871,613	5,718,275
Rent and financial expenses	65,940	65,946	65,383
Amortization	2,910,365	2,910,365	2,873,400
Interfunctional expenses	712,660	674,611	559,940
	<u>12,157,545</u>	<u>11,469,750</u>	<u>11,140,438</u>
Annual surplus	<u>\$ 839,443</u>	<u>\$ 2,184,578</u>	<u>\$ 1,262,596</u>

The Corporation of the Town of Grimsby

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2017

	Budget 2017 (Note 25)	Actual 2017	Actual 2016
Health services			
Revenue			
Taxation	\$ 102,901	\$ 102,340	\$ 117,169
User charges	106,000	93,650	88,206
Other	<u>85,994</u>	<u>112,702</u>	<u>91,993</u>
	<u>294,895</u>	<u>308,692</u>	<u>297,368</u>
Expenses			
Salaries and benefits	166,751	162,839	179,941
Operating materials and supplies	9,560	11,992	21,656
Contracted services	1,700	2,915	5,162
Rent and financial expenses	2,750	6,117	4,699
Amortization	15,898	15,899	15,159
Interfunctional expenses	<u>75,529</u>	<u>78,169</u>	<u>78,353</u>
	<u>272,188</u>	<u>277,931</u>	<u>304,970</u>
Annual surplus (deficit)	<u>\$ 22,707</u>	<u>\$ 30,761</u>	<u>\$ (7,602)</u>

Social and family services

Revenue			
Taxation	\$ 79,224	\$ 78,792	\$ 92,884
User charges	86,200	88,643	86,640
Government transfers	42,700	57,700	51,611
Other	<u>5,162</u>	<u>6,219</u>	<u>6,744</u>
	<u>213,286</u>	<u>231,354</u>	<u>237,879</u>
Expenses			
Salaries and benefits	169,810	173,788	175,828
Operating materials and supplies	40,100	43,320	43,118
Contracted services	29,650	26,535	40,845
Rent and financial expenses	4,350	4,624	4,286
Amortization	7,594	7,594	7,594
Interfunctional expenses	<u>10,400</u>	<u>9,375</u>	<u>8,374</u>
	<u>261,904</u>	<u>265,236</u>	<u>280,045</u>
Annual deficit	<u>\$ (48,618)</u>	<u>\$ (33,882)</u>	<u>\$ (42,166)</u>

The Corporation of the Town of Grimsby

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2017

	Budget 2017 (Note 25)	Actual 2017	Actual 2016
Recreation and culture services			
Revenue			
Taxation	\$ 2,269,028	\$ 2,256,656	\$ 3,056,332
User charges	1,366,500	1,315,411	1,378,645
Government transfers	506,332	392,465	251,925
Other	1,394,240	1,389,249	3,654,986
	<u>5,536,100</u>	<u>5,353,781</u>	<u>8,341,888</u>
Expenses			
Salaries and benefits	2,993,680	2,925,035	2,808,412
Operating materials and supplies	1,237,630	1,170,743	1,237,742
Contracted services	791,410	486,411	473,752
Rent and financial expenses	125,430	121,958	113,066
Amortization	640,506	640,506	517,926
Interfunctional expenses	139,840	138,565	100,392
	<u>5,928,496</u>	<u>5,483,218</u>	<u>5,251,290</u>
Annual (deficit) surplus	<u>\$ (392,396)</u>	<u>\$ (129,437)</u>	<u>\$ 3,090,598</u>
Planning and development			
Revenue			
Taxation	\$ 308,903	\$ 307,219	\$ 268,078
User charges	275,200	309,533	199,872
Government transfers	71,290	53,419	12,306
Other	30,977	21,778	27,392
	<u>686,370</u>	<u>691,949</u>	<u>507,648</u>
Expenses			
Salaries and benefits	582,420	553,383	483,161
Operating materials and supplies	124,950	173,712	96,717
Contracted services	252,890	156,075	97,061
Rent and financial expenses	1,800	300	1,800
Amortization	1,887	1,887	2,481
Interfunctional expenses	23,910	23,910	18,260
	<u>987,857</u>	<u>909,267</u>	<u>699,480</u>
Annual deficit	<u>\$ (301,487)</u>	<u>\$ (217,318)</u>	<u>\$ (191,832)</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, 2017, and the statement of operations, changes in net 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 financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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, financial position of the Trust Funds of The Corporation of the Town of Grimsby as at December 31, 2017 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Grant Thornton LLP

Port Colborne, Canada
October 15, 2018

Chartered Professional Accountants
Licensed Public Accountants

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

As at December 31, 2017

	Cemetery Care and Maintenance <u>- Grounds</u>	Cemetery Care and Maintenance <u>- Markers</u>	Total <u>2017</u>	Total <u>2016</u>
Assets				
Cash and cash equivalents	\$ 233,190	\$ 29,399	\$ 262,589	\$ -
Interest receivable	23,789	2,999	26,788	18,557
Due from the Town of Grimsby (Note 2)	19,345	2,439	21,784	2,771
Portfolio investments (Note 3)	<u>680,609</u>	<u>85,805</u>	<u>766,414</u>	<u>1,009,575</u>
Net assets	<u>\$ 956,933</u>	<u>\$ 120,642</u>	<u>\$ 1,077,575</u>	<u>\$ 1,030,903</u>

See accompanying notes to the consolidated financial statements

The Corporation of the Town of Grimsby
Trust Funds
Statement of Operations and Changes in Net Assets

For the Year Ended December 31, 2017

	Cemetery Care and Maintenance - <u>Grounds</u>	Cemetery Care and Maintenance - <u>Markers</u>	Total 2017	Total 2016
Revenue				
Care and maintenance agreements	\$ 43,272	\$ 3,400	\$ 46,672	\$ 26,621
Interest	<u>24,550</u>	<u>3,134</u>	<u>27,684</u>	<u>26,138</u>
	67,822	6,534	74,356	52,759
Expenses				
Interest earned distributed to the Town of Grimsby	<u>24,550</u>	<u>3,134</u>	<u>27,684</u>	<u>26,138</u>
Excess of revenue over expenses	43,272	3,400	46,672	26,621
Net assets				
Beginning of year	<u>913,661</u>	<u>117,242</u>	<u>1,030,903</u>	<u>1,004,282</u>
End of year	<u>\$ 956,933</u>	<u>\$ 120,642</u>	<u>\$ 1,077,575</u>	<u>\$ 1,030,903</u>

See accompanying notes to the consolidated financial statements

**The Corporation of the Town of Grimsby
Trust Funds
Statement of Cash Flows**

For the Year Ended December 31, 2017

	Cemetery Care and Maintenance <u>- Grounds</u>	Cemetery Care and Maintenance <u>- Markers</u>	Total 2017	Total 2016
Net increase (decrease) in cash and cash equivalents				
Operating activities				
Excess of revenue over expenses	\$ 43,272	\$ 3,400	\$ 46,672	\$ 26,621
(Increase) decrease in:				
Interest receivable	(7,343)	(888)	(8,231)	(8,440)
Due from Town of Grimsby	<u>(16,889)</u>	<u>(2,124)</u>	<u>(19,013)</u>	<u>227,441</u>
	19,040	388	19,428	245,622
Investing activities				
Decrease (increase) in investments - net	<u>214,150</u>	<u>29,011</u>	<u>243,161</u>	<u>(258,795)</u>
Increase (decrease) in cash and cash equivalents	233,190	29,399	262,589	(13,173)
Cash and cash equivalents				
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,173</u>
End of year	<u>\$ 233,190</u>	<u>\$ 29,399</u>	<u>\$ 262,589</u>	<u>\$ -</u>

See accompanying notes to the consolidated financial statements

The Corporation of the Town of Grimsby

Trust Funds

Notes to the Financial Statements

For the Year Ended December 31, 2017

1. Summary of significant accounting policies

Management responsibility

The financial statements are the responsibility of and prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

The significant accounting policies used are as follows:

(a) 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.

(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. 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.

3. Portfolio investments

Portfolio investments consist of Canadian provincial bonds with interest rates of 4.20% maturing between March, 2018 and March, 2024 and a guaranteed investment certificate with an interest rate of 1.85% maturing May, 2021. Portfolio investments have an estimated market value of \$ 788,230 (2016 - \$ 1,036,938).