

Financial Report

The Grimsby Downtown Improvement Area

2018

Contents

	Page
Management's Responsibility for Financial Statements	1
Independent Auditor's Report	2-3
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Net Financial Assets	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-11

Management's Responsibility for Financial Statements

The accompanying financial statements of The Grimsby Downtown Improvement Area (the "DIA") are the responsibility of the DIA's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 2 to the financial statements. The preparation of 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 DIA's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The DIA board meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by Grant Thornton LLP, licensed public accountants appointed by the Town of Grimsby. The accompanying Independent Auditor's Report outlines their responsibilities and their opinion on the DIA's financial statements.

Mike Williscraft
Chair
The Grimsby Downtown Improvement Area

Steven Gruninger, CPA, CGA
Director of Finance/Treasurer
The Corporation of the Town of Grimsby

October 2, 2019

Independent auditor's report

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

Opinion

We have audited the financial statements of The Grimsby Downtown Improvement Area ("the Entity"), which comprise the statement of financial position as at December 31, 2018 and the statements of operations, changes in net financial 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 Grimsby Downtown Improvement Area as at December 31, 2018, and the 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 Financial Statements* section of our report. We are independent of the Entity 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 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.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's 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 Entity'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 Entity'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 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 Entity 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Port Colborne, Canada
October 2, 2019

Chartered Professional Accountants
Licensed Public Accountants

The Grimsby Downtown Improvement Area Statement of Financial Position

As at December 31	2018	2017
Financial assets		
Due from Town of Grimsby	<u>\$ 30,694</u>	<u>\$ 21,549</u>
Net financial assets	30,694	21,549
Non-financial assets		
Tangible capital assets (Note 4)	<u>935</u>	<u>1,783</u>
Accumulated surplus (Note 5)	<u>\$ 31,629</u>	<u>\$ 23,332</u>

On behalf of the Board

See accompanying notes to the financial statements

The Grimsby Downtown Improvement Area

Statement of Operations

For the Year Ended December 31, 2018

	Budget 2018 (Note 3)	Actual 2018	Actual 2017
Revenue			
Taxation	\$ 85,770	\$ 85,406	\$ 83,332
Other income	12,340	7,623	9,069
Government transfers	-	-	1,026
Investment income	-	-	2
	<u>98,110</u>	<u>93,029</u>	<u>93,429</u>
Expenses			
Advertising and promotion	24,000	28,228	19,959
Amortization	848	848	1,887
Downtown beautification	22,960	13,775	12,532
Office	3,350	2,529	2,468
Professional fees	1,700	1,729	1,644
Special events	6,000	6,270	5,000
Taxation levies written off	2,300	854	1,559
Wages and benefits	33,410	30,499	32,804
	<u>94,568</u>	<u>84,732</u>	<u>77,853</u>
Annual surplus	3,542	8,297	15,576
Accumulated surplus (Note 5)			
Beginning of year	<u>23,332</u>	<u>23,332</u>	<u>7,756</u>
End of year	<u>\$ 26,874</u>	<u>\$ 31,629</u>	<u>\$ 23,332</u>

See accompanying notes to the financial statements

The Grimsby Downtown Improvement Area Statement of Changes in Net Financial Assets

For the Year Ended December 31, 2018

	Budget <u>2018</u> (Note 3)	Actual <u>2018</u>	Actual <u>2017</u>
Annual surplus	\$ 3,542	\$ 8,297	\$ 15,576
Amortization of tangible capital assets	848	848	1,887
Usage of prepaid expenses	<u>-</u>	<u>-</u>	<u>450</u>
Increase in net financial assets	4,390	9,145	17,913
Net financial assets			
Beginning of year	<u>21,549</u>	<u>21,549</u>	<u>3,636</u>
End of year	<u>\$ 25,939</u>	<u>\$ 30,694</u>	<u>\$ 21,549</u>

See accompanying notes to the financial statements

The Grimsby Downtown Improvement Area

Statement of Cash Flows

For the Year Ended December 31

2018

2017

Increase (decrease) in cash and cash equivalents

Operating

Annual surplus	\$ 8,297	\$ 15,576
Non-cash item		
Amortization of tangible capital assets	848	1,887
Usage of prepaid expenses	-	450
Increase in due from Town of Grimsby	<u>(9,145)</u>	<u>(5,821)</u>
	<u>-</u>	<u>12,092</u>

Financing

Loan repayment	<u>-</u>	<u>(12,092)</u>
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Increase in cash and cash equivalents

- -

Cash and cash equivalents

Beginning of year	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements

The Grimsby Downtown Improvement Area

Notes to the Financial Statements

For the Year Ended December 31, 2018

1. Purpose of the Downtown Improvement Area

The Downtown Improvement Area (DIA) was established by the Council of the Town of Grimsby and has been entrusted with the improvement, beautification and maintenance of Municipality owned lands, buildings and structures in the improvement area, beyond such expenditure by the Municipality. The DIA is also responsible for the promotion of this improvement area for business and shopping.

The Board is financed by a special levy charged upon businesses in the improvement area.

2. Summary of significant accounting policies

The financial statements are the responsibility of and prepared by management in accordance with Canadian Public Sector Accounting Standards. The preparation of 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:

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.

Reporting entity

The financial statements reflect the financial assets, liabilities, non-financial assets, revenues, expenses and changes in accumulated surplus of the DIA.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, and highly liquid temporary money market instruments with original maturities of three months or less.

Tangible capital assets

(a) Determination of costs

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 or donated tangible capital assets are recorded at their fair value at the date of receipt.

The Grimsby Downtown Improvement Area

Notes to the Financial Statements

For the Year Ended December 31, 2018

2. Summary of significant accounting policies (continued)

Tangible capital assets (continued)

(b) Amortization

Amortization is recorded to reflect the cost, net of anticipated salvage value, associated with the use of the asset in providing government services over the estimated useful life of the asset. Amortization expense is calculated on a straight-line basis over the assets' estimated useful lives.

Equipment

3-15 years

One-half of 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 use and put in service.

Revenue recognition

Government transfers, which include municipal contributions and provincial and federal grants, are recognized in the year in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria or stipulations 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.

Investment income is reported as revenue in the period earned. Other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

Use of estimates

The preparation of 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Budget

The budget 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 Statement of Operations and Statement of Changes in Net Financial Assets represent the budget adopted with the following adjustments:

Approved budgeted annual surplus	\$ -
Add: transfer to reserve	4,390
Less: amortization of tangible capital assets	<u>(848)</u>
Budgeted surplus per Statement of Operations	<u>\$ 3,542</u>

The Grimsby Downtown Improvement Area

Notes to the Financial Statements

For the Year Ended December 31, 2018

4. Tangible capital assets	<u>2018</u>	<u>2017</u>
Equipment:		
Cost, beginning of year	\$ 14,461	\$ 18,963
Add additions during the year	-	-
Less disposals during the year	<u>-</u>	<u>(4,502)</u>
Cost, end of year	<u>14,461</u>	<u>14,461</u>
Accumulated amortization, beginning of year	12,678	15,293
Less disposals during the year	-	(4,502)
Add amortization during the year	<u>848</u>	<u>1,887</u>
Accumulated amortization, end of year	<u>13,526</u>	<u>12,678</u>
Net book value	<u>\$ 935</u>	<u>\$ 1,783</u>

5. Accumulated surplus	<u>2018</u>	<u>2017</u>
Operating surplus (Note 6)	\$ 15,965	\$ 15,965
DIA capital projects reserve	14,729	5,584
Investment in tangible capital assets	<u>935</u>	<u>1,783</u>
	<u>\$ 31,629</u>	<u>\$ 23,332</u>

6. Operating surplus	<u>2018</u>	<u>2017</u>
Surplus for the year	\$ 8,297	\$ 15,576
Add: amortization for the year	848	1,887
Less: transfer to reserve	<u>(9,145)</u>	<u>(5,374)</u>
	-	12,089
Operating surplus		
Beginning of year	<u>15,965</u>	<u>3,876</u>
End of year	<u>\$ 15,965</u>	<u>\$ 15,965</u>

The Grimsby Downtown Improvement Area

Notes to the Financial Statements

For the Year Ended December 31, 2018

7. Workplace Safety and Insurance Board future benefits

The DIA, as a part of the Town, is a Schedule II employer under the Workplace Safety & Insurance Act and follows a policy of self-insurance for all its employees.

An actuarial estimate of the future liabilities has been completed and forms the basis for the estimated liability reported in these financial statements. The DIA remits payments to the Workplace Safety and Insurance Board (WSIB) as required to fund disability payments. The estimated future liability relating to WSIB amounted to \$ Nil (2017 - \$ Nil)

A Workplace Safety and Insurance Reserve, funded by annual contributions from the Town, has also been established to protect against any unknown future liability. The Town also maintains an insurance policy, which protects the Corporation against single claims in excess of \$ 500,000.