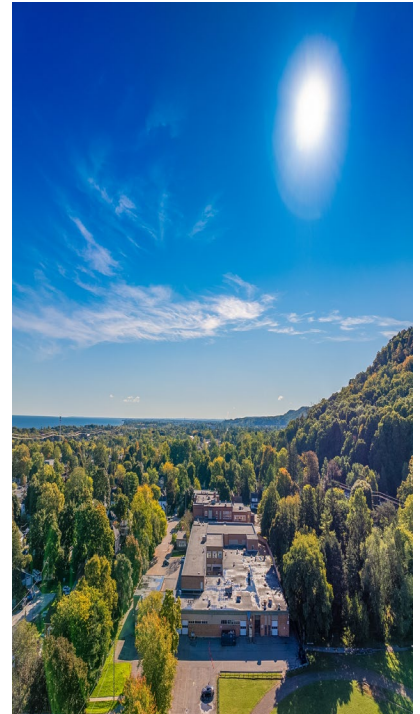




TOWN OF GRIMSBY



2024 FINANCIAL REPORT



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*The financial statement was approved as presented, with final statements to follow



Five-Year Financial and Statistical Review

This report provides a summary of the Town's consolidated financial results over the past five years, focusing on key components of the Income Statement, Tangible Capital Asset (TCA) balances, accumulated surplus breakdown, taxation and assessment trends, and statistical data to provide context for the Town's growth and service demands. The statistical section includes information such as population and household counts, the geographic size of the municipality, building permit activity across residential and non-residential sectors, and the number of permanent full-time staff supporting the delivery of the Town's services.

The appendix contains the Five-Year Financial Summary, including the audited consolidated financial statements and the financial statements of the related entities consolidated into the Town's statements.

The information contained in this report provides a historical view of the Town's financial position and has not been audited.

Report Details:

1. Statement of Operations – Five-Year Results

Summarizes consolidated revenues and expenses over five years, including taxation and user charge revenues, government transfers, and departmental expenses.

2. Taxation and Assessment Trends

Includes total tax levies (Town, Region, and School Boards), as well as assessment data by class (residential, commercial, industrial). Total and weighted assessment are broken down into residential and non-residential to illustrate the tax base and growth.

3. Tangible Capital Assets (TCA) – By Asset Type

Provides a five-year summary of TCA balances by asset type (land and land improvements, buildings, road infrastructure, equipment, water/wastewater), showing the Town's infrastructure investment and the change in net book value over time.

4. Accumulated Surplus – Composition Overview

A breakdown of the Town's accumulated surplus is provided for each year, including:

- Investment in Niagara Power Inc. (NPI)
- Net investment in tangible capital assets
- Reserve and reserve funds
- Unfunded liabilities



Section 1: 2024 Town of Grimsby FIVE Year Financial and Statistical Review

December 31, 2024

Town of Grimsby
FIVE Year Financial and Statistical Review (Unaudited)

		2024		2023		2022		2021		2020
Revenue										
Taxation	\$	21,885,592	\$	21,718,717	\$	22,257,625	\$	21,798,544	\$	20,806,588
User charges		14,152,043		13,266,576		10,039,741		10,137,782		9,588,779
Government transfers		8,017,440		2,842,159		1,869,664		2,242,327		3,314,348
Other										
Investment Income		2,774,210		2,695,712		1,023,689		275,769		416,003
Development Charges		1,266,901		655,014		671,956		338,616		1,010,214
Net Income from Government Business Enterprises		1,041,244		1,167,769		921,741		1,004,413		918,110
Penalties & Interest on taxes		589,042		581,809		600,944		707,497		504,679
Licenses and Permits		830,316		377,989		606,919		417,078		257,771
Contributed Tangible Capital Assets & Gain on disposal TCA		15,412		759,655		2,429,929		33,406		860,851
Parkland Dedication		893,326		2,475,437		44,320				
Sundry		644,558		1,062,518		675,656		907,988		630,312
TOTAL	\$	52,110,084	\$	47,603,355	\$	41,142,184	\$	37,863,420	\$	38,307,655
Expenses										
General government	\$	7,475,502	\$	4,810,945	\$	5,732,853	\$	4,372,249	\$	3,749,362
Protection to persons and property		4,503,045		3,784,942		3,778,285		3,775,615		3,821,440
Transportation services		6,381,440		5,337,123		5,334,385		4,776,911		5,009,127
Environmental services		15,990,448		15,069,936		13,347,650		12,302,390		12,531,227
Health services		221,122		226,861		227,551		343,154		292,102
Social and family services		194,200		175,026		152,781		215,065		194,034
Recreation and culture services		7,908,547		7,270,770		6,670,088		5,643,869		5,257,641
Planning and development		1,788,250		1,426,104		1,197,331		1,261,806		787,326
TOTAL	\$	44,462,554	\$	38,101,707	\$	36,440,924	\$	32,691,059	\$	31,642,259
Net Operating Revenue or Annual Surplus from Operations	\$	7,647,530	\$	9,501,648	\$	4,701,260	\$	5,172,361	\$	6,665,396

Town of Grimsby
FIVE Year Financial and Statistical Review (Unaudited)

	2024	2023	2022	2021	2020
Taxation					
Taxation from real property	\$ 73,581,850	\$ 70,513,680	\$ 67,684,141	\$ 64,985,023	\$ 63,556,725
Taxation from other governments/payments in lieu of taxes	1,069,878	1,120,807	858,955	836,734	815,779
Taxation collected on behalf of Niagara Region	(41,865,682)	(38,887,714)	(35,480,615)	(33,733,690)	(32,645,442)
Taxation collected on behalf of School Boards	(10,987,568)	(11,028,056)	(10,804,856)	(10,289,523)	(10,920,474)
Net taxes available for municipal purposes	\$ 21,798,478	\$ 21,718,717	\$ 22,257,625	\$ 21,798,544	\$ 20,806,588
Tax Arrears					
Taxes Receivable	\$ 3,809,281	\$ 3,073,864	\$ 3,551,164	\$ 3,937,297	\$ 4,253,663
Population per Statscan	28,883	28,883	28,883	28,883	27,314
Taxes Receivable per capital	132	106	123	136	156
Taxes receivable as a percentage of current years' levies	5.2%	4.4%	5.2%	6.1%	6.7%
Unweighted Taxable Assessment					
Residential	4,752,210,774	4,672,147,265	4,618,680,443	4,534,132,943	4,474,866,243
Non-Residential	468,065,488	463,345,988	455,252,910	458,892,910	465,639,110
	\$ 5,220,276,262	\$ 5,135,493,253	\$ 5,073,933,353	\$ 4,993,025,853	\$ 4,940,505,353
Weighted Taxable Assessment					
Residential	4,707,487,373	4,631,509,789	4,582,262,857	4,494,558,697	4,430,929,652
Non-Residential	865,299,296	850,753,208	829,597,823	829,827,984	833,515,452
	\$ 5,572,786,669	\$ 5,482,262,997	\$ 5,411,860,680	\$ 5,324,386,681	\$ 5,264,445,104
Residential vs Non-Residential Percentage of Total Weighted Taxable Assessment					
Residential	84.5%	84.5%	84.7%	84.4%	84.2%
Non-Residential	15.5%	15.5%	15.3%	15.6%	15.8%
Operating Expenses by Object					
Salaries and benefits	41.47%	39.31%	41.58%	43.24%	41.73%
Debt service	0.40%	0.14%	0.18%	0.22%	0.27%
Operating materials and supplies	9.38%	9.98%	9.59%	8.96%	9.41%
Contracted services	30.36%	30.34%	28.04%	25.44%	26.33%
Rents and financial expenses	2.05%	2.32%	2.14%	1.61%	1.45%
External transfers to others	0.22%	0.00%	0.12%	0.05%	0.02%
Amortization	16.12%	17.92%	18.34%	20.48%	20.79%
Interfunctional expenses	0.00%	0.00%	0.00%	0.00%	0.00%
	100.00%	100.00%	100.00%	100.00%	100.00%

Town of Grimsby
FIVE Year Financial and Statistical Review (Unaudited)

	2024	2023	2022	2021	2020
Long Term Liabilities					
Infrastructure Ontario	\$ 8,630,106	\$ 1,657,336	\$ 2,043,563	\$ 2,419,161	\$ 2,784,423
Capital Lease Obligations	26,765	38,794	49,971	51,903	18,049
	\$ 8,656,871	\$ 1,696,130	\$ 2,093,534	\$ 2,471,064	\$ 2,802,472
Tangible Capital Assets					
Land	\$ 37,862,494	\$ 37,862,494	\$ 37,862,494	\$ 37,862,494	\$ 37,862,494
Land Improvements	13,120,677	9,696,220	9,589,393	9,470,892	9,237,571
Buildings	27,027,487	26,888,444	27,360,704	27,916,581	28,410,824
Vehicles, Machinery and Equipment	11,656,049	7,321,857	7,244,074	7,163,644	7,591,720
Roads Infrastructure	87,567,367	88,962,138	89,784,378	89,515,971	91,252,469
Water and Wastewater Infrastructure	87,531,929	89,399,806	89,298,787	90,562,627	92,416,637
Construction in Progress	10,641,654	4,654,781	881,081	443,013	262,269
	\$ 275,407,657	\$ 264,785,740	\$ 262,020,911	\$ 262,935,222	\$ 267,033,984
Accumulated Surplus or Municipal Financial Position					
Operating surplus	\$ (232,120)	\$ 86,013	\$ 165,711	\$ 241,554	\$ 127,968
Investment in Government Business Enterprises	19,604,711	18,945,285	18,164,491	17,624,569	18,062,693
Investment in tangible capital assets	275,407,657	264,785,740	262,020,911	262,935,222	267,033,984
Reserves and reserve funds	52,195,746	52,534,301	46,832,152	41,967,257	32,735,836
Unfunded liabilities - Employee future benefits	(2,246,400)	(1,241,100)	(1,222,379)	(1,159,216)	(1,140,664)
Unfunded liabilities - Vacation Pay	(453,704)	(474,562)	(444,421)	(446,110)	(497,494)
Unfunded liabilities - Asset Retirement Obligation	(334,153)	(321,621)	(306,653)		
Unfunded liabilities - Long Term Debt	(8,656,871)	(1,696,130)	(2,093,534)	(2,471,064)	(2,802,472)
Unfunded projects	4,980,590				
	\$ 340,265,456	\$ 332,617,926	\$ 323,116,278	\$ 318,692,212	\$ 313,519,851
Statistical Information					
Population	28,883	28,883	28,883	28,883	27,314
Households	12,252	11,968	11,774	11,411	11,297
Area in hectares	68.71 KM²	68.71 KM²	68.71 KM²	68.71 KM²	68.71 KM²
Building Permit Values	\$ 260,910,943	\$ 38,503,835	\$ 70,950,939	\$ 28,323,560	\$ 22,757,051
Housing Starts	15	54	69	5	22
Residential Units - Building Permits	163	191	250	197	6
Non-Residential Units - Building Permits	81	60	50	174	20
Continuous Full Time Employees	126	124	120	121	120



Section 2: 2024 Town of Grimsby Consolidated Financial Statements

December 31, 2024

FINANCIAL STATEMENTS

THE CORPORATION OF THE TOWN OF GRIMSBY

December 31, 2024

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THE CORPORATION OF THE TOWN OF GRIMSBY

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TOWN OF GRIMSBY TRUST FUNDS

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THE CORPORATION OF THE TOWN OF GRIMSBY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements of the Corporation of the Town of Grimsby ("the Town") are the responsibility of and prepared by the Town'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 is described in Note 1 to the financial statements. 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 Town'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 the preparation of the financial statements. These systems are monitored and evaluated by management.

The Finance Committee meets with management to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, licensed public accountants, appointed by the Town. The accompanying Independent Auditor's Report outlines the responsibilities of management, the auditors' responsibilities and their opinion on the Town's consolidated financial statements.



Tony Del Monaco
Director of Finance/Treasurer



Sarah Kim
Chief Administrative Officer

August 11, 2025

**KPMG LLP**

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Town of Grimsby (the Municipality), which comprise:

- the consolidated statement of financial position as at December 31, 2024
- the consolidated statement of operations for the years then ended
- the consolidated statement of changes in net assets for the years then ended
- the consolidated statement of remeasurement gains and losses for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2024 and December 31, 2023, and its consolidated results of operations, its consolidated remeasurement of gains and losses, its consolidated changes in net debt and its consolidated cash flows for the years 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 auditor's report.

We are independent of the Municipality 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.

Other Matter – Comparative Information

The comparative information as at and for the year ended end of December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on October 7, 2024.

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

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

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

Auditor's Responsibilities for the Audit of the 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 the 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 Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

August 11, 2025

THE CORPORATION OF THE TOWN OF GRIMSBY

Consolidated Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Financial assets:		
Cash	\$ 23,059,486	\$ 43,412,014
Portfolio investments (note 3)	58,281,160	37,465,951
Taxes receivable (note 4)	3,809,281	3,073,864
User charges receivable	2,963,897	2,923,957
Other receivables	9,326,018	3,410,843
Investment in Government Business Enterprises (note 5)	19,604,711	18,945,285
	117,044,553	109,231,914
Financial Liabilities:		
Accounts payable and accrued liabilities	10,679,975	8,630,433
Due to trust funds	1,398,400	1,109,381
Deferred revenue - obligatory reserve funds (note 6)	28,308,695	28,329,421
Deferred revenue – other (note 7)	1,395,036	1,532,263
Employee benefit obligations (notes 8 and 20)	2,246,400	1,241,100
Asset retirement obligation (note 9)	334,153	321,621
Long-term debt (note 10)	8,656,871	1,696,130
	53,019,530	42,860,349
Net financial assets	64,025,023	66,371,565
Non-financial assets:		
Tangible capital assets (note 11 and pages 40 - 41)	275,407,657	264,785,740
Prepaid expenses and inventory	841,827	1,460,621
	276,249,484	266,246,361
Accumulated remeasurement gain	9,051	–
Accumulated surplus from operations (note 12)	340,265,456	332,617,926
Commitments (note 24)		
Contingencies (note 25)		
Accumulated surplus	\$ 340,274,507	\$ 332,617,926

The accompanying notes are an integral part of these consolidated financial statements.

Approved by:



Director of Finance/Treasurer



Chief Administrative Officer

THE CORPORATION OF THE TOWN OF GRIMSBY

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2024, with comparative information for 2023

	Budget (note 26)	2024	2023
Revenue:			
Taxation revenue (note 15)	\$ 22,046,300	\$21,885,592	\$ 21,718,717
User fees and charges (note 17)	14,618,240	14,152,043	13,266,576
Government transfers (note 18)	2,730,880	8,017,440	2,842,159
Other (note 19)	8,024,890	8,055,009	9,775,903
Total revenue	47,420,310	52,110,084	47,603,355
Expenses:			
General government	13,166,592	7,475,502	4,810,945
Protection to persons and property	4,364,963	4,503,045	3,784,942
Transportation services	6,456,301	6,381,440	5,337,123
Environmental services	14,953,648	15,990,448	15,069,936
Health services	253,360	221,122	226,861
Social and family services	176,202	194,200	175,026
Recreation and cultural services	8,126,481	7,908,547	7,270,770
Planning and development	1,639,167	1,788,250	1,426,104
Total expenses	49,136,714	44,462,554	38,101,707
Annual surplus	(1,716,404)	7,647,530	9,501,648
Accumulated surplus, beginning of year	332,617,926	332,617,926	323,116,278
Accumulated surplus from operations	\$ 330,901,522	\$340,265,456	\$ 332,617,926

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF GRIMSBY

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2024, with comparative information for 2023

	Budget (note 26)	2024	2023
Annual surplus	\$ (1,716,404)	\$ 7,647,530	\$ 9,501,648
Acquisition of tangible capital assets	(10,900,860)	(17,870,602)	(8,848,107)
Amortization of tangible capital assets	7,166,164	7,166,164	6,826,165
Contributed tangible capital assets	—	(237,699)	(744,801)
Loss (gain) on disposal of tangible capital assets	—	222,286	(14,754)
Proceeds on disposition of tangible capital assets	—	97,934	16,668
	(5,451,100)	(2,974,387)	6,736,819
Acquisition of prepaid expenses and inventory	—	618,794	(822,656)
Change in net financial assets	(5,451,100)	(2,355,593)	5,914,163
Net financial assets, beginning of year	66,371,565	66,371,565	60,457,402
Unrealized gain on portfolio investments	—	9,051	—
Net financial assets, end of year	\$ 60,920,465	\$64,025,023	\$ 66,371,565

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF GRIMSBY

Consolidated Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 7,647,530	\$ 9,501,648
Items not involving cash:		
Amortization of tangible capital assets	7,166,164	6,826,165
Loss (gain) on disposal of tangible capital assets	222,286	(14,754)
Contributed tangible capital assets	(237,699)	(744,801)
Asset retirement obligations accretion expense	12,532	14,968
Unrealized gain on portfolio investments	9,051	–
Change in non-cash assets and liabilities:		
Taxes receivable	(735,417)	477,300
User charges receivable	(39,940)	(869,074)
Other receivables	(5,915,179)	(35,809)
Accounts payable and accrued liabilities	2,049,546	3,357,585
Due to trust funds	289,019	969,452
Deferred revenue - obligatory reserve funds	(20,726)	(305,851)
Deferred revenue – other	(137,227)	(188,406)
Employee benefit obligations	1,005,300	18,721
Prepaid expenses and inventory	618,794	(822,656)
Net change in cash from operating activities	11,934,034	18,184,488
Capital activities:		
Proceeds from disposal of tangible capital assets	97,934	16,668
Acquisition of tangible capital assets	(17,870,602)	(8,848,107)
Net change in cash used in capital activities	(17,772,668)	(8,831,439)
Investing activities:		
Purchase of portfolio investments, net	(20,815,209)	1,559,950
Increase in investment in Government Business Enterprises	(659,426)	(780,794)
Net change in cash used in investing activities	(21,474,635)	779,156
Financing activities:		
Proceeds from long-term debt issuance	7,369,930	–
Repayment of long-term debt	(409,189)	(397,404)
Net change in cash from financing activities	6,960,741	(397,404)
Net change in cash	(20,352,528)	9,734,801
Cash, beginning of year	43,412,014	33,677,213
Cash, end of year	\$ 23,059,486	\$ 43,412,014

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF GRIMSBY

Consolidated Statement of Remeasurement Gains

Year ended December 31, 2024, with comparative information for 2023

	2024		2023	
Accumulated remeasurement gain, beginning of year	\$	–	\$	–
Unrealized gain on portfolio investments		9,051		–
Accumulated remeasurement gain, end of year	\$	9,051	\$	–

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

1. Significant accounting policies:

The significant accounting policies used are as follows:

(a) Reporting entity:

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

Grimsby Public Library Board
Grimsby Museum
Grimsby Public Art Gallery
Grimsby Downtown Business Improvement Area

Interdepartmental and organizational transactions and balances are eliminated.

Niagara Power Incorporated ("NPI") is a subsidiary corporation of the Municipality and is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for Government Business Enterprises (Note 5). Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform to those of the Municipality and inter-organizational transactions and balances are not eliminated. The Municipality recognizes its equity interest in the annual income or loss of NPI in its Consolidated Statement of Operations and Accumulated Surplus with a corresponding increase or decrease in its investment asset account. Any dividends that the Municipality may receive from NPI are reflected as reductions in the investment asset account.

Trust funds and their related operations administered by the Municipality are not consolidated but are reported separately on the Trust Funds Statements of Financial Position and Operations (note 22).

Interdepartmental and inter-organizational transactions and balances between these entities and organizations have been eliminated.

(b) Basis of accounting:

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

(c) Deferred revenue:

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

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

1. Significant accounting policies (continued):

(d) Employee future benefits:

- i) The Municipality provides certain employee benefits which will require funding in future periods. These benefits include extended health and dental benefits for a closed group of early retirees. An independent actuarial study to determine the liabilities for future payments of extended health and dental benefits has been undertaken using management's best estimate of insurance and health care cost trends, long term inflation rates and discount rates.
- ii) The costs of multi-employer defined benefit pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period.

(e) Asset retirement obligations:

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made.

The liability is measured at the Municipality's best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date. The estimate includes costs directly attributable to the asset retirement activities. The costs also include post-retirement operation, maintenance and monitoring that are an integral part of the retirement of the tangible capital asset and the costs of tangible capital assets acquired as part of asset retirement activities to the extent those assets have no alternative use.

Upon initial recognition of the liability for an asset retirement obligation, the carrying amount of the corresponding tangible capital asset (or component thereof) is increased by the same amount. The capitalized asset retirement cost is expensed in a rational and systematic manner over the useful life of the tangible capital asset (or a component thereof).

For obligations for which there is no tangible capital asset recognized or for tangible capital assets that are no longer in productive use, the asset retirement costs are expensed immediately. Subsequently, the liability is reviewed at each financial statement reporting date and adjusted for (1) changes as a result of the passage of time with corresponding accretion expense and (2) adjusted for any revisions to the timing, amount of the original estimate of undiscounted cash flows, or the discount rate. Adjustments to the liability as a result of revisions to the timing, amount of the estimate of undiscounted cash flows or the discount rate are adjusted to the cost of the related tangible capital asset and the revised carrying amount of the related tangible capital asset is amortized except for adjustments related to tangible capital assets that are not recognized or no longer in productive use, which are expensed in the period they are incurred.

The asset retirement costs are amortized on a straight-line basis over the estimated useful life of the related asset.

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

1. Significant accounting policies (continued):

(e) Asset retirement obligations (continued):

A recovery related to asset retirement obligation is recognized when the recovery can be appropriately measured; reasonably estimated and it is expected that future economic benefits will be obtained. The recovery is not netted against the liability.

(f) Contaminated sites liability:

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

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

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

(g) 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.

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

1. Significant accounting policies (continued):

(g) Tangible capital assets (continued):

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

Amortization is based on the following classifications and useful lives:

Asset	Useful Life - Years
Land improvements	15 - 60
Buildings	10 - 70
Vehicles, machinery and equipment	3 - 20
Road infrastructure	6 - 75
Water and wastewater infrastructure	40 - 90

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.

(h) Subdivision infrastructure:

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

(i) Inventory:

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

(j) 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.

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

1. Significant accounting policies (continued):

(k) Revenue recognition:

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

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 the amount the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes and on behalf of the Region of Niagara for upper-tier services, waste management and transit. Realty taxes are billed based on the assessment rolls provided by MPAC. Taxation revenues are recorded at the time tax billings are issued.

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

ii) User charges:

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

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

iii) Government transfers:

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

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

1. Significant accounting policies (continued):

(k) Revenue recognition (continued):

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.

(l) 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.

(m) Financial instruments:

All financial instruments are recorded at their cost or amortized cost except for portfolio investments in equity instruments quoted in an active market and derivatives which are recorded at their fair value with unrealized remeasurement gains and losses recorded in the Statement of Remeasurement Gains and Losses. Once realized, remeasurement gains and losses are transferred to the Statement of Operations and Accumulated Surplus. Changes in the fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met, upon which the gain or loss is recognized in the Statement of Operations and Accumulated Surplus.

Transaction costs related to financial instruments measured at cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs related to financial instruments recorded at their fair values are expensed as incurred.

Financial liabilities (or part of a financial liability) are removed from the Statement of Financial Position when, and only when, they are discharged or cancelled or expire.

(n) Use of estimates:

The preparation of the consolidated financial statements in accordance with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Areas in which management make estimates are with regards to an allowance for uncollectible taxes receivable, obligations for employee benefits, contaminated sites liability and useful lives of tangible capital assets.

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

2. Changes in accounting policy:

The Town adopted the following standards concurrently beginning January 1, 2024: PS 3400 Revenue, PSG – 8 Purchased Intangibles and PS 3160 Public Private Partnerships.

PS 3400 Revenue establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligation (i.e., the payor expects a good or service from the Town), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions.

For exchange transactions, revenue is recognized when a measurable component of a performance obligation is satisfied. For non-exchange transactions, revenue is recognized when there is authority to retain an inflow of economic resources and a past event that gave rise to an asset has occurred.

PSG- 8 Purchased Intangibles provides guidance on the accounting and reporting for purchased intangible assets that are acquired through arm's length exchange transactions between knowledgeable, willing parties that are under no compulsion to act.

PS 3160 Public Private Partnerships ("P3s") provide specific guidance on the accounting and reporting for P3s between public and private sector entities where the public sector entity procures infrastructure using a private sector partner.

The Town has adopted these standards on a prospective basis and these new standards did not have a significant impact on the consolidated financial statements.

3. Portfolio investments:

	2024	2023
Guaranteed investment certificates	\$ 22,500,000	\$ 33,900,143
Bonds	30,772,109	3,565,808
ONE Investments – Equity portfolio	5,000,000	–
Unrealized gain on portfolio investment	9,051	–
Book value	\$ 58,281,160	\$ 37,465,951
Guaranteed investment certificates	\$ 22,500,000	\$ 33,900,143
Bonds	31,471,252	3,512,390
ONE Investments – Equity portfolio	5,009,051	–
Market value	\$ 58,980,303	\$ 37,412,533

Portfolio investments carry an effective interest rate from 3.40% to 5.38% and maturity dates ranging from March 2026 to May 2035. Interest is receivable on maturity. The Municipality's investment policy is to be able to hold investments until maturity. Accordingly, the financial statements only recognize gains or losses on investments sold prior to maturity.

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

4. Taxes receivable:

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal Property Assessment Corporation ('MPAC'), an agency of the Ontario government. All assessed property values in the Municipality were reviewed and new values were 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.

	2024	2023
Current year's taxes receivable	\$ 3,079,636	\$ 2,325,281
Prior year's taxes receivable	510,882	504,141
Previous year's taxes receivable	445,627	378,401
Allowance for uncollectible taxes	(226,864)	(133,959)
	\$ 3,809,281	\$ 3,073,864

5. Investment in Government Business Enterprises:

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

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

The investment in the subsidiary is represented by the following:

	2024	2023
Promissory note receivable from GPI	\$ 5,782,746	\$ 5,782,746
Common and preferred shares	6,962,470	6,962,470
Retained earnings	6,792,275	6,059,579
Add: adjustment on acquisition of subsidiary	915,004	915,004
Less: non-controlling interest	(847,784)	(774,514)
	\$ 19,604,711	\$ 18,945,285

The promissory note receivable from GPI bears interest at 3.49% (2023 – 3.49%) and matures on February 1, 2027.

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

5. Investment in Government Business Enterprises (continued):

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

	2024	2023
Financial position		
Assets:		
Current	\$ 8,089,908	\$ 7,014,646
Capital	35,636,692	33,797,452
Long-term	4,712,704	4,799,936
	48,439,304	45,612,034
Liabilities:		
Current	10,465,764	7,330,985
Long-term	22,747,970	23,788,174
	33,213,734	31,119,159
Equity	\$ 15,225,570	\$ 14,492,875
	2024	2023
Results of Operations:		
Revenues	\$ 41,990,369	\$ 38,454,525
Expenses	(41,057,674)	(37,386,975)
Net income	932,695	1,067,550
Dividends	(200,000)	(200,000)
Net increase in equity of subsidiary	\$ 732,695	\$ 867,550

Commitments and contingencies:

A letter of credit in the amount of \$1,414,919 (2023 - \$1,414,919) has been issued by GPI in favour of the Independent Electricity System Operator ('IESO') as security for a subsidiary's purchase of electricity through IESO. No amounts were drawn down on the letter of credit at year end.

The financial position information is as reported by NPI at December 31, 2024 and the results of operations are as reported for the year ended December 31, 2024. The comparative financial position and results of operations figures are as reported by NPI at December 31, 2024.

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

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

5. Investment in Government Business Enterprises (continued):

	2024	2023
Amounts received from NPI:		
Interest on promissory note payable	\$ 201,818	\$ 206,975
Directors' fees	23,478	23,248
Property services, water and vehicle fuel costs	63,544	65,989
	<u>\$ 288,840</u>	<u>\$ 296,212</u>
Amounts paid to NPI:		
Electricity and street lighting costs paid	\$ 642,436	\$ 667,019

6. Deferred revenue – obligatory reserve funds:

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

	2024	2023
Building permit fees	\$ 1,973,343	\$ 2,080,125
Development Charges Act	8,566,445	9,179,987
Canada Community Building Fund	5,963,923	6,161,969
Parkland Dedication (Planning Act)	7,103,871	7,575,646
Community Benefit Charge (Section 37)	306,145	321,156
Ontario Community Infrastructure Fund	4,394,968	3,010,538
	<u>\$ 28,308,695</u>	<u>\$ 28,329,421</u>

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

6. Deferred revenue – obligatory reserve funds (continued):

The continuity of deferred - obligatory reserve funds report on the Consolidated Financial Position is made up the following:

	2024	2023
Balance, beginning of year	\$ 28,329,421	\$ 28,635,272
Contributions to (from):		
Development Charges Act	224,072	283,561
Parkland Dedication (Planning Act)	36,250	247,750
Building permit fees (Building Code Act)	100,941	(414,949)
Interest earned	1,364,185	1,357,324
Grants received:		
Canada Community Building Fund	921,580	903,932
Ontario Community Infrastructure Fund	1,877,864	2,209,251
	4,524,892	4,586,869
Utilized for:		
Operations	(381,900)	(192,980)
Tangible capital asset acquisitions	(4,163,718)	(4,699,740)
	(4,545,618)	(4,892,720)
Balance, end of year	\$28,308,695	\$ 28,329,421

7. Deferred revenue – other:

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

	2024	2023
Balance, beginning of year	\$ 1,532,263	\$ 1,720,669
Add: Contributions	2,892,358	1,394,940
Less: revenue recognized	(2,887,603)	(1,271,518)
Less: refunds during the year	(141,982)	(311,828)
Balance, end of year	\$ 1,395,036	\$ 1,532,263

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

8. Employee benefit obligations:

	2024	2023
Workplace Safety and Insurance Board future benefits	\$ 1,146,400	\$ 148,200
Post-employment benefits	1,100,000	1,092,900
	<u>\$ 2,246,400</u>	<u>\$ 1,241,100</u>

(a) Workplace Safety and Insurance Board future benefits:

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

An estimate of future liabilities has been completed and forms the basis for the estimated liability reported in these financial statements. The estimated future liability amounts to \$1,146,400 (2023 - \$148,200). The Municipality remits payments to the WSIB as required to fund disability payments. During the year, \$520,100 (2023 - \$17,800) was paid by the Municipality to the WSIB in relation to these benefits.

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

Actuarial valuations for accounting purposes are typically performed every three years to project future benefits after the valuation date. The most recent actuarial valuation was prepared at December 31, 2024. The main actuarial assumptions employed for the valuation are as follows:

Discount rate - the estimated future liability was determined using a rate of 4.3%. Health benefits cost inflation rate assumed to be 4% per annum.

	2024	2023
Accrued benefit obligation:		
Beginning of year	\$ 148,200	\$ 162,300
Current service cost	1,460,300	28,900
Interest cost	58,000	5,700
Benefits paid	(520,100)	(17,800)
Transitional obligation	—	(30,900)
Balance, end of year	<u>\$ 1,146,400</u>	<u>\$ 148,200</u>

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

8. Employee benefit obligations (continued):

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

	2024	2023
Current service cost	\$ 1,460,300	\$ 28,900
Interest cost	58,000	5,700
Recognition of transitional obligation	—	(30,900)
	\$ 1,518,300	\$ 3,700

(b) Post-employment benefits:

The Municipality pays certain medical and dental benefits for early retirees and life insurance benefits on behalf of its retired employees.

The accrued benefit obligation at December 31, 2024 of \$1,100,000 (2023 - \$1,092,900) was determined by actuarial valuation using a discount rate of 4.3% (2023 – 4.3%).

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 \$74,494 (2023 - \$70,458) were paid to retirees.

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

The most recent actuarial valuation was prepared at December 31, 2023. The main actuarial assumptions employed for the valuation are as follows:

Discount rate - the accrued benefit obligation was determined using a rate of 4.3%.

Dental costs - dental costs were assumed to be 4.5% per annum.

Medical costs - medical costs were assumed to be 5.98% per annum.

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

8. Employee benefit obligations (continued):

(b) Post-employment benefits (continued):

	2024	2023
Accrued benefit obligation:		
Beginning of year	\$ 1,092,900	\$ 1,060,100
Current service cost	54,900	68,600
Interest cost	47,500	39,300
Benefits paid	(97,200)	(92,200)
Amortization of actuarial loss (gain)	1,900	17,100
Balance, end of year	\$ 1,100,000	\$ 1,092,900
Fund status:		
Deficit	\$ 1,102,800	\$ 1,097,600
Unamortized actuarial (loss) gain	(2,800)	(4,700)
	\$ 1,100,000	\$ 1,092,900

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

	2024	2023
Current service cost	\$ 54,900	\$ 68,600
Interest cost	47,500	39,300
Amortization of actuarial loss (gain)	1,900	17,100
	\$ 104,300	\$ 125,000

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

9. Asset retirement obligations:

The Municipality has recognized an asset retirement obligation related to the removal and disposal of designated substances such as asbestos, lead and glycol in Municipality buildings. The Municipality reports liabilities related to the legal obligations where the Municipality is obligated to incur costs to retire a tangible capital asset.

The Municipality's ongoing efforts to assess the extent to which designated substances exist in Municipality assets and new information obtained through regular maintenance and renewal of Municipality assets may result in additional asset retirement obligations from better information on the nature and extent the substance exists or from changes in the estimated costs to fulfil the obligation. The measurement of asset retirement obligations is also impacted by activities that occurred to settle all or part of the obligation or any changes in the legal obligation. Revisions to the estimated cost of the obligation result in revisions to the carrying amount of the associated assets that are in productive use and amortized as part of the asset on an ongoing basis. When obligations have reliable cash flow projections, the liability may be estimated using the present value of future cash flows.

As at December 31, 2024, all liabilities for asset retirement obligations are reported at estimated present value. The liability balances are based on the cost estimates, with a 3% inflation (CPI) adjustment to reflect cost as of the evaluation date.

The discount rate represents the spot rate percentages from Infrastructure Ontario for the useful life of facilities, ranging from 4.72% to 5.17%.

This ARO standard has been applied with the restatement of the prior year comparative amounts. The adoption of the new standard has impacted the Municipality's consolidated financial statement as follows:

	2024	2023
Balance, beginning of year	\$ 321,621	\$ 306,653
Liabilities settled	(4,082)	—
Accretion expense	16,614	14,968
Balance, end of year	\$ 334,153	\$ 321,621

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

10. Long-term debt:

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

	2024	2023
The Municipality has assumed responsibility for the payment of the principal and interest charges on certain long-term debt issued by infrastructure Ontario. At the end of the year, the outstanding principal amount of the debt is	\$ 8,630,106	\$ 1,657,336
Capital lease obligations	26,765	38,794
	<u>\$ 8,656,871</u>	<u>\$ 1,696,130</u>

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

Purpose	Interest Rate	Maturity Date	2024	2023
Fire Station #2	2.81%	2027	\$ 1,260,180	\$1,657,336
Leased equipment	0% to 2.20%	2026-2027	26,765	38,794
West Lincoln Memorial Hospital	4.39%	2044	7,369,926	–
			<u>\$ 8,656,871</u>	<u>\$1,696,130</u>

- (c) Principal repayments due over the next five years and thereafter are as follows:

2025	\$ 661,279
2026	685,863
2027	695,729
2028	272,000
2029-2044	6,342,000
	<u>\$8,656,871</u>

- (d) Total charges for interest, which are reported on the Consolidated Statement of Operations and Accumulated Surplus amount to \$46,329 (2023 - \$52,054).

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

11. Tangible capital assets:

	2024	2023
Net book value:		
Land	\$ 37,862,494	\$ 37,862,494
Land improvements	13,120,677	9,696,220
Buildings	27,027,487	26,888,444
Vehicles, machinery and equipment	11,656,049	7,321,857
	89,666,707	81,769,015
Infrastructure:		
Roads	87,567,367	88,962,138
Water and wastewater	87,531,929	89,399,806
	175,099,296	178,361,944
Construction in progress	10,641,654	4,654,781
	\$275,407,657	\$ 264,785,740

See pages 40 and 41 for more detail.

12. Accumulated surplus:

	2024	2023
Operating (loss) surplus	\$ (232,120)	\$ 86,013
Investment in Government Business Enterprises (note 5)	19,604,711	18,945,285
Tangible capital assets (note 11)	275,407,657	264,785,740
Reserve and reserve funds (note 13)	52,195,746	52,534,301
Unfunded liabilities (note 14)	(11,691,128)	(3,733,413)
Unfunded projects	4,980,590	—
	\$ 340,265,456	\$ 332,617,926

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

13. Reserve and reserve funds:

	2024	2023
Reserves set aside by Council for specific purposes:		
Contingencies	\$ 4,189,436	\$ 4,299,058
Equipment	4,125,315	8,429,894
Buildings	4,946,582	5,079,177
Capital project	5,342,515	5,177,739
Other	6,364,338	3,827,232
BIA Projects and Stabilization	148,474	172,148
Wastewater	15,185,010	15,949,483
Water	11,782,917	9,517,063
	52,084,587	52,451,794
Reserve funds set aside by Council for specific purposes:		
Museum	111,159	82,507
Total reserve and reserve funds	\$ 52,195,746	\$ 52,534,301

14. Unfunded liabilities:

	2024	2023
Vacation pay	\$ 453,704	\$ 474,562
Employee benefit obligations	2,246,400	1,241,100
Asset retirement obligation	334,153	321,621
Long-term debt	8,656,871	1,696,130
	\$ 11,691,128	\$ 3,733,413

15. Taxation:

	2024	2023
Real property	\$ 73,667,876	\$ 70,513,680
From other governments:		
Payments in lieu of taxes	1,070,966	1,120,807
	74,738,842	71,634,487
Less: taxation collected on behalf of (note 15):		
Region of Niagara	41,865,682	38,887,714
School boards	10,987,568	11,028,056
	52,853,250	49,915,770
Net taxes available for municipal purposes	\$ 21,885,592	\$ 21,718,717

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

15. Taxation (continued):

	2024 Budget (note 26)	2024	2023
Residential, multi-residential and farm	\$ 18,466,056	\$ 18,274,668	\$ 18,067,813
Commercial and industrial	3,580,244	3,610,924	3,650,904
Net taxes available for municipal purposes	\$ 22,046,300	\$ 21,885,592	\$ 21,718,717

16. 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:

	2024	2023
Region of Niagara	\$ 41,865,682	\$ 38,887,714
School boards	10,987,568	11,028,056
	\$ 52,853,250	\$ 49,915,770

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).

17. User fees and charges:

	2024 Budget (note 26)	2024	2023
Operating:			
Fees and service charges	\$ 2,782,820	\$ 3,413,606	\$ 2,902,211
Water charges	8,043,360	7,877,155	7,766,966
Wastewater charges	3,792,060	2,861,282	2,597,399
	\$ 14,618,240	\$ 14,152,043	\$ 13,266,576

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

18. Government transfers:

	2024 Budget (note 26)	2024	2023
Operating:			
Government of Canada	\$ 63,750	\$ 49,707	\$ 104,254
Province of Ontario	162,130	225,484	179,759
Municipal	25,000	117,656	750
	250,880	392,847	284,763
Capital:			
Government of Canada	990,000	1,530,784	571,546
Province of Ontario	1,470,000	6,061,664	1,941,850
Municipal	20,000	32,145	44,000
	2,480,000	7,624,593	2,557,396
	\$ 2,730,880	\$ 8,017,440	\$ 2,842,159

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 and Accumulated Surplus are:

	2024	2023
Revenues:		
Government of Canada:		
Canada Community Building Fund	\$ 1,417,746	\$ 529,757
Digital Access to Heritage	–	31,994
Celebrate Canada – Canada Summer Games and Canada Day	5,000	7,000
Canada Cultural Spaces Fund	49,629	–
Investing in Canada Infrastructure Program	11,409	–
Community Volunteer Income Tax Program	1,770	619
Canada Community Revitalization Fund	–	41,790
Healthy Community Initiative	52,000	–
Exhibition Circulation Fund/Museum Assistance Program	–	3,914
Operating grants:		
Art gallery	–	33,138
Wage subsidies	42,937	27,588
	\$ 1,580,491	\$ 675,800

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

18. Government transfers (continued):

	2024	2023
Revenues:		
Province of Ontario:		
Provincial Offences Act	\$ 40,421	\$ –
Ontario Municipal Partnership Fund	28,400	33,300
Digital Main Street Grant	4,777	31,019
Ontario Community Infrastructure Fund	669,335	1,123,124
Modernization grant	–	178,126
Strategic Priorities Infrastructure Fund	5,378,045	609,580
Investing in Canada Infrastructure Program	9,507	–
Operating grants:		
Art gallery	25,368	26,987
Museum	22,674	22,674
Library	31,391	31,392
Senior Citizens Centre	77,230	65,407
	6,287,148	2,121,609
Municipal:		
Vision Zero	117,656	–
Combined Sewer Overflow	32,145	–
Public Realm Investment Program	–	44,000
Other	–	750
	149,801	44,750
	\$ 8,017,440	\$ 2,842,159

19. Other revenues:

	2024 Budget (note 26)	2024	2023
Operating:			
Penalties and interest on taxes	\$ 597,580	\$ 589,042	\$ 581,808
Fines	108,000	243,144	172,536
Licenses and permits	964,350	830,316	377,989
Rental income	42,200	36,246	50,121
Investment income	2,511,270	2,774,210	2,695,712
Investment income – subsidiaries	201,820	201,818	206,975
Development charges	128,590	426,876	229,848
Donations	47,000	92,927	157,302
Other	204,630	182,145	682,560
Subsidiary net earnings	–	839,426	960,794
	4,805,440	6,216,150	6,115,645
Capital:			
Development charges	763,140	840,025	425,166
Contributions from others	302,850	90,096	–
Contributed tangible capital assets	–	237,698	744,801
(Loss) gain on disposal of tangible capital assets	–	(222,286)	14,854
Parkland dedication	2,153,460	893,326	2,475,437
	3,219,450	1,838,859	3,660,258
	\$ 8,024,890	\$ 8,055,009	\$ 9,775,903

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

20. Pension agreements:

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

Since OMERS is a multi-employer pension plan, the Municipality does not recognize any share of the pension plan deficit of \$ 4.3 billion (2023 - \$7.6 billion deficit) based on the fair market value of the plan's assets, as this is a joint responsibility of all Ontario municipal entities and their employees. If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, additional increases in contributions may be required. Contributions were made in the 2024 calendar year at rates ranging from 9.0% to 14.6% 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 2024 current and past service was \$1,063,383 (2023 - \$973,675) and were matched by employee contributions in a similar amount.

21. 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.

22. Trust funds:

Trust funds administered by the Municipality amounting to \$1,398,505 (2023 - \$1,358,430) have not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

23. 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.

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

24. Commitments:

West Lincoln Memorial Hospital

The Municipality has committed to providing financial assistance of \$9,300,926 to the West Lincoln Memorial Hospital Foundation's building campaign. As of December 31, 2024, \$1,931,000 has been collected through the operating tax levy with the remaining funds of \$7,369,926 secured through a debenture. The hospital construction is projected to be finished in 2025, and the obligation paid thirty days prior to substantial completion.

Capital expenses

The estimated future capital expense commitments based on projects in progress at December 31, 2024, is \$5,441,729 (2023 - \$13,752,124). These projects will be financed by grants, taxation and long-term liabilities in future years.

Property revitalization tax increment grants

The Municipality has a commitment of \$458,834 (2023 - \$519,316) resulting from agreements entered into as part of the Property Revitalization Tax Increment Grant program. Grant expenses will be recognized over a period of ten years following reassessment by MPAC and when all other eligibility criteria have been met by the applicants.

Property revitalization tax increment grant payments for each of the next 5 years are as follows:

2025	\$ 60,482
2026	60,482
2027	60,482
2028	60,482
2029	43,381

25. 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 Consolidated Financial Statements

Year ended December 31, 2024

26. Budget information:

The budget bylaw adopted by Council on February 20, 2024 was not prepared on a basis consistent with that used to report actual results in accordance with Canadian Public Sector Accounting Standards. The budget was prepared on a modified accrual basis while Canadian Public Sector Accounting Standards require a full accrual basis. As a result, the budget figures presented in the Consolidated Statement of Operations and Accumulated Surplus and Consolidated Statement of Changes in Net Financial Assets represent the budget adopted by Council with the following adjustments:

	2024
Budgeted annual surplus	\$ —
Add:	
Acquisition of tangible capital assets	10,900,860
Principal repayments of long-term debt	386,230
Transfers from reserves and reserve funds, net	1,532,600
Less:	
Long-term debt financing	(7,369,930)
Amortization of tangible capital assets	(7,166,164)
	<u>\$ (1,716,404)</u>

27. Financial instruments:

The Municipality is exposed to various risks through its financial instruments. The following analysis provides a measure of the Municipality's risk exposures as at December 31, 2024:

(a) Credit risk:

Credit risk is the risk of financial loss to the Municipality if a debtor fails to pay the amounts owing to the Municipality. The Municipality is exposed to this risk arising from its cash and cash equivalents, portfolio investments, taxes receivable, user charges receivable and other receivables. The Municipality holds its cash accounts with a federally regulated chartered bank who is insured by the Canadian Deposit Insurance Corporation. In the event of default, the Municipality's cash accounts are insured up to \$181,858 (2023 - \$136,951).

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

27. Financial instruments (continued):

(a) Credit risk (continued):

Receivables are primarily due from government, corporations and individuals. Credit risk is mitigated by the highly diversified nature of the debtors and other customers. The Municipality measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up for specific accounts deemed to be possibly uncollectible. In the current and prior years, an impairment allowance was recorded relating to the taxes receivable and other receivables.

There were no changes in exposure to credit risk during the period. The amounts outstanding at year end were as follows:

2024	Current	31-60 days	61-90 days	Over 90 days	Total
Government receivables	\$ 6,623,797	\$ –	\$ –	\$ –	\$ 6,623,797
Other receivables	1,766,466	–	28,197	907,558	2,702,221
Total	\$ 8,390,263	\$ –	\$ 28,197	\$ 907,558	\$ 9,326,018

2023	Current	31-60 days	61-90 days	Over 90 days	Total
Government receivables	\$ 1,068,002	\$ –	\$ –	\$ –	\$ 1,068,002
Other receivables	1,556,114	21,472	33,241	732,014	2,342,841
Total	\$ 2,624,116	\$ 21,472	\$ 33,241	\$ 732,014	\$ 3,410,843

(b) Liquidity risk:

Liquidity risk is the risk that the Municipality will not be able to meet all cash outflow obligations as they come due. The Municipality mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining cash and cash equivalents if unexpected cash outflows arise. The following undercounted cash-flows are required to settle the Municipality's financial liabilities:

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

27. Financial instruments (continued):

(b) Liquidity risk:

	Within 1 Year	1 - 2 Years	3 - 5 Years	Over 5 Years	Total
2024					
Payables and accruals	\$ 10,679,975	\$ –	\$ –	\$ –	\$ 10,679,975
Due to trust funds	1,398,400	–	–	–	1,398,400
Deferred revenue – other	1,395,036	–	–	–	1,395,036
Long-term debt	661,279	1,381,592	850,000	5,764,000	8,656,871
Total	\$ 14,134,690	\$ 1,381,592	\$ 850,000	\$ 5,764,000	\$ 22,130,282

	Within 1 Year	1 - 2 Years	3 - 5 Years	Over 5 Years	Total
2023					
Payables and accruals	\$ 8,630,433	\$ –	\$ –	\$ –	\$ 8,630,433
Due to trust funds	1,109,381	–	–	–	1,109,381
Deferred revenue – other	1,532,263	–	–	–	1,532,263
Long-term debt	409,185	854,216	432,729	–	1,696,130
Total	\$ 11,681,262	\$ 854,216	\$ 432,729	\$ –	\$ 12,968,207

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

(c) Market risk:

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Municipality is mainly exposed to interest and currency risks.

(d) Interest risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Municipality is exposed to interest rate risk on its portfolio investments and long-term debt. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

28. 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, Office of the Chief Administration Officer, Finance and Information Systems.

Protection to persons and property

Reported in this functional area are Fire, By-Law 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 the By-Law Services is to ensure compliance with the Town's general, and parking by-laws. 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 Wastewater, 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 Community Services 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 Community Services department is also 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.

THE CORPORATION OF THE TOWN OF GRIMSBY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

28. Segmented information (continued):

Social and family services

Reported in this functional area is the Livingston Activity Centre. The Community Services department is 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 Segmented Disclosure

Year ended December 31, 2024

	<u>General Government</u>	<u>Protection to Persons and Property</u>	<u>Transportation Services</u>	<u>Environmental Services</u>	<u>Health Services</u>	<u>Social and Family Services</u>	<u>Recreation and Cultural Services</u>	<u>Consolidated Planning and Development</u>	2024
Revenues									
Taxation	\$ 3,562,692	\$ 3,376,030	\$ 4,455,086	\$ 3,687,636	\$ -	\$ 34,875	\$ 5,534,082	\$ 1,235,191	\$ 21,885,592
User charges	582,539	201,840	660,095	10,738,438	103,636	127,761	1,465,577	272,157	14,152,043
Government transfers	186,476	-	1,444,674	32,145	-	77,230	6,272,137	4,778	8,017,440
Other	1,637,211	1,714,813	1,159,242	82,351	73,088	6,865	3,011,122	370,317	8,055,009
	<u>5,968,918</u>	<u>5,292,683</u>	<u>7,719,097</u>	<u>14,540,570</u>	<u>176,724</u>	<u>246,731</u>	<u>16,282,918</u>	<u>1,882,443</u>	52,110,084
Expenses									
Salaries, wages and benefits	5,566,352	2,722,936	2,664,894	1,561,595	184,986	72,453	4,470,646	1,192,846	18,436,708
Debt service	139,019	41,049	-	-	-	-	-	-	180,068
Operating materials and supplies	1,160,368	298,389	879,552	119,177	10,462	55,582	1,450,008	196,899	4,170,437
Contracted services	1,241,522	620,914	1,247,874	8,960,298	5,724	50,914	974,020	396,868	13,498,134
Rents and financial expenses	845,220	97	-	-	-	8,149	57,718	-	911,184
External transfer to others	100,000	-	-	-	-	-	-	-	100,000
Amortization	402,671	647,730	1,966,501	3,164,418	19,950	7,102	956,155	1,637	7,166,164
Interfunctional expenses	(1,979,650)	171,930	(377,381)	2,184,960	-	-	-	-	(141)
End of year	<u>7,475,502</u>	<u>4,503,045</u>	<u>6,381,440</u>	<u>15,990,448</u>	<u>221,122</u>	<u>194,200</u>	<u>7,908,547</u>	<u>1,788,250</u>	44,462,554
Annual surplus (deficit)	\$ (1,506,584)	\$ 789,638	\$ 1,337,657	\$ (1,449,878)	\$ (44,398)	\$52,531	\$ 8,374,371	\$ 94,193	\$ 7,647,530

THE CORPORATION OF THE TOWN OF GRIMSBY

Consolidated Schedule of Segmented Disclosure

Year ended December 31, 2023

	<u>General Government</u>	<u>Protection to Persons and Property</u>	<u>Transportation Services</u>	<u>Environmental Services</u>	<u>Health Services</u>	<u>Social and Family Services</u>	<u>Recreation and Cultural Services</u>	<u>Consolidated Planning and Development</u>	2023
Revenues									
Taxation	\$ 3,107,543	\$ 3,304,988	\$ 4,378,303	\$ 4,461,018	\$ -	\$ 25,503	\$ 5,231,753	\$ 1,209,609	\$ 21,718,717
User charges	338,468	162,795	391,947	10,364,365	109,952	112,570	1,480,298	306,181	13,266,576
Government transfers	245,450	-	1,532,652	-	-	65,406	967,632	31,019	2,842,159
Other	1,486,708	1,705,166	1,412,883	907,283	98,306	4,092	3,841,222	320,243	9,775,903
	5,178,169	5,172,949	7,715,785	15,732,666	208,258	207,571	11,520,905	1,867,052	47,603,355
Expenses									
Salaries, wages and benefits	3,663,646	2,168,180	2,415,780	1,489,061	207,269	64,135	4,112,583	855,777	14,976,431
Debt service	-	52,054	-	-	-	-	-	-	52,054
Operating materials and supplies	974,736	244,764	858,591	94,089	9,461	52,610	1,453,904	113,689	3,801,844
Contracted services	985,265	571,657	581,853	8,142,325	(5,499)	42,653	788,354	454,008	11,560,616
Rents and financial expenses	817,438	292	-	-	-	8,562	58,306	-	884,598
Amortization	370,413	528,055	1,894,546	3,150,201	15,630	7,066	857,623	2,630	6,826,164
Interfunctional expenses	(2,000,553)	219,940	(413,647)	2,194,260	-	-	-	-	-
End of year	4,810,945	3,784,942	5,337,123	15,069,936	226,861	175,026	7,270,770	1,426,104	38,101,707
Annual surplus (deficit)	\$ 367,224	\$ 1,388,007	\$ 2,378,662	\$ 662,730	\$ (18,603)	\$ 32,545	\$ 4,250,135	\$ 440,948	\$ 9,501,648

THE CORPORATION OF THE TOWN OF GRIMSBY

Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2024

	Land	Land Improvements	Buildings	Vehicles, Machinery and Equipment	Roads Infrastructure	Water, and Wastewater Infrastructure	Construction in Progress	2024
Cost:								
Beginning of year	\$ 37,862,494	\$ 14,086,655	\$ 36,682,824	\$ 17,827,716	\$ 144,326,997	\$ 137,182,199	\$ 4,654,781	\$ 392,623,666
Additions	–	3,957,827	787,936	5,954,755	1,296,168	124,742	5,986,873	18,108,301
Disposal	–	(54,462)	–	(2,153,698)	(353,039)	(172,738)	–	(2,733,937)
End of year	37,862,494	17,990,020	37,470,760	21,628,773	145,270,126	137,134,203	10,641,654	407,998,030
Accumulated amortization:								
Beginning of year	–	4,390,435	9,794,380	10,505,859	55,364,859	47,782,393	–	127,837,926
Amortization	–	533,370	648,893	1,528,616	2,464,415	1,990,870	–	7,166,164
Amortization on disposal	–	(54,462)	–	(2,061,751)	(126,515)	(170,989)	–	(2,413,717)
End of year	–	4,869,343	10,443,273	9,972,724	57,702,759	49,602,274	–	132,590,373
Net book value	\$ 37,862,494	\$ 13,120,677	\$ 27,027,487	\$ 11,656,049	\$ 87,567,367	\$ 87,531,929	\$ 10,641,654	\$ 275,407,657

THE CORPORATION OF THE TOWN OF GRIMSBY

Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2023

	Land	Land Improvements	Buildings	Vehicles, Machinery and Equipment	Roads Infrastructure	Water, and Wastewater Infrastructure	Construction in Progress	2023
Cost:								
Beginning of year	\$ 37,862,494	\$ 13,590,523	\$ 36,516,251	\$ 16,625,955	\$ 142,754,058	\$ 135,267,720	\$ 881,081	\$ 383,498,082
Additions	–	588,700	166,573	1,404,745	1,580,086	2,079,104	3,773,700	9,592,908
Disposal	–	(92,568)	–	(202,984)	(7,147)	(164,625)	–	(467,324)
End of year	37,862,494	14,086,655	36,682,824	17,827,716	144,326,997	137,182,199	4,654,781	392,623,666
Accumulated amortization:								
Beginning of year	–	4,001,130	9,155,547	9,381,881	52,969,680	45,968,933	–	121,477,171
Amortization	–	481,873	638,833	1,325,048	2,402,326	1,978,085	–	6,826,165
Amortization on disposal	–	(92,568)	–	(201,070)	(7,147)	(164,625)	–	(465,410)
End of year	–	4,390,435	9,794,380	10,505,859	55,364,859	47,782,393	–	127,837,926
Net book value	\$ 37,862,494	\$ 9,696,220	\$26,888,444	\$ 7,321,857	\$ 88,962,138	\$ 89,399,806	\$ 4,654,781	\$ 264,785,740



Section 3: 2024 Town of Grimsby Trust Financial Statements

December 31, 2024

Financial Statements of
TOWN OF GRIMSBY TRUST FUNDS
December 31, 2024



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Trust Funds of the Corporation of the Town of Grimsby (the Funds), which comprise:

- the statement of financial position as at December 31, 2024
- the statement of operations and changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Funds as at December 31, 2024, and its results of operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Funds in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Other Matter – Comparative Information

The financial statements for the year ended December 31, 2023 were audited by another auditor who expressed a unqualified opinion on those financial statements on October 7, 2024.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.



The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

August 11, 2025

TOWN OF GRIMSBY TRUST FUNDS

Statement of Financial Position

December 31, 2024, with comparative information for 2023

	Care and Maintenance -Grounds	Care and Maintenance -Markers	2024	2023
Financial assets				
Cash	\$ 93	\$ 12	\$ 105	\$ 105
Interest receivable	—	—	—	49,069
Due from Town of Grimsby (note 2)	1,243,220	155,180	1,398,400	1,109,381
Investments (note 3)	—	—	—	199,875
Net financial assets	\$ 1,243,313	\$ 155,192	\$ 1,398,505	\$ 1,358,430

See accompanying notes to financial statements.

On behalf of the Board:



Director of Finance/Treasurer



Chief Administrative Officer

TOWN OF GRIMSBY TRUST FUNDS

Statement of Operations and Changes in Net Financial Assets

Year ended December 31, 2024, with comparative information for 2023

	Care and Maintenance -Grounds	Care and Maintenance -Markers	2024	2023
Revenues:				
Care and Maintenance agreements	\$ 33,476	\$ 6,599	\$ 40,075	\$ 54,893
Interest	61,537	7,681	69,218	76,976
	95,013	14,280	109,293	131,869
Expenses:				
Interest earned distributed to the Town of Grimsby	61,537	7,681	69,218	76,976
Excess of revenues over expenses	33,476	6,599	40,075	54,893
Net financial assets, beginning of year	1,209,837	148,593	1,358,430	1,303,537
Net financial assets	\$ 1,243,313	\$ 155,192	\$ 1,398,505	\$ 1,358,430

See accompanying notes to financial statements.

TOWN OF GRIMSBY TRUST FUNDS

Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 40,075	\$ 54,893
Change in non-cash assets and liabilities:		
Decrease in interest receivable	49,069	12,353
Increase in due from Town of Grimsby	(289,019)	(969,452)
Net change in cash from operating activities	(199,875)	(902,206)
Investing activities:		
Decrease in investments - net	199,875	895,000
Net decrease in cash	—	(7,206)
Cash, beginning of year	105	7,311
Cash, end of year	\$ 105	\$ 105

See accompanying notes to financial statements.

TOWN OF GRIMSBY TRUST FUNDS

Notes to Financial Statements

Year ended December 31, 2024

1. Significant accounting policies:

Management's responsibility:

The financial statements the Town of Grimsby Trust Funds ("Trust Funds") are the responsibility of and prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

The significant accounting policies used are as follows

(a) Basis of accounting:

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

2. Due from the Town of Grimsby:

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

3. Investments:

Portfolio investments consist of a Canadian provincial bond with an interest rate of 2.3% that matured in March of 2024. Investments have an estimated market value of \$Nil (2023 - \$247,752). Investments pertaining to the Care & Maintenance fund are directly managed by the Town of Grimsby.

4. Financial risks:

The Trust Funds are exposed to various risks through its financial instruments. The following analysis provides a measure of the Trust Funds risk exposures and concentrations at December 31, 2024.

(a) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Trust Funds main credit risk relates to its due from the Town of Grimsby. There was no significant change in exposure from the prior year and no allowance for doubtful accounts is required.

(b) Market risk:

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Trust Funds is mainly exposed to interest rate risk.

TOWN OF GRIMSBY TRUST FUNDS

Notes to Financial Statements

Year ended December 31, 2024

4. Financial risks (continued):

(c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Trust Funds is exposed to interest rate risk on its investments. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.



Section 4: 2024 Town of Grimsby Library Financial Statements

December 31, 2024

Financial Statements of

GRIMSBY PUBLIC LIBRARY

Year ended December 31, 2024

GRIMSBY PUBLIC LIBRARY

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Year ended December 31, 2024

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GRIMSBY PUBLIC LIBRARY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Grimsby Public Library (the Library) are the responsibility of the Library'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 is described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Library'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 the preparation of the financial statements. These systems are monitored and evaluated by management.

The Library board meets with management 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 KPMG LLP, licensed public accountants, appointed by the Town of Grimsby. The accompanying Independent Auditor's Report outlines the responsibilities of management and the board, the auditors' responsibilities and their opinion on the Library's financial statements.



Ashleigh Whipp
CEO/Chief Librarian
Grimsby Public Library



Tony Del Monaco
Director of Finance/Treasurer
Town of Grimsby

June 12, 2025



KPMG LLP

Commerce Place
21 King Street West, Suite 700
Hamilton, ON L8P 4W7
Canada
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Fax 905-523-2222

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Grimsby Public Library (the Library), which comprise:

- the statement of financial position as at December 31, 2024
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, except for the possible effects of the matter described in the **Basis for Qualified Opinion** section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Library as at December 31, 2024, and its results of operations, its remeasurement of gains and losses, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The Library derives revenue from donations and cash sales, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Grimsby Public Library. Therefore, we were not able to determine whether any adjustments might be necessary to donations and other revenue and annual surplus for the years ended December 31, 2024 and 2023, net financial assets as at December 31, 2024 and 2023, and accumulated surplus as at January 1 and December 31 for both 2024 and 2023.



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 auditor’s report.

We are independent of the Library 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 qualified opinion.

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2023 were audited by another auditor who expressed a qualified opinion on those financial statements on June 12, 2024.

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

Management is responsible for the preparation and fair presentation of the 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 Library's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Library or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Library'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 the 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 Library'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 Library'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 Library 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.
- 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.

A handwritten signature in dark ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

June 12, 2025

GRIMSBY PUBLIC LIBRARY

Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Financial assets		
Cash and cash equivalents	\$ 82,788	\$ 37,881
Receivables	20,121	5,415
Due from Town of Grimsby	938,477	872,831
Inventories for resale	2,009	2,768
	<u>1,043,395</u>	<u>918,895</u>
Financial liabilities		
Employee benefit obligations (note 4)	39,700	47,000
Long-term debt (note 5)	4,497	6,298
	<u>44,197</u>	<u>53,298</u>
Net financial assets	<u>999,198</u>	<u>865,597</u>
Non-Financial assets		
Tangible capital assets (note 18)	595,664	595,975
Prepaid expenses	5,059	6,230
	<u>600,723</u>	<u>602,205</u>
Accumulated surplus (note 6)	<u>\$ 1,599,921</u>	<u>\$ 1,467,802</u>

See accompanying notes to financial statements.

On behalf of the Board:



Chair, Grimsby Public Library Board

GRIMSBY PUBLIC LIBRARY

Statement of Operations and Accumulated Surplus

Year ended December 31, 2024, with comparative information for 2023

	Budget (note 16)	2024	2023
Revenue:			
Municipal contributions	\$ 1,060,090	\$ 1,060,090	\$ 1,030,800
Development charges (note 9)	148,600	97,758	90,933
Government transfers (note 10)	43,400	45,030	82,680
Fundraising	24,000	40,970	31,604
Investment income	1,800	1,700	4,581
User charges	12,310	19,382	15,286
Other (note 11)	2,930	12,377	3,539
Total revenue	1,293,130	1,277,307	1,259,423
Expenses:			
Advertising and promotion	5,000	9,599	3,654
Amortization	115,844	115,844	119,602
Conference and training	11,000	9,819	6,203
Contracted services	56,900	49,622	37,477
Fundraising	—	4,590	—
Memberships	1,500	1,433	780
Office	8,540	7,515	7,577
Periodicals and videos	47,500	51,118	47,639
Professional fees	69,500	20,130	6,321
Programs	15,500	20,187	17,780
Repairs and maintenance	12,000	8,734	9,034
Salaries, wages and benefits (notes 12,13 and 14)	847,260	788,461	745,268
Supplies	21,000	17,874	21,793
Travel	750	1,364	794
Utilities	46,420	38,898	41,806
Total expenses	1,258,714	1,145,188	1,065,728
Annual surplus	34,416	132,119	193,695
Accumulated surplus, beginning of year	1,467,802	1,467,802	1,274,107
Accumulated surplus, end of year (note 6)	\$ 1,502,218	\$ 1,599,921	\$ 1,467,802

See accompanying notes to financial statements.

GRIMSBY PUBLIC LIBRARY

Statement of Changes in Net Financial Assets

Year ended December 31, 2024, with comparative information for 2023

	Budget (note 16)	2024	2023
Annual surplus	\$ 34,416	\$ 132,119	\$ 193,695
Amortization of tangible capital assets	115,844	115,844	119,602
Acquisition of tangible capital assets	(182,100)	(115,533)	(102,317)
	(31,840)	132,430	210,980
Decrease in prepaid assets	—	1,171	1,185
Change in net financial assets	(31,840)	133,601	212,165
Net financial assets, beginning of year	865,597	865,597	653,432
Net financial assets, end of year	\$ 833,757	\$ 999,198	\$ 865,597

See accompanying notes to financial statements.

GRIMSBY PUBLIC LIBRARY

Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 132,119	\$ 193,695
Items not involving cash:		
Amortization of tangible capital assets	115,844	119,602
Change in non-cash assets and liabilities:		
Receivables	(14,706)	29,607
Due from Town of Grimsby	(65,646)	(225,018)
Inventories for resale	759	(670)
Employee benefit obligations	(7,300)	(4,500)
Prepaid expenses	1,171	1,185
Net change in cash from operating activities	162,241	113,901
Capital activities:		
Acquisition of tangible capital assets	(115,533)	(102,317)
Financing activities:		
Repayment from capital lease obligation	(1,801)	(1,801)
Net increase in cash and cash equivalents	44,907	9,783
Cash and cash equivalents, beginning of year	37,881	28,098
Cash and cash equivalents, end of year	\$ 82,788	\$ 37,881

See accompanying notes to financial statements.

GRIMSBY PUBLIC LIBRARY

Notes to Financial Statements

Year ended December 31, 2024

1. Purpose of the Library:

The Grimsby Public Library ("the Library") provides informational and literacy-based community programming for all demographics which is supported by a wide range of virtual and physical collections and services. All of this is provided to residents of the Town of Grimsby and residents of other municipalities who have contracted with the Library for services.

2. 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 judgement, 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) Basis of accounting:

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

(b) Reporting entity:

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

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, balances with the bank and guaranteed investment certificates that mature within three months.

(d) Portfolio investments:

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

(e) Inventories for resale:

Inventories held for resale are recorded at the lower of cost and net realizable value

(f) Deferred revenue:

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

GRIMSBY PUBLIC LIBRARY

Notes to Financial Statements

Year ended December 31, 2024

2. Significant accounting policies (continued):

(g) Employee future benefits:

The Library pays certain benefits on behalf of its retired employees. These retirement costs are recognized in the period in which the employees rendered their services to the Library. The actuarial determination of the accrued benefit obligations for pension benefits earned by employees uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors).

(h) Tangible capital assets:

Tangible capital assets are recorded at cost. Cost includes all directly attributable to 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 assets are capitalized at their estimated fair value upon acquisition.

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

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 useful life for all classes except land. Land is considered to have infinite life without amortization. Residual values of assets are assumed to be zero with any net gain or loss arising from the disposal of assets recognized in the Statement of Operations and Accumulated Surplus.

Asset	Useful life - years
Library collection	8
Furniture and fixtures	20
Equipment	3-15
Computer software	15
Computer equipment	5

Assets under construction are not amortized until the assets are available for productive use.

GRIMSBY PUBLIC LIBRARY

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Significant accounting policies (continued):

(i) Revenue recognition:

(i) User charges:

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

(ii) Government transfers:

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

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

(iii) Other:

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

(j) Reserves for future expenses:

Certain amounts, as approved by the Library and recommended to the Town of Grimsby, are set aside in reserves for future operating and capital expenses.

(k) Financial instruments:

The Library initially measures its financial assets and financial liabilities at fair value. The Library subsequently measures all its financial assets and financial liabilities at amortized cost. Financial liabilities are removed from the Statement of Financial Position upon discharge, cancellation, or expiration.

Financial assets measured at amortized cost include cash, receivables and due from the Town of Grimsby.

Financial liabilities measured at amortized cost include long term debt.

(l) Use of estimates:

The preparation of the 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 disclosures of contingent assets and liabilities 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.

GRIMSBY PUBLIC LIBRARY

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Adoption of new guidance:

Effective January 1, 2024, the Library adopted new public sector accounting standards sections retroactively with restatement: PS 3160 Public Private Partnerships, PS 3400 Revenue and adopted PSG-8 Purchased Intangibles prospectively.

PS 3400 Revenue establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligations (i.e. the payor expects a good or service from the public sector entity), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions. For exchange transactions, revenue is recognized when a performance obligation is satisfied. For non-exchange transactions, revenue is recognized when there is authority to retain an inflow of economic resources and a past event that gave rise to an asset has occurred.

PSG-8 Purchased Intangibles provides guidance on the accounting and reporting for purchased intangible assets that are acquired through arm's length exchange transactions between knowledgeable, willing parties that are under no compulsion to act.

PS 3160 Public Private Partnerships (P3s) provides specific guidance on the accounting and reporting for P3s between public and private sector entities where the public sector entity procures infrastructure using a private sector partner.

The adoption of the new standards had no impact on the Library.

4. Employee benefit obligations:

	2024	2023
Post-employment benefits	\$ 39,700	\$ 47,000

The Library pays certain retirement benefits on behalf of its retired employees. The Library recognizes these retirement costs in the period in which the employees rendered the services. The plan is substantially unfunded and requires no contributions from employees.

The accrued benefit obligation at December 31, 2024 of \$39,700 (2023 - \$47,000) was determined by actuarial valuation using a discount rate of 4.3% (2023 – 4.30%). The Library's obligation under the retirement benefits provision of employment agreements will be funded out of current revenue. During the year, benefit payments of \$18,700 (2023 - \$ 17,700) were paid to retirees.

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

The actuarial valuation was prepared as at December 31, 2023. The main actuarial assumptions employed for the valuation are as follows:

GRIMSBY PUBLIC LIBRARY

Notes to Financial Statements (continued)

Year ended December 31, 2024

4. Employee benefit obligations (continued):

Interest (discount) rate – the obligations as at December 31, 2024 of the present value of future liabilities were determined using a discount rate of 4.30%.

Dental costs – dental costs were assumed to be 4.50% per annum.

Drug costs – drug costs were assumed to be 7.65% in 2023 grading down by 0.15% per annum to 4.50% in 2024.

Vision costs – vision costs were assumed to be 2.75% in 2023 grading down by 0.25% per annum to Nil in 2024.

Other health costs – other health costs were assumed to be 4.50% per annum.

	2024	2023
Accrued benefit obligation:		
Balance, beginning of year	\$ 47,000	\$ 51,500
Current service cost	3,000	3,800
Interest cost	3,500	3,200
Benefits paid	(18,700)	(17,700)
Amortization of actuarial loss	4,900	6,200
Balance, end of year	\$ 39,700	\$ 47,000
Funded status:		
Deficit	\$ 74,800	\$ 87,000
Unamortized actuarial loss	(35,100)	(40,000)
	\$ 39,700	\$ 47,000

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

Current service cost	\$ 3,000	\$ 3,800
Interest cost	3,500	3,200
Amortization of actuarial loss	4,900	6,200
	\$ 11,400	\$ 13,200

GRIMSBY PUBLIC LIBRARY

Notes to Financial Statements (continued)

Year ended December 31, 2024

5. Long-term debt:

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

Purpose	Interest Rate	Maturity Date	2024	2023
Photocopier	0%	2027	\$ 4,497	\$ 6,298

(b) Total charges for interest, which are reported on the Statement of Operations and Accumulated Surplus in contracted services amounts to \$Nil (2023 - \$Nil).

(c) Principal payments due over the next four years are as follows:

2025	\$ 1,801
2026	1,801
2027	895

6. Accumulated surplus:

	2024	2023
Operating surplus	\$ 115,158	\$ 115,757
Tangible capital assets	595,664	595,975
Reserves and reserve funds (note 7)	933,296	809,368
Unfunded liabilities (note 8)	(44,197)	(53,298)
	\$ 1,599,921	\$ 1,467,802

7. Reserve and reserve funds:

Reserves set aside by the Board for specific purposes:

	2024	2023
Replacement of equipment	\$ 258,549	\$ 277,738
Maintenance	533,256	426,667
Strategic priorities	141,491	104,963
	\$ 933,296	\$ 809,368

GRIMSBY PUBLIC LIBRARY

Notes to Financial Statements (continued)

Year ended December 31, 2024

8. Unfunded liabilities:

	2024	2023
Employee benefit obligations	\$ 39,700	\$ 47,000
Long-term debt	4,497	6,298
	\$ 44,197	\$ 53,298

9. Development charges:

Development charges are fees collected by the Town of Grimsby from developers at the time a building permit is issued to help pay for municipal services, including Library services, required to meet the needs of community growth. Development charges allocated for Library purposes are collected, administered, and held by the Town of Grimsby are as follows:

	2024	2023
Balance, beginning of year	\$ 1,245,936	\$ 1,248,573
Add: contributions during the year	19,169	27,278
Add: interest income	58,693	61,018
Less: amounts recognized during the year for Library expenses	(97,758)	(90,933)
Balance, end of year	\$ 1,226,040	\$ 1,245,936

10. Government transfers:

	2024 Budget	2024 Actual	2023 Actual
Capital:			
Government of Canada:			
Canada Community Revitalization Fund	\$ —	\$ —	\$ 41,790
Operating:			
Government of Canada:			
Canada Summer Jobs	—	(190)	1,992
YCW summer student grant	12,010	12,059	4,896
Province of Ontario:			
Public library operating grant	31,390	31,391	31,392
Region of Niagara	—	—	750
Other	—	1,770	1,860
	\$ 43,400	\$ 45,030	\$ 82,680

GRIMSBY PUBLIC LIBRARY

Notes to Financial Statements (continued)

Year ended December 31, 2024

11. Other revenue:

	2024 Budget	2024 Actual	2023 Actual
Book bag sales	\$ 50	\$ 30	\$ 42
Merchandise sales	80	159	77
Library book sales	1,800	1,329	1,634
Miscellaneous revenue	1,000	10,859	1,786
	\$ 2,930	\$ 12,377	\$ 3,539

12. Salaries, wages and benefits:

	2024 Budget	2024 Actual	2023 Actual
Salaries and wages	\$ 688,670	\$ 646,338	\$ 610,184
Benefits	158,590	142,123	135,084
	\$ 847,260	\$ 788,461	\$ 745,268

13. Workplace and Insurance Board (WSIB) future benefits:

The Library, as a part of the Town of Grimsby, 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 liability is based on expected future WSIB costs for individuals with dates of injury/illness on or before the fiscal year-end. There are no individuals with the Library who have WSIB injury/illness dates on or before December 31, 2024 with expected future WSIB claims.

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

GRIMSBY PUBLIC LIBRARY

Notes to Financial Statements (continued)

Year ended December 31, 2024

14. Pension agreements:

The Library 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 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 Library does not recognize any share of the pension plan deficit of \$4.3 billion (2023 - \$7.6 billion deficit) based on the fair market value of the plan's assets, as this is a joint responsibility of all Ontario municipal entities and their employees. Plan deficits may require increases to future contributions. Contributions were made in 2024 calendar year at rates from 9.0% to 14.6% 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 Statement of Operations and Accumulated Surplus. Employer contributions to OMERS for 2024 current and past service was \$51,406 (2023 - \$48,774) and were matched by employee contributions in a similar amount.

15. Related party transactions:

	2024	2023
Revenues:		
Municipal contribution	\$ 1,060,090	\$ 1,030,800
Development charges	97,758	90,933
	<u>\$ 1,157,848</u>	<u>\$ 1,121,733</u>
Expenses:		
Utilities	\$ 30,164	\$ 34,572

In 2024, the municipal contribution for water and sewer charges of \$ 947 (2023 - \$703) is included in utilities were with the Town of Grimsby. Electrical charges of \$29,217 (2023 - \$33,869) included in utilities were paid to Grimsby Power Incorporated, a company owned by the Town of Grimsby.

16. Budget information:

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 Accumulated Surplus and Statement of Changes in Net Financial Assets represent the budget adopted by the Board on December 13, 2023. with the following adjustments:

Approved budgeted annual surplus	\$	–
Add: acquisition of tangible capital assets		182,100
Less: transfers to reserves, net		(31,840)
Less: amortization of tangible capital assets		(115,844)
Budgeted surplus per Statement of Operations and Accumulated Surplus	\$	<u>34,416</u>

GRIMSBY PUBLIC LIBRARY

Notes to Financial Statements (continued)

Year ended December 31, 2024

17. Financial instruments:

The Library is exposed to various risks through its financial instruments. The following analysis provides a measure of the Library's risk exposures as at December 31, 2024:

(a) Credit risk:

Credit risk is the risk of financial loss to the Library if a debtor fails to pay the amounts owing to the Library. The Library is exposed to this risk arising from its cash, investments, grants receivable and accounts receivable. The Library holds its cash accounts with a federally regulated chartered bank who is insured by the Canadian Deposit Insurance Corporation. In the event of default, the Library's cash accounts are insured up to \$82,788 (2023 - \$37,881).

Receivables are primarily due from government, corporations and individuals. Credit risk is mitigated by the highly diversified nature of the debtors and other customers. The Library measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up for specific accounts deemed to be possibly uncollectible. In the current and prior year, no impairment allowance was recorded. There were no changes in exposures to credit risk during the period. The amounts outstanding at year-end were as follows:

2024	Current	31-60 days	61-90 days	91-120 days	Over 120 days	Total
Government receivables	\$ 958,598	–	–	–	–	\$ 958,598

2023	Current	31-60 days	61-90 days	91-120 days	Over 120 days	Total
Government receivables	\$ 878,246	–	–	–	–	\$ 878,246

(b) Liquidity risk:

Liquidity risk is the risk that the Library will not be able to meet all cash outflow obligations as they come due. The Library mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining adequate cash levels. The following undiscounted cash flows are required to settle the Library's financial liabilities within one year \$1,801 (2023 - \$1,801).

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

(c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

GRIMSBY PUBLIC LIBRARY

Notes to Financial Statements (continued)

Year ended December 31, 2024

17. Financial instruments (continued):

(d) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in the fair value or future cash flows of financial instruments because of changes in market interest rates. The Library is exposed to this risk through its interest-bearing bank balance. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

18. Tangible capital assets:

Cost	Balance at December 31, 2023	Additions	Disposals	Balance at December 31, 2024
Library collection	\$ 598,002	\$ 85,688	\$ (72,955)	\$ 610,735
Furniture and fixtures	392,129	—	—	392,129
Equipment	212,490	10,444	—	222,934
Computer software	22,885	—	—	22,885
Computers	60,685	14,633	(28,513)	46,805
Construction in Progress	—	4,768	—	4,768
	\$ 1,286,191	\$ 115,533	\$ (101,468)	\$ 1,300,256

Accumulated amortization	Balance at December 31, 2023	Amortization expense	Disposals	Balance at December 31, 2024
Library collection	\$ 284,074	\$ 75,546	\$ (72,955)	\$ 286,665
Furniture and fixtures	324,922	16,796	—	341,718
Equipment	26,603	16,544	—	43,147
Computer software	5,340	1,526	—	6,866
Computers	49,277	5,432	(28,513)	26,196
	\$ 690,216	\$ 115,844	\$ (101,468)	\$ 704,592

Net book value	December 31, 2023	December 31, 2024
Library collection	\$ 313,928	\$ 324,070
Furniture and fixtures	67,207	50,411
Equipment	185,887	179,787
Computer software	17,545	16,019
Computers	11,408	20,609
Construction in Progress	—	4,768
	\$ 595,975	\$ 595,664



Section 5: 2024 Town of Grimsby Art Gallery Financial Statements

December 31, 2024

Financial Statements of

**THE GRIMSBY PUBLIC
ART GALLERY**

Year ended December 31, 2024

THE GRIMSBY PUBLIC ART GALLERY

Index to Financial Statements

Year ended December 31, 2024

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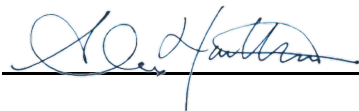
THE GRIMSBY PUBLIC ART GALLERY MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of The Grimsby Public Art Gallery (the "Gallery") are the responsibility of the Gallery'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 is described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Gallery'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 Council meets with management and external accountants to review and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been reviewed by KPMG LLP, licensed public accountants, appointed by the Town of Grimsby. The accompanying Independent Practitioner's Review Engagement Report outlines their responsibilities, and their opinion on the Gallery's financial statements.



Alexandra Hartstone
Art Gallery Manager/Curator
Corporation of the Town of Grimsby



Tony Del Monaco, CPA, CMA
Director of Finance/Treasurer
Corporation of the Town of Grimsby

July 10, 2025

**KPMG LLP**

Commerce Place
21 King Street West, Suite 700
Hamilton, ON L8P 4W7
Canada
Telephone 905 523 8200
Fax 905 523 2222

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members of The Grimsby Public Art Gallery

We have reviewed the accompanying financial statements of The Grimsby Public Art Gallery, which comprise the statement of financial position as at December 31, 2024, the statement of operations and accumulated surplus, the statement of changes in net financial assets and statement of cash flows for the year then ended, and notes, comprising 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 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.



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Basis for Qualified Conclusion

Based on our review, The Grimsby Public Art Gallery belongs to a post-employment benefit plan which is administered by the Town of Grimsby. The Grimsby Public Art Gallery's share of the post-employment benefit is not reflected in the statement of financial position of the Gallery as it was impractical to complete this analysis. The effect of this departure from Canadian public sector accounting standards has not been determined.

Qualified conclusion

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of The Grimsby Public Art Gallery as at December 31, 2024, and its results of operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a long, horizontal, slightly wavy line.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

July 10, 2025

THE GRIMSBY PUBLIC ART GALLERY

Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Financial assets		
Receivable from Town of Grimsby	\$ 157,062	\$ 178,236
Inventory	4,856	4,791
	161,918	183,027
Financial liabilities		
Deferred revenue (note 4)	20,499	16,749
Capital lease obligation (note 5)	1,697	2,476
	22,196	19,225
Net financial assets	139,722	163,802
Non-financial assets		
Tangible capital assets (note 6)	1,194	1,991
Prepaid expenses	125	116
	1,319	2,107
Accumulated surplus (note 7)	\$ 141,041	\$ 165,909

See accompanying notes to financial statements.

On behalf of the Board:

THE GRIMSBY PUBLIC ART GALLERY

Statement of Operations and Accumulated Surplus

Year ended December 31, 2024, with comparative information for 2023

	2024 Budget (note 14)	2024 Actual	2023 Actual
Revenue:			
Municipal contributions (note 8)	\$ 266,020	\$ 266,020	\$ 285,910
Government transfers (note 9)	59,200	44,236	99,865
Donations	4,500	1,970	800
Fundraising	18,500	14,850	3,505
Giftshop	18,000	17,107	19,048
Other (note 10)	36,000	38,087	21,699
Total revenue	402,220	382,270	430,827
Expenses:			
Advertising and promotion	3,640	3,619	3,199
Amortization	797	797	797
Conferences and training	700	608	26
Events	30,800	34,287	64,860
Giftshop	6,750	7,969	8,081
Maintenance and repairs	27,700	23,741	26,955
Memberships	1,400	1,232	561
Office	7,410	5,630	4,988
Professional fees	3,700	3,901	3,011
Salaries, wages and benefits (notes 11, 12 and 13)	276,610	285,689	267,362
Supplies	21,870	19,473	18,580
Travel	500	885	915
Utilities	21,140	19,307	21,138
Total expenses	403,017	407,138	420,473
Annual (deficit) surplus	(797)	(24,868)	10,354
Accumulated surplus, beginning of year	165,909	165,909	155,555
Accumulated surplus, end of year (note 7)	\$ 165,112	\$ 141,041	\$ 165,909

See accompanying notes to financial statements.

THE GRIMSBY PUBLIC ART GALLERY

Statement of Changes in Net Financial Assets

Year ended December 31, 2024, with comparative information for 2023

	2024 Budget (note 14)	2024 Actual	2023 Actual
Annual (deficit) surplus	\$ (797)	\$ (24,868)	\$ 10,354
Amortization of tangible capital assets	797	797	797
	–	(24,071)	11,151
(Increase) decrease in prepaid assets	–	(9)	17
Change in net financial assets	–	(24,080)	11,168
Net financial assets, beginning of year	163,802	163,802	152,634
Net financial assets, end of year	\$ 163,802	\$ 139,722	\$ 163,802

See accompanying notes to financial statements.

THE GRIMSBY PUBLIC ART GALLERY

Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Annual (deficit) surplus	\$ (24,868)	\$ 10,354
Items not involving cash:		
Amortization of tangible capital assets	797	797
Change in non-cash assets and liabilities:		
Receivable from Town of Grimsby	21,174	50,061
Inventory	(65)	(378)
Prepaid expenses	(9)	17
Deferred revenue	3,750	(60,136)
Net change in cash from operating activities	779	715
Financing activities:		
Repayment of capital lease obligation	(779)	(715)
Net increase in cash and cash equivalents	—	—
Cash and cash equivalents, beginning of year	—	—
Cash and cash equivalents, end of year	\$ —	\$ —

See accompanying notes to financial statements.

THE GRIMSBY PUBLIC ART GALLERY

Notes to Financial Statements

Year ended December 31, 2024

1. Purpose of the Art Gallery Board:

The Grimsby Public Art Gallery ("the Gallery") provides art gallery services to residents of the Town of Grimsby and residents of other municipalities who have contracted with the Gallery for services.

2. 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 judgement, 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) Basis of accounting:

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

(b) Reporting entity:

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

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, balances with bank and guaranteed investment certificates that mature within three months.

(d) Tangible capital assets:

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses to 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 assets are capitalized at their estimated fair value upon acquisition. The Gallery does not capitalize interest as part of the costs of its capital assets

Amortization is calculated on a straight-line basis to write-off the net cost of each asset over its useful life for all classes except land. Land is considered to have infinite life without amortization. Residual values of assets are assumed to be zero with any net gain or loss arising from the disposal of assets recognized in the Statement of Operations as other revenue. Works of art and cultural assets are not recorded as assets in these financial statements.

THE GRIMSBY PUBLIC ART GALLERY

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Significant accounting policies (continued):

(d) Tangible capital assets (continued):

Asset	Useful life - years
Equipment	5

Assets under construction are not amortized until the assets are available for productive use.

(e) Deferred revenue:

Deferred revenue is comprised of user charges, user fees and grant amounts which have been received prior to the fiscal year to which they pertain. These amounts will be recognized as revenues in the fiscal year the services are performed.

(f) Leases:

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

(g) Revenue recognition:

Government transfers, which include municipal contributions, 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 amount can be made.

Donations and other revenues are recognized when received.

Gift shop and other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

(h) Financial instruments:

The Gallery initially measures its financial assets and financial liabilities at fair value. The Gallery subsequently measures all its financial assets and financial liabilities at amortized cost. Financial liabilities are removed from the Statement of Financial Position upon discharge, cancellation, or expiration.

Financial assets measured at amortized cost include the receivable from the Town of Grimsby.

Financial liabilities measured at amortized cost include the capital lease obligation.

THE GRIMSBY PUBLIC ART GALLERY

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of the 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 disclosures of contingent assets and liabilities 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. Adoption of new guidance:

Effective January 1, 2024, the Gallery adopted new public sector accounting standards sections retroactively with restatement: PS 3160 *Public Private Partnerships*, PS 3400 *Revenue* and adopted PSG-8 *Purchased Intangibles* prospectively.

PS 3400 *Revenue* establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligations (i.e. the payor expects a good or service from the public sector entity), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions. For exchange transactions, revenue is recognized when a performance obligation is satisfied. For non-exchange transactions, revenue is recognized when there is authority to retain an inflow of economic resources and a past event that gave rise to an asset has occurred.

PSG-8 *Purchased Intangibles* provides guidance on the accounting and reporting for purchased intangible assets that are acquired through arm's length exchange transactions between knowledgeable, willing parties that are under no compulsion to act.

PS 3160 *Public Private Partnerships* (P3s) provides specific guidance on the accounting and reporting for P3s between public and private sector entities where the public sector entity procures infrastructure using a private sector partner.

The adoption of the new standards had no impact on the Gallery.

4. Deferred revenue:

	2024	2023
Balance, beginning of year	\$ 16,749	\$ 76,885
Grant revenue received during the year	47,986	39,740
Revenue recognized during the year	(44,236)	(99,876)
Balance, end of year	\$ 20,499	\$ 16,749

THE GRIMSBY PUBLIC ART GALLERY

Notes to Financial Statements (continued)

Year ended December 31, 2024

5. Capital lease obligation:

- (a) The capital lease obligation reported on the Statement of Financial Position is made up of the following:

Purpose	Interest rate	Maturity date	2024	2023
Photocopier	3.1%	2026	\$ 1,697	\$ 2,476

- (b) Total charges for interest, which are reported on the Statement of Operations and Accumulated Surplus amounts to \$193 (2023 - \$258).

- (c) Principal payments due over the next two years are as follows:

2025	\$ 850
2026	847

6. Equipment under capital lease:

Cost	Balance at December 31, 2023	Additions	Disposals	Balance at December 31, 2024
Equipment	\$ 3,984	\$ —	\$ —	\$ 3,984

Accumulated amortization	Balance at December 31, 2023	Disposals	Amortization expense	Balance at December 31, 2024
Equipment	\$ 1,993	\$ —	\$ 797	\$ 2,790

Net book value	December 31, 2023	December 31, 2024
Equipment	\$ 1,991	\$ 1,194

THE GRIMSBY PUBLIC ART GALLERY

Notes to Financial Statements (continued)

Year ended December 31, 2024

7. Accumulated surplus:

	2024	2023
Operating surplus	\$ 141,544	\$ 166,394
Investment in tangible capital assets (note 6)	1,194	1,991
Unfunded capital lease obligation (note 5)	(1,697)	(2,476)
	\$ 141,041	\$ 165,909

8. Related party transactions:

	2024 Budget (note 14)	2024 Actual	2023 Actual
Revenues:			
Municipal contribution	\$ 266,020	\$ 266,020	\$ 285,910
Expenses:			
Utilities	\$ 17,140	\$ 15,080	\$ 17,105

All above transactions are with the Town of Grimsby and are measured at the exchange amount agreed to by the related parties.

9. Government transfers:

	2024 Budget (note 14)	2024 Actual	2023 Actual
Federal - Digital Access to Heritage & Museums Assistance Program (MAP)	\$ 13,000	\$ —	\$ 66,030
Federal - Young Canada Works	19,230	18,868	6,848
Provincial - Ontario Arts Council	26,970	25,368	26,987
	\$ 59,200	\$ 44,236	\$ 99,865

THE GRIMSBY PUBLIC ART GALLERY

Notes to Financial Statements (continued)

Year ended December 31, 2024

10. Other revenue:

	2024 Budget (note 14)	2024 Actual	2023 Actual
Program fee	\$ 35,000	\$ 38,031	\$ 20,910
Memberships	1,000	56	106
Sales and recovery	—	—	683
	\$ 36,000	\$ 38,087	\$ 21,699

11. Salaries, wages and benefits:

	2024 Budget (note 14)	2024 Actual	2023 Actual
Salaries and wages	\$ 220,690	\$ 237,347	\$ 222,099
Benefits	55,920	48,342	45,263
	\$ 276,610	\$ 285,689	\$ 267,362

12. Pension agreements:

The Gallery 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 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 \$4.3 billion (2023 - \$7.6 billion deficit) based on the fair market value of the plan's assets, as this is a joint responsibility of all Ontario municipal entities and their employees. Plan deficits may require increases to future contributions. Contributions were made in 2024 calendar year at rates from 9% to 14.6% 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 Statement of Operations and Accumulated Surplus. Employer contributions to OMERS for 2024 current and past service was \$6,259 (2023 - \$6,214) and were matched by employee contributions in a similar amount.

THE GRIMSBY PUBLIC ART GALLERY

Notes to Financial Statements (continued)

Year ended December 31, 2024

13. Workplace and Insurance Board (WSIB) future benefits:

The Gallery, 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.

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

14. Budget information:

The budget is approved by Council includes expenditures for tangible capital assets but does not include amortization of tangible capital assets. The following is a reconciliation of the approved budget to that reported on the Statement of Operations and Accumulated Surplus:

Approved budgeted annual surplus	\$	—
Less: transfers to reserves, net		—
Less: amortization of tangible capital assets		(797)
Budgeted surplus/(deficit) per Statement of Operations and Accumulated Surplus	\$	(797)

15. Financial instruments:

The Gallery is exposed to various risks through its financial instruments. The following analysis provides a measure of the Gallery's risk exposures as at December 31, 2024:

(a) Credit risk:

Credit risk is the risk of financial loss to the Gallery if a debtor fails to pay the amounts owing to the Gallery. The Gallery is exposed to this risk arising from its receivable.

Accounts receivable is primarily due from government, corporations and individuals. Credit risk is mitigated by the highly diversified nature of the debtors and other customers. The Gallery measures its exposure to credit risk based on how long the amounts have been outstanding. There were no changes in exposures to credit risk during the period. The amounts outstanding at year end were as follows:

2024	Current	31-60 days	61-90 days	91-120 days	Over 120 days	Total
Government receivables	\$ 157,062	\$ —	\$ —	\$ —	\$ —	\$ 157,062

THE GRIMSBY PUBLIC ART GALLERY

Notes to Financial Statements (continued)

Year ended December 31, 2024

15. Financial instruments (continued):

(a) Credit risk (continued):

2023	Current	31-60 days	61-90 days	91-120 days	Over 120 days	Total
Government receivables	\$ 178,236	\$ –	\$ –	\$ –	\$ –	\$ 178,236

(b) Liquidity risk:

Liquidity risk is the risk that the Gallery will not be able to meet all cash outflow obligations as they come due. The Gallery mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining adequate cash levels. The following undiscounted cash-flows are required to settle the Gallery's financial liabilities within one year \$Nil (2023 - \$Nil).

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

**Section 6: 2024 Grimsby Downtown
Business Improvement Area Financial Statements**

December 31, 2024

Financial Statements of

**THE GRIMSBY DOWNTOWN
BUSINESS IMPROVEMENT AREA**

Year ended December 31, 2024

THE GRIMSBY DOWNTOWN BUSINESS IMPROVEMENT AREA

Index to Financial Statements

Year ended December 31, 2024

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Statement of Changes in Net Financial Assets	3
Statement of Cash Flows	4
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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 Grimsby Downtown Business Improvement Area (the BIA), which comprise:

- the statement of financial position as at December 31, 2024
- the statement of operations and accumulated Surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the BIA as at December 31, 2024, and its results of operations, its changes in 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 auditor’s report.

We are independent of the BIA 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.



Other Matter – Comparative Information

The financial statements for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on July 19, 2024.

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

Management is responsible for the preparation and fair presentation of the 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 BIA's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the BIA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the BIA'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 the 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 BIA'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 BIA'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 BIA 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.
- 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.

A handwritten signature in dark ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

July 9, 2025

THE GRIMSBY DOWNTOWN BUSINESS IMPROVEMENT AREA

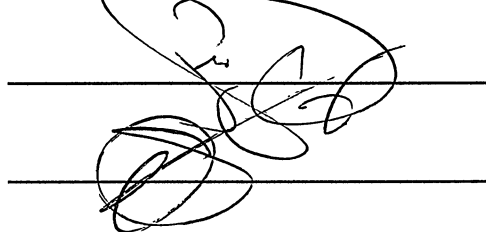
Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Financial assets		
Cash and cash equivalents	\$ 150,599	\$ —
HST receivable	2,088	—
Due from Town of Grimsby (note 6)	13,756	185,798
	166,443	185,798
Financial Liabilities		
Accounts payable and accrued liabilities	6,225	—
Net financial assets	160,218	185,798
Non-financial assets		
Tangible capital assets (note 5)	1,916	3,553
Prepaid expenses	1,904	—
	3,820	3,553
Accumulated surplus (note 7)	\$ 164,038	\$ 189,351

See accompanying notes to financial statements.

On behalf of the Board:



Simon Duong, Chair, GDBIA

Daniel Vandersteen, Treasurer, GDBIA

THE GRIMSBY DOWNTOWN BUSINESS IMPROVEMENT AREA

Statement of Operations and Accumulated Surplus

Year ended December 31, 2024, with comparative information for 2023

		2024 Budget (note 4)		2024 Actual		2023 Actual
Revenue:						
Taxation	\$	87,350	\$	87,493	\$	87,349
Tax (write-offs) supplementaries, net		(1,430)		(379)		(295)
Donations		—		500		—
Total revenue		85,920		87,614		87,054
Expenses:						
Advertising and promotion		12,250		4,136		3,409
Amortization		1,637		1,637		2,706
Downtown beautification		20,000		14,407		13,600
Office		32,000		5,481		15,316
Professional fees		4,500		5,971		7,635
Salaries and benefits		—		37,569		—
Special events		65,500		43,726		16,111
Total expenses		135,887		112,927		58,777
Annual (deficit) surplus		(49,967)		(25,313)		28,277
Accumulated surplus, beginning of year		189,351		189,351		161,074
Accumulated surplus, end of year (note 7)	\$	139,384	\$	164,038	\$	189,351

See accompanying notes to financial statements.

THE GRIMSBY DOWNTOWN BUSINESS IMPROVEMENT AREA

Statement of Changes in Net Financial Assets

Year ended December 31, 2024, with comparative information for 2023

	2024 Budget (note 4)	2024 Actual	2023 Actual
Annual (deficit) surplus	\$ (49,967)	\$ (25,313)	\$ 28,277
Amortization of tangible capital assets	1,637	1,637	2,706
	(48,330)	(23,676)	30,983
(Increase) decrease in prepaid expenses	—	(1,904)	857
Change in net financial assets	(48,330)	(25,580)	31,840
Net financial assets, beginning of year	185,798	185,798	153,958
Net financial assets, end of year	\$ 137,468	\$ 160,218	\$ 185,798

See accompanying notes to financial statements.

THE GRIMSBY DOWNTOWN BUSINESS IMPROVEMENT AREA

Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Annual (deficit) surplus	\$ (25,313)	\$ 28,277
Items not involving cash:		
Amortization of tangible capital assets	1,637	2,706
Change in non-cash assets and liabilities:		
Decrease in due from Town of Grimsby	172,042	(31,840)
Increase in HST Receivable	(2,088)	—
Prepaid expenses	(1,904)	857
Increase in accounts payable and accrued liabilities	6,225	—
Net increase in cash	150,599	—
Cash, beginning of year	—	—
Cash, end of year	\$ 150,599	\$ —

See accompanying notes to financial statements.

THE GRIMSBY DOWNTOWN BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2024

1. Purpose of The Grimsby Downtown Business Improvement Area:

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

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

2. 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 judgement, 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) Basis of accounting:

Sources of revenue and expenses are reporting on the accrual basis of accounting. The accrual basis of accounting records revenues in the period in they are earned and measurable and expenses in the period the goods and services are acquired and a liability is incurred. A statement of accumulated remeasurement gains/losses has not been presented as there are no items to report in the current or prior year.

(b) Reporting entity:

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

(c) Tangible capital assets:

(i) 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 assets 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 fair value at the date of receipt.

THE GRIMSBY DOWNTOWN BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Significant accounting policies (continued):

(ii) Amortization:

Amortization is recorded to reflect the cost, net of anticipated salvage value, associated with the use of 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.

Asset	Useful life - years
Equipment	3 – 15

Assets under construction are not amortized until the assets are available for use and put in service.

(d) 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 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

(e) Financial instruments:

The BIA initially measures its financial assets and financial liabilities at fair value. The BIA subsequently measures all its financial assets and financial liabilities at amortized cost. Financial liabilities are removed from the Statement of Financial Position upon discharge, cancellation, or expiration.

Financial assets measured at amortized cost include the due from the Town of Grimsby.

(f) 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, 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 these estimates. Areas in which management make estimates are with regard to the useful lives of tangible capital assets

THE GRIMSBY DOWNTOWN BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Significant accounting policies (continued):

(g) Related party transactions:

Transactions with related parties are measured at the carrying amount. The amounts due to the Town of Grimsby, a related party, are non-interest bearing with a no specified repayment term.

3. Adoption of new guidance:

Effective January 1, 2024, the BIA adopted new public sector accounting standards sections retroactively with restatement: PS 3160 Public Private Partnerships, PS 3400 Revenue and adopted PSG-8 Purchased Intangibles prospectively.

PS 3400 Revenue establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligations (i.e. the payor expects a good or service from the public sector entity), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions. For exchange transactions, revenue is recognized when a performance obligation is satisfied. For non-exchange transactions, revenue is recognized when there is authority to retain an inflow of economic resources and a past event that gave rise to an asset has occurred.

PSG-8 Purchased Intangibles provides guidance on the accounting and reporting for purchased intangible assets that are acquired through arm's length exchange transactions between knowledgeable, willing parties that are under no compulsion to act.

PS 3160 Public Private Partnerships (P3s) provides specific guidance on the accounting and reporting for P3s between public and private sector entities where the public sector entity procures infrastructure using a private sector partner.

The adoption of the new standards had no impact on the BIA.

4. Budget information:

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

Approved budgeted annual surplus	\$	–
Add: transfer to reserve		(48,330)
Less: amortization of tangible capital assets		(1,637)
Budgeted surplus per Statement of Operations and Accumulated Surplus	\$	(49,967)

THE GRIMSBY DOWNTOWN BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2024

5. Tangible capital assets:

Cost	Balance at December 31, 2023	Additions	Disposals	Balance at December 31, 2024
Equipment	\$ 20,900	\$ –	\$ –	\$ 20,900

Accumulated amortization	Balance at December 31, 2023	Disposals	Amortization expense	Balance at December 31, 2024
Equipment	\$ 17,347	\$ –	\$ 1,637	\$ 18,984

Net book value	December 31, 2023	December 31, 2024
Equipment	\$ 3,553	\$ 1,916

6. Related party transactions:

During the year, the Business Improvement Area recorded Member levies that were collected on behalf of the Business Improvement Area totaling \$87,493 (2023 - \$87,349). The Town also incurred for expenses on the behalf of the Business Improvement Area. All transactions were settled during the year.

7. Accumulated surplus:

Accumulated surplus consists of the following:

	2024	2023
Operating surplus (note 8)	\$ 13,648	\$ 13,648
BIA projects and stabilization reserve	148,474	172,150
Investment in tangible capital assets	1,916	3,553
	\$ 164,038	\$ 189,351

THE GRIMSBY DOWNTOWN BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2024

8. Operating surplus:

	2024	2023
Annual surplus for the year	\$ (25,313)	\$ 28,277
Add: amortization for the year	1,637	2,706
Less: transfer to reserve	23,676	(30,983)
	–	–
Operating surplus, beginning of year	13,648	13,648
Operating surplus, end of year	\$ 13,648	\$ 13,648

9. Financial instruments:

The BIA is exposed to various risks through its financial instruments. The following analysis provides a measure of the BIA's risk exposures as at December 31, 2024:

(a) Credit risk:

Credit risk is the risk of financial loss to the BIA if a debtor fails to pay the amounts owing to the BIA. The BIA is exposed to this risk arising from its due from Town of Grimsby.

Receivables are primarily due from government, corporations and individuals. Credit risk is mitigated by the highly diversified nature of the debtors and other customers. The BIA measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up for specific accounts deemed to be possibly uncollectible. In the current and prior year, no impairment allowance was recorded. There were no changes in exposures to credit risk during the period. The amounts outstanding at year-end were as follows:

2024	Current	31-60 days	61-90 days	91-120 days	Over 120 days	Total
Government receivables	\$13,756	–	–	–	–	\$13,756
HST receivable	2,088	–	–	–	–	2,088
2023	Current	31-60 days	61-90 days	91-120 days	Over 120 days	Total
Government receivables	\$185,798	–	–	–	–	\$185,798

THE GRIMSBY DOWNTOWN BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2024

9. Financial instruments (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the BIA will not be able to meet all cash outflow obligations as they come due. The BIA mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining adequate cash levels.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Section 7: 2024 Niagara Power Incorporated Financial Statements

December 31, 2024

Consolidated Financial Statements of

**NIAGARA POWER
INCORPORATED**

And Independent Auditor's Report thereon

Year ended December 31, 2024



KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton, ON L8P 4W7
Canada
Telephone 905 523 8200
Fax 905 523 2222

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Niagara Power Incorporated

Opinion

We have audited the consolidated financial statements of Niagara Power Incorporated (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2024
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of material accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 auditor's 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 the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, 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 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 the 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.



Page 3

- 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.
- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

May 12, 2025

NIAGARA POWER INCORPORATED

Consolidated Statement of Financial Position

As at December 31, 2024, with comparative information for 2023

	Notes	2024	2023
Assets			
Current assets			
Cash and cash equivalents		\$ 218,635	\$ 308,290
Accounts receivable	5	2,447,756	1,921,308
Unbilled revenue		2,951,259	2,744,233
Inventory	6	2,065,782	1,573,398
Prepaid expenses		406,476	467,417
Total current assets		8,089,908	7,014,646
Non-current assets			
Property, plant and equipment	7	34,511,638	33,084,999
Intangible assets	8	80,482	101,351
Deferred tax assets	10	1,417,034	1,383,366
Other capital assets	7	1,125,054	712,453
Total non-current assets		37,134,208	35,282,169
Total assets		45,224,116	42,296,815
Regulatory balances	11	1,215,598	1,372,104
Regulatory balances – income tax	11	1,999,590	1,943,115
Total regulatory balances		3,215,188	3,315,219
Total assets and regulatory balances		\$ 48,439,304	\$ 45,612,034

NIAGARA POWER INCORPORATED

Consolidated Statement of Financial Position (continued)

As at December 31, 2024, with comparative information for 2023

	Notes	2024	2023
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities	12	\$ 5,785,453	\$ 4,991,250
Line of credit	13	2,850,000	1,500,000
Due to related parties	19	41,569	41,417
Customer deposits		93,089	74,567
Long-term debt due within one year	13	269,165	723,751
Long-term debt under renewal	13	1,426,488	—
Total current liabilities		10,465,764	7,330,985
Non-current liabilities			
Developers' deposits		1,457,804	1,110,313
Deferred tax liabilities	10	3,146,638	3,035,013
Deferred revenue	9	5,333,860	5,130,117
Other long-term liabilities		125,242	157,834
Long-term debt	13	11,615,450	13,311,103
Total non-current liabilities		21,678,994	22,744,380
Total liabilities		32,144,758	30,075,365
Equity			
Share capital	14	8,362,570	8,362,570
Contributed capital		70,721	70,721
Retained earnings		6,792,279	6,059,584
Total equity		15,225,570	14,492,875
Total liabilities and shareholders' equity		47,370,328	44,568,240
Regulatory balances	11	648,797	528,870
Regulatory balances – income tax	11	420,179	514,924
Total regulatory balances		1,068,976	1,043,794
Commitments and contingencies	17		
Total liabilities, equity and regulatory balances		\$ 48,439,304	\$ 45,612,034

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

Director

Director

NIAGARA POWER INCORPORATED

Consolidated Statement of Comprehensive Income

Year ended December 31, 2024, with comparative information for 2023

	Notes	2024	2023
Revenue:			
Sale of energy		\$ 34,820,189	\$ 32,267,565
Distribution revenue		6,693,175	6,410,429
Other		524,071	395,802
	15	42,037,435	39,073,796
Operating expenses:			
Distribution - operations		1,174,767	1,123,101
Distribution - maintenance		427,617	491,500
Billing and collecting		749,096	810,548
Administration and general		1,790,315	1,767,341
Property taxes		42,388	41,246
Depreciation and amortization	7, 8	1,385,517	1,397,944
Other deductions		13,311	11,777
		5,583,011	5,643,457
Cost of power purchased		34,520,044	30,912,452
Total expenses		40,103,055	36,555,909
Income from operating activities		1,934,380	2,517,887
Finance income	16	78,147	115,165
Finance costs	16	(656,423)	(641,447)
Income before income taxes		1,356,104	1,991,605
Income tax expense	10	298,196	204,327
Net income for the year		1,057,908	1,787,278
Net movement in regulatory balances	11	(276,433)	(1,255,851)
Tax recovery on net movement	11	151,220	536,123
		(125,213)	(719,728)
Net income and net movement in regulatory balances, being total comprehensive income		\$ 932,695	\$ 1,067,550

See accompanying notes to the consolidated financial statements.

NIAGARA POWER INCORPORATED

Consolidated Statement of Changes in Equity

Year ended December 31, 2024, with comparative information for 2023

	Share Capital	Contributed surplus	Retained earnings	Total
Balance at January 1, 2023	\$ 8,362,570	\$ 70,721	\$ 5,192,034	\$ 13,625,325
Net income and net movement in regulatory balance	—	—	1,067,550	1,067,550
Dividends	—	—	(200,000)	(200,000)
Balance at December 31, 2023	\$ 8,362,570	\$ 70,721	\$ 6,059,584	\$ 14,492,875
Balance at January 1, 2024	\$ 8,362,570	\$ 70,721	\$ 6,059,584	\$ 14,492,875
Net income and net movement in regulatory balance	—	—	932,695	932,695
Dividends	—	—	(200,000)	(200,000)
Balance at December 31, 2024	\$ 8,362,570	\$ 70,721	\$ 6,792,279	\$ 15,225,570

See accompanying notes to the consolidated financial statements.

NIAGARA POWER INCORPORATED

Consolidated Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	Notes	2024	2023
Operating activities:			
Net income and net movement in regulatory balances		\$ 932,695	\$ 1,067,550
Adjustments for:			
Depreciation and amortization		1,385,517	1,397,944
Amortization of deferred revenue		(183,665)	(172,468)
Income tax expense		—	203,323
Deferred taxes		77,957	—
Net finance costs		578,276	526,282
		2,790,780	3,022,631
Changes in non-cash operating working capital:			
Accounts receivable		(526,448)	(24,810)
Unbilled revenue		(207,026)	(114,907)
Inventory		(492,384)	(522,486)
Prepaid expenses		60,941	11,412
Accounts payable and accrued liabilities		794,203	651,586
Due to related parties		152	(97,668)
Customer and developer deposits		366,013	(70,811)
Other long-term liabilities		(32,592)	57,087
		(37,141)	(110,597)
Regulatory balances		125,213	719,728
Contributions received from customers		387,408	460,496
Interest paid		(656,423)	(641,447)
Interest received		78,147	115,165
Net cash from operating activities		2,687,984	3,565,976
Investing activities:			
Purchase of property, plant and equipment		(3,191,832)	(2,990,715)
Proceeds on disposal of property, plant and equipment		1,302	—
Purchase of intangibles		(13,358)	(56,312)
Net cash used by investing activities		(3,203,888)	(3,047,027)
Financing activities:			
Advance (repayment) of line of credit		1,350,000	(570,000)
Repayment of long-term debt		(723,751)	(741,287)
Proceeds from long-term debt		—	1,000,000
Dividends paid		(200,000)	(200,000)
Net cash from financing activities		426,249	(511,287)
Change in cash and cash equivalents		(89,655)	7,662
Cash and cash equivalents, beginning of year		308,290	300,628
Cash and cash equivalents, end of year		\$ 218,635	\$ 308,290

See accompanying notes to the consolidated financial statements.

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements

Year ended December 31, 2024

1. Reporting entity:

Niagara Power Incorporated (the "Corporation"), is incorporated under the laws of Ontario and is owned 90% by The Corporation of the Town of Grimsby and 10% by FortisOntario Inc. The Corporation is an investment holding company with 100% common share interest in Grimsby Power Incorporated. The Corporation's head office is located at 231 Roberts Road, Grimsby, Ontario, L3M 5N2.

The Corporation, through its wholly owned subsidiary, Grimsby Power Incorporated, delivers electricity within the Town of Grimsby and provides energy and infrastructure services to residential and commercial customers primarily within Ontario. The distribution of electricity within the Town of Grimsby is under license and regulations issued by the Ontario Energy Board (OEB). Changes to rates and terms of operations require OEB approval.

The consolidated financial statements are for the Corporation and its subsidiaries as at and for the year ended December 31, 2024.

2. Basis of presentation:

(a) Statement of compliance:

The Corporation's consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were approved by the Board of Directors on May 12, 2025.

(b) Basis of measurement:

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(d) Use of estimates and judgments:

(i) Assumptions and estimation uncertainty:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Basis of presentation (continued):

(d) Use of estimates and judgments (continued):

(i) Assumptions and estimation uncertainty (continued):

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment is included in the following notes:

- Notes 3 (e), (f), (g), 7 and 8 - estimation of useful lives of its property, plant and equipment and intangible assets and impairment tests on related long-lived assets;
- Notes 3 (j) and 11 - recognition and measurement of regulatory balances;
- Note 3 (i), 17 - recognition and measurement of provisions and contingencies.

(ii) Judgments:

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

- Note 3 (k) - leases: whether an arrangement contains a lease;
- Note 3 (c) - determination of the performance obligation for contributions from customers and the related amortization period; and
- Notes 3 (j) and 11 - recognition of regulatory balances.

(e) Rate regulation:

The Corporation's subsidiary is regulated by the Ontario Energy Board ("OEB"), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies ("LDCs"), such as the Corporation, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

The OEB has a decision and order in place banning LDCs in Ontario from disconnecting homes for non-payment during the winter. This ban is in place from November 15 to April 30 each year.

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Basis of presentation (continued):

(e) Rate regulation (continued):

(i) Distribution rates:

The Corporation is required to file a “Cost of Service” (“COS”) rate application every five years, unless approved for a deferral, under which the OEB establishes the revenues required to recover the forecasted operating costs, including amortization and income taxes, of providing the regulated electricity distribution service and providing a fair return on the Corporation’s rate base. The Corporation estimates electricity usage and the costs to service each customer class in order to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and any registered interveners. Rates are approved based upon the review of evidence and information, including any revisions resulting from that review.

In the intervening years, an Incentive Regulation Mechanism application (“IRM”) is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year’s rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand (“GDP IPI-FDD”) net of a productivity factor set by the OEB and a “stretch factor” determined by the relative efficiency of an electricity distributor. The stretch factor ranges from 0% to 0.60% and is assigned based on the LDCs total cost performance as benchmarked against other LDCs in Ontario.

As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

On July 30, 2021, the Corporation submitted a COS rate application to the OEB seeking approval to change distribution rates effective January 1, 2022. On January 13, 2022 the OEB issued its Decision and Order approving electricity distribution rates and other charges effective January 1, 2022. An IRM Application has been filed in each subsequent year.

On August 17, 2023, the Corporation submitted an IRM Application to the OEB requesting approval to change distribution rates effective January 1, 2024. The IRM Application which provided a mechanistic and formulaic adjustment to distribution rates and charges, was approved by the OEB on December 14, 2023. The GDP IPI-FDD for 2024, is 4.8%, the Corporation’s stretch factor is 0% and the productivity factor determined by the OEB is 0%, resulting in a rate adjustment of 4.8% to the previous year’s rates.

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Basis of presentation (continued):

(e) Rate regulation (continued):

(i) Distribution rates (continued):

On August 15, 2024, the Corporation submitted an IRM Application to the OEB requesting approval to change distribution rates effective January 1, 2025. The IRM Application which provided a mechanistic and formulaic adjustment to distribution rates and charges was approved by the OEB on December 12, 2024. The GPI IPI-FDD for 2025, is 3.6%, the Corporation's stretch factor is 0% and the productivity factor determined by the OEB is 0%, resulting in a rate adjustment of 3.6% to the previous year's rates.

(ii) Electricity rates:

The OEB developed an electricity price plan that provides stable and predictable electricity pricing, encourages conservation and ensures the price consumers pay for electricity better reflects the price paid to generators. The Regulated Price Plan (RPP) has been in place since 2005. RPP prices are set based on a forecast of how much it will cost to supply electricity to RPP consumers over the subsequent 12 month period. The OEB sets RPP prices under section 79.16 of the *Ontario Energy Board Act, 1998*.

Effective January 1, 2022, the OEB implemented an annual RPP price increase effective November 1st of each year. This directive replaced the previous semi-annual price increase structure of May 1st and November 1st. RPP prices were amended for all customers under RPP pricing effective November 1, 2024.

All remaining consumers pay the market price for electricity.

The Corporation is billed for the cost of the electricity that its customers use by the Independent Electricity System Operator (IESO) and passes this cost on to the customer at cost without a mark-up.

(iii) Retail transmission rates:

These are the costs of delivering electricity from generating stations across the Province to local distribution networks. These charges include the costs to build and maintain the transmission lines, towers and poles and operate provincial transmission systems. Retail transmission rates are passed through to the operators of transmission networks and facilities.

(iv) Wholesale market service rates:

These are the costs of administering the wholesale electricity system and maintaining the reliability of the provincial grid and include the costs associated with funding Ministry of Energy conservation and renewable energy programs. The Corporation is billed for the cost of the wholesale electricity system by the Independent Electricity System Operator and passes this cost on to the customer at cost without a mark-up.

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies:

These consolidated financial statements have been prepared on a going concern basis. The material accounting policies applied in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to all of the years presented.

(a) Basis of consolidation:

These consolidated financial statements include the accounts of the Corporation's wholly owned subsidiary, Grimsby Power Incorporated.

Subsidiaries are entities controlled by the Corporation. The financial statements of the subsidiary are included in these consolidated financial statements from the date on which control commences until the date on which control ceases. All inter-company accounts and transactions have been eliminated.

(b) Financial instruments:

All financial assets and all financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(g).

The Corporation does not enter into derivative instruments. Hedge accounting has not been used in the preparation of these financial statements.

(c) Revenue recognition:

Sale and distribution of electricity:

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings and represents the amount that the Corporation has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(c) Revenue recognition (continued):

Capital contributions:

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Other revenue:

Revenue earned from the provision of services is recognized as the service is rendered.

Government grants and the related performance incentive payments under Conservation and Demand Management ("CDM") programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

(d) Inventory:

Inventory, the majority of which is consumed by the Corporation in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on a weighted average cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

(e) Property, plant and equipment:

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the date of transition to IFRS, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(e) Property, plant and equipment (continued):

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the actual cost of debt incurred on the Corporation's borrowings. Qualifying assets are considered to be those that take in excess of six months to construct.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Corporation has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

The estimated useful lives are as follows:

	Years
General plant	3 to 50
Distribution plant	10 to 60

(f) Intangible assets:

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the date of transition to IFRS, less accumulated amortization. All other intangible assets are measured at cost.

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(f) Intangible assets (continued):

Computer software that is acquired or developed by the Corporation after January 1, 2014, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate. The estimated useful lives are:

	Years
Computer software	5

(g) Impairment:

(i) Financial assets measured at amortized cost:

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for the asset.

(ii) Non-financial assets:

The carrying amounts of the Corporation's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(g) Impairment (continued):

(ii) Non-financial assets (continued):

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a prorated basis, if applicable.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

For the regulated business, the carrying costs of most of the Corporation's non-financial assets are included in rate base (the aggregate of approved investment in PP&E and intangible assets, excluding construction in progress, less accumulated depreciation and amortization and unamortized capital contributions from customers, plus an allowance for working capital) where they earn an OEB-approved rate of return. Asset carrying values and the related return are recovered through approved rates. As a result, such assets are only tested for impairment in the event that the OEB disallows recovery, in whole or in part, or if such a disallowance is judged to be probable.

(h) Customer deposits:

Customer deposits represent cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills and deposits. Interest is paid on customer deposits. Developer deposits are also received for planned chargeable work. No interest is paid on these deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

(i) Provisions:

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(j) Regulatory balances:

The Corporation elected to apply the requirements of IFRS 14, effective December 31, 2015.

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or other comprehensive income ("OCI"). When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue.

When the Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the amounts are returned to the customer at rates approved by the OEB the amounts are recognized as a reduction of revenue.

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in profit or loss in the year incurred.

(k) Leased assets:

At inception of a contract, the Corporation assess whether the contract is or contains a lease. A contract is determined to contain a lease if it provides the Corporation with the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts determined to contain a lease are accounted for as leases. For leases and contracts that contain a lease, the Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(k) Leased assets (continued):

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Subsequent to initial recognition, the right-of-use asset is recognized at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for certain remeasurements of the corresponding lease liability.

The lease liability is initially measured at the present value of lease payments plus the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Corporation's incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less or for leases of low value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(l) Finance income and finance costs:

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash.

Finance costs comprise interest expense on borrowings and bank charges. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

(m) Post-employment benefits:

The Corporation provides a pension plan for some of its full-time employees through Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan that provides pensions for employees of Ontario municipalities, local boards and public utilities. OMERS is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by investment earnings. To the extent that the plan finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(m) Post-employment benefits (continued):

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Corporation is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due.

(n) Income taxes:

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Corporation is exempt from taxes under the *Income Tax Act (Canada)* and the *Ontario Corporations Tax Act* (collectively the "Tax Acts"). Under the *Electricity Act, 1998*, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the *Electricity Act, 1998*, and related regulations. Payments in lieu of taxes and payments under the Tax Acts are collectively referred to as income taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

4. New standards and interpretations not yet effective:

The following new accounting standards/amendments have been published by the International Accounting Standards Board (IASB) but are not effective as at December 31, 2024, and have not been adopted in these financial statements:

Classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7)

In May 2024, the IASB issued Amendments to the classification and Measurement of Financial Instruments which amended IFRS 9 and IFRS 7. The requirements will be effective for annual reporting periods beginning on or after January 1, 2025, with early adoption permitted, and are related to:

- Settling financial liabilities using electronic payments systems; and
- Assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

The Corporation is in the process of assessing the impact of the new amendments.

IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following key new requirements:

- Entities are required to classify all income and expenses into five categories in the statement of comprehensive income, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities net profit will not change. Assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.
- Management-defined performance measures ("MPMs") are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Corporation is in the process of assessing the impact of the new standard, particularly with respect to the structure of the Corporation's statement of comprehensive income, statement of cash flows and the additional disclosure required for MPMs. The Corporation is also assessing the impact on how information is grouped in the financial statements, including for items currently labeled as 'other'.

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

5. Accounts receivable:

	2024	2023
Customer accounts receivable	\$ 2,237,831	\$ 1,709,303
Other receivables	216,425	218,505
	2,454,256	1,927,808
Less: loss allowance	(6,500)	(6,500)
	\$ 2,447,756	\$ 1,921,308

6. Inventory:

The amount of inventory consumed by the Corporation and recognized as an expense during the year was \$48,703 (2023 - \$66,650). Inventory consumed consists primarily of parts used for repairs in the field.

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

7. Property, plant and equipment:

	General Plant	Distribution Plant	Total
Cost or deemed cost			
Balance, January 1, 2024	\$ 5,467,916	\$ 42,528,925	\$ 47,996,841
Additions	242,243	2,638,198	2,880,441
Disposals	(1,302)	—	(1,302)
Balance, December 31, 2024	\$ 5,708,857	\$ 45,167,123	\$ 50,875,980
Balance, January 1, 2023	\$ 5,240,623	\$ 39,811,623	\$ 45,052,246
Additions	227,293	2,717,302	2,944,595
Disposals	—	—	—
Balance, December 31, 2023	\$ 5,467,916	\$ 42,528,925	\$ 47,996,841
Accumulated Depreciation			
Balance, January 1, 2024	\$ 2,405,568	\$ 12,506,274	\$ 14,911,842
Depreciation	264,200	1,188,431	1,452,631
Disposals/retirements	(131)	—	(131)
Balance, December 31, 2024	\$ 2,669,637	\$ 13,694,705	\$ 16,364,342
Balance, January 1, 2023	\$ 2,145,075	\$ 11,304,755	\$ 13,449,830
Depreciation	260,493	1,201,519	1,462,012
Disposals/retirements	—	—	—
Balance, December 31, 2023	\$ 2,405,568	\$ 12,506,274	\$ 14,911,842
Carrying amounts			
December 31, 2024	\$ 3,039,220	\$ 31,472,418	\$ 34,511,638
December 31, 2023	\$ 3,062,348	\$ 30,022,651	\$ 33,084,999

At December 31, 2024, property plant and equipment with a carrying amount of \$34,511,638 (2023 - \$33,084,999) are subject to a general security agreement.

There were borrowing costs of \$106,827 (2023 - \$55,338) capitalized as part of the cost of property, plant and equipment in 2024. During the year, \$101,210 (2023 - \$98,704) of depreciation was capitalized during the year. As at December 31, 2024, \$1,125,054 (2023 - \$712,453) has been recognized as construction-in-progress and not yet placed into service. During the year, \$nil (2023 - \$nil) was disposed of from construction-in-progress and recognized in profit or loss.

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

8. Intangible assets:

		Computer software
Cost or deemed cost		
Balance, January 1, 2024	\$	999,361
Additions		13,358
Disposals		—
Balance, December 31, 2024	\$	1,012,719
Balance, January 1, 2023	\$	943,049
Additions		56,312
Disposals		—
Balance, December 31, 2023	\$	999,361
Accumulated amortization		
Balance, January 1, 2024	\$	898,010
Amortization		34,227
Disposals		—
Balance, December 31, 2024	\$	932,237
Balance, January 1, 2023	\$	863,374
Amortization		34,636
Disposals		—
Balance, December 31, 2023	\$	898,010
Carrying amounts		
December 31, 2024	\$	80,482
December 31, 2023	\$	101,351

9. Deferred revenue:

	2024	2023
Balance, beginning of year	\$ 5,130,117	\$ 4,842,089
Additions	387,408	460,496
Amortization	(183,665)	(172,468)
Balance, end of year	\$ 5,333,860	\$ 5,130,117

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

9. Deferred revenue (continued):

Deferred revenue relates to capital contributions received from developers and customers and others. The amount of deferred revenue received from customers is \$5,333,860 (2023 - \$5,130,117). Deferred revenue is recognized as revenue on a straight-line basis over the life of the related asset for which the contribution was received.

10. Income tax expense:

Current tax expense:

	2024	2023
Current year	\$ 211,693	\$ 1,005
Adjustment for prior years	8,546	—
Current tax expense	\$ 220,239	\$ 1,005

Deferred tax expense:

	2024	2023
Origination and reversal of temporary differences	\$ 77,957	\$ 203,322

Reconciliation of effective tax rate:

	2024	2023
Income before taxes	\$ 1,356,104	\$ 1,991,605
Canada and Ontario statutory Income tax rates	26.5%	26.5%
Expected tax provision on income at statutory rates	\$ 359,368	\$ 527,775
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses	460	492
Adjustment for prior years	(1,217)	(2,930)
Regulatory movement	(73,264)	(332,800)
Other	12,849	11,790
Income tax expense	\$ 298,196	\$ 204,327

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

10. Income tax expense (continued):

Components of the Corporation's deferred tax balances:

	2024	2023
Deferred tax assets:		
Deferred revenue	\$ 1,413,473	\$ 1,359,481
Other tax reserves	3,561	23,885
	<u>\$ 1,417,034</u>	<u>\$ 1,383,366</u>
	2024	2023
Deferred tax liabilities:		
Property, plant, equipment and intangibles	\$ (2,996,445)	\$ (2,811,556)
Regulatory liabilities	(150,193)	(223,457)
	<u>\$ (3,146,638)</u>	<u>\$ (3,035,013)</u>

The Corporation has non-capital losses and capital losses not recognized of \$1,129,000 and \$848,000, respectively (2023 - \$1,081,000 and \$848,000).

11. Regulatory balances:

The Corporation has determined that certain debit and credit balances arising from rate-regulated activities qualify for regulatory accounting treatment in accordance with IFRS 14 and the OEB's prescribed accounting procedures for electricity distributors. The regulatory balances are comprised of regulatory debit variances of \$3,215,188 (2023 - \$3,315,219) and regulatory credit balances for \$1,068,976 (2023 - \$1,043,794) for a net regulatory asset of \$2,146,212 (2023 - \$2,271,425).

Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points, with the exception of the tax balances. In 2024, the rate was 5.49% from January to June, 5.20% for the period July to September and 4.40% for the period October to December. The regulatory balances for the Corporation consist of the following:

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

11. Regulatory balances (continued):

(a) Settlement variance:

This account includes the variances between amounts charged by the Corporation, based on regulated rates, and the corresponding cost of electricity and non-competitive electricity service costs incurred by the Corporation such as commodity charges, retail transmission rates and wholesale market services charges. The Corporation has deferred the variances and related recoveries in accordance with the criteria set out in the accounting principles prescribed by the OEB. This account also includes variances between the amounts approved for disposition by the OEB and the amounts collected or paid through OEB approved rate riders.

Settlement variances are reviewed annually as part of a COS or IRM application submitted to the OEB and a request for disposition is made if the aggregate of the settlement accounts exceeds the OEB's prescribed materiality level.

In the Corporation's 2024 IRM application, submitted in 2023, Grimsby Power obtained approval for the disposition of the 2022 audited balances as they met the OEB's prescribed materiality level. The OEB authorized the Corporation to dispose of a net debit balance of \$1,125,590 through rate riders over a one-year period that took effect January 1, 2024.

(b) Income taxes:

The customer asset/liability for deferred taxes variance account relates to the expected regulatory asset or liability relating to deferred taxes arising from timing differences in the determination of income taxes as well as CCA acceleration.

(c) Lost revenue adjustment mechanism:

This deferral account includes the lost revenue adjustment variances in relation to the conservation and demand management ("CDM") programs or activities undertaken by the Corporation in accordance with OEB prescribed requirements (e.g. licence, codes and guidelines).

(d) Other:

This deferral account includes the allowable costs associated with cost assessments, retail charges and other miscellaneous regulatory accounts.

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

11. Regulatory balances (continued):

(d) Other (continued):

Reconciliation of the carrying amount for each class of regulatory balances:

Regulatory deferral account debit balances					
	January 1, 2024	Additions/ transfers	Recovery/ reversal	December 31, 2024	Remaining years
Settlement variances	\$ 1,296,694	\$ 1,733,657	\$ (1,922,953)	\$ 1,107,398	1
Lost revenue adjustment mechanism	—	—	—	—	1
Other regulatory accounts	75,410	32,790	—	108,200	1
Income tax	1,943,115	56,475	—	1,999,590	Note 1
	\$ 3,315,219	\$ 1,822,922	\$ (1,922,953)	\$ 3,215,188	

Regulatory deferral account debit balances					
	January 1, 2023	Additions/ transfers	Recovery/ reversal	December 31, 2023	Remaining years
Settlement variances	\$ 2,197,130	\$ 2,023,892	\$ (2,924,328)	\$ 1,296,694	1
Lost revenue adjustment mechanism	22,646	720	(23,366)	—	1
Other regulatory accounts	36,521	38,889	—	75,410	1
Income tax	1,213,695	729,420	—	1,943,115	Note 1
	\$ 3,469,992	\$ 2,792,921	\$ (2,947,694)	\$ 3,315,219	

Regulatory deferral account credit balances					
	January 1, 2024	Additions/ transfers	Recovery/ reversal	December 31, 2024	Remaining years
Settlement variances	\$ 528,870	\$ 1,110,686	\$ (990,759)	\$ 648,797	1
Other regulatory accounts	—	—	—	—	1
Income tax	514,924	—	(94,745)	420,179	Note 1
	\$ 1,043,794	\$ 1,110,686	\$ (1,085,504)	\$ 1,068,976	

Regulatory deferral account credit balances					
	January 1, 2023	Additions/ transfers	Recovery/ reversal	December 31, 2023	Remaining years
Settlement variances	\$ 157,212	\$ 518,471	\$ (146,813)	\$ 528,870	1
Other regulatory accounts	—	—	—	—	1
Income tax	321,627	193,297	—	514,924	Note 1
	\$ 478,839	\$ 711,768	\$ (146,813)	\$ 1,043,794	

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

11. Regulatory balances (continued):

(d) Other (continued):

Reconciliation of the carrying amount for each class of regulatory balances:

Note 1 – these balances will be recovered over the life of the related capital assets.

The “Additions/transfers” column consists of new additions to regulatory balances (for both debits and credits). The “Recovery/reversal” column consists of amounts collected or paid through rate riders or transactions reversing an existing regulatory balance to recover. Recoveries and reversals occur as a result of the approval of an application.

12. Accounts payable and accrued liabilities:

	2024	2023
Accounts payable – energy purchases	\$ 2,893,783	\$ 2,655,370
Payroll payable	184,105	243,759
Interest payable	101,460	101,738
Trade payables	2,606,105	1,990,383
	<u>\$ 5,785,453</u>	<u>\$ 4,991,250</u>

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

13. Long-term debt:

Long term liabilities comprise promissory notes and term loans.

	2024	2023
Promissory note payable to the Town of Grimsby bearing interest at a rate of 3.49% per annum due February, 2027	\$ 5,782,746	\$ 5,782,746
TD term loan (for Smart Meters) with blended monthly instalments of \$10,739, at a fixed rate of 2.68%, due February 2025	168,804	291,338
TD term loan (economic evaluation and term loan) with interest only instalments at a fixed rate of 6.31%, due June 2025, renewable	3,209,816	3,209,816
TD term loan (for bucket truck, and breakage fee) with blended monthly instalments of \$40,539 at a fixed rate of 2.68%, due February 2025	1,024,002	1,476,335
TD term loan (for bucket truck and SCADA) with blended monthly instalments of \$4,366 at a fixed rate of 2.68%, due February 2025	391,017	432,322
TD term loan (third feeder) with blended monthly instalments of \$10,776 at a fixed rate of 2.68%, due December 2026	1,763,978	1,844,556
TD term loan (fourth feeder) with blended monthly instalments of \$7,101 at a fixed rate of 5.89%, due November 2026	970,740	997,741
	13,311,103	14,034,854
Less: current portion of long-term debt	(269,165)	(723,751)
Less: long-term debt under renewal	(1,426,488)	—
	\$ 11,615,450	\$ 13,311,103

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

13. Long-term debt (continued):

All TD loans are secured by a General Security Agreement over the assets of the Corporation, as well as an assignment of fire insurance on inventory and equipment, assignment of liability insurance, and Postponement Agreement executed by the bank, the Corporation and the Town of Grimsby.

Subsequent to year-end the TD term loans that were due in fiscal 2025 were renewed.

The Corporation holds a line of credit bearing interest at prime, which at December 31, 2024 was 5.45% (2023 - 7.20%). As at December 31, 2024, \$2,850,000 (2023 - \$1,500,000) was owing.

Based upon current repayment terms, the estimated annual principal repayments are as follows:

2025	\$ 4,905,469
2026	2,622,888
2027	5,782,746
	\$ 13,311,103

14. Share capital:

	2024	2023
Authorized:		
90 Class A cumulative, non-voting, redeemable, preferred shares		
10 Class B cumulative, non-voting, redeemable, preferred shares		
Unlimited number of common shares		
Issued:		
90 Class A shares	\$ 90	\$ 90
10 Class B shares	1,400,000	1,400,000
23 Common shares	6,962,480	6,962,480
	\$ 8,362,570	\$ 8,362,570

Dividends:

The holders of the common shares are entitled to receive dividends from time to time. The preferred shareholders are entitled to receive dividends when the Corporation receives dividends from its subsidiary equal to the amount of that dividend. The Class B preferred shareholders will receive 10% of the dividend with the remaining 90% paid to the Class A preferred shareholders, subject to the requirement that the Corporation retain the greater of sufficient cash reserves to enable it to meet its projected operating expenses or \$200,000.

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

14. Share capital (continued):

Dividends (continued):

For the year ended December 31, 2024, the Board of Directors of the Corporation declared and paid dividends to the preferred shareholders in the amount of \$2,000 (2023 - \$2,000) per share totaling \$200,000 (2023 - \$200,000) on the outstanding preferred shares.

For the year ended December 31, 2024, the Board of Directors of the Corporation declared and paid dividends to the common shareholders in the amount of \$nil (2023 - \$nil) per share totaling \$nil (2023 - \$nil) on the outstanding common shares.

15. Revenue from contracts with customers and other sources:

	2024	2023
Revenue from contracts with customers:		
Energy sales	\$ 34,820,189	\$ 32,267,565
Distribution revenue	6,693,175	6,410,429
Ancillary services	90,514	20,808
Rental	185,943	170,161
	41,789,821	38,868,963
Revenue from other sources:		
Amortization of deferred revenue	183,665	172,468
Other	63,949	32,365
	\$ 42,037,435	\$ 39,073,796

The following table disaggregates revenues from contracts with customers by type of customer for energy sales and distribution revenue:

	2024	2023
Revenue from contracts with customers:		
Residential	\$ 19,993,085	\$ 18,235,595
Commercial	3,105,100	2,838,198
Large Users	17,584,591	16,832,080
Other	830,588	772,121
	\$ 41,513,364	\$ 38,677,994

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

16. Finance income and costs:

	2024	2023
Finance income:		
Interest on regulatory balance	\$ 64,516	\$ 100,211
Interest income on cash	13,631	14,954
	78,147	115,165
Finance costs:		
Interest expense on long-term debt	593,218	606,026
Interest expense on customer deposits	15,409	9,761
Other	47,796	25,660
	656,423	641,447
Net finance costs recognized in profit or loss	\$ (578,276)	\$ (526,282)

17. Commitments and contingencies:

(a) General:

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

(b) General Liability Insurance:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2024, no assessments have been made.

(c) Letters of credit:

The Corporation has a facility for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which \$1,414,919 has posted with the IESO (2023 - \$1,414,919).

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

18. Post-employment benefits:

OMERS pension plan:

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined benefit pension plan with equal contributions by the employer and its employees. The latest actuarial valuation as at December 31, 2024 reported a funding deficit of \$2.9 billion (2023 - \$4.2 billion). OMERS expects the contributions and policy changes made in response to the deficit to return the plan to a fully funded position by 2025. Contributions were made in the 2024 calendar year at rates ranging from 9% to 14.6% depending on the level of earnings. In 2024, the Corporation made employer contributions of \$162,004 to OMERS (2023 - \$154,632) of which \$30,325 (2023 - \$21,999) has been capitalized as part of property, plant and equipment and \$131,679 (2023 - \$132,633) has been recognized in profit or loss. The Corporation estimates that a contribution of \$166,055 to OMERS will be made during the next fiscal year.

19. Related party transactions:

(a) Parent and ultimate controlling party:

The common shareholder of the Corporation is the Town of Grimsby. The Town of Grimsby produces consolidated financial statements that are available for public use.

The following summarizes the Corporation's transactions recorded at the exchange amount and balances with the Town of Grimsby for the year ended December 31:

	2024	2023
Revenue:		
Energy sales and distribution	\$ 671,814	\$ 695,854
Expenses:		
Interest charges	201,818	201,818
Other	81,576	79,421

These transactions have taken place in the ordinary course of business and are recorded at a fair market exchange amount. The Corporation delivers electricity to the Town of Grimsby throughout the year for the electricity needs of the Town and its related organizations. Electricity deliver charges are at prices and terms approved by the OEB.

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

19. Related party transactions (continued):

(b) Outstanding balances with related parties:

	2024	2023
Amounts due to related parties:		
Long-term debt	\$ 5,782,747	\$ 5,782,746
Due to related parties	41,569	41,417

Amounts due to related parties consist of amounts owing to preferred and common shareholders of the Corporation, with the exception of long-term debt, are non-interest bearing with no fixed terms of repayment. Long-term debt is payable to the common shareholder of the Corporation and bears interest at 3.49% per annum (see note 12), subordinated to the Corporation's term loans.

In 2009, the Corporation migrated its billing system to an SAP platform. The Corporation has a contractual commitment to pay \$6,396 per month for system administration and non-system related support to a wholly owned subsidiary of FortisOntario Inc., the Class A preferred shareholder of the Corporation.

(c) Transaction with other related parties:

In the ordinary course of business, the corporation incurred the following transactions with other related parties under common control:

	2024	2023
Expenses:		
IT services	\$ 95,593	\$ 90,452

(d) Key management personnel:

Key management personnel are comprised of the Corporation's senior executive officers and members of the Board of Directors. The compensation costs associated with key management personnel are as follows:

	2024	2023
Directors' fees	\$ 62,147	\$ 60,436
Salaries, bonuses and other short-term benefits	571,391	661,213
	\$ 633,538	\$ 721,649

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

20. Financial instruments and financial risk management:

Fair value disclosure:

The carrying values of cash and cash equivalents, bank indebtedness, line of credit accounts receivable, unbilled revenue, due from/to related parties and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

The TD term loans of \$7,528,357 has a fair value estimated at \$10,224,804 using a discount rate of 5.45%. This discount rate is determined using indicative quoted rates for instruments with approximately the same terms and credit risk.

The fair value of the notes payable to The Corporation of the Town of Grimsby is estimated at \$5,483,875 using a discount rate of 5.45%. This discount rate is determined using indicative quoted rates for instruments with approximately the same terms and credit risk.

Financial risks:

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, market risk and liquidity risk as well as related mitigation strategies are discussed below. However, the risks described below are not exhaustive of all the risks nor will the mitigation strategies eliminate the Corporation's exposure to all risks listed.

(a) Credit risk:

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the Town of Grimsby. No single customer accounts for a balance in excess of 10% of total accounts receivable.

The carrying amount of accounts receivable is reduced through the use of an allowance for estimated credit losses and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2024 is \$6,500 (2023 - \$6,500). A loss allowance of \$30,145 (2023 - \$115,920) was recognized during the year in profit or loss.

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

20. Financial instruments and financial risk management (continued):

Financial risks (continued):

(a) Credit risk (continued):

The Corporation's credit risk associated with accounts receivable is primarily related to payments from its electricity distribution customers. As a result of the COVID-19 pandemic, certain of the Corporation's customers have experienced loss of employment, business shutdowns and other disruptions. The extension of the OEB's winter disconnection ban negatively impacted the Corporation's ability to exercise the full extent of its collection tools to manage the credit risk. In response to the collection risk, the Corporation adjusts its loss allowance for expected credit losses to adjust for expected customer defaults on accounts receivable. The Corporation has estimated the expected credit losses using its historical loss rates and recent trends for customer collections along with current and forecasted economic conditions and data.

At December 31, 2024, approximately \$103,832 (2023 - \$68,887) is considered 60 days past due. The Corporation has over 12,000 (2023 - 12,000) customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. At December 31, 2024, the Corporation holds security deposits in the amount of \$366,437 (2023 - \$170,547).

(b) Market risk:

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

(c) Liquidity risk:

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a \$5,000,000 credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. As at December 31, 2024, \$2,850,000 (2023 - \$1,500,000) had been drawn under the Corporation's credit facility.

The majority of accounts payable, as reported on the statement of financial position, are due within 30 days or before.

NIAGARA POWER INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

20. Financial instruments and financial risk management (continued):

Financial risks (continued):

(d) Capital disclosures:

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, to comply with covenants related to its credit facilities, to prudently manage its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity, line of credit and long-term debt. As at December 31, 2024, shareholder's equity amounts to \$15,225,570 (2023 - \$14,492,875) and long-term debt amounts to \$16,161,103 (2023 - \$15,534,854).

21. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.

Section 8: 2024 Grimsby Power Incorporated Financial Statements

December 31, 2024

Financial Statements of

**GRIMSBY POWER
INCORPORATED**

And Independent Auditor's Report thereon

Year ended December 31, 2024



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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Grimsby Power Incorporated

Opinion

We have audited the financial statements of Grimsby Power Incorporated (the Entity), which comprise:

- the statement of financial position as at December 31, 2024
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 auditor's 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 the financial statements in accordance with as issued by the International Accounting Standards Board, 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 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 the 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.



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- 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.
- 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.

A handwritten signature in dark ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

April 24, 2025

GRIMSBY POWER INCORPORATED

Statement of Financial Position

As at December 31, 2024, with comparative information for 2023

	Notes	2024	2023
Assets			
Current assets			
Cash		\$ 14,501	\$ 56,516
Accounts receivable	5	2,445,889	1,914,433
Due from related parties	19	5,883	—
Unbilled revenue		2,951,259	2,744,233
Inventory	6	2,065,782	1,573,398
Prepaid expenses		403,156	453,139
Total current assets		7,886,470	6,741,719
Non-current assets			
Property, plant and equipment	7	34,511,638	33,084,999
Intangible assets	8	80,482	101,351
Deferred tax assets	10	1,417,034	1,383,366
Other capital assets	7	1,125,054	712,453
Total non-current assets		37,134,208	35,282,169
Total assets		45,020,678	42,023,888
Regulatory balances	11	1,215,598	1,372,104
Regulatory balances - income tax	11	1,999,590	1,943,115
Total regulatory balances		3,215,188	3,315,219
Total assets and regulatory balances			
		\$ 48,235,866	\$ 45,339,107

GRIMSBY POWER INCORPORATED

Statement of Financial Position (continued)

As at December 31, 2024, with comparative information for 2023

	Notes	2024	2023
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities	12	\$ 5,776,661	\$ 4,967,584
Line of credit	13	2,850,000	1,500,000
Due to related parties	19	40,086	33,821
Customer deposits		93,089	74,567
Long-term debt due within one year	13	269,165	723,751
Long-term debt under renewal	13	1,426,488	—
Total current liabilities		10,455,489	7,299,723
Non-current liabilities			
Developers' deposits		1,457,804	1,110,313
Deferred tax liabilities	10	3,146,638	3,035,013
Deferred revenue	9	5,333,860	5,130,117
Other long-term liabilities		125,242	157,834
Long-term debt	13	11,615,450	13,311,103
Total non-current liabilities		21,678,994	22,744,380
Total liabilities		32,134,483	30,044,103
Equity			
Share capital	14	5,782,747	5,782,747
Contributed capital		70,721	70,721
Retained earnings		9,178,939	8,397,742
Total equity		15,032,407	14,251,210
Total liabilities and shareholders' equity		47,166,890	44,295,313
Regulatory balances	11	648,797	528,870
Regulatory balances - income tax	11	420,179	514,924
Total regulatory balances		1,068,976	1,043,794
Commitments and contingencies	17		
Total liabilities, equity and regulatory balances		\$ 48,235,866	\$ 45,339,107

See accompanying notes to the financial statements.

On behalf of the Board:

Director

Director

GRIMSBY POWER INCORPORATED

Statement of Comprehensive Income

Year ended December 31, 2024, with comparative information for 2023

	Notes	2024	2023
Revenue:			
Sale of electricity		\$ 34,820,189	\$ 32,267,565
Distribution revenue		6,693,175	6,410,429
Other		526,271	401,302
	15	42,039,635	39,079,296
Operating expenses:			
Distribution expenses - operations		1,174,767	1,123,101
Distribution expenses - maintenance		427,617	491,500
Billing and collecting		749,096	810,548
Administration and general		1,730,618	1,713,641
Property taxes		42,388	41,246
Depreciation and amortization	7, 8	1,385,517	1,397,944
Other deductions		13,311	11,777
		5,523,314	5,589,757
Cost of power purchased		34,520,044	30,912,452
Total expenses		40,043,358	36,502,209
Income from operating activities		1,996,277	2,577,087
Finance income	16	64,752	100,457
Finance costs	16	(656,423)	(641,447)
Income before income taxes		1,404,606	2,036,097
Income tax expense	10	298,196	204,327
Net income for the year		1,106,410	1,831,770
Net movement in regulatory balances	11	(276,433)	(1,255,851)
Tax recovery on net movement	11	151,220	536,123
		(125,213)	(719,728)
Net income for the year and net movement in regulatory balances		981,197	1,112,042
Total comprehensive income for the year		\$ 981,197	\$ 1,112,042

See accompanying notes to the financial statements.

GRIMSBY POWER INCORPORATED

Statement of Changes in Equity

Year ended December 31, 2024, with comparative information for 2023

	Share Capital	Contributed surplus	Retained earnings	Total
Balance at January 1, 2023	\$ 5,782,747	\$ 70,721	\$ 7,485,700	\$ 13,339,168
Net income and net movement				
in regulatory balances	—	—	1,112,042	1,112,042
Dividends	—	—	(200,000)	(200,000)
Balance at December 31, 2023	\$ 5,782,747	\$ 70,721	\$ 8,397,742	\$ 14,251,210
Balance at January 1, 2024	\$ 5,782,747	\$ 70,721	\$ 8,397,742	\$ 14,251,210
Net income and net movement				
in regulatory balances	—	—	981,197	981,197
Dividends	—	—	(200,000)	(200,000)
Balance at December 31, 2024	\$ 5,782,747	\$ 70,721	\$ 9,178,939	\$ 15,032,407

See accompanying notes to the financial statements.

GRIMSBY POWER INCORPORATED

Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Operating activities:		
Net income and net movement in regulatory balances	\$ 981,197	\$ 1,112,042
Adjustments for:		
Depreciation and amortization	1,385,517	1,397,944
Amortization of deferred revenue	(183,665)	(172,468)
Income tax expense	—	203,323
Deferred taxes	77,957	—
Net finance costs	591,671	540,991
	2,852,677	3,081,832
Changes in non-cash operating working capital:		
Accounts receivable	(531,456)	(20,639)
Due from related parties	(5,883)	3,877
Unbilled revenue	(207,026)	(114,907)
Inventory	(492,384)	(522,486)
Prepaid expenses	49,983	12,546
Accounts payable and accrued liabilities	809,077	644,637
Due to related parties	6,265	(97,438)
Customer and developer deposits	366,013	(43,667)
Other long-term liabilities	(32,592)	29,943
	(38,003)	(108,134)
Regulatory balances	125,213	719,728
Contributions received from customers - deferred revenue	387,408	460,496
Interest paid	(656,117)	(641,447)
Interest received	64,446	100,456
Net cash from operating activities	2,735,624	3,612,931
Investing activities:		
Purchase of property, plant and equipment	(3,191,832)	(2,990,715)
Proceeds on disposal of property, plant and equipment	1,302	—
Purchase of intangibles	(13,358)	(56,312)
Net cash used by investing activities	(3,203,888)	(3,047,027)
Financing activities:		
Advance (repayment) of line of credit	1,350,000	(570,000)
Proceeds of long-term debt	—	1,000,000
Repayment of long-term debt	(723,751)	(741,287)
Dividends	(200,000)	(200,000)
Net cash from financing activities	426,249	(511,287)
Change in cash	(42,015)	54,617
Cash, beginning of year	56,516	1,899
Cash, end of year	\$ 14,501	\$ 56,516

See accompanying notes to the financial statements.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements

Year ended December 31, 2024

1. Reporting entity:

Grimsby Power Incorporated (the "Corporation"), is incorporated under the laws of Ontario and is owned by Niagara Power Incorporated, which in turn is owned by The Corporation of the Town of Grimsby and Fortis Ontario. The Corporation's head office is located at 231 Roberts Road, Grimsby, Ontario, L3M 5N2.

The principal activity of the Corporation is to distribute electricity to the residents and businesses in the Town of Grimsby, under a license issued by the Ontario Energy Board ("OEB"). The Corporation is regulated by the OEB and adjustments to the Corporation's distribution and power rates require OEB approval.

The financial statements are for the Corporation as at and for the year ended December 31, 2024.

2. Basis of presentation:

(a) Statement of compliance:

The Corporation's financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements were approved by the Board of Directors on April 24, 2025.

(b) Basis of measurement:

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(d) Use of estimates and judgments:

(i) Assumptions and estimation uncertainty:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Basis of presentation (continued):

(d) Use of estimates and judgments (continued):

(i) Assumptions and estimation uncertainty (continued):

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment is included in the following notes:

- Notes 3 (d), (e), (f), 7 and 8 – estimation of useful lives of its property, plant and equipment and intangible assets and related impairment tests on long-lived assets;
- Notes 3 (i), 11 – recognition and measurement of regulatory balances;
- Notes 3 (h), 17 – recognition and measurement of provisions and contingencies.

(ii) Judgments:

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

- Note 3 (j) – leases: whether an arrangement contains a lease; and
- Note 3 (b) – determination of the performance obligation for contributions from customers and the related amortization period.
- Notes 3 (i), 11 – recognition of regulatory balances;

(e) Rate regulation:

The Corporation is regulated by the Ontario Energy Board (“OEB”), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies (“LDCs”), such as the Corporation, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

The OEB has a decision and order in place banning LDCs in Ontario from disconnecting homes for non-payment during the winter. This ban is in place from November 15 to April 30 each year.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Basis of presentation (continued):

(e) Rate regulation (continued):

(i) Distribution rates:

The Corporation is required to file a “Cost of Service” (“COS”) rate application every five years, unless approved for a deferral, under which the OEB establishes the revenues required to recover the forecasted operating costs, including amortization and income taxes, of providing the regulated electricity distribution service and providing a fair return on the Corporation’s rate base. The Corporation estimates electricity usage and the costs to service each customer class in order to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and any registered interveners. Rates are approved based upon the review of evidence and information, including any revisions resulting from that review.

In the intervening years, an Incentive Regulation Mechanism application (“IRM”) is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year’s rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand (“GDP IPI-FDD”) net of a productivity factor set by the OEB and a “stretch factor” determined by the relative efficiency of an electricity distributor. The stretch factor ranges from 0% to 0.60% and is assigned based on the LDCs total cost performance as benchmarked against other LDCs in Ontario.

As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

On July 30, 2021, the Corporation submitted a COS rate application to the OEB seeking approval to change distribution rates effective January 1, 2022. On January 13, 2022 the OEB issued its Decision and Order approving electricity distribution rates and other charges effective January 1, 2022. An IRM Application has been filed in each subsequent year.

On August 17, 2023, the Corporation submitted an IRM Application to the OEB requesting approval to change distribution rates effective January 1, 2024. The IRM Application which provided a mechanistic and formulaic adjustment to distribution rates and charges, was approved by the OEB on December 14, 2023. The GDP IPI-FDD for 2024, is 4.8%, the Corporation’s stretch factor is 0% and the productivity factor determined by the OEB is 0%, resulting in a rate adjustment of 4.8% to the previous year’s rates.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Basis of presentation (continued):

(e) Rate regulation (continued):

(i) Distribution rates (continued):

On August 15, 2024, the Corporation submitted an IRM Application to the OEB requesting approval to change distribution rates effective January 1, 2025. The IRM Application which provided a mechanistic and formulaic adjustment to distribution rates and charges was approved by the OEB on December 12, 2024. The GDP IPI-FDD for 2025, is 3.6%, the Corporation's stretch factor is 0% and the productivity factor determined by the OEB is 0%, resulting in a rate adjustment of 3.6% to the previous year's rates.

(ii) Electricity rates:

The OEB developed an electricity price plan that provides stable and predictable electricity pricing, encourages conservation and ensures the price consumers pay for electricity better reflects the price paid to generators. The Regulated Price Plan (RPP) has been in place since 2005. RPP prices are set based on a forecast of how much it will cost to supply electricity to RPP consumers over the subsequent 12 month period. The OEB sets RPP prices under section 79.16 of the *Ontario Energy Board Act, 1998*.

Effective January 1, 2022, the OEB implemented an annual RPP price increase effective November 1st of each year. This directive replaced the previous semi-annual price increase structure of May 1st and November 1st. RPP prices were amended for all customers under RPP pricing effective November 1, 2024.

All remaining consumers pay the market price for electricity.

The Corporation is billed for the cost of the electricity that its customers use by the Independent Electricity System Operator (IESO) and passes this cost on to the customer at cost without a mark-up.

(iii) Retail transmission rates:

These are the costs of delivering electricity from generating stations across the Province to local distribution networks. These charges include the costs to build and maintain the transmission lines, towers and poles and operate provincial transmission systems. Retail transmission rates are passed through to the operators of transmission networks and facilities.

(iv) Wholesale market service rates:

These are the costs of administering the wholesale electricity system and maintaining the reliability of the provincial grid and include the costs associated with funding Ministry of Energy conservation and renewable energy programs. The Corporation is billed for the cost of the wholesale electricity system by the Independent Electricity System Operator and passes this cost on to the customer at cost without a mark-up.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies:

These financial statements have been prepared on a going concern basis. The material accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all of the years presented.

(a) Financial instruments:

All financial assets and all financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(f). The Corporation does not enter into derivative instruments. Hedge accounting has not been used in the preparation of these financial statements.

Sale and distribution of electricity:

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings and represents the amount that the Corporation has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

(b) Revenue recognition:

Capital contributions:

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(c) Inventory:

Inventory, the majority of which is consumed by the Corporation in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on a weighted average cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

(d) Property, plant and equipment:

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the date of transition to IFRS, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the actual cost of debt incurred on the Corporation's borrowings. Qualifying assets are considered to be those that take in excess of six months to construct.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Corporation has concluded it does not have any legal or constructive obligation to remove PP&E.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(d) Property, plant and equipment (continued):

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

The estimated useful lives are as follows:

	Years
General plant	3 to 50
Distribution plant	10 to 60

(e) Intangible assets:

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the date of transition to IFRS, less accumulated amortization. All other intangible assets are measured at cost.

Computer software that is acquired or developed by the Corporation after January 1, 2014, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate. The estimated useful lives are:

	Years
Computer software	5

(f) Impairment:

(i) Financial assets measured at amortized cost:

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for the asset.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(f) Impairment (continued):

(ii) Non-financial assets:

The carrying amounts of the Corporation's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a prorated basis, if applicable.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

For the regulated business, the carrying costs of most of the Corporation's non-financial assets are included in rate base (the aggregate of approved investment in PP&E and intangible assets, excluding construction in progress, less accumulated depreciation and amortization and unamortized capital contributions from customers, plus an allowance for working capital) where they earn an OEB-approved rate of return. Asset carrying values and the related return are recovered through approved rates. As a result, such assets are only tested for impairment in the event that the OEB disallows recovery, in whole or in part, or if such a disallowance is judged to be probable.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(g) Customer deposits:

Customer deposits represent cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills and deposits. Interest is paid on customer deposits. Deposits are also received for planned chargeable work. No interest is paid on these deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

(h) Provisions:

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Regulatory balances:

The Corporation elected to apply the requirements of IFRS 14, effective December 31, 2015.

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or other comprehensive income ("OCI"). When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue.

When the Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the amounts are returned to the customer at rates approved by the OEB the amounts are recognized as a reduction of revenue.

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in profit or loss in the year incurred.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(j) Leased assets:

At inception of a contract, the Corporation assess whether the contract is or contains a lease. A contract is determined to contain a lease if it provides the Corporation with the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts determined to contain a lease are accounted for as leases. For leases and contracts that contain a lease, the Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Subsequent to initial recognition, the right-of-use asset is recognized at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for certain remeasurements of the corresponding lease liability.

The lease liability is initially measured at the present value of lease payments plus the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Corporation's incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less or for leases of low value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(k) Finance income and finance costs:

Finance costs comprise interest expense on borrowings, customer deposits and bank charges. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(l) Post-employment benefits:

The Corporation provides a pension plan for some of its full-time employees through Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan that provides pensions for employees of Ontario municipalities, local boards and public utilities. OMERS is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by investment earnings. To the extent that the plan finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Corporation is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due.

(m) Income taxes:

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Corporation is exempt from taxes under the *Income Tax Act (Canada)* and the *Ontario Corporations Tax Act* (collectively the "Tax Acts"). Under the *Electricity Act, 1998*, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the *Electricity Act, 1998*, and related regulations. Payments in lieu of taxes and payments under the Tax Acts are collectively referred to as income taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

4. New standards and interpretations not yet effective:

The following new accounting standards/amendments have been published by the International Accounting Standards Board (IASB) but are not effective as at December 31, 2024, and have not been adopted in these financial statements:

Classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7)

In May 2024, the IASB issued Amendments to the classification and Measurement of Financial Instruments which amended IFRS 9 and IFRS 7. The requirements will be effective for annual reporting periods beginning on or after January 1, 2025, with early adoption permitted, and are related to:

- Settling financial liabilities using electronic payments systems; and
- Assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

The Corporation is in the process of assessing the impact of the new amendments.

IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following key new requirements:

- Entities are required to classify all income and expenses into five categories in the statement of comprehensive income, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities net profit will not change. Assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.
- Management-defined performance measures ("MPMs") are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Corporation is in the process of assessing the impact of the new standard, particularly with respect to the structure of the Corporation's statement of comprehensive income, statement of cash flows and the additional disclosure required for MPMs. The Corporation is also assessing the impact on how information is grouped in the financial statements, including for items currently labeled as 'other'.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

5. Accounts receivable:

	2024	2023
Customer accounts receivable	\$ 2,237,831	\$ 1,708,025
Other receivables	214,558	212,908
	2,452,389	1,920,933
Less: loss allowance	(6,500)	(6,500)
	\$ 2,445,889	\$ 1,914,433

6. Inventory:

The amount of inventory consumed by the Corporation and recognized as an expense during the year was \$48,703 (2023 - \$66,650). Inventory consumed consists primarily of parts used for repairs in the field.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

7. Property, plant and equipment:

	General Plant	Distribution Plant	Total
Cost or deemed cost			
Balance, January 1, 2024	\$ 5,467,916	\$ 42,528,925	\$ 47,996,841
Additions	242,243	2,638,198	2,880,441
Disposals	(1,302)	—	(1,302)
Balance, December 31, 2024	\$ 5,708,857	\$ 45,167,123	\$ 50,875,980
Balance, January 1, 2023	\$ 5,240,623	\$ 39,811,623	\$ 45,052,246
Additions	227,293	2,717,302	2,944,595
Disposals	—	—	—
Balance, December 31, 2023	\$ 5,467,916	\$ 42,528,925	\$ 47,996,841
Accumulated amortization			
Balance, January 1, 2024	\$ 2,405,568	\$ 12,506,274	\$ 14,911,842
Depreciation	264,200	1,188,431	1,452,631
Disposals/retirements	(131)	—	(131)
Balance, December 31, 2024	\$ 2,669,637	\$ 13,694,705	\$ 16,364,342
Balance, January 1, 2023	\$ 2,145,075	\$ 11,304,755	\$ 13,449,830
Depreciation	260,493	1,201,519	1,462,012
Disposals/retirements	—	—	—
Balance, December 31, 2023	\$ 2,405,568	\$ 12,506,274	\$ 14,911,842
Carrying amounts			
December 31, 2024	\$ 3,039,220	\$ 31,472,418	\$ 34,511,638
December 31, 2023	\$ 3,062,348	\$ 30,022,651	\$ 33,084,999

At December 31, 2024, property plant and equipment with a carrying amount of \$34,511,638 (2023 - \$33,084,999) are subject to a general security agreement.

There were borrowing costs of \$106,827 (2023 - \$55,338) capitalized as part of the cost of property, plant and equipment in 2024. During the year, \$101,210 (2023 - \$98,704) of depreciation was capitalized during the year. As at December 31, 2024, \$1,125,054 (2023 - \$712,453) has been recognized as construction-in-progress included in other capital assets and not yet placed into service. During the year, \$nil (2023 - \$nil) was disposed of from construction-in-progress and recognized in profit or loss.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

8. Intangible assets:

	Computer software
Cost or deemed cost	
Balance, January 1, 2024	\$ 999,361
Additions	13,358
Disposals	—
Balance, December 31, 2024	\$ 1,012,719
Balance, January 1, 2023	\$ 943,049
Additions	56,312
Disposals	—
Balance, December 31, 2023	\$ 999,361
Accumulated amortization	
Balance, January 1, 2024	\$ 898,010
Amortization	34,227
Disposals	—
Balance, December 31, 2024	\$ 932,237
Balance, January 1, 2023	\$ 863,374
Amortization	34,636
Disposals	—
Balance, December 31, 2023	\$ 898,010
Carrying amounts	
December 31, 2024	\$ 80,482
December 31, 2023	\$ 101,351

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

9. Deferred revenue:

	2024	2023
Balance, beginning of year	\$ 5,130,117	\$ 4,842,089
Additions	387,408	460,496
Amortization	(183,665)	(172,468)
Balance, end of year	\$ 5,333,860	\$ 5,130,117

Deferred revenue relates to capital contributions received from customers and others. The amount of deferred revenue received is \$5,333,860 (2023 - \$5,130,117). Deferred revenue is recognized as revenue on a straight-line basis over the life of the related asset for which the contribution was received.

10. Income tax expense:

Current tax expense:

	2024	2023
Current year	\$ 211,693	\$ 1,005
Adjustment for prior years	8,546	—
Current tax expense	\$ 220,239	\$ 1,005

Deferred tax expense:

	2024	2023
Origination and reversal of temporary differences	\$ 77,957	\$ 203,322

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

10. Income tax expense (continued):

Reconciliation of effective tax rate:

	2024	2023
Income before taxes	\$ 1,404,606	\$ 2,036,097
Canada and Ontario statutory Income tax rates	26.5%	26.5%
Expected tax provision on income at statutory rates	372,221	539,565
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses	456	492
Adjustment for prior years	(1,217)	(2,930)
Regulatory movements	(73,264)	(332,800)
Income tax expense	\$ 298,196	\$ 204,327

Components of the Corporation's deferred tax balances:

	2024	2023
Deferred tax assets:		
Deferred revenue	\$ 1,413,473	\$ 1,359,481
Other tax reserves	3,561	23,885
	\$ 1,417,034	\$ 1,383,366
Deferred tax liabilities:		
Property, plant, equipment and intangibles	\$ (2,996,445)	\$ (2,811,556)
Regulatory assets	(150,193)	(223,457)
	\$ (3,146,638)	\$ (3,035,013)

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

11. Regulatory balances:

The Corporation has determined that certain debit and credit balances arising from rate-regulated activities qualify for regulatory accounting treatment in accordance with IFRS 14 and the OEB's prescribed accounting procedures for electricity distributors. The regulatory balances are comprised of regulatory debit variances of \$3,215,188 (2023 - \$3,315,219) and regulatory credit balances for \$1,068,976 (2023 - \$1,043,794) for a net regulatory asset of \$2,146,212 (2023 - \$2,271,425).

Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points, with the exception of the tax balances. In 2024, the rate was 5.49% from January to June, 5.20% for the period July to September and 4.40% for the period October to December. The regulatory balances for the Corporation consist of the following:

(a) Settlement variances:

This account includes the variances between amounts charged by the Corporation, based on regulated rates, and the corresponding cost of electricity and non-competitive electricity service costs incurred by the Corporation such as commodity charges, retail transmission rates and wholesale market services charges. The Corporation has deferred the variances and related recoveries in accordance with the criteria set out in the accounting principles prescribed by the OEB. This account also includes variances between the amounts approved for disposition by the OEB and the amounts collected or paid through OEB approved rate riders.

Settlement variances are reviewed annually as part of a COS or IRM application submitted to the OEB and a request for disposition is made if the aggregate of the settlement accounts exceeds the OEB's prescribed materiality level.

In the Corporation's 2024 IRM application, submitted in 2023, Grimsby Power obtained approval for the disposition of the 2022 audited balances as they met the OEB's prescribed materiality level. The OEB authorized the Corporation to dispose of a net debit balance of \$1,125,590 through rate riders over a one-year period that took effect January 1, 2024.

(b) Income taxes:

The customer asset/liability for deferred taxes variance account relates to the expected regulatory asset or liability relating to deferred taxes arising from timing differences in the determination of income taxes as well as CCA acceleration.

(c) Lost revenue adjustment mechanism:

This deferral account includes the lost revenue adjustment variances in relation to the conservation and demand management ("CDM") programs or activities undertaken by the Corporation in accordance with OEB prescribed requirements (e.g. licence, codes and guidelines).

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

11. Regulatory balances (continued):

(d) Other:

This deferral account includes the allowable costs associated with cost assessments, retail charges and other miscellaneous regulatory accounts.

Reconciliation of the carrying amount for each class of regulatory balances:

Regulatory deferral account debit balances					
	January 1, 2024	Additions/ transfers	Recovery/ reversal	December 31, 2024	Remaining years
Settlement variances	\$ 1,296,694	\$ 1,733,657	\$ (1,922,953)	\$ 1,107,398	1
Lost revenue adjustment mechanism	—	—	—	—	1
Other regulatory accounts	75,410	32,790	—	108,200	1
Income tax	1,943,115	56,475	—	1,999,590	Note 1
	\$ 3,315,219	\$ 1,822,922	\$ (1,922,953)	\$ 3,215,188	

Regulatory deferral account debit balances					
	January 1, 2023	Additions/ transfers	Recovery/ reversal	December 31, 2023	Remaining years
Settlement variances	\$ 2,197,130	\$ 2,023,892	\$ (2,924,328)	\$ 1,296,694	1
Lost revenue adjustment mechanism	22,646	720	(23,366)	—	1
Other regulatory accounts	36,521	38,889	—	75,410	1
Income tax	1,213,695	729,420	—	1,943,115	Note 1
	\$ 3,469,992	\$ 2,792,921	\$ (2,947,694)	\$ 3,315,219	

Regulatory deferral account credit balances					
	January 1, 2024	Additions/ transfers	Recovery/ reversal	December 31, 2024	Remaining years
Settlement variances	\$ 528,870	\$ 1,110,686	\$ (990,759)	\$ 648,797	1
Other regulatory accounts	—	—	—	—	1
Income tax	514,924	—	(94,745)	420,179	Note 1
	\$ 1,043,794	\$ 1,110,686	\$ (1,085,504)	\$ 1,068,976	

Regulatory deferral account credit balances					
	January 1, 2023	Additions/ transfers	Recovery/ reversal	December 31, 2023	Remaining years
Settlement variances	\$ 157,212	\$ 518,471	\$ (146,813)	\$ 528,870	1
Other regulatory accounts	—	—	—	—	1
Income tax	321,627	193,297	—	514,924	Note 1
	\$ 478,839	\$ 711,768	\$ (146,813)	\$ 1,043,794	

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

11. Regulatory balances (continued):

(d) Other (continued):

Note 1 – these balances will be recovered over the life of the related capital assets.

The “Additions/transfers” column consists of new additions to regulatory balances (for both debits and credits). The “Recovery/reversal” column consists of amounts collected or paid through rate riders or transactions reversing an existing regulatory balance to recover. Recoveries and reversals occur as a result of the approval of an application.

12. Accounts payable and accrued liabilities:

	2024	2023
Accounts payable - energy purchases	\$ 2,893,783	\$ 2,655,370
Payroll payable	184,105	243,759
Interest payable	101,460	101,738
Trade payables	2,597,313	1,966,717
	<u>\$ 5,776,661</u>	<u>\$ 4,967,584</u>

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

13. Long-term debt:

Long term liabilities comprise promissory notes and term loans.

	2024	2023
Promissory note payable to the Town of Grimsby bearing interest at a rate of 3.49% per annum due February 2027	\$ 5,782,746	\$ 5,782,746
TD term loan (for Smart Meters) with blended monthly instalments of \$10,739, at a fixed rate of 2.68%, due February 2025	168,804	291,338
TD term loan (economic evaluation and term loan) with interest only instalments at a fixed rate of 6.31%, due June 2025, renewable	3,209,816	3,209,816
TD term loan (for bucket truck, and breakage fee) with blended monthly instalments of \$40,539 at a fixed rate of 2.68%, due February 2025	1,024,002	1,476,335
TD term loan (for bucket truck and SCADA) with blended monthly instalments of \$4,366 at a fixed rate of 2.68%, due February 2025	391,017	432,322
TD term loan (third feeder) with blended monthly instalments of \$10,776 at a fixed rate of 2.68%, due December 2026	1,763,978	1,844,556
TD term loan (fourth feeder) with blended monthly instalments of \$7,101 at a fixed rate of 5.89%, due November 2026	970,740	997,741
	13,311,103	14,034,854
Less: current portion of long-term debt	(269,165)	(723,751)
Less: long-term debt under renewal	(1,426,488)	–
	\$ 11,615,450	\$ 13,311,103

All TD loans are secured by a General Security Agreement over the assets of the Corporation, as well as an assignment of fire insurance on inventory and equipment, assignment of liability insurance, and Postponement Agreement executed by the bank, the Corporation and the Town of Grimsby.

Subsequent to year-end the TD term loans that were due in fiscal 2025 were renewed.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

13. Long-term debt (continued):

The Corporation holds a line of credit bearing interest at prime, which at December 31, 2024 was 5.45% (2023 - 7.20%). As at December 31, 2024, \$2,850,000 (2023 - \$1,500,000) was owing.

Based upon current repayment terms, the estimated annual principal repayments are as follows:

2025	\$ 3,988,418
2026	3,302,138
2027	5,850,734
2028	169,813
	\$ 13,311,103

14. Share capital:

	2024	2023
Authorized:		
Unlimited number of common shares		
Issued:		
1,001 common shares	\$ 5,782,747	\$ 5,782,747

Dividends:

The holders of the common shares are entitled to receive dividends from time to time.

For the year ended December 31, 2024, the Board of Directors of the Corporation declared and paid dividends to shareholders in the amount of \$200 (2023 - \$200) per share totaling \$200,000 (2023 - \$200,000) on the outstanding preferred shares.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

15. Revenue from contracts with customers and other sources:

	2024	2023
Revenue from contracts with customers:		
Energy sales	\$ 34,820,189	\$ 32,267,565
Distribution revenue	6,693,175	6,410,429
Ancillary services	90,514	20,808
Rental	185,943	170,161
	41,789,821	38,868,963
Revenue from other sources:		
Amortization of deferred revenue	183,665	172,468
Other	66,149	37,865
	\$ 42,039,635	\$ 39,079,296

The following table disaggregates revenues from contracts with customers by type of customer for energy sales and distribution revenue:

	2024	2023
Revenue from contracts with customers:		
Residential	\$ 19,993,085	\$ 18,235,595
Commercial	3,105,100	2,838,198
Large users	17,584,591	16,832,080
Other	830,588	772,121
	\$ 41,513,364	\$ 38,677,994

16. Finance costs and income:

	2024	2023
Finance income:		
Interest on regulatory balances	\$ 64,516	\$ 100,211
Other	236	246
	64,752	100,457
Finance costs:		
Interest expense on long-term debt	593,218	606,026
Interest expense on customer deposits	15,409	9,761
Other	47,796	25,660
	656,423	641,447
Net finance costs	\$ (591,671)	\$ (540,990)

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

17. Commitments and contingencies:

(a) General:

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

(b) General Liability Insurance:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2024, no assessments have been made.

(c) Letters of credit:

The Corporation has a facility for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which \$1,414,919 has posted with the IESO (2023 - \$1,414,919).

18. Post-employment benefits:

OMERS pension plan

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined benefit pension plan with equal contributions by the employer and its employees. The latest actuarial valuation as at December 31, 2024 reported a funding deficit of \$2.9 billion (2023 - \$4.2 billion). OMERS expects the contributions and policy changes made in response to the deficit to return the plan to a fully funded position by 2025. Contributions were made in the 2024 calendar year at rates ranging from 9% to 14.6% depending on the level of earnings. In 2024, the Corporation made employer contributions of \$162,004 to OMERS (2023 - \$154,632) of which \$30,325 (2023 - \$21,999) has been capitalized as part of property, plant and equipment and \$131,679 (2023 - \$132,633) has been recognized in profit or loss. The Corporation estimates that a contribution of \$166,055 to OMERS will be made during the next fiscal year.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

19. Related party transactions:

(a) Parent and ultimate controlling party:

The sole shareholder of the Corporation is Niagara Power Incorporated ("NPI") which is owned by The Corporation of the Town of Grimsby and another related party. The Town of Grimsby produces consolidated financial statements that are available for public use.

The following summarizes the Corporation's related party transactions recorded at the exchange amount and balances with the Town of Grimsby and NPI for the year ended December 31:

	2024	2023
Revenue:		
Service revenue	\$ 695,854	\$ 35
Other	2,200	1,356
Expenses:		
Interest charges	201,818	201,818
Other expenses	81,576	79,421

These transactions have taken place in the ordinary course of business and are recorded at a fair market exchange amount. The Corporation also delivers electricity to the Town of Grimsby throughout the year for the electricity needs of the Town and its related organizations. Electricity deliver charges are at prices and terms approved by the OEB.

(b) Outstanding balances with related parties:

	2024	2023
Amounts due to related parties:		
Long-term debt	\$ 5,782,746	\$ 5,782,746
Due to related parties	40,086	33,821
Amounts due from related parties:		
Due from related parties	5,883	—

Amounts due to/from related parties are non-interest bearing with no fixed terms of repayment. Long-term debt bears interest at 3.49% per annum (see note 13).

In 2009, the Corporation migrated its billing system to an SAP platform. The Corporation has a contractual commitment to pay \$6,396 per month for system administration and non-system related support to a related party.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

19. Related party transactions:

(c) Transaction with other related parties:

In the ordinary course of business, the corporation incurred the following transactions with other related parties under common control:

	2024	2023
Expenses:		
IT services	\$ 95,593	\$ 90,452

(d) Key management personnel:

Key management personnel are comprised of the Corporation's senior executive officers and members of the Board of Directors. The compensation costs associated with key management personnel are as follows:

	2024	2023
Directors' fees	\$ 36,598	\$ 33,966
Salaries, bonuses and other short-term benefits	571,391	661,213
	\$ 607,989	\$ 695,179

20. Financial instruments and financial risk management:

Fair value disclosure

The carrying values of cash and cash equivalents, bank indebtedness, line of credit accounts receivable, unbilled revenue, due from/to related parties and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

The TD term loans of \$7,528,357 has a fair value estimated at \$10,224,804 using a discount rate of 5.45%. This discount rate is determined using indicative quoted rates for instruments with approximately the same terms and credit risk.

The fair value of the notes payable to The Corporation of the Town of Grimsby is estimated at \$5,483,875 using a discount rate of 5.45%. This discount rate is determined using indicative quoted rates for instruments with approximately the same terms and credit risk.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

20. Financial instruments and financial risk management (continued):

Financial risks

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, market risk and liquidity risk as well as related mitigation strategies are discussed below. However, the risks described below are not exhaustive of all the risks nor will the mitigation strategies eliminate the Corporation's exposure to all risks listed.

(a) Credit risk:

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the Town of Grimsby. No single customer accounts for a balance in excess of 10% of total accounts receivable.

The carrying amount of accounts receivable is reduced through the use of an allowance for estimated credit losses and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2024 is \$6,500 (2023 - \$6,500). A loss allowance of \$30,145 (2023 - \$115,920) was recognized during the year in profit or loss.

The Corporation's credit risk associated with accounts receivable is primarily related to payments from its electricity distribution customers. The Corporation has estimated the expected credit losses using its historical loss rates and recent trends for customer collections along with current and forecasted economic conditions and data. At December 31, 2024, approximately \$6,500 (2023 - \$68,887) is considered 60 days past due. The Corporation has over 12,000 (2023 - 12,000) customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. At December 31, 2024, the Corporation holds security deposits in the amount of \$366,437 (2023 - \$170,547).

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

20. Financial instruments and financial risk management (continued):

Financial risks (continued)

(b) Market risk:

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

(c) Liquidity risk:

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a \$5,000,000 credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. As at December 31, 2024, \$2,850,000 (2023 - \$1,500,000) had been drawn under the Corporation's credit facility.

The majority of accounts payable, as reported on the statement of financial position, are due within 30 days or before.

(d) Capital disclosures:

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, to comply with covenants related to its credit facilities, to prudently manage its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity, line of credit and long-term debt. As at December 31, 2024, shareholder's equity amounts to \$15,032,407 (2023 - \$14,251,210) and long-term debt amounts to \$16,161,103 (2023 - \$15,534,854).

21. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.