

Financial Report

Town of Grimsby

December 31, 2018

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# Independent auditor's report

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

### Opinion

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

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

### Basis for Opinion

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

### Emphasis of Matter – Restated Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which describes that certain comparative information for the year ended December 31, 2017 has been restated.

As part of our audit of the financial statements for the year ended December 31, 2018, we also audited the adjustments that were applied to restate certain comparative information for the year ended December 31, 2017. In our opinion, such adjustments are appropriate and have been properly applied.

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality and the organizations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

*Grant Thornton LLP*

Port Colborne, Canada  
May 19, 2020

Chartered Professional Accountants  
Licensed Public Accountants

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# Town of Grimsby

## Consolidated Statement of Financial Position

As at December 31, 2018

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	<u>2018</u>	<u>2017</u> (As restated) (Note 2)
<b>Financial assets</b>		
Cash and cash equivalents	\$ 10,606,322	\$ 11,766,144
Portfolio investments (Note 3)	19,247,658	15,513,062
Taxes receivable (Note 4)	4,321,861	3,327,241
User charges receivable	1,750,348	1,495,122
Other receivables	4,571,692	3,726,501
Investment in Government Business Enterprises (Note 5)	<u>16,281,121</u>	<u>17,006,555</u>
	<u>56,779,002</u>	<u>52,834,625</u>
<b>Liabilities</b>		
Payables and accruals	8,313,303	7,671,816
Due to trust funds	27,194	21,784
Deferred revenue - obligatory reserve funds (Note 6)	12,441,791	9,320,630
Deferred revenue - other (Note 7)	799,718	686,681
Employee benefit obligations (Notes 8 and 19)	2,273,280	1,758,966
Long term debt (Note 9)	<u>10,799,693</u>	<u>11,259,647</u>
	<u>34,654,979</u>	<u>30,719,524</u>
<b>Net financial assets</b>	<u>22,124,023</u>	<u>22,115,101</u>
<b>Non-financial assets</b>		
Tangible capital assets (Note 10 and Pages 33 and 34)	275,879,942	276,595,528
Inventory and prepaid expenses	1,239,488	1,266,023
Other assets	<u>-</u>	<u>811,883</u>
	<u>277,119,430</u>	<u>278,673,434</u>
<b>Accumulated surplus (Note 11)</b>	<u>\$ 299,243,453</u>	<u>\$ 300,788,535</u>

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Commitments (Note 23)  
Contingencies (Note 24)  
Subsequent events (Note 29)

Approved by

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Director of Finance/Town Treasurer

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Chief Administrative Officer

See accompanying notes to the consolidated financial statements

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## Town of Grimsby

### Consolidated Statement of Operations

For the Year Ended December 31, 2018

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	Budget <u>2018</u> (Note 27)	<b>Actual <u>2018</u></b>	Actual <u>2017</u> (As restated) (Note 2)
<b>Revenues</b>			
Taxation (Note 14)	\$ 17,298,770	\$ <b>17,520,187</b>	\$ 16,282,651
User fees and charges (Note 16)	9,243,950	<b>9,290,112</b>	8,380,889
Government transfers (Note 17)	5,054,620	<b>3,471,052</b>	2,034,540
Other (Note 18)	<u>4,076,860</u>	<b><u>6,069,398</u></b>	<u>9,904,126</u>
	<u>35,674,200</u>	<b><u>36,350,749</u></b>	<u>36,602,206</u>
<b>Expenses</b>			
General government	2,742,167	<b>2,655,954</b>	2,245,979
Protection to persons and property	3,615,347	<b>3,777,038</b>	3,048,605
Transportation services	5,451,542	<b>6,022,768</b>	4,329,094
Environmental services	12,805,775	<b>12,039,133</b>	11,469,750
Health services	284,556	<b>292,100</b>	277,931
Social and family services	264,357	<b>284,305</b>	265,236
Recreation and culture services	6,183,418	<b>5,899,190</b>	5,483,218
Planning and development	<u>1,014,988</u>	<b><u>6,925,343</u></b>	<u>1,755,438</u>
	<u>32,362,150</u>	<b><u>37,895,831</u></b>	<u>28,875,251</u>
<b>Annual (deficit) surplus</b>	3,312,050	<b>(1,545,082)</b>	7,726,955
<b>Accumulated surplus (Note 11)</b>			
Beginning of year	<u>300,788,535</u>	<b><u>300,788,535</u></b>	<u>293,061,580</u>
End of year	<b><u>\$ 304,100,585</u></b>	<b><u>\$ 299,243,453</u></b>	<b><u>\$ 300,788,535</u></b>

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See accompanying notes to the consolidated financial statements.

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## Town of Grimsby

### Consolidated Statement of Changes in Net Financial Assets

For the Year Ended December 31, 2018

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	Budget 2018 (Note 27)	Actual 2018	Actual 2017 (As restated) (Note 2)
Annual (deficit) surplus	\$ 3,312,050	\$ (1,545,082)	\$ 7,726,955
Amortization of tangible capital assets	6,199,640	6,977,799	6,047,483
Write-down of 1938427 Ontario Inc. tangible capital assets (Note 25)	-	2,805,867	-
Acquisition of tangible capital assets	(16,502,850)	(9,466,692)	(18,995,543)
Contributed tangible capital assets	-	(377,552)	(1,568,882)
Proceeds on sale of tangible capital assets	-	16,248	367,685
Loss (gain) on disposal of tangible capital assets	-	759,916	(258,573)
	(6,991,160)	(829,496)	(6,680,875)
Usage (acquisition) of inventory and prepaid expenses	-	26,535	(100,307)
Usage (acquisition) of other assets (Note 26)	-	811,883	(226,456)
<b>Increase (decrease) in net financial assets</b>	<b>(6,991,160)</b>	<b>8,922</b>	<b>(7,007,638)</b>
<b>Net financial assets</b>			
Beginning of year			
As previously stated	22,115,101	22,115,101	39,443,001
Prior period adjustment (Note 2)	-	-	(10,320,262)
As restated	22,115,101	22,115,101	29,122,739
End of year	\$ 15,123,941	\$ 22,124,023	\$ 22,115,101

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See accompanying notes to the consolidated financial statements.

# Town of Grimsby

## Consolidated Statement of Cash Flows

For the Year Ended December 31, 2018

	<u>2018</u>	<u>2017</u> (As restated) (Note 2)
<b>Increase (decrease) in cash and cash equivalents</b>		
<b>Operating activities</b>		
Annual (deficit) surplus	\$ (1,545,082)	\$ 7,726,955
Non-cash items:		
Amortization of tangible capital assets	6,977,799	6,047,483
Write-down of 1938427 Ontario Inc. tangible capital assets (Note 25)	2,805,867	-
Loss (gain) on disposal of tangible capital assets	759,916	(258,573)
Contributed tangible capital assets	(377,552)	(1,568,882)
Changes in:		
Taxes receivable	(994,620)	(22,144)
User charges receivable	(255,226)	(63,554)
Other receivables	(845,191)	(1,556,408)
Payables and accruals	641,487	(3,566,145)
Due to trust funds	5,410	19,013
Deferred revenue - obligatory reserve funds	3,121,161	(1,534,278)
Deferred revenue - other	113,037	(142,161)
Employee benefit obligations	514,314	151,866
Inventory and prepaid expenses	26,535	(100,307)
Other assets (Note 26)	811,883	(226,456)
	<u>11,759,738</u>	<u>4,906,409</u>
<b>Capital activities</b>		
Proceeds from disposal of tangible capital assets	16,248	367,685
Acquisition of tangible capital assets	(9,466,692)	(18,995,543)
	<u>(9,450,444)</u>	<u>(18,627,858)</u>
<b>Investing activities</b>		
Decrease (increase) in investment in Government Business Enterprises	725,434	(679,553)
Purchase of portfolio investments, net	(3,734,596)	3,041,986
	<u>(3,009,162)</u>	<u>2,362,433</u>
<b>Financing activities</b>		
Proceeds from long term debt issuance	85,999	3,996,224
Repayment of long term debt	(545,953)	(176,501)
	<u>(459,954)</u>	<u>3,819,723</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(1,159,822)</u>	<u>(7,539,293)</u>
<b>Cash and cash equivalents</b>		
Beginning of year		
As previously stated	11,766,144	13,662,058
Prior period adjustment (Note 2)	-	5,643,379
As restated	<u>11,766,144</u>	<u>19,305,437</u>
End of year	<u>\$ 10,606,322</u>	<u>\$ 11,766,144</u>

See accompanying notes to the consolidated financial statements.

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# Town of Grimsby

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

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### 1. Significant accounting policies

#### Management responsibility

The consolidated financial statements 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:

- Grimsby Public Library Board
- Grimsby Museum
- Grimsby Public Art Gallery
- Grimsby Downtown Improvement Area
- 1938427 Ontario Inc.
- Grimsby Hydro Incorporated
- Grimsby Energy Incorporated

Interdepartmental and organizational transactions and balances are eliminated.

Niagara Power Incorporated (“NPI”) is a subsidiary corporation 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 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 21).

#### (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.

#### (c) Cash and cash equivalents

Cash and temporary investments include cash on hand, balances with banks and guaranteed investment certificates that mature within three months.

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# Town of Grimsby

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

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### 1. Significant accounting policies (continued)

#### (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

Resources restricted by agreement with an external party are recognized as revenue in the entity's financial statements in the period in which the resources are used for the purpose or purposes specified. An externally restricted inflow received before this criterion has been met is recorded as a liability until the resources are used for the purpose or purposes specified.

#### (f) Employee future benefits

i) The Municipality 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 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.

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# Town of Grimsby

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

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### 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 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	10 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 and recorded as tangible capital assets. The Municipality is not involved in the construction.

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# Town of Grimsby

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

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### 1. Significant accounting policies (continued)

#### (j) Inventory

Inventory is recorded at the lower of average 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 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 received are recognized in the financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

Government transfers to individuals and other entities are recognized as an expense when the transfers are authorized and all eligibility criteria have been met.

##### 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.

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# Town of Grimsby

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

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### 1. Significant accounting policies (continued)

#### (l) Revenue recognition (continued)

##### vi) Grimsby Energy Incorporated

Revenue is recognized on cyclical billings of energy transmitted back to the electrical distribution system. Interest income is recognized as earned.

#### (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) Payments in lieu of corporate income taxes ("PILs")

Grimsby Energy Incorporated ("Company") is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts").

Pursuant to the Electricity Act, 1998 (Ontario) ("EA"), and as a consequence of its exemption from income taxes under the Tax Acts, the Company is required to make payments in lieu of income taxes ("PILs") to the Ontario Electricity Financial Corporation (OEFC). These payments are calculated in accordance with the Federal and Ontario Tax Acts. These amounts are applied to reduce certain debt obligations of the former Ontario Hydro continuing OEFC.

PILs comprises current and deferred payments in lieu of income tax.

Current PILs is the expected amount of cash taxes payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The Company recognizes deferred tax assets and liabilities for the future tax consequences of events that have been included in the financial statements or income tax return. Deferred PILs comprise the net tax effects of temporary differences between the tax basis of assets and liabilities and their respective carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized. Deferred PILs assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred PILs assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

A deferred PILs asset is recognized to the extent that it is probable that the future taxable income will be available against which the temporary difference is utilized. Deferred PILs assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

The benefits of refundable and non-refundable apprenticeship and other input tax credits are credited against the related expense in the statement of income.

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# Town of Grimsby

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

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### 1. Significant accounting policies (continued)

#### (o) Use of estimates

The preparation of the consolidated financial statements in accordance 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 date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Areas in which management make estimates are with regards to an allowance for uncollectible taxes receivable, obligations for employee benefits and the contaminated sites and landfill liabilities.

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### 2. Prior period adjustment

During the year, management discovered that the investment in 1938427 Ontario Inc. and its wholly owned subsidiaries Grimsby Hydro Inc. and Grimsby Energy Inc. had not been recorded on a full consolidation basis as of 2016.

As a result, the following financial statement items have been increased (decreased) as follows:

	Previously reported	Adjustments	As restated
<b><u>Consolidated Statement of Financial Position</u></b>			
<b><u>As at December 31, 2017</u></b>			
<b>Assets</b>			
Cash and cash equivalents	11,565,847	200,297	11,766,144
Other receivables	3,557,054	169,447	3,726,501
Investment in Government Business Enterprises (Note 5)	22,037,915	(5,031,360)	17,006,555
<b>Liabilities</b>			
Payables and accruals	7,455,819	215,997	7,671,816
Long term debt (Note 9)	3,892,124	7,367,523	11,259,647
<b>Non-financial assets</b>			
Tangible capital assets	265,491,903	11,103,625	276,595,528
Inventory and prepaid expenses	936,395	329,628	1,266,023
Other assets	-	811,883	811,883
<b>Accumulated surplus</b> (Note 11)	300,788,535	-	300,788,535

# Town of Grimsby

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

### 2. Prior period adjustment (continued)

	Previously reported	Adjustments	As restated
<b><u>Consolidated Statement of Operations</u></b>			
<b><u>For the Year Ended December 31, 2017</u></b>			
<b>Revenue</b>			
Other	9,057,955	846,171	9,904,126
<b>Expenses</b>			
Planning and development	909,267	846,171	1,755,438
<b>Accumulated surplus (Note 11)</b>			
Beginning of year	293,061,580	-	293,061,580
End of year	300,788,535	-	300,788,535
<b><u>Consolidated Statement of Changes in Net</u></b>			
<b><u>Financial Assets</u></b>			
<b><u>For the Year Ended December 31, 2017</u></b>			
Amortization of tangible capital assets	5,653,035	394,448	6,047,483
Acquisition of tangible capital assets	(16,909,347)	(2,086,196)	(18,995,543)
Usage (acquisition) of inventory and prepaid expenses	(93,637)	(6,670)	(100,307)
Usage (acquisition) of other assets	-	(226,456)	(226,456)
<b><u>Consolidated Statement of Cash Flows</u></b>			
<b><u>As at December 31, 2017</u></b>			
<b>Operating activities</b>			
Non-cash items:			
Amortization of tangible capital assets	5,653,035	394,448	6,047,483
Changes in:			
Other receivables	(1,360,263)	(196,145)	(1,556,408)
Payables and accruals	(850,535)	(2,715,610)	(3,566,145)
Inventory and prepaid expenses	(93,637)	(6,670)	(100,307)
Other assets	-	(226,456)	(226,456)
<b>Capital activities</b>			
Acquisition of tangible capital assets	(16,909,347)	(2,086,196)	(18,995,543)
<b>Investing activities</b>			
Decrease (increase) in investment in Government Business Enterprises	(75,666)	(603,887)	(679,553)
<b>Financing activities</b>			
Proceeds from long term debt issuance	3,839,035	157,189	3,996,224
Repayment of long term debt	(16,746)	(159,755)	(176,501)
Cash and cash equivalents			
Beginning of year	13,662,058	5,643,379	19,305,437

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# Town of Grimsby

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

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<b>3. Portfolio investments</b>	<u>2018</u>	<u>2017</u>
Provincial bonds	\$ 8,794,358	\$ 9,018,062
Guaranteed investment certificates	<u>10,453,300</u>	<u>6,495,000</u>
	<u>\$ 19,247,658</u>	<u>\$ 15,513,062</u>

Portfolio investments carry an effective interest rate from 1.40% to 10.95% and maturity dates ranging from January, 2019 to September, 2025. Interest is receivable on maturity. Portfolio investments reported on the Consolidated Statement of Financial Position have a market value of \$ 19,426,579 (2017 - \$ 15,778,334). 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.

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### 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>2018</u>	<u>2017</u>
Current year's taxes receivable	\$ 3,084,771	\$ 2,082,642
Prior year's taxes receivable	713,576	760,907
Previous year's taxes receivable	<u>523,514</u>	<u>483,692</u>
	<u>\$ 4,321,861</u>	<u>\$ 3,327,241</u>

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### 5. Investment in Government Business Enterprises

Niagara Power Incorporated ("NPI") is the holding company of Grimsby Power Incorporated ("GPI"), which is 90% owned and controlled by the Municipality. The remaining 10% is owned by Fortis Inc. The Municipality owns 23 common shares and 90 Class A preferred shares in NPI.

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.

# Town of Grimsby

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

### 5. Investment in Government Business Enterprises (continued)

The investment in subsidiary is represented by the following:

	<u>2018</u>	<u>2017</u> (As restated) (Note 2)
Promissory note receivable from GPI	\$ 5,782,746	\$ 5,782,746
Common and preferred shares	6,962,470	6,962,470
Retained earnings	2,988,286	3,682,859
Add: Adjustment on acquisition of subsidiary	915,004	915,004
Less: Non-controlling interest	<u>(367,385)</u>	<u>(336,524)</u>
	<u>\$ 16,281,121</u>	<u>\$ 17,006,555</u>

The promissory note receivable from GPI bears interest at 4.54% (2017 – 4.54%) and matures February 1, 2021.

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

	<u>2018</u>	<u>2017</u> (As restated) (Note 2)
<b>Financial position</b>		
Assets		
Current assets	\$ 6,881,685	\$ 7,416,877
Capital assets	28,029,646	27,220,566
Long term assets	<u>1,244,095</u>	<u>1,118,852</u>
	<u>36,155,426</u>	<u>35,756,295</u>
Liabilities		
Current liabilities	5,126,881	4,752,431
Long term liabilities	<u>19,606,965</u>	<u>18,886,766</u>
	<u>24,733,846</u>	<u>23,639,197</u>
Net assets	<u>\$ 11,421,580</u>	<u>\$ 12,117,098</u>
<b>Results of operations</b>		
Revenues	\$ 30,602,000	\$ 29,120,724
Expenses	<u>30,835,211</u>	<u>28,196,058</u>
Net (loss) income	(233,211)	924,666
Dividends	<u>(462,307)</u>	<u>(171,432)</u>
Net (decrease) increase in equity of subsidiary	<u>\$ (695,518)</u>	<u>\$ 753,234</u>

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# Town of Grimsby

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

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### 5. Investment in Government Business Enterprises (continued)

#### Commitments and contingencies

A letter of credit in the amount of \$ 964,845 (2017 - \$ 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 financial position information is as reported by NPI at December 31, 2018 and the results of operations are as reported for the year ended December 31, 2018. The comparative financial position and results of operations figures are as reported by NPI at December 31, 2017.

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>2018</u>	<u>2017</u>
Amounts received from NPI		
Interest on promissory note payable	\$ 262,537	\$ 262,537
Dividends	414,751	150,000
Directors' fees	56,100	30,651
Property services, water and vehicle fuel costs	61,802	48,733
Amounts paid to NPI		
Electricity and street lighting costs paid	667,280	676,665
Service costs paid	744	116,767

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# Town of Grimsby

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

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### 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>2018</u>	<u>2017</u>
Building code	\$ 2,588,790	\$ 2,335,209
Development charges	4,075,940	3,569,120
Gas tax	1,565,037	1,257,672
Parkland dedication	2,500,257	677,283
Subdivision administration	1,526,770	1,481,346
Ontario Community Infrastructure Fund	<u>184,997</u>	<u>-</u>
	<u>\$ 12,441,791</u>	<u>\$ 9,320,630</u>

The continuity of deferred revenue – obligatory reserve funds reported on the Consolidated Statement of Financial Position is made up of the following:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	<u>\$ 9,320,630</u>	<u>\$ 10,854,908</u>
Contributions from		
Development Charges Act	3,313,676	1,242,122
Building Code Act	303,616	88,830
Planning Act	1,806,655	469,237
Subdivider contributions	190,056	181,354
Interest earned	212,074	222,991
Recoveries	-	76,871
Grants received		
Federal gas tax	806,625	783,592
Ontario Community Infrastructure Fund	<u>721,392</u>	<u>-</u>
	<u>7,354,094</u>	<u>3,064,997</u>
Utilized for		
Operations	(272,104)	(152,436)
Tangible capital asset acquisitions	<u>(3,960,829)</u>	<u>(4,446,839)</u>
	<u>(4,232,933)</u>	<u>(4,599,275)</u>
Balance, end of year	<u>\$ 12,441,791</u>	<u>\$ 9,320,630</u>

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# Town of Grimsby

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

### 7. Deferred revenue - other

The continuity of deferred revenue - other is made up of the following:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 686,681	\$ 828,842
Add: contributions	498,579	653,839
Less: revenue recognized	(311,738)	(592,569)
Less: refunds during the year	<u>(73,804)</u>	<u>(203,431)</u>
Balance, end of year	<u>\$ 799,718</u>	<u>\$ 686,681</u>

### 8. Employee benefit obligations

	<u>2018</u>	<u>2017</u>
Workplace Safety and Insurance Board future benefits	\$ 1,187,780	\$ 719,366
Post-employment benefits	<u>1,085,500</u>	<u>1,039,600</u>
	<u>\$ 2,273,280</u>	<u>\$ 1,758,966</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 \$ 1,187,780 (2017 - \$ 719,366). The Municipality remits payments to the WSIB as required to fund disability payments. During the year \$ Nil (2017 - \$ 9,252) 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, 2018 is \$ 157,252 (2017 - \$ 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 accrued benefit obligation at December 31, 2018 of \$ 1,085,500 (2017 - \$ 1,039,600) was determined by actuarial valuation using a discount rate of 4.1% (2017 - 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 \$ 26,200 (2017 - \$ 28,900) were paid to retirees.

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# Town of Grimsby

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

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### 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 prepared at December 31, 2016. The main actuarial assumptions employed for the valuation are as follows:

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

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

Medical costs – medical costs were assumed to be 5% per annum.

	<u>2018</u>	<u>2017</u>
Accrued benefit obligation		
Beginning of year	\$ 1,039,600	\$ 1,000,600
Current service cost	36,700	35,300
Interest cost	41,300	39,300
Benefits paid	(26,200)	(28,900)
Amortization of actuarial gain	<u>(5,900)</u>	<u>(6,700)</u>
	<u>\$ 1,085,500</u>	<u>\$ 1,039,600</u>
Funded status		
Deficit	\$ 1,036,100	\$ 984,300
Unamortized actuarial gain	<u>49,400</u>	<u>55,300</u>
	<u>\$ 1,085,500</u>	<u>\$ 1,039,600</u>

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

Current service cost	\$ 36,700	\$ 35,300
Interest cost	41,300	39,300
Amortization of actuarial gain	<u>(5,900)</u>	<u>(6,700)</u>
	<u>\$ 72,100</u>	<u>\$ 67,900</u>

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# Town of Grimsby

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

9. Long term debt	<u>2018</u>	<u>2017</u> (As restated) (Note 2)
(a) The Municipality has assumed responsibility for the payment of principal and interest charges on certain long term debt issued by Infrastructure Ontario. At the end of the year, the outstanding principal amount of this debt is	\$ 3,485,070	\$ 3,821,000
Grimsby Energy Inc.-Toronto Dominion Bank construction loan at prime less 0.25%. Interest only. Facility is due upon demand and to be repaid once biodigester is complete. The note is secured by a general security agreement, assignment of fire insurance, builders all risk insurance and a limited guarantee by the Municipality. At the end of the year, the outstanding principal amount of this loan is	4,500,000	4,500,000
Grimsby Energy Inc.-Niagara Power Incorporated amounts payable, non-interest bearing, unsecured and no set terms of repayment. At the end of the year, the outstanding principal amount of this loan is	2,389,789	2,389,789
Capital lease obligations	<u>424,834</u>	<u>548,858</u>
	<u>\$ 10,799,693</u>	<u>\$ 11,259,647</u>

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2018</u>	<u>2017</u> (As restated) (Note 2)
Fire station #2	2.81%	2027	\$ 3,485,070	\$ 3,821,000
Grimsby Energy Inc.	Prime less 0.25%	None	4,500,000	4,500,000
Grimsby Energy Inc.	Nil	None	2,389,789	2,389,789
Leased equipment	2.77% to 12.46%	2021-2022	<u>424,834</u>	<u>548,858</u>
			<u>\$ 10,799,693</u>	<u>\$ 11,259,647</u>

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

2019	\$ 559,591
2020	479,258
2021	392,402
2022	381,989
2023	386,227

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# Town of Grimsby

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

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### 9. Long term debt (continued)

- (d) Total charges for interest, which are reported on the Consolidated Statement of Operations amounts to \$ 295,404 (2017 - \$ 175,864).
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### 10. Tangible capital assets

	<u>2018</u>	<u>2017</u> (As restated) (Note 2)
Net book value		
Land	\$ 38,076,826	\$ 38,076,826
Land improvements	9,404,635	9,547,448
Buildings	28,433,492	26,663,894
Vehicles, machinery and equipment	<u>14,397,634</u>	<u>18,105,267</u>
	<u>90,312,587</u>	<u>92,393,435</u>
Infrastructure		
Roads	92,493,567	87,260,502
Water and wastewater	<u>92,631,319</u>	<u>87,357,120</u>
	<u>185,124,886</u>	<u>174,617,622</u>
Construction in process	<u>442,469</u>	<u>9,584,471</u>
	<u>\$ 275,879,942</u>	<u>\$ 276,595,528</u>

See Note 25 and pages 33 and 34 for more detail.

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### 11. Accumulated surplus

	<u>2018</u>	<u>2017</u> (As restated) (Note 2)
Operating (deficit) surplus	\$ (506,023)	\$ 1,420,327
Investment in tangible capital assets	275,879,942	276,595,528
Investment in Government Business Enterprises (Note 5)	16,281,121	17,006,555
Reserves and reserves funds (Note 12)	20,661,386	18,784,738
Unfunded liabilities (Note 13)	<u>(13,072,973)</u>	<u>(13,018,613)</u>
	<u>\$ 299,243,453</u>	<u>\$ 300,788,535</u>

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# Town of Grimsby

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

<b>12. Reserves and reserve funds</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Reserves set aside by Council for specific purposes:		
Working funds (uncollectible taxes)	\$ 700,000	\$ 700,000
Contingencies	223,332	246,499
Equipment replacement	4,559,684	3,857,421
Insurance	47,779	47,779
Workplace safety and insurance	157,252	157,252
Parking revenues	5,538	5,538
Downtown Improvement Area	14,727	5,584
Other	362,594	417,336
Capital projects		
General government	831,764	779,875
Protection to persons and property	227,547	232,625
Transportation services	1,537,480	1,330,365
Environmental services	10,071,179	8,852,985
Social and family services	11,677	23,388
Recreation and culture services	1,268,276	1,133,350
Planning and development	<u>137,650</u>	<u>269,311</u>
Total reserves	<u>20,156,479</u>	<u>18,059,308</u>
Reserve funds set aside by Council for specific purposes:		
Museum	89,562	89,281
Tree planting	122	-
Other	<u>415,223</u>	<u>636,149</u>
Total reserve funds	<u>504,907</u>	<u>725,430</u>
Total reserves and reserve funds	<u>\$ 20,661,386</u>	<u>\$ 18,784,738</u>

<b>13. Unfunded liabilities</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
		(As restated)
		(Note 2)
Employee benefit obligations	\$ 2,273,280	\$ 1,758,966
Long term debt	<u>10,799,693</u>	<u>11,259,647</u>
	<u>\$ 13,072,973</u>	<u>\$ 13,018,613</u>

# Town of Grimsby

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

14. Taxation	Budget <u>2018</u>	Actual <u>2018</u>	Actual <u>2017</u>
Real property		\$ 55,398,227	\$ 51,683,734
From other governments			
Payments in lieu of taxes		<u>665,173</u>	<u>613,388</u>
		<u>56,063,400</u>	<u>52,297,122</u>
Less: taxation collected on behalf of (Note 15):			
Region of Niagara		28,024,885	26,016,787
School boards		<u>10,518,328</u>	<u>9,997,684</u>
		<u>38,543,213</u>	<u>36,014,471</u>
Net taxes available for municipal purposes		<u>\$ 17,520,187</u>	<u>\$ 16,282,651</u>
Residential, multi-residential and farm	\$ 14,433,060	\$ 14,662,270	\$ 13,528,209
Commercial and industrial	<u>2,865,710</u>	<u>2,857,917</u>	<u>2,754,442</u>
Net taxes available for municipal purposes	<u>\$ 17,298,770</u>	<u>\$ 17,520,187</u>	<u>\$ 16,282,651</u>

### 15. Collections for the Region of Niagara and school boards

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

	<u>2018</u>	<u>2017</u>
Region of Niagara	\$ 28,024,885	\$ 26,016,787
School boards	<u>10,518,328</u>	<u>9,997,684</u>
	<u>\$ 38,543,213</u>	<u>\$ 36,014,471</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).

# Town of Grimsby

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

16. User fees and charges	Budget 2018	Actual 2018	Actual 2017
<b>Operating</b>			
Fees and service charges	\$ 2,526,380	\$ 2,499,823	\$ 2,068,951
Water charges	6,594,570	6,640,753	6,121,976
Sewer charges	<u>123,000</u>	<u>149,536</u>	<u>189,962</u>
	<u>\$ 9,243,950</u>	<u>\$ 9,290,112</u>	<u>\$ 8,380,889</u>
<b>17. Government transfers</b>			
	Budget 2018	Actual 2018	Actual 2017
<b>Operating</b>			
Government of Canada	\$ 157,080	\$ 97,173	\$ 71,379
Province of Ontario	214,900	217,369	263,568
Municipal	<u>94,440</u>	<u>102,121</u>	<u>79,780</u>
	<u>466,420</u>	<u>416,663</u>	<u>414,727</u>
<b>Capital</b>			
Government of Canada	2,864,200	1,816,475	784,092
Province of Ontario	1,669,000	1,229,353	513,763
Municipal	<u>55,000</u>	<u>8,561</u>	<u>321,958</u>
	<u>4,588,200</u>	<u>3,054,389</u>	<u>1,619,813</u>
	<u>\$ 5,054,620</u>	<u>\$ 3,471,052</u>	<u>\$ 2,034,540</u>

# Town of Grimsby

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

### 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>2018</u>	<u>2017</u>
Revenues		
Government of Canada		
Clean Water and Wastewater Fund	\$ 1,304,281	\$ 691,484
Federal gas tax	517,909	8,183
Federal Economic Development Agency	-	84,425
Federation of Canadian Municipalities	12,462	-
Operating grants		
Library	2,685	-
Art gallery	21,913	25,000
Museum	10,977	5,742
Wage subsidies	43,421	40,637
	<u>1,913,648</u>	<u>855,471</u>
Province of Ontario		
Clean Water and Wastewater Fund	652,141	-
Ontario Municipal Partnership Fund	74,800	87,900
OMAFRA/OCIF	542,876	513,763
OMAFRA drainage superintendent	8,624	10,019
Operating grants		
Senior citizens centre	49,375	57,700
Library	34,857	34,675
Art gallery	27,039	39,915
Museum	22,674	26,259
Recreation facilities	-	7,100
Environmental	34,336	-
	<u>1,446,722</u>	<u>777,331</u>
Municipal		
Provincial Offences Act	71,015	37,877
Operating grants		
Art gallery	6,495	7,750
Heritage	20,170	34,153
Library	4,440	-
Capital grants		
Roads	-	189,915
Recreation facilities	8,562	132,043
	<u>110,682</u>	<u>401,738</u>
	<u>\$ 3,471,052</u>	<u>\$ 2,034,540</u>

# Town of Grimsby

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

18. Other revenue	Budget 2018	Actual 2018	Actual 2017 (As restated) (Note 2)
<b>Operating</b>			
Penalties and interest on taxes	\$ 540,000	\$ 544,474	\$ 567,048
Fines	45,000	34,593	40,006
Licences and permits	676,020	457,558	421,905
Rental income	32,000	28,116	30,865
Investment income	582,390	1,086,418	697,268
Investment income – reserves and reserve funds	-	15,531	20,766
Development charges	90,000	88,704	-
Donations	68,660	59,162	68,479
Donations - reserves and reserve funds	1,000	1,462	298
Subsidiaries net (loss) earnings	-	(725,434)	679,553
1938427 Ontario Inc. revenue	-	1,103,408	242,283
Other	394,350	461,149	422,698
	<u>2,429,420</u>	<u>3,155,141</u>	<u>3,191,169</u>
<b>Capital</b>			
Development charges	473,440	2,808,835	4,304,871
Donations	1,115,320	388,178	446,846
Contributed tangible capital assets	-	377,552	1,568,882
(Loss) gain on disposal of tangible capital assets	-	(759,916)	258,573
Other	58,680	99,608	133,785
	<u>1,647,440</u>	<u>2,914,257</u>	<u>6,712,957</u>
	<u>\$ 4,076,860</u>	<u>\$ 6,069,398</u>	<u>\$ 9,904,126</u>

### 19. Pension agreements

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 \$ 2.8 billion (2017 - \$ 0.6 billion surplus) 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 2018 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 2018 current and past service was \$ 660,530 (2017 - \$ 605,839) and were matched by employee contributions in a similar amount.

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# **Town of Grimsby**

## **Notes to the Consolidated Financial Statements**

For the Year Ended December 31, 2018

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### **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.

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### **21. Trust funds**

Trust funds administered by the Municipality amounting to \$ 1,102,720 (2017 - \$ 1,077,575) have not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Operations.

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### **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.

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### **23. Commitments**

#### **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, 2018 is approximately \$ 452,000 (2017 - \$ 7,206,000). These projects will be financed by grants, taxation and 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.

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# **Town of Grimsby**

## **Notes to the Consolidated Financial Statements**

For the Year Ended December 31, 2018

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### **23. Commitments (continued)**

#### **Property revitalization tax increment grant**

The Municipality has a commitment of \$ 420,213 (2017 - \$ 97,976) 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.

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### **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.

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### **25. Write-down of 1938427 Ontario Inc. tangible capital assets**

During 2018, the Municipality recognized a write-down of \$ 2,805,867 of the tangible capital assets of 1938427 Ontario Inc. due to the identification of changes in circumstances indicating that the company's assets became impaired during the year.

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### **26. Write-down of 1938427 Ontario Inc. other asset**

During the year, the other asset, which represented a future payments in lieu of corporate income taxes benefit in 1938427 Ontario Inc., were written down by \$ 811,883, as the future economic benefits were no longer expected to be obtained due to the losses incurred and proposed sale of the entity.

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# Town of Grimsby

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

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### 27. Budget

The budget bylaw adopted by Council on May 7, 2018 was not prepared on a basis consistent with that used to report actual results in accordance with Canadian public sector accounting standards. The budget was prepared on a modified accrual basis while Canadian public sector accounting standards require a full accrual basis. As a result, the budget figures presented in the Consolidated Statement of Operations and Consolidated Statement of Changes in Net Financial Assets represent the budget adopted by Council with the following adjustments:

Budgeted annual surplus	\$	-
Add:		
Acquisition of tangible capital assets		16,502,850
Principal repayments of long term debt		335,930
Less:		
Proceeds from issuance of long term debt		(4,907,200)
Transfers from reserves and reserve funds, net		(2,419,890)
Amortization of tangible capital assets		<u>(6,199,640)</u>
Budgeted surplus per Consolidated Statement of Operations	\$	<u>3,312,050</u>

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### 28. Comparative figures

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

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### 29. Subsequent events

#### (a) Sale of 1938427 Ontario Inc.

On October 7, 2019, the Municipality sold its shares in 1938427 Ontario Inc., including its wholly owned subsidiaries, Grimsby Hydro Inc. and Grimsby Energy Inc. for \$400,000. The sales agreement provided for the repayment of certain debts of Grimsby Energy Inc., including the bank loan with the Toronto Dominion Bank in the amount of \$ 4,800,000, and therefore the loan guarantees provided by the Municipality were released upon execution of the agreement.

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# Town of Grimsby

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

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### 29. Subsequent events (continued)

#### (b) COVID-19 pandemic

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Municipality has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2018 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Municipality for future periods.

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### 30. 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.

#### 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.

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# Town of Grimsby

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

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### 30. Segmented information (continued)

#### 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. Also reported in this functional area is the operations of 1938427 Ontario Inc., Grimsby Hydro Inc., and Grimsby Energy Inc.

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.

## Town of Grimsby Consolidated Schedule of Tangible Capital Assets

For the Year Ended December 31, 2018

	<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 Process</u>	<u>2018</u>
<b>Cost</b>								
Beginning of year	\$ 38,076,826	\$ 11,899,270	\$ 32,764,593	\$ 25,574,049	\$ 129,206,171	\$ 124,869,462	\$ 9,584,471	\$ 371,974,842
Additions	-	313,683	2,374,002	1,707,829	7,411,793	7,178,939	5,976,047	24,962,293
Disposals	-	(17,342)	-	(1,126,133)	(153,464)	(300,021)	(15,118,049)	(16,715,009)
End of year	<u>38,076,826</u>	<u>12,195,611</u>	<u>35,138,595</u>	<u>26,155,745</u>	<u>136,464,500</u>	<u>131,748,380</u>	<u>442,469</u>	<u>380,222,126</u>
<b>Accumulated amortization</b>								
Beginning of year	-	2,351,822	6,100,699	7,468,782	41,945,669	37,512,342	-	95,379,314
Amortization	-	456,496	604,404	1,862,301	2,178,726	1,875,872	-	6,977,799
Amortization on disposals	-	(17,342)	-	(378,839)	(153,462)	(271,153)	-	(820,796)
End of year	-	<u>2,790,976</u>	<u>6,705,103</u>	<u>8,952,244</u>	<u>43,970,933</u>	<u>39,117,061</u>	-	<u>101,536,317</u>
<b>Net book value</b>								
Before write-downs	38,076,826	9,404,635	28,433,492	17,203,501	92,493,567	92,631,319	442,469	278,685,809
Write-downs (Note 25)	-	-	-	(2,805,867)	-	-	-	(2,805,867)
	<u>\$ 38,076,826</u>	<u>\$ 9,404,635</u>	<u>\$ 28,433,492</u>	<u>\$ 14,397,634</u>	<u>\$ 92,493,567</u>	<u>\$ 92,631,319</u>	<u>\$ 442,469</u>	<u>\$ 275,879,942</u>

Contributed tangible capital assets are recognized at fair market value at the date of contribution. The value of contributed assets during the year is \$ 377,552.

## Town of Grimsby Consolidated Schedule of Tangible Capital Assets

For the Year Ended December 31, 2017  
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 Process</u>	<u>2017</u>
<b>Cost</b>								
Beginning of year	\$ 37,036,993	\$ 5,991,130	\$ 25,492,178	\$ 12,598,508	\$ 128,462,043	\$ 124,054,859	\$ 18,577,229	\$ 352,212,940
Additions	1,039,833	5,934,967	7,272,415	13,527,947	790,482	991,539	12,764,892	42,322,075
Disposals	-	(26,827)	-	(552,406)	(46,354)	(176,936)	(21,757,650)	(22,560,173)
End of year	<u>38,076,826</u>	<u>11,899,270</u>	<u>32,764,593</u>	<u>25,574,049</u>	<u>129,206,171</u>	<u>124,869,462</u>	<u>9,584,471</u>	<u>371,974,842</u>
<b>Accumulated amortization</b>								
Beginning of year	-	2,036,830	5,613,972	6,642,707	39,920,106	35,811,627	-	90,025,242
Amortization	-	341,819	486,727	1,344,629	2,055,383	1,818,925	-	6,047,483
Amortization on disposals	-	(26,827)	-	(518,554)	(29,820)	(118,210)	-	(693,411)
End of year	-	<u>2,351,822</u>	<u>6,100,699</u>	<u>7,468,782</u>	<u>41,945,669</u>	<u>37,512,342</u>	-	<u>95,379,314</u>
<b>Net book value</b>	<u>\$ 38,076,826</u>	<u>\$ 9,547,448</u>	<u>\$ 26,663,894</u>	<u>\$ 18,105,267</u>	<u>\$ 87,260,502</u>	<u>\$ 87,357,120</u>	<u>\$ 9,584,471</u>	<u>\$ 276,595,528</u>

Contributed tangible capital assets are recognized at fair market value at the date of contribution. The value of contributed assets during the year is \$ 1,568,882.

# Town of Grimsby

## Consolidated Schedule of Segment Disclosure

For the Year Ended December 31, 2018

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	<b>2018</b>
<b>Revenues</b>									
Taxation	\$ 1,355,116	\$ 1,773,585	\$ 4,794,933	\$ 6,424,057	\$ 108,199	\$ 93,353	\$ 2,597,307	\$ 373,637	\$ 17,520,187
User charges	312,641	188,851	89,246	6,790,289	104,082	94,461	1,374,242	336,300	9,290,112
Government transfers	87,264	71,015	1,023,420	1,956,422	-	49,375	249,486	34,070	3,471,052
Other revenue	<u>(1,244,236)</u>	<u>762,863</u>	<u>4,058,849</u>	<u>675,187</u>	<u>76,955</u>	<u>8,773</u>	<u>583,216</u>	<u>1,147,791</u>	<u>6,069,398</u>
	<u>510,785</u>	<u>2,796,314</u>	<u>9,966,448</u>	<u>15,845,955</u>	<u>289,236</u>	<u>245,962</u>	<u>4,804,251</u>	<u>1,891,798</u>	<u>36,350,749</u>
<b>Expenses</b>									
Salaries and benefits	2,044,323	2,582,574	1,855,635	2,069,516	166,163	191,924	3,123,239	939,229	12,972,603
Debt service	1,612	102,699	-	-	-	-	235	190,858	295,404
Operating materials and supplies	575,535	256,647	971,953	109,626	25,454	33,813	1,202,648	1,032,545	4,208,221
Contracted services	364,088	222,754	1,843,840	5,997,110	2,100	34,209	549,284	232,201	9,245,586
Rents and financial expenses	175,344	51,877	54,364	68,670	6,610	5,227	109,536	101,840	573,468
External transfers to others	5,000	-	-	-	-	-	-	-	5,000
Amortization	368,914	441,677	1,583,842	3,008,685	17,736	7,047	770,888	779,010	6,977,799
Write-down of									
tangible capital assets (Note 25)	-	-	-	-	-	-	-	2,805,867	2,805,867
Write-down of other asset (Note 26)	-	-	-	-	-	-	-	811,883	811,883
Interfunctional expenses	<u>(878,862)</u>	<u>118,810</u>	<u>(286,866)</u>	<u>785,526</u>	<u>74,037</u>	<u>12,085</u>	<u>143,360</u>	<u>31,910</u>	<u>-</u>
	<u>2,655,954</u>	<u>3,777,038</u>	<u>6,022,768</u>	<u>12,039,133</u>	<u>292,100</u>	<u>284,305</u>	<u>5,899,190</u>	<u>6,925,343</u>	<u>37,895,831</u>
<b>Annual (deficit) surplus</b>	<u>\$ (2,145,169)</u>	<u>\$ (980,724)</u>	<u>\$ 3,943,680</u>	<u>\$ 3,806,822</u>	<u>\$ (2,864)</u>	<u>\$ (38,343)</u>	<u>\$ (1,094,939)</u>	<u>\$ (5,033,545)</u>	<u>\$ (1,545,082)</u>

# Town of Grimsby

## Consolidated Schedule of Segment Disclosure

For the Year Ended December 31, 2017  
As restated - (Note 2)

	<u>General Government</u>	<u>Protection to Persons and Property</u>	<u>Transportation Services</u>	<u>Environmental Services</u>	<u>Health Services</u>	<u>Social and Family Services</u>	<u>Recreation and Cultural Services</u>	<u>Planning and Development</u>	<u>2017</u>
<b>Revenues</b>									
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 revenue	<u>833,937</u>	<u>110,603</u>	<u>6,183,971</u>	<u>1,003,384</u>	<u>112,702</u>	<u>6,219</u>	<u>1,389,249</u>	<u>264,061</u>	<u>9,904,126</u>
	<u>2,005,256</u>	<u>2,827,523</u>	<u>11,287,040</u>	<u>13,654,328</u>	<u>308,692</u>	<u>231,354</u>	<u>5,353,781</u>	<u>934,232</u>	<u>36,602,206</u>
<b>Expenses</b>									
Salaries and benefits	1,721,983	2,087,400	1,822,510	1,843,307	162,839	173,788	2,925,035	777,523	11,514,385
Debt service	1,322	26,475	-	-	-	-	411	147,656	175,864
Operating materials and supplies	473,022	235,180	787,526	103,908	11,992	43,320	1,170,332	148,147	2,973,427
Contracted services	314,067	232,243	543,123	5,871,613	2,915	26,535	486,411	205,804	7,682,711
Rents and financial expenses	108,583	65,882	52,208	65,946	6,117	4,624	121,958	56,063	481,381
Amortization and write-downs	333,364	309,195	1,434,225	2,910,365	15,899	7,594	640,506	396,335	6,047,483
Interfunctional expenses	<u>(706,362)</u>	<u>92,230</u>	<u>(310,498)</u>	<u>674,611</u>	<u>78,169</u>	<u>9,375</u>	<u>138,565</u>	<u>23,910</u>	<u>-</u>
	<u>2,245,979</u>	<u>3,048,605</u>	<u>4,329,094</u>	<u>11,469,750</u>	<u>277,931</u>	<u>265,236</u>	<u>5,483,218</u>	<u>1,755,438</u>	<u>28,875,251</u>
<b>Annual surplus (deficit)</b>	<u>\$ (240,723)</u>	<u>\$ (221,082)</u>	<u>\$ 6,957,946</u>	<u>\$ 2,184,578</u>	<u>\$ 30,761</u>	<u>\$ (33,882)</u>	<u>\$ (129,437)</u>	<u>\$ (821,206)</u>	<u>\$ 7,726,955</u>

# Town of Grimsby Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2018

<b>General government</b>	Budget <u>2018</u>	<b>Actual</b> <u>2018</u>	Actual <u>2017</u>
<b>Revenues</b>			
Taxation	\$ 1,337,991	\$ 1,355,116	\$ 1,023,793
User charges	237,000	312,641	59,627
Government transfers	322,800	87,264	87,899
Other	170,412	(1,244,236)	833,937
	<u>2,068,203</u>	<u>510,785</u>	<u>2,005,256</u>
<b>Expenses</b>			
Salaries and wages	2,100,833	2,044,323	1,721,983
Debt service	-	1,612	1,322
Operating materials and supplies	597,690	575,535	473,022
Contracted services	455,310	364,088	314,067
Rents and financial expenses	98,720	175,344	108,583
External transfers to others	-	5,000	-
Amortization	368,914	368,914	333,364
Interfunctional expenses	(879,300)	(878,862)	(706,362)
	<u>2,742,167</u>	<u>2,655,954</u>	<u>2,245,979</u>
<b>Annual deficit</b>	\$ (673,964)	\$ (2,145,169)	\$ (240,723)

<b>Protection to persons and property</b>	Budget <u>2018</u>	<b>Actual</b> <u>2018</u>	Actual <u>2017</u>
<b>Revenues</b>			
Taxation	\$ 1,751,170	\$ 1,773,585	\$ 2,511,789
User charges	182,000	188,851	167,254
Government transfers	40,000	71,015	37,877
Other	960,041	762,863	110,603
	<u>2,933,211</u>	<u>2,796,314</u>	<u>2,827,523</u>
<b>Expenses</b>			
Salaries and wages	2,329,150	2,582,574	2,087,400
Debt service	102,700	102,699	26,475
Operating materials and supplies	298,770	256,647	235,180
Contracted services	272,600	222,754	232,243
Rents and financial expenses	51,640	51,877	65,882
Amortization	441,677	441,677	309,195
Interfunctional expenses	118,810	118,810	92,230
	<u>3,615,347</u>	<u>3,777,038</u>	<u>3,048,605</u>
<b>Annual deficit</b>	\$ (682,136)	\$ (980,724)	\$ (221,082)

# Town of Grimsby

## Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2018

Transportation services	Budget <u>2018</u>	Actual <u>2018</u>	Actual <u>2017</u>
<b>Revenues</b>			
Taxation	\$ 4,734,334	\$ <b>4,794,933</b>	\$ 4,866,855
User charges	64,000	<b>89,246</b>	34,833
Government transfers	1,364,000	<b>1,023,420</b>	201,381
Other	<u>1,485,176</u>	<u><b>4,058,849</b></u>	<u>6,183,971</u>
	<u>7,647,510</u>	<u><b>9,966,448</b></u>	<u>11,287,040</u>
<b>Expenses</b>			
Salaries and wages	1,786,880	<b>1,855,635</b>	1,822,510
Operating materials and supplies	756,100	<b>971,953</b>	787,526
Contracted services	1,583,400	<b>1,843,840</b>	543,123
Rents and financial expenses	54,370	<b>54,364</b>	52,208
Amortization	1,583,842	<b>1,583,842</b>	1,434,225
Interfunctional expenses	<u>(313,050)</u>	<u><b>(286,866)</b></u>	<u>(310,498)</u>
	<u>5,451,542</u>	<u><b>6,022,768</b></u>	<u>4,329,094</u>
<b>Annual surplus</b>	<u>\$ 2,195,968</u>	<u><b>\$ 3,943,680</b></u>	<u>\$ 6,957,946</u>

Environmental services	Budget <u>2018</u>	Actual <u>2018</u>	Actual <u>2017</u>
<b>Revenues</b>			
Taxation	\$ 6,342,870	\$ <b>6,424,057</b>	\$ 5,135,207
User charges	6,717,570	<b>6,790,289</b>	6,311,938
Government transfers	2,762,000	<b>1,956,422</b>	1,203,799
Other	<u>491,542</u>	<u><b>675,187</b></u>	<u>1,003,384</u>
	<u>16,313,982</u>	<u><b>15,845,955</b></u>	<u>13,654,328</u>
<b>Expenses</b>			
Salaries and wages	2,049,770	<b>2,069,516</b>	1,843,307
Operating materials and supplies	193,880	<b>109,626</b>	103,908
Contracted services	6,701,000	<b>5,997,110</b>	5,871,613
Rents and financial expenses	68,680	<b>68,670</b>	65,946
Amortization	3,008,685	<b>3,008,685</b>	2,910,365
Interfunctional expenses	<u>783,760</u>	<u><b>785,526</b></u>	<u>674,611</u>
	<u>12,805,775</u>	<u><b>12,039,133</b></u>	<u>11,469,750</u>
<b>Annual surplus</b>	<u>\$ 3,508,207</u>	<u><b>\$ 3,806,822</b></u>	<u>\$ 2,184,578</u>

# Town of Grimsby

## Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2018

Health services	Budget <u>2018</u>	Actual <u>2018</u>	Actual <u>2017</u>
<b>Revenues</b>			
Taxation	\$ 106,832	\$ <b>108,199</b>	\$ 102,340
User charges	105,000	<b>104,082</b>	93,650
Other	<u>95,232</u>	<u><b>76,955</b></u>	<u>112,702</u>
	<u>307,064</u>	<u><b>289,236</b></u>	<u>308,692</u>
<b>Expenses</b>			
Salaries and wages	170,640	<b>166,163</b>	162,839
Operating materials and supplies	11,930	<b>25,454</b>	11,992
Contracted services	4,750	<b>2,100</b>	2,915
Rents and financial expenses	2,860	<b>6,610</b>	6,117
Amortization	17,736	<b>17,736</b>	15,899
Interfunctional expenses	<u>76,640</u>	<u><b>74,037</b></u>	<u>78,169</u>
	<u>284,556</u>	<u><b>292,100</b></u>	<u>277,931</u>
<b>Annual (deficit) surplus</b>	<u>\$ 22,508</u>	<u>\$ <b>(2,864)</b></u>	<u>\$ 30,761</u>

Social and family services	Budget <u>2018</u>	Actual <u>2018</u>	Actual <u>2017</u>
<b>Revenues</b>			
Taxation	\$ 92,174	\$ <b>93,353</b>	\$ 78,792
User charges	92,200	<b>94,461</b>	88,643
Government transfers	42,700	<b>49,375</b>	57,700
Other	<u>5,980</u>	<u><b>8,773</b></u>	<u>6,219</u>
	<u>233,054</u>	<u><b>245,962</b></u>	<u>231,354</u>
<b>Expenses</b>			
Salaries and wages	167,380	<b>191,924</b>	173,788
Operating materials and supplies	42,200	<b>33,813</b>	43,320
Contracted services	31,000	<b>34,209</b>	26,535
Rents and financial expenses	4,860	<b>5,227</b>	4,624
Amortization	7,047	<b>7,047</b>	7,594
Interfunctional expenses	<u>11,870</u>	<u><b>12,085</b></u>	<u>9,375</u>
	<u>264,357</u>	<u><b>284,305</b></u>	<u>265,236</u>
<b>Annual deficit</b>	<u>\$ (31,303)</u>	<u>\$ <b>(38,343)</b></u>	<u>\$ (33,882)</u>

# Town of Grimsby

## Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2018

Recreation and culture services	Budget <u>2018</u>	Actual <u>2018</u>	Actual <u>2017</u>
<b>Revenues</b>			
Taxation	\$ 2,564,484	\$ <b>2,597,307</b>	\$ 2,256,656
User charges	1,424,120	<b>1,374,242</b>	1,315,411
Government transfers	457,620	<b>249,486</b>	392,465
Other	844,541	<b>583,216</b>	1,389,249
	<u>5,290,765</u>	<u><b>4,804,251</b></u>	<u>5,353,781</u>
<b>Expenses</b>			
Salaries and wages	3,140,890	<b>3,123,239</b>	2,925,035
Debt service	-	<b>235</b>	411
Operating materials and supplies	1,350,110	<b>1,202,648</b>	1,170,332
Contracted services	642,370	<b>549,284</b>	486,411
Rents and financial expenses	109,830	<b>109,536</b>	121,958
Amortization	770,888	<b>770,888</b>	640,506
Interfunctional expenses	169,330	<b>143,360</b>	138,565
	<u>6,183,418</u>	<u><b>5,899,190</b></u>	<u>5,483,218</u>
<b>Annual deficit</b>	<u>\$ (892,653)</u>	<u>\$ <b>(1,094,939)</b></u>	<u>\$ (129,437)</u>

Planning and development	Budget <u>2018</u>	Actual <u>2018</u>	Actual <u>2017</u> (As restated) (Note 2)
<b>Revenues</b>			
Taxation	\$ 368,915	\$ <b>373,637</b>	\$ 307,219
User charges	422,060	<b>336,300</b>	309,533
Government transfers	65,500	<b>34,070</b>	53,419
Other	23,936	<b>44,383</b>	21,778
1938427 Ontario Inc. revenues	-	<b>1,103,408</b>	242,283
	<u>880,411</u>	<u><b>1,891,798</b></u>	<u>934,232</u>
<b>Expenses</b>			
Salaries and wages	696,050	<b>644,790</b>	553,383
Operating materials and supplies	115,330	<b>131,423</b>	173,712
Contracted services	170,850	<b>167,269</b>	156,075
Rents and financial expenses	-	<b>14,332</b>	300
Amortization	848	<b>851</b>	1,887
Interfunctional expenses	31,910	<b>31,910</b>	23,910
1938427 Ontario Inc. expenses	-	<b>2,317,018</b>	846,171
1938427 Ontario Inc. write-down of tangible capital assets (Note 25)	-	<b>2,805,867</b>	-
1938427 Ontario Inc. write-down of other asset (Note 26)	-	<b>811,883</b>	-
	<u>1,014,988</u>	<u><b>6,925,343</b></u>	<u>1,755,438</u>
<b>Annual deficit</b>	<u>\$ (134,577)</u>	<u>\$ <b>(5,033,545)</b></u>	<u>\$ (821,206)</u>

## Independent auditor's report

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

#### **Opinion**

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

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of the Trust Funds of the Corporation of the Town of Grimsby as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### **Basis for Opinion**

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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.

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

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

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

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

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

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

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

*Grant Thornton LLP*

Port Colborne, Canada  
November 18, 2019

Chartered Professional Accountants  
Licensed Public Accountants

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**Town of Grimsby  
Trust Funds  
Statement of Financial Position**

As at December 31, 2018

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	Cemetery Care and Maintenance - <u>Grounds</u>	Cemetery Care and Maintenance - <u>Markers</u>	<b><u>2018</u></b>	<u>2017</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 598	\$ 75	\$ <b>673</b>	\$ 262,589
Interest receivable	33,349	4,192	<b>37,541</b>	26,788
Due from the Town of Grimsby (Note 2)	24,157	3,037	<b>27,194</b>	21,784
Portfolio investments (Note 3)	<u>921,474</u>	<u>115,838</u>	<b><u>1,037,312</u></b>	<u>766,414</u>
<b>Net assets</b>	<b><u>\$ 979,578</u></b>	<b><u>\$ 123,142</u></b>	<b><u>\$ 1,102,720</u></b>	<b><u>\$ 1,077,575</u></b>

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See accompanying notes to the financial statements

**Town of Grimsby**  
**Trust Funds**  
**Statement of Operations and Changes in Net Assets**

For the Year Ended December 31, 2018

	Cemetery Care and Maintenance - Grounds	Cemetery Care and Maintenance - Markers	<b>2018</b>	<b>2017</b>
<b>Revenues</b>				
Care and maintenance agreements	\$ 22,645	\$ 2,500	<b>\$ 25,145</b>	\$ 46,672
Interest	<u>17,814</u>	<u>2,232</u>	<b><u>20,046</u></b>	<u>27,684</u>
	40,459	4,732	<b>45,191</b>	74,356
<b>Expenses</b>				
Interest earned distributed to the Town of Grimsby	<u>17,814</u>	<u>2,232</u>	<b><u>20,046</u></b>	<u>27,684</u>
<b>Excess of revenue over expenses</b>	22,645	2,500	<b>25,145</b>	46,672
<b>Net assets</b>				
Beginning of year	<u>956,933</u>	<u>120,642</u>	<b><u>1,077,575</u></b>	<u>1,030,903</u>
End of year	<b><u>\$ 979,578</u></b>	<b><u>\$ 123,142</u></b>	<b><u>\$ 1,102,720</u></b>	<b><u>\$ 1,077,575</u></b>

See accompanying notes to the financial statements

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**Town of Grimsby**  
**Trust Funds**  
**Statement of Cash Flows**

For the Year Ended December 31, 2018

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	<u>2018</u>	<u>2017</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		
<b>Operating activities</b>		
Excess of revenues over expenses	\$ 25,145	\$ 46,672
Increase in interest receivable	(10,753)	(8,231)
Increase in due from the Town of Grimsby	<u>(5,410)</u>	<u>(19,013)</u>
	<u>8,982</u>	<u>19,428</u>
<b>Investing activities</b>		
(Increase) decrease in investments - net	<u>(270,898)</u>	<u>243,161</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(261,916)</b>	<b>262,589</b>
<b>Cash and cash equivalents</b>		
Beginning of year	<u>262,589</u>	<u>-</u>
End of year	<u>\$ 673</u>	<u>\$ 262,589</u>

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See accompanying notes to the financial statements

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# **Town of Grimsby**

## **Trust Funds**

### **Notes to the Financial Statements**

For the Year Ended December 31, 2018

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#### **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.

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#### **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.

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#### **3. Portfolio investments**

Portfolio investments consist of Canadian provincial bonds with interest rates between 2.4% and 2.9% maturing in June, 2022 to March, 2024 and guaranteed investment certificates with interest rates between 1.40% and 1.85% maturing May, 2019 to May, 2021. Portfolio investments have an estimated market value of \$ 1,063,978 (2017 - \$ 788,230).

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