

Financial Report

The Corporation of the Town of Grimsby

2016

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Independent auditor's report

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

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Grimsby, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of the Town of Grimsby as at December 31, 2016, and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Port Colborne, Canada
December 18, 2017

Chartered Professional Accountants
Licensed Public Accountants

The Corporation of the Town of Grimsby

Consolidated Statement of Financial Position

As at December 31

2016

2015

Financial assets

| | | |
|---|-------------------|-------------------|
| Cash and cash equivalents | \$ 13,662,058 | \$ 13,126,430 |
| Portfolio investments (Note 2) | 18,555,048 | 15,156,058 |
| Taxes receivable (Note 3) | 3,056,224 | 2,856,109 |
| User charges receivable | 1,431,568 | 1,448,407 |
| Other receivables | 2,196,791 | 2,178,725 |
| Investment in Niagara Power Incorporated (Note 4) | <u>21,962,249</u> | <u>16,164,107</u> |
| | 60,863,938 | 50,929,836 |

Liabilities

| | | |
|--|-------------------|-------------------|
| Accounts payable and accrued liabilities | 8,306,354 | 4,805,158 |
| Due to trust funds | 2,771 | 230,212 |
| Deferred revenue – obligatory reserve funds (Note 5) | 10,854,908 | 9,725,785 |
| Deferred revenue – other (Note 6) | 579,969 | 554,852 |
| Employee benefit obligations (Note 7) | 1,607,100 | 990,800 |
| Long term debt (Note 8) | <u>69,835</u> | <u>16,744</u> |
| | 21,420,937 | 16,323,551 |

Net financial assets

39,443,001 **34,606,285**

Non-financial assets

| | | |
|----------------------------------|----------------|----------------|
| Tangible capital assets (Note 9) | 252,316,625 | 245,933,051 |
| Inventory and prepaid expenses | <u>842,758</u> | <u>543,624</u> |


Accumulated surplus (Note 10)

\$ 292,602,384 **\$ 281,082,960**

Commitments and contingencies (Notes 22 and 23)

Approved by


Chief Administrative Officer


Director of Finance/Town Treasurer

See accompanying notes and schedules to the consolidated financial statements

The Corporation of the Town of Grimsby Consolidated Statement of Operations

For the Year Ended December 31, 2016

| | Budget <u>2016</u> (Note 24) | Actual <u>2016</u> | Actual <u>2015</u> |
|--------------------------------------|------------------------------------|-----------------------|-----------------------|
| Revenue | | | |
| Taxation (Note 13) | \$ 15,344,500 | \$ 15,655,900 | \$ 14,694,069 |
| User fees and charges (Note 15) | 8,105,584 | 8,416,203 | 7,894,083 |
| Government transfers (Note 16) | 2,128,650 | 1,473,084 | 1,650,236 |
| Other (Note 17) | <u>9,290,145</u> | <u>13,830,012</u> | <u>3,442,812</u> |
| | <u>34,868,879</u> | <u>39,375,199</u> | <u>27,681,200</u> |
| Expenses | | | |
| General government | 2,263,010 | 2,222,670 | 2,310,483 |
| Protection to persons and property | 2,712,984 | 3,020,682 | 2,303,441 |
| Transportation services | 5,664,086 | 4,936,200 | 4,101,524 |
| Environmental services | 12,514,991 | 11,140,438 | 10,962,424 |
| Health services | 260,353 | 304,970 | 289,625 |
| Social and family services | 267,594 | 280,045 | 254,747 |
| Recreation and culture services | 5,297,791 | 5,251,290 | 5,121,587 |
| Planning and development | <u>790,500</u> | <u>699,480</u> | <u>703,269</u> |
| | <u>29,771,309</u> | <u>27,855,775</u> | <u>26,047,100</u> |
| Annual surplus | 5,097,570 | 11,519,424 | 1,634,100 |
| Accumulated surplus (Note 10) | | | |
| Beginning of year | <u>281,082,960</u> | <u>281,082,960</u> | <u>279,448,860</u> |
| End of year | <u>\$ 286,180,530</u> | <u>\$ 292,602,384</u> | <u>\$ 281,082,960</u> |

See accompanying notes and schedules to the consolidated financial statements

The Corporation of the Town of Grimsby
Consolidated Statement of Changes in Net Financial Assets

For the Year Ended December 31, 2016

| | Budget 2016 (Note 24) | Actual 2016 | Actual 2015 |
|---|-----------------------------|----------------------|----------------------|
| Annual surplus | \$ 5,097,570 | \$ 11,519,424 | \$ 1,634,100 |
| Amortization of tangible capital assets | 5,699,589 | 5,699,589 | 5,143,077 |
| Acquisition of tangible capital assets, net of construction in process capitalized | (18,821,250) | (11,308,589) | (6,995,113) |
| Contributed tangible capital assets | - | (855,803) | (241,699) |
| Proceeds on disposal of tangible capital assets | - | 1,841 | - |
| Loss on disposal of tangible capital assets | - | 79,388 | 207,296 |
| | (8,024,091) | 5,135,850 | (252,339) |
| (Acquisition) use of inventory and prepaid expenses | - | (299,134) | 23,167 |
| Increase (decrease) in net financial assets | (8,024,091) | 4,836,716 | (229,172) |
| Net financial assets | | | |
| Beginning of year | <u>34,606,285</u> | <u>34,606,285</u> | <u>34,835,457</u> |
| End of year | <u>\$ 26,582,194</u> | <u>\$ 39,443,001</u> | <u>\$ 34,606,285</u> |

See accompanying notes and schedules to the consolidated financial statements

The Corporation of the Town of Grimsby

Consolidated Statement of Cash Flows

For the Year Ended December 31

2016

2015

Increase (decrease) in cash and cash equivalents

| | | |
|--|----------------------|----------------------|
| Operating activities | | |
| Annual surplus | \$ 11,519,424 | \$ 1,634,100 |
| Non-cash items | | |
| Amortization of tangible capital assets | 5,699,589 | 5,143,077 |
| Loss on disposal of tangible capital assets | 79,388 | 207,296 |
| Contributed tangible capital assets | (855,803) | (241,699) |
| Changes in: | | |
| Taxes receivable | (200,115) | 234,651 |
| User charges receivable | 16,839 | (75,333) |
| Other receivables | (18,066) | 108,023 |
| Accounts payable and accrued liabilities | 3,501,196 | (1,650,901) |
| Due to trust funds | (227,441) | 133,743 |
| Deferred revenue – obligatory reserve funds | 1,129,123 | 637,679 |
| Deferred revenue – other | 25,117 | (26,997) |
| Employee benefit obligations | 616,300 | 16,800 |
| Inventory and prepaid expenses | (299,134) | 23,167 |
| | <u>20,986,417</u> | <u>6,143,606</u> |
| Capital activities | | |
| Proceeds on disposal of tangible capital assets | 1,841 | - |
| Acquisition of tangible capital assets, net of construction in process capitalized | (11,308,589) | (6,995,113) |
| | <u>(11,306,748)</u> | <u>(6,995,113)</u> |
| Investing activities | | |
| (Increase) decrease in investment in subsidiary | (5,798,142) | 195,164 |
| (Increase) decrease in portfolio investments | (3,398,990) | 2,395,213 |
| | <u>(9,197,132)</u> | <u>2,590,377</u> |
| Financing activities | | |
| Proceeds from long term debt issuance | 70,071 | - |
| Repayment of long term debt | (16,980) | (14,866) |
| | <u>53,091</u> | <u>(14,866)</u> |
| Net increase in cash and cash equivalents | 535,628 | 1,724,004 |
| Cash and cash equivalents | | |
| Beginning of year | <u>13,126,430</u> | <u>11,402,426</u> |
| End of year | <u>\$ 13,662,058</u> | <u>\$ 13,126,430</u> |

See accompanying notes and schedules to the consolidated financial statements

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

1. Significant accounting policies

Management responsibility

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

The significant accounting policies used are as follows:

(a) Reporting entity

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

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

Interdepartmental and organizational transactions and balances are eliminated.

Niagara Power Incorporated ("NPI") and 1938427 Ontario Inc. ("1938427") are subsidiary corporations of the Municipality and are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises (Note 4). Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the Municipality and inter-organizational transactions and balances are not eliminated. The Municipality recognizes its equity interest in the annual income or loss of NPI and 1938427 in its Consolidated Statement of Operations with a corresponding increase or decrease in its investment asset account. Any dividends that the Municipality may receive from NPI and 1938427 are reflected as reductions in the investment asset account.

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

(b) Basis of accounting

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

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

1. Significant accounting policies (continued)

(c) Cash and cash equivalents

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

(d) Portfolio investments

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

(e) Deferred revenue

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

(f) Employee future benefits

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

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

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

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

1. Significant accounting policies (continued)

(g) Contaminated sites liability

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

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Municipality:
 - is directly responsible; or
 - accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

(h) Tangible capital assets

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

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

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

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

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

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

1. Significant accounting policies (continued)

(h) Tangible capital assets (continued)

Amortization is based on the following classifications and useful lives:

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

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

(i) Subdivision infrastructure

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

(j) Inventory

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

(k) Reserves for future expenses

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

(l) Revenue recognition

i) Taxation

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

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

1. Significant accounting policies (continued)

(l) Revenue recognition (continued)

i) Taxation (continued)

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

ii) User charges

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

iii) Government transfers

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

iv) Other

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

v) Investment income

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

(m) Region of Niagara and school board transactions

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

(n) Use of estimates

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

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

| 2. Portfolio investments | <u>2016</u> | <u>2015</u> |
|------------------------------------|----------------------|----------------------|
| Provincial bonds | \$ 11,366,313 | \$ 14,118,058 |
| Guaranteed investment certificates | <u>7,188,735</u> | <u>1,038,000</u> |
| | <u>\$ 18,555,048</u> | <u>\$ 15,156,058</u> |

Portfolio investments carry an effective interest rate ranging from 1% to 10.95% and maturity dates ranging from May, 2017 to September, 2025. Interest is receivable on maturity. Portfolio investments reported on the Consolidated Statement of Financial Position have a market value of \$ 19,137,350 (2015 - \$ 15,965,046). 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.

3. Taxes receivable

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

| | <u>2016</u> | <u>2015</u> |
|-----------------------------------|---------------------|---------------------|
| Current year's taxes receivable | \$ 1,899,314 | \$ 1,856,315 |
| Prior year's taxes receivable | 825,889 | 706,341 |
| Previous year's taxes receivable | 331,021 | 293,453 |
| Allowance for uncollectable taxes | <u>-</u> | <u>-</u> |
| | <u>\$ 3,056,224</u> | <u>\$ 2,856,109</u> |

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

4. Investment in subsidiaries

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

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

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

GEI is a services company which is responsible for exploring green energy and other business opportunities. GEI is currently building a 1 megawatt bioreactor facility.

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

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

The investment in subsidiaries is represented by the following:

| | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|
| Promissory note receivable from GPI | \$ 5,782,746 | \$ 5,782,746 |
| Common and preferred shares | 7,987,417 | 7,987,417 |
| Retained earnings | 7,539,925 | 1,706,223 |
| Add: Adjustment on acquisition of subsidiary | 915,004 | 915,004 |
| Less: Non-controlling interest | <u>(262,843)</u> | <u>(227,283)</u> |
| | <u>\$ 21,962,249</u> | <u>\$ 16,164,107</u> |

The promissory note receivable from GPI bears interest at 5.01% (2015 – 5.01%) and matures February 1, 2020.

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

4. Investment in subsidiaries (continued)

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

| | <u>2016</u> | <u>2015</u> |
|--|-----------------------------|-----------------------------|
| Financial position | | |
| Assets | | |
| Current assets | \$ 13,656,370 | \$ 7,448,235 |
| Capital assets | 35,869,454 | 30,909,438 |
| Long term assets | <u>1,284,815</u> | <u>880,674</u> |
| Total assets | <u>50,810,639</u> | <u>39,238,347</u> |
| Liabilities | | |
| Current liabilities | 19,271,266 | 12,759,774 |
| Long term liabilities | <u>14,540,261</u> | <u>15,313,263</u> |
| Total liabilities | <u>33,811,527</u> | <u>28,073,037</u> |
| Net assets | <u>\$ 16,999,112</u> | <u>\$ 11,165,310</u> |
| Results of operations | | |
| Revenues | \$ 35,744,774 | \$ 25,315,821 |
| Expenses | <u>29,902,666</u> | <u>25,027,965</u> |
| Net income | 5,842,108 | 287,856 |
| Reorganization | (1,102) | - |
| Dividends | <u>(7,304)</u> | <u>(472,972)</u> |
| Net increase (decrease) in equity of subsidiaries | <u>\$ 5,833,702</u> | <u>\$ (185,116)</u> |

Commitments and contingencies

- (a) NPI has guaranteed the indebtedness of its subsidiary, GPI, in the amount of \$ 6,500,000. As of December 31, 2016, \$ 3,452,000 (2015 - \$ 3,758,000) of the loan was outstanding and all financial covenants have been met.

NPI has guaranteed the payment of a penalty in the event of early termination of a fixed rate loan agreement between GPI and a bank. The company's liability is estimated at \$ 622,605 (2015 - \$ 787,319).

- (b) A letter of credit in the amount of \$ 964,845 (2015 - \$ 964,845) has been issued by GPI in favour of the Independent Electricity System Operator ("IESO") as security for a subsidiary's purchase of electricity through IESO. No amounts were drawn down on the letter of credit at year end.

The Corporation of the Town of Grimsby
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2016

4. Investment in subsidiaries (continued)

The financial position information is as reported by NPI and 1938427 at December 31, 2016 and the results of operations are as reported for the year ended December 31, 2016. The comparative financial position and results of operations figures are as reported by NPI at December 31, 2015.

The following summarizes the Municipality's related party transactions with NPI and 1938427 for the year. All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

| | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|
| Amounts received from NPI | | |
| Interest on promissory note payable | \$ 289,716 | \$ 289,716 |
| Dividends | - | 459,437 |
| Property services, water and vehicle fuel costs | 145,719 | 45,073 |
| LED retrofit customer incentive | 100,185 | - |
| Amounts paid to NPI | | |
| Electricity and street lighting costs paid | 645,873 | 595,385 |
| Service costs paid | 298,270 | - |

The Corporation of the Town of Grimsby
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2016

5. Deferred revenue – obligatory reserve funds

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

| | <u>2016</u> | <u>2015</u> |
|----------------------------|----------------------|---------------------|
| Building code | \$ 2,248,528 | \$ 1,554,724 |
| Development charges | 6,425,808 | 6,619,702 |
| Gas tax | 467,376 | 371,108 |
| Parkland dedication | 196,947 | 28,380 |
| Subdivision administration | <u>1,516,249</u> | <u>1,151,871</u> |
| | <u>\$ 10,854,908</u> | <u>\$ 9,725,785</u> |

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

| | <u>2016</u> | <u>2015</u> |
|-------------------------------------|----------------------|---------------------|
| Balance, beginning of year | <u>\$ 9,725,785</u> | <u>\$ 9,088,106</u> |
| Contributions from | | |
| Development Charges Act | 4,261,976 | 1,274,375 |
| Building Code Act | 670,996 | 101,578 |
| Planning Act | 427,966 | 15,150 |
| Subdivider contributions | 413,614 | - |
| Interest earned | 188,196 | 190,324 |
| Gas tax grants received | | |
| Federal | <u>769,960</u> | <u>733,296</u> |
| | <u>6,732,708</u> | <u>2,314,723</u> |
| Utilized for | | |
| Operations | 46,512 | 99,709 |
| Tangible capital asset acquisitions | <u>5,557,073</u> | <u>1,577,335</u> |
| | <u>5,603,585</u> | <u>1,677,044</u> |
| Balance, end of year | <u>\$ 10,854,908</u> | <u>\$ 9,725,785</u> |

The Corporation of the Town of Grimsby
Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

| 6. Deferred revenue – other | <u>2016</u> | <u>2015</u> |
|------------------------------------|--------------------------|--------------------------|
| Balance, beginning of year | \$ 554,852 | \$ 581,849 |
| Add: Contributions | 670,257 | 446,300 |
| Less: Revenue recognized | (323,730) | (176,710) |
| Less: Refunds during the year | <u>(321,410)</u> | <u>(296,587)</u> |
| Balance, end of year | <u>\$ 579,969</u> | <u>\$ 554,852</u> |

| 7. Employee benefit obligations | <u>2016</u> | <u>2015</u> |
|--|----------------------------|--------------------------|
| Workplace Safety and Insurance Board future benefits | \$ 606,500 | \$ - |
| Post-employment benefits | <u>1,000,600</u> | <u>990,800</u> |
| | <u>\$ 1,607,100</u> | <u>\$ 990,800</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 \$ 606,500 (2015 - \$ Nil). The Municipality remits payments to the WSIB as required to fund disability payments. During the year \$ Nil (2015 - \$ Nil) was paid by the Municipality to the WSIB in relation to these benefits.

A workplace safety and insurance reserve, funded by annual contributions from operations, has also been established to protect against any unknown future liability. The balance in the reserve at December 31, 2016 is \$ 157,252 (2015 - \$ 157,252).

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

(b) Post-employment benefits

The Municipality pays certain medical and dental benefits for early retirees and life insurance benefits on behalf of its retired employees. The post-employment benefits as at December 31, 2016 of \$ 1,000,600 (2015 - \$ 990,800) was determined by actuarial valuation.

The accrued benefit obligation at December 31, 2016 of \$ 938,600 (2015 - \$ 725,500) was determined by an actuarial valuation using a discount rate of 4.1%.

The Municipality’s obligation under the post-employment benefits provision of employment agreements will be funded out of current revenue. During the year, benefit payments of \$ 39,900 (2015 - \$ 17,900) were paid to retirees.

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

7. Employee benefit obligations (continued)

(b) Post-employment benefits (continued)

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

The most recent actuarial valuation was performed as at December 31, 2015. The main assumptions employed for the valuation are as follows:

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

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

Medical costs – medical costs were assumed to be 7% for 2016 grading down 1% per annum to a rate of 5% per annum in 2018 onward.

| | <u>2016</u> | <u>2015</u> |
|-------------------------------------|---------------------|-------------------|
| Accrued benefit obligation: | | |
| Beginning of year | \$ 990,800 | \$ 974,000 |
| Benefit payments | (39,900) | (17,900) |
| Actuarial adjustment | (14,500) | - |
| Current service cost | 33,900 | 32,900 |
| Interest cost | 37,800 | 35,000 |
| Amortization of actuarial gain | <u>(7,500)</u> | <u>(33,200)</u> |
| End of year | <u>\$ 1,000,600</u> | <u>\$ 990,800</u> |
| Funded status: | | |
| Employment benefit plan liabilities | \$ 938,600 | \$ 725,500 |
| Unamortized net actuarial gain | <u>62,000</u> | <u>265,300</u> |
| | <u>\$ 1,000,600</u> | <u>\$ 990,800</u> |

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

| | | |
|--------------------------------|------------------|------------------|
| Current service cost | \$ 33,900 | \$ 32,900 |
| Interest cost | 37,800 | 35,000 |
| Amortization of actuarial gain | <u>(7,500)</u> | <u>(33,200)</u> |
| Net benefit expense | <u>\$ 64,200</u> | <u>\$ 34,700</u> |

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

| | | |
|---------------------------|-------------------------|-------------------------|
| 8. Long term debt | <u>2016</u> | <u>2015</u> |
| Capital lease obligations | \$ <u>69,835</u> | \$ <u>16,744</u> |

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

| <u>Purpose</u> | <u>Interest Rates</u> | <u>Maturity Date</u> | <u>2016</u> | <u>2015</u> |
|-------------------------------|-----------------------|----------------------|-------------------------|-------------------------|
| Leased vehicles and equipment | 2.77% to 2.98% | 2017-2021 | \$ <u>69,835</u> | \$ <u>16,744</u> |

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

| | |
|------|-----------|
| 2017 | \$ 14,496 |
| 2018 | 13,532 |
| 2019 | 13,934 |
| 2020 | 14,350 |
| 2021 | 13,523 |

(c) Total charges for interest, which are reported on the Consolidated Statement of Operations amounts to \$ 2,281 (2015 - \$ 4,481).

9. Tangible capital assets

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

| | <u>2016</u> | <u>2015</u> |
|-----------------------------------|------------------------------|-----------------------|
| Land | \$ 36,822,661 | \$ 36,822,661 |
| Land improvements | 3,954,300 | 4,016,076 |
| Buildings | 19,878,206 | 20,246,748 |
| Vehicles, machinery and equipment | <u>5,138,593</u> | <u>4,195,861</u> |
| | <u>65,793,760</u> | <u>65,281,346</u> |
| Infrastructure | | |
| Roads | 88,090,774 | 89,009,841 |
| Water and wastewater | <u>88,243,232</u> | <u>88,111,495</u> |
| | <u>176,334,006</u> | <u>177,121,336</u> |
| Construction in process | <u>10,188,859</u> | <u>3,530,369</u> |
| | <u>\$ 252,316,625</u> | <u>\$ 245,933,051</u> |

See Pages 29 and 30 for more detail.

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

| 10. Accumulated surplus | <u>2016</u> | <u>2015</u> |
|---|-----------------------|-----------------------|
| Operating surplus | \$ 132,656 | \$ 107,597 |
| Investment in tangible capital assets | 252,316,625 | 245,933,051 |
| Investment in government business enterprises | 21,962,249 | 16,164,107 |
| Reserves and reserve funds (Note 11) | 19,867,789 | 19,885,749 |
| Unfunded liabilities (Note 12) | <u>(1,676,935)</u> | <u>(1,007,544)</u> |
| | <u>\$ 292,602,384</u> | <u>\$ 281,082,960</u> |

| 11. Reserves and reserve funds | <u>2016</u> | <u>2015</u> |
|---|----------------------|----------------------|
| Reserves set aside by Council for specific purposes: | | |
| Working funds | \$ 700,000 | \$ 700,000 |
| Contingencies | 669,548 | 1,157,848 |
| Equipment replacement | 3,625,185 | 3,097,801 |
| Insurance | 47,779 | 47,779 |
| Workplace safety and insurance | 157,252 | 157,252 |
| Parking revenues | 5,538 | 5,538 |
| Downtown Improvement Area | 210 | 206 |
| Other | 427,312 | 417,522 |
| Capital projects | | |
| General government | 638,513 | 825,513 |
| Protection to persons and property | 15,260 | 14,210 |
| Transportation services | 1,463,233 | 1,173,174 |
| Environmental services | 9,618,295 | 7,791,413 |
| Social and family services | 13,388 | 13,335 |
| Recreation and culture services | 1,045,831 | 1,022,432 |
| Planning and development | <u>287,767</u> | <u>259,926</u> |
| Total reserves | <u>18,715,111</u> | <u>16,683,949</u> |
| Reserve funds set aside by Council for specific purposes: | | |
| Museum | 87,409 | 67,371 |
| Tree planting | 22,760 | - |
| Other | <u>1,042,509</u> | <u>3,134,429</u> |
| Total reserve funds | <u>1,152,678</u> | <u>3,201,800</u> |
| | <u>\$ 19,867,789</u> | <u>\$ 19,885,749</u> |

| 12. Unfunded liabilities | <u>2016</u> | <u>2015</u> |
|------------------------------|---------------------|---------------------|
| Employee benefit obligations | \$ 1,607,100 | \$ 990,800 |
| Long term debt | <u>69,835</u> | <u>16,744</u> |
| | <u>\$ 1,676,935</u> | <u>\$ 1,007,544</u> |

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

| 13. Taxation | Budget 2016 (Note 24) | Actual 2016 | Actual 2015 |
|---|-----------------------------|----------------------|----------------------|
| Real property | | \$ 49,833,444 | \$ 47,904,022 |
| From other governments | | | |
| Payments in lieu of taxes | | <u>548,936</u> | <u>540,018</u> |
| | | <u>50,382,380</u> | <u>48,444,040</u> |
| Less: taxation collected on behalf of (Note 14) | | | |
| Region of Niagara | | 24,838,096 | 24,124,049 |
| School boards | | <u>9,888,384</u> | <u>9,625,922</u> |
| | | <u>34,726,480</u> | <u>33,749,971</u> |
| Net taxes available for municipal purposes | | <u>\$ 15,655,900</u> | <u>\$ 14,694,069</u> |
| Residential, multi-residential and farm | \$ 12,867,450 | \$ 13,109,502 | \$ 12,440,202 |
| Commercial and industrial | <u>2,477,050</u> | <u>2,546,398</u> | <u>2,253,867</u> |
| Net taxes available for municipal purposes | <u>\$ 15,344,500</u> | <u>\$ 15,655,900</u> | <u>\$ 14,694,069</u> |

14. Collections for the Region of Niagara and school boards

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

| | <u>2016</u> | <u>2015</u> |
|-------------------|----------------------|----------------------|
| Region of Niagara | \$ 24,838,096 | \$ 24,124,049 |
| School boards | <u>9,888,384</u> | <u>9,625,922</u> |
| | <u>\$ 34,726,480</u> | <u>\$ 33,749,971</u> |

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

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

| 15. User fees and charges | Budget 2016 (Note 24) | Actual <u>2016</u> | Actual <u>2015</u> |
|---------------------------|-----------------------------|-----------------------|-----------------------|
| Operating | | | |
| Fees and service charges | \$ 1,892,614 | \$ 1,956,753 | \$ 1,949,672 |
| Water charges | 6,108,970 | 6,271,817 | 5,808,299 |
| Sewage charges | <u>104,000</u> | <u>187,633</u> | <u>136,112</u> |
| | <u>\$ 8,105,584</u> | <u>\$ 8,416,203</u> | <u>\$ 7,894,083</u> |
| <hr/> | | | |
| 16. Government transfers | Budget 2016 (Note 24) | Actual <u>2016</u> | Actual <u>2015</u> |
| Operating | | | |
| Government of Canada | \$ 154,935 | \$ 96,866 | \$ 70,786 |
| Province of Ontario | 250,220 | 251,603 | 339,268 |
| Municipal | <u>59,495</u> | <u>39,141</u> | <u>69,357</u> |
| | <u>464,650</u> | <u>387,610</u> | <u>479,411</u> |
| Capital | | | |
| Government of Canada | 790,000 | 724,232 | 449,292 |
| Province of Ontario | 369,000 | 283,221 | 268,553 |
| Municipal | <u>505,000</u> | <u>78,021</u> | <u>452,980</u> |
| | <u>1,664,000</u> | <u>1,085,474</u> | <u>1,170,825</u> |
| | <u>\$ 2,128,650</u> | <u>\$ 1,473,084</u> | <u>\$ 1,650,236</u> |

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

16. Government transfers (continued)

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

| | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|
| Revenue | | |
| Province of Ontario | | |
| Ontario Municipal Partnership Fund | \$ 103,400 | \$ 159,575 |
| OMAFRA | 268,553 | 268,553 |
| OMAFRA drainage superintendent | 3,363 | 9,468 |
| Operating grants | | |
| Senior citizens centre | 51,611 | 54,246 |
| Library | 31,391 | 65,631 |
| Art gallery | 26,125 | 27,500 |
| Museum | 22,674 | 22,848 |
| Recreation facilities | 13,040 | - |
| Capital grants | | |
| Drainage works | <u>14,668</u> | <u>-</u> |
| | <u>534,825</u> | <u>607,821</u> |
| Government of Canada | | |
| Federal gas tax | 688,657 | 449,292 |
| Federal Economic Development Agency | 35,575 | - |
| Operating grants | | |
| Art gallery | 63,291 | 35,129 |
| Museum | 16,035 | 9,877 |
| Wage subsidies | <u>17,540</u> | <u>25,780</u> |
| | <u>821,098</u> | <u>520,078</u> |
| Regional Municipality of Niagara | | |
| Provincial Offences Act | 34,795 | 42,887 |
| Operating grants | | |
| Art gallery | - | 15,000 |
| Heritage | 3,846 | 9,470 |
| Recreation facilities | 500 | - |
| Capital grants | | |
| Roads | 57,293 | 387,835 |
| Wastewater | 20,727 | 40,145 |
| Recreation facilities | - | 25,000 |
| Other | | |
| Downtown improvement area | <u>-</u> | <u>2,000</u> |
| | <u>117,161</u> | <u>522,337</u> |
| | <u>\$ 1,473,084</u> | <u>\$ 1,650,236</u> |
| Expenses | | |
| Charitable and not-for-profit organizations | <u>\$ -</u> | <u>\$ 306,000</u> |

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

| 17. Other | Budget 2016 (Note 24) | Actual 2016 | Actual 2015 |
|---|-----------------------------|----------------------|---------------------|
| Operating | | | |
| Penalties and interest on taxes | \$ 565,000 | \$ 508,652 | \$ 534,252 |
| Fines | 30,000 | 7,317 | 11,747 |
| Licences and permits | 519,900 | 434,869 | 394,336 |
| Rental income | 32,000 | 25,332 | 30,299 |
| Development charges | - | - | 58,369 |
| Investment income | 538,755 | 570,171 | 574,234 |
| Investment income – reserves and reserve funds | - | 57,972 | 70,851 |
| Donations | 62,800 | 240,793 | 75,977 |
| Donations – reserves and reserve funds | 1,500 | 21,706 | 1,750 |
| Subsidiaries net earnings | - | 5,798,142 | 264,272 |
| Other | <u>190,690</u> | <u>176,142</u> | <u>233,928</u> |
| | <u>1,940,645</u> | <u>7,841,096</u> | <u>2,250,015</u> |
| Capital | | | |
| Development charges | 6,352,078 | 4,575,721 | 1,022,223 |
| Donations | 606,000 | 344,085 | 30,349 |
| Contributed tangible capital assets | - | 855,803 | 241,699 |
| Loss on disposal of capital assets | - | (79,388) | (207,296) |
| Other | <u>391,422</u> | <u>292,695</u> | <u>105,822</u> |
| | <u>7,349,500</u> | <u>5,988,916</u> | <u>1,192,797</u> |
| | <u>\$ 9,290,145</u> | <u>\$ 13,830,012</u> | <u>\$ 3,442,812</u> |

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

18. Pension agreement

The Municipality makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of the members of its staff. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan.

Since OMERS is a multi-employer pension plan, the Municipality does not recognize any share of the pension plan deficit of \$ 2.3 billion (2015 - \$ 5.3 billion) based on the fair market value of the plan's assets, as this is a joint responsibility of all Ontario municipal entities and their employees. Contributions were made in the 2016 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 2016 current and past service was \$ 589,768 (2015 - \$ 573,213) and were matched by employee contributions in a similar amount.

19. 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.

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

Trust Funds administered by the Municipality amounting to \$ 1,030,903 (2015 - \$ 1,004,282) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

21. Credit facility

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

22. Commitments

Debt guarantee

The Municipality has guaranteed the indebtedness of GEI, a wholly owned subsidiary of 1938427 Ontario Inc., wholly owned by the Municipality, in the amount of \$ 4,500,000 plus costs. As of December 31, 2016, \$ 4,500,000 (2015 - \$ 3,845,000) of the loan was outstanding.

Hospital

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

Capital expenses

The estimated future capital expense commitments based on projects in progress at December 31, 2016 is approximately \$ 3,985,730 (2015 - \$ 1,157,041). These projects will be financed by grants, taxation or long term liabilities in future years.

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

23. Contingencies

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

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

24. Budget

The budget by-law adopted by Council on April 18, 2016 was not prepared on a basis consistent with that used to report actual results in accordance with Canadian Public Sector Accounting Standards (PSAS). The budget was prepared on a modified accrual basis while PSAS require a full accrual basis. As a result, the budget figures presented in the Consolidated Statements of Operations and Changes in Net Financial Assets represent the budget approved by Council with the following adjustments:

| | |
|---|---------------------|
| Approved budgeted annual surplus | \$ - |
| Add: Acquisition of tangible capital assets | 18,821,250 |
| Less: Proceeds from issuance of long term debt | (4,795,000) |
| Transfers from reserves and reserve funds - net | (3,229,091) |
| Amortization of tangible capital assets | <u>(5,699,589)</u> |
| Budgeted surplus reported on the Consolidated Statement of Operations | <u>\$ 5,097,570</u> |

25. Comparative figures

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

26. Segmented information

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

General government

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

The Corporation of the Town of Grimsby

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

26. Segmented information (continued)

Protection to persons and property

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

Transportation services

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

Environmental services

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

Recreation and cultural services

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

Health services

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

Social and family services

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

Planning and development

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

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

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

For the Year Ended December 31, 2016

| | <u>Land</u> | <u>Land Improvements</u> | <u>Buildings</u> | <u>Vehicles, Machinery and Equipment</u> | <u>Roads Infrastructure</u> | <u>Water and Wastewater Infrastructure</u> | <u>Construction in Progress</u> | <u>2016</u> |
|---------------------------------|----------------------|------------------------------|----------------------|--|---------------------------------|--|-------------------------------------|-----------------------|
| Cost | | | | | | | | |
| Beginning of year | \$ 36,822,661 | \$ 5,858,784 | \$ 25,473,617 | \$ 10,574,405 | \$ 127,209,594 | \$ 122,376,790 | \$ 3,530,369 | \$ 331,846,220 |
| Add additions | - | 165,320 | 18,561 | 1,799,217 | 1,534,919 | 1,987,885 | 8,880,178 | 14,386,080 |
| Less disposals | - | (32,974) | - | (584,289) | (282,470) | (309,816) | (2,221,688) | (3,431,237) |
| End of year | <u>36,822,661</u> | <u>5,991,130</u> | <u>25,492,178</u> | <u>11,789,333</u> | <u>128,462,043</u> | <u>124,054,859</u> | <u>10,188,859</u> | <u>342,801,063</u> |
| Accumulated amortization | | | | | | | | |
| Beginning of year | - | 1,842,708 | 5,226,869 | 6,378,544 | 38,199,753 | 34,265,295 | - | 85,913,169 |
| Add amortization | - | 227,096 | 387,103 | 832,540 | 2,446,569 | 1,806,281 | - | 5,699,589 |
| Less amortization on disposals | - | (32,974) | - | (560,344) | (275,053) | (259,949) | - | (1,128,320) |
| End of year | - | <u>2,036,830</u> | <u>5,613,972</u> | <u>6,650,740</u> | <u>40,371,269</u> | <u>35,811,627</u> | - | <u>90,484,438</u> |
| Net book value | <u>\$ 36,822,661</u> | <u>\$ 3,954,300</u> | <u>\$ 19,878,206</u> | <u>\$ 5,138,593</u> | <u>\$ 88,090,774</u> | <u>\$ 88,243,232</u> | <u>\$ 10,188,859</u> | <u>\$ 252,316,625</u> |

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

For the Year Ended December 31, 2015

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

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

For the year ended December 31, 2016

| | General government | Protection to persons and property | Transportation services | Environmental services | Health services | Social and family services | Recreation and culture services | Planning and development | 2016 |
|-------------------------------------|-----------------------|---|----------------------------|---------------------------|--------------------|----------------------------------|---------------------------------------|-----------------------------|----------------------|
| Revenues | | | | | | | | | |
| Taxation | \$ 966,890 | \$ 3,213,662 | \$ 2,934,755 | \$ 5,006,130 | \$ 117,169 | \$ 92,884 | \$ 3,056,332 | \$ 268,078 | \$ 15,655,900 |
| User charges | 32,648 | 151,516 | 19,226 | 6,459,450 | 88,206 | 86,640 | 1,378,645 | 199,872 | 8,416,203 |
| Government transfers | 103,400 | 34,795 | 729,767 | 289,280 | - | 51,611 | 251,925 | 12,306 | 1,473,084 |
| Other | 5,892,777 | 1,278,015 | 2,229,931 | 648,174 | 91,993 | 6,744 | 3,654,986 | 27,392 | 13,830,012 |
| | 6,995,715 | 4,677,988 | 5,913,679 | 12,403,034 | 297,368 | 237,879 | 8,341,888 | 507,648 | 39,375,199 |
| Expenses | | | | | | | | | |
| Salaries and benefits | 1,601,486 | 2,310,729 | 1,792,027 | 1,784,498 | 179,941 | 175,828 | 2,808,412 | 483,161 | 11,136,082 |
| Operating materials and supplies | 461,806 | 188,835 | 807,811 | 138,942 | 21,656 | 43,118 | 1,264,282 | 144,442 | 3,070,892 |
| Contracted services | 259,367 | 237,561 | 782,063 | 5,715,022 | 5,162 | 40,845 | 447,212 | 49,336 | 7,536,568 |
| Rent and financial expenses | 111,135 | 47,524 | 61,495 | 68,636 | 4,699 | 4,286 | 113,066 | 1,800 | 412,641 |
| External transfers to others | - | - | - | - | - | - | - | - | - |
| Amortization | 292,913 | 175,938 | 1,814,181 | 2,873,400 | 15,159 | 7,594 | 517,926 | 2,481 | 5,699,592 |
| Interfunctional expenses | (504,037) | 60,095 | (321,377) | 559,940 | 78,353 | 8,374 | 100,392 | 18,260 | - |
| | 2,222,670 | 3,020,682 | 4,936,200 | 11,140,438 | 304,970 | 280,045 | 5,251,290 | 699,480 | 27,855,775 |
| Annual surplus (deficit) | \$ 4,773,045 | \$ 1,657,306 | \$ 977,479 | \$ 1,262,596 | \$ (7,602) | \$ (42,166) | \$ 3,090,598 | \$ (191,832) | \$ 11,519,424 |

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

For the year ended December 31, 2015

| | General government | Protection to persons and property | Transportation services | Environmental services | Health services | Social and family services | Recreation and culture services | Planning and development | 2015 |
|-------------------------------------|-----------------------|---|----------------------------|---------------------------|--------------------|----------------------------------|---------------------------------------|-----------------------------|---------------|
| Revenues | | | | | | | | | |
| Taxation | \$ 1,019,026 | \$ 1,080,588 | \$ 3,309,234 | \$ 5,375,526 | \$ 111,284 | \$ 85,784 | \$ 3,447,949 | \$ 264,678 | \$ 14,694,069 |
| User charges | 70,754 | 132,631 | 18,664 | 5,944,412 | 101,681 | 79,438 | 1,282,322 | 264,181 | 7,894,083 |
| Government transfers | 159,575 | 42,887 | 846,595 | 308,698 | - | 54,246 | 223,465 | 14,770 | 1,650,236 |
| Other | 374,268 | 603,328 | 489,446 | 501,156 | 77,139 | 6,885 | 1,344,858 | 45,732 | 3,442,812 |
| | 1,623,623 | 1,859,434 | 4,663,939 | 12,129,792 | 290,104 | 226,353 | 6,298,594 | 589,361 | 27,681,200 |
| Expenses | | | | | | | | | |
| Salaries and benefits | 1,485,910 | 1,660,593 | 1,717,859 | 1,739,611 | 174,718 | 167,042 | 2,722,145 | 444,343 | 10,112,221 |
| Operating materials and supplies | 408,261 | 190,355 | 807,874 | 142,739 | 13,464 | 41,606 | 1,243,166 | 170,166 | 3,017,631 |
| Contracted services | 227,016 | 195,844 | 602,209 | 5,548,924 | 6,996 | 29,144 | 425,834 | 63,804 | 7,099,771 |
| Rent and financial expenses | 105,352 | 25,819 | 60,573 | 66,186 | 10,639 | 2,958 | 95,073 | 1,800 | 368,400 |
| External transfers to others | 306,000 | - | - | - | - | - | - | - | 306,000 |
| Amortization | 262,093 | 176,015 | 1,259,139 | 2,890,024 | 15,071 | 6,753 | 529,775 | 4,207 | 5,143,077 |
| Interfunctional expenses | (484,149) | 54,815 | (346,130) | 574,940 | 68,737 | 7,244 | 105,594 | 18,949 | - |
| | 2,310,483 | 2,303,441 | 4,101,524 | 10,962,424 | 289,625 | 254,747 | 5,121,587 | 703,269 | 26,047,100 |
| Annual surplus (deficit) | \$ (686,860) | \$ (444,007) | \$ 562,415 | \$ 1,167,368 | \$ 479 | \$ (28,394) | \$ 1,177,007 | \$ (113,908) | \$ 1,634,100 |

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

For the Year Ended December 31, 2016

| | <u>Budget</u> <u>2016</u> | <u>Actual</u> <u>2016</u> | <u>Actual</u> <u>2015</u> |
|---|------------------------------|------------------------------|------------------------------|
| General government | | | |
| Revenue | | | |
| Taxation | \$ 947,658 | \$ 966,890 | \$ 1,019,026 |
| User charges | 33,450 | 32,648 | 70,754 |
| Government transfers | 103,400 | 103,400 | 159,575 |
| Other | <u>96,067</u> | <u>5,892,777</u> | <u>374,268</u> |
| | <u>1,180,575</u> | <u>6,995,715</u> | <u>1,623,623</u> |
| Expenses | | | |
| Salaries and benefits | 1,565,381 | 1,601,486 | 1,485,910 |
| Operating materials and supplies | 513,548 | 461,806 | 408,261 |
| Contracted services | 263,980 | 259,367 | 227,016 |
| Rent and financial expenses | 131,600 | 111,135 | 105,352 |
| External transfers to others | - | - | 306,000 |
| Amortization | 292,913 | 292,913 | 262,093 |
| Interfunctional expenses | <u>(504,412)</u> | <u>(504,037)</u> | <u>(484,149)</u> |
| | <u>2,263,010</u> | <u>2,222,670</u> | <u>2,310,483</u> |
| Annual surplus (deficit) | <u>\$ (1,082,435)</u> | <u>\$ 4,773,045</u> | <u>\$ (686,860)</u> |
| <hr/> | | | |
| Protection to persons and property | | | |
| Revenue | | | |
| Taxation | \$ 3,149,741 | \$ 3,213,662 | \$ 1,080,588 |
| User charges | 122,620 | 151,516 | 132,631 |
| Government transfers | 59,495 | 34,795 | 42,887 |
| Other | <u>1,898,566</u> | <u>1,278,015</u> | <u>603,328</u> |
| | <u>5,230,422</u> | <u>4,677,988</u> | <u>1,859,434</u> |
| Expenses | | | |
| Salaries and benefits | 1,964,805 | 2,310,729 | 1,660,593 |
| Operating materials and supplies | 202,900 | 188,835 | 190,355 |
| Contracted services | 227,498 | 237,561 | 195,844 |
| Rent and financial expenses | 81,748 | 47,524 | 25,819 |
| Amortization | 175,938 | 175,938 | 176,015 |
| Interfunctional expenses | <u>60,095</u> | <u>60,095</u> | <u>54,815</u> |
| | <u>2,712,984</u> | <u>3,020,682</u> | <u>2,303,441</u> |
| Annual surplus (deficit) | <u>\$ 2,517,438</u> | <u>\$ 1,657,306</u> | <u>\$ (444,007)</u> |

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

For the Year Ended December 31, 2016

| | <u>Budget</u> <u>2016</u> | <u>Actual</u> <u>2016</u> | <u>Actual</u> <u>2015</u> |
|----------------------------------|------------------------------|------------------------------|------------------------------|
| Transportation services | | | |
| Revenue | | | |
| Taxation | \$ 2,876,382 | \$ 2,934,755 | \$ 3,309,234 |
| User charges | 39,000 | 19,226 | 18,664 |
| Government transfers | 1,044,998 | 729,767 | 846,595 |
| Other | <u>2,599,045</u> | <u>2,229,931</u> | <u>489,446</u> |
| | <u>6,559,425</u> | <u>5,913,679</u> | <u>4,663,939</u> |
| Expenses | | | |
| Salaries and benefits | 1,814,646 | 1,792,027 | 1,717,859 |
| Operating materials and supplies | 834,163 | 807,811 | 807,874 |
| Contracted services | 1,513,998 | 782,063 | 602,209 |
| Rent and financial expenses | 61,760 | 61,495 | 60,573 |
| Amortization | 1,814,181 | 1,814,181 | 1,259,139 |
| Interfunctional expenses | <u>(374,662)</u> | <u>(321,377)</u> | <u>(346,130)</u> |
| | <u>5,664,086</u> | <u>4,936,200</u> | <u>4,101,524</u> |
| Annual surplus | <u>\$ 895,339</u> | <u>\$ 977,479</u> | <u>\$ 562,415</u> |
| <hr/> | | | |
| Environmental services | | | |
| Revenue | | | |
| Taxation | \$ 4,906,556 | \$ 5,006,130 | \$ 5,375,526 |
| User charges | 6,212,970 | 6,459,450 | 5,944,412 |
| Government transfers | 319,000 | 289,280 | 308,698 |
| Other | <u>352,937</u> | <u>648,174</u> | <u>501,156</u> |
| | <u>11,791,463</u> | <u>12,403,034</u> | <u>12,129,792</u> |
| Expenses | | | |
| Salaries and benefits | 1,874,097 | 1,784,498 | 1,739,611 |
| Operating materials and supplies | 259,982 | 138,942 | 142,739 |
| Contracted services | 6,813,461 | 5,715,022 | 5,548,924 |
| Rent and financial expenses | 69,380 | 68,636 | 66,186 |
| Amortization | 2,873,400 | 2,873,400 | 2,890,024 |
| Interfunctional expenses | <u>624,671</u> | <u>559,940</u> | <u>574,940</u> |
| | <u>12,514,991</u> | <u>11,140,438</u> | <u>10,962,424</u> |
| Annual surplus (deficit) | <u>\$ (723,528)</u> | <u>\$ 1,262,596</u> | <u>\$ 1,167,368</u> |

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

For the Year Ended December 31, 2016

| | <u>Budget</u> <u>2016</u> | <u>Actual</u> <u>2016</u> | <u>Actual</u> <u>2015</u> |
|-----------------------------------|------------------------------|------------------------------|------------------------------|
| Health services | | | |
| Revenue | | | |
| Taxation | \$ 114,839 | \$ 117,169 | \$ 111,284 |
| User charges | 111,000 | 88,206 | 101,681 |
| Other | <u>168,260</u> | <u>91,993</u> | <u>77,139</u> |
| | <u>394,099</u> | <u>297,368</u> | <u>290,104</u> |
| Expenses | | | |
| Salaries and benefits | 164,867 | 179,941 | 174,718 |
| Operating materials and supplies | 11,300 | 21,656 | 13,464 |
| Contracted services | 1,684 | 5,162 | 6,996 |
| Rent and financial expenses | 2,725 | 4,699 | 10,639 |
| Amortization | 15,158 | 15,159 | 15,071 |
| Interfunctional expenses | <u>64,619</u> | <u>78,353</u> | <u>68,737</u> |
| | <u>260,353</u> | <u>304,970</u> | <u>289,625</u> |
| Annual (deficit) surplus | <u>\$ 133,746</u> | <u>\$ (7,602)</u> | <u>\$ 479</u> |
| <hr/> | | | |
| Social and family services | | | |
| Revenue | | | |
| Taxation | \$ 91,037 | \$ 92,884 | \$ 85,784 |
| User charges | 80,700 | 86,640 | 79,438 |
| Government transfers | 54,000 | 51,611 | 54,246 |
| Other | <u>6,548</u> | <u>6,744</u> | <u>6,885</u> |
| | <u>232,285</u> | <u>237,879</u> | <u>226,353</u> |
| Expenses | | | |
| Salaries and benefits | 174,137 | 175,828 | 167,042 |
| Operating materials and supplies | 44,400 | 43,118 | 41,606 |
| Contracted services | 29,950 | 40,845 | 29,144 |
| Rent and financial expenses | 3,925 | 4,286 | 2,958 |
| Amortization | 7,594 | 7,594 | 6,753 |
| Interfunctional expenses | <u>7,588</u> | <u>8,374</u> | <u>7,244</u> |
| | <u>267,594</u> | <u>280,045</u> | <u>254,747</u> |
| Annual deficit | <u>\$ (35,309)</u> | <u>\$ (42,166)</u> | <u>\$ (28,394)</u> |

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

For the Year Ended December 31, 2016

| | <u>Budget</u> <u>2016</u> | <u>Actual</u> <u>2016</u> | <u>Actual</u> <u>2015</u> |
|--|------------------------------|------------------------------|------------------------------|
| Recreation and culture services | | | |
| Revenue | | | |
| Taxation | \$ 2,995,540 | \$ 3,056,332 | \$ 3,447,949 |
| User charges | 1,297,940 | 1,378,645 | 1,282,322 |
| Government transfers | 534,657 | 251,925 | 223,465 |
| Other | <u>4,140,723</u> | <u>3,654,986</u> | <u>1,344,858</u> |
| | <u>8,968,860</u> | <u>8,341,888</u> | <u>6,298,594</u> |
| Expenses | | | |
| Salaries and benefits | 2,919,231 | 2,808,412 | 2,722,145 |
| Operating materials and supplies | 1,040,402 | 1,264,282 | 1,243,166 |
| Contracted services | 446,710 | 447,212 | 425,834 |
| Rent and financial expenses | 103,405 | 113,066 | 95,073 |
| Amortization | 517,926 | 517,926 | 529,775 |
| Interfunctional expenses | <u>270,117</u> | <u>100,392</u> | <u>105,594</u> |
| | <u>5,297,791</u> | <u>5,251,290</u> | <u>5,121,587</u> |
| Annual surplus | <u>\$ 3,671,069</u> | <u>\$ 3,090,598</u> | <u>\$ 1,177,007</u> |
| <hr/> | | | |
| Planning and development | | | |
| Revenue | | | |
| Taxation | \$ 262,746 | \$ 268,078 | \$ 264,678 |
| User charges | 207,904 | 199,872 | 264,181 |
| Government transfers | 13,100 | 12,306 | 14,770 |
| Other | <u>28,000</u> | <u>27,392</u> | <u>45,732</u> |
| | <u>511,750</u> | <u>507,648</u> | <u>589,361</u> |
| Expenses | | | |
| Salaries and benefits | 488,895 | 483,161 | 444,343 |
| Operating materials and supplies | 166,474 | 144,442 | 170,166 |
| Contracted services | 112,590 | 49,336 | 63,804 |
| Rent and financial expenses | 1,800 | 1,800 | 1,800 |
| Amortization | 2,481 | 2,481 | 4,207 |
| Interfunctional expenses | <u>18,260</u> | <u>18,260</u> | <u>18,949</u> |
| | <u>790,500</u> | <u>699,480</u> | <u>703,269</u> |
| Annual deficit | <u>\$ (278,750)</u> | <u>\$ (191,832)</u> | <u>\$ (113,908)</u> |



Grant Thornton

Independent auditor's report

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

We have audited the accompanying financial statements of the Trust Funds of The Corporation of the Town of Grimsby, which comprise the statement of financial position as at December 31, 2016, and the statement of operations for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust Funds of The Corporation of the Town of Grimsby as at December 31, 2016, and the results of its operations for the year then ended in accordance with the financial reporting provisions of the Ministry of Municipal Affairs and Housing.

Basis of accounting and restriction on use

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

Grant Thornton LLP

Port Colborne, Canada
December 18, 2017

Chartered Professional Accountants
Licensed Public Accountants

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

As at December 31, 2016

| | Cemetery Care and Maintenance <u>- Grounds</u> | Cemetery Care and Maintenance <u>- Markers</u> | Total 2016 | Total 2015 |
|---|---|---|----------------------------|---------------------|
| Financial assets | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ 13,173 |
| Portfolio investments (Note 2) | 894,759 | 114,816 | 1,009,575 | 750,780 |
| Interest receivable | 16,446 | 2,111 | 18,557 | 10,117 |
| Due from the Town of Grimsby (Note 3) | <u>2,456</u> | <u>315</u> | <u>2,771</u> | <u>230,212</u> |
| Net financial assets and accumulated surplus | <u>\$ 913,661</u> | <u>\$ 117,242</u> | <u>\$ 1,030,903</u> | <u>\$ 1,004,282</u> |

See accompanying notes to the consolidated financial statements

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

For the Year Ended December 31, 2016

| | Cemetery Care and Maintenance <u>- Grounds</u> | Cemetery Care and Maintenance <u>- Markers</u> | Total 2016 | Total 2015 |
|---|---|---|-----------------------|---------------------|
| Revenue | | | | |
| Care and maintenance agreements | \$ 22,971 | \$ 3,650 | \$ 26,621 | \$ 37,793 |
| Interest | <u>23,162</u> | <u>2,976</u> | <u>26,138</u> | <u>21,011</u> |
| | 46,133 | 6,626 | 52,759 | 58,804 |
| Expenses | | | | |
| Investment service charges | - | - | - | 7,670 |
| Interest earned distributed to the Town of Grimsby | <u>23,162</u> | <u>2,976</u> | <u>26,138</u> | <u>13,341</u> |
| Annual surplus | 22,971 | 3,650 | 26,621 | 37,793 |
| Accumulated surplus | | | | |
| Beginning of year | <u>890,690</u> | <u>113,592</u> | <u>1,004,282</u> | <u>966,489</u> |
| End of year | <u>\$ 913,661</u> | <u>\$ 117,242</u> | <u>\$ 1,030,903</u> | <u>\$ 1,004,282</u> |

See accompanying notes to the consolidated financial statements

The Corporation of the Town of Grimsby Trust Funds

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

1. Accounting policies

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

Significant aspects of the accounting policies adopted are as follows:

(a) Basis of accounting

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

(b) Cash and cash equivalents

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

(c) Portfolio investments

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

2. Portfolio investments

Portfolio investments consist of Canadian provincial bonds with interest rates of 4.20% maturing between March, 2018 and March, 2024 and guaranteed investment certificates with interest rates ranging between 1.60% to 1.85% maturing between May and December, 2017. Portfolio investments have an estimated market value of \$ 1,036,938 (2015 - \$ 784,868).

3. Due from the Town of Grimsby

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