

Type: Open Session

Report To: Finance Standing Committee

Meeting Date: July 24, 2025

Subject: Consolidated Financial Statement Report

Recommendation(s)

1. That report FIN-25-40, Consolidated Financial Statement Report, dated July 24, 2025 be received; and
2. That the 2024 Financial Report, attached as Appendix A, be approved.

Purpose

The purpose of this report is to provide information to support the 2024 financial statements.

Background

As per the Municipal Act, a municipality is required to prepare annual financial statements in accordance with Canadian Public Sector Accounting Standards. These statements must be audited by an auditor licensed under the Public Accounting Act, who reviews the municipality's accounts and transactions, including those of its local boards.

The auditors have substantially completed the audit of the Town's 2024 consolidated financial statements, and the draft audit findings report is expected to be unqualified. In accordance with Canadian Auditing Standards, Council must formally approve the Town's draft consolidated financial statements, which is anticipated to occur at the next scheduled meeting on August 11, 2025. Once approved, the auditors will finalize their procedures, which include reviewing subsequent events and obtaining the signed management representation letter.

As outlined in Note 1 of the Consolidated Financial Statements, the statements reflect the assets, liabilities, revenues, expenses, and changes in accumulated surplus for the Town and the following boards, which are under the control of and accountable to Council:

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

In addition to the boards noted, the Town owns 90% of Niagara Power Incorporated (NPI), a subsidiary corporation of the Town (see page 28 of Appendix A). NPI is accounted for on a modified equity basis, with any gain or loss recorded with a corresponding increase or decrease in its investment asset account on the Statement of Financial Position under “Investment in Government Business Enterprises”.

The 2024 financial statements for the related boards and government business enterprise have been included for information. Please see pages 62 – 194 of Appendix A.

The Cemetery Care and Maintenance Trust Funds, administered by the Town, are reported separately in the Trust Funds Statements of Financial Position and Operations starting on page 52 of Appendix A.

Public Sector Accounting Standards (PSAS) Changes

There were no new accounting standards that significantly impacted the 2024 consolidated financial statements.

Five-year comparison

The 2024 Financial Report includes the audited financial statements for the Town and its related entities, as well as a comprehensive five-year comparison (2020–2024), highlighting key trends in the Town’s financial performance and annual surplus. This statistical review also provides an analysis of taxation and other important demographic and economic indicators, including population growth and the number of households. These metrics offer valuable insight into the Town’s financial results and community development over the past five years.

Strategic Priorities

Priority: Collective Prosperity

Direction: Focus on affordability and financial sustainability for the municipality

Action: Continue to enhance financial transparency

Financial Analysis

The Town's Operating and Capital Budget are reported on a modified accrual basis of accounting. The Operating and Capital Budgets include expenditures for principal payments on debt, payments of retiree benefits, capital asset purchases, and construction, as well as revenues from the proceeds of debenture issuances. However, municipal consolidated financial statements account for these types of transactions differently in accordance with Canadian Public Sector Accounting Standards (PSAS).

Consolidated Financial Statements

The following describes each statement included in the consolidated financial statements of the Town:

- I. The Statement of Financial Position highlights the net financial asset position, the difference between assets and liabilities, non-financial assets in use, such as tangible capital assets, and accumulated surplus or deficit.
- II. The Statement of Operations reports on the revenue and expense totals for the year ending and the resulting operating surplus or deficit for the year.
- III. The Statement of Change in Net Financial Assets outlines the difference between the annual surplus and the change in financial assets, including spending to acquire tangible capital assets and inventory supplies, as well as proceeds from the disposal of tangible capital assets and the use of inventory.
- IV. The Statement of Cash Flows highlights the change in cash and cash equivalents. It is classified by operating, capital, investing and financing activities, summarizing how cash was generated and used.

Statement of Financial Position

The financial position of the Town remains strong. Annual operations resulted in a surplus of \$7.6 million for 2024. This surplus is added to the Town's Accumulated Surplus to reach a total of \$340.3 million. This balance is primarily made up of investment in tangible capital assets (TCA) of \$275.4 million. The Town's TCA includes investment in land, land improvements, buildings, vehicles, computers, other machinery and equipment, roads, bridges and structures, and underground infrastructure such as water and wastewater networks.

Strong cash and investment balances of \$23 and \$58.3 million, respectively, lead to positive liquidity, which represents the ease with which an asset can be converted into cash at market price and therefore used to cover expenses.

For more information on the consolidated financial position, as well as consolidated revenues and expenses, please see below for additional details.

I. Statement of Financial Position

For the year ended December 31, 2024 (all numbers are in thousands of dollars)

Consolidated Financial Position	2024	2023
A. Financial assets	117,045	109,232
B. Total liabilities	53,020	42,860
C. Net financial assets (A less B)	64,025	66,372
D. Non-financial assets	276,249	266,246
E. Less: Remeasurement Gain	9	0
F. Accumulated surplus from operations (C plus D less E)	340,265	332,618

Financial assets increased by \$7.8 million due to the following:

- The Cash decreased by \$20.4 million over the prior year, and includes the Town and Library bank accounts, as well as deposits held. This decrease is mainly attributed to transfers into strategic investments to optimize the Town's long-term financial stability.
- The Portfolio Investments increased \$20.8 million over the prior year. As investments matured, surplus funds were strategically reinvested and surplus cash was allocated to new investments, allowing the Town to optimize returns while maintaining liquidity and financial stability. Portfolio investments represent the Town's holdings, as prescribed by the Municipal Act, in short and long-term fixed income securities. Investments earn various interest rates with different premiums, discounts and maturities. Please refer to report FIN 25-19 2024 Portfolio Investment report for details.
- The receivable balances increased by approximately \$6.7 million from 2023. The increase includes \$0.7 million rise in Taxes receivable. The main driver of the increase in tax receivable is \$0.43 million in tax arrears related to properties eligible for the tax sales process. Some of these properties have enrolled in payment plans, which helps ensure collection.

- Other Accounts Receivable increased by \$5.9 million primarily due to \$5.4 million grant revenue from the province for the Peach King Centre Expansion project. This category also includes general accounts receivable, recoverable HST, and accrued interest.
- The Investment in Government Business Enterprises relates to the Town's 90% holding in Niagara Power Incorporate (NPI), which increased \$0.66 million. This is a result of NPI's of \$0.73 million net equity increase after the issuance of dividends.

Total liabilities increased by \$10.2 million due to the following:

- The increase of \$2 million in payables and accruals primarily relates to \$1.6 million water and wastewater reconciliation payable to the region as a result of a calibration error in their meter readings, causing an under-bill to the Town over the past few years.
- Due to Trust Funds increased \$0.29 million. This was due to the maturing of a trust fund investment, with the funds transferred to the Town's bank account at maturity.
- Deferred Revenues decreased by \$0.16 million from 2023. Obligatory reserves decreased by \$0.02 million, and other deferred revenue by \$0.14 million. Obligatory reserve fund balances fluctuate based on the timing of the receipt of funds from restricted activities such as development charges, building permits, parkland and gas tax. Other Deferred Revenue fluctuates depending on the timing of deposits and the recognition of grant-related revenues, where the revenue has been received but not year earned.
- Employee future benefits increased by \$1.01 million, which includes workplace safety insurance board (WSIB) and retiree benefits. The increase is primarily related to an estimated increase in WSIB liability based on the Town's Actuarial valuation.
- Long-term Debt increased by \$6.9 million, reflecting the issuance of \$7.4 million in new debt for the West Lincoln Memorial Hospital (WLMH) project. This is partially offset by scheduled debt repayments for Fire Station #2 and payment for the leased capital assets.
- Total Liabilities also include Asset Retirement Obligations, a requirement under PS 3280 Asset Retirement Obligations (ARO). For more information, please see the Notes to the audited consolidated financial statements.

Non-financial Assets increased \$10 million due to the following:

- Tangible Capital Assets (TCA) increased \$10.6 million and are reported as net book value. The balance represents the cost of the assets less accumulated amortization over the asset life. The TCA balance also includes amounts spent on assets under construction. The increase is due to various additions, such as equipment, roads, buildings, water and wastewater, land improvements and equipment.
- Inventory and Prepaid Expenses decreased \$0.62. The main driver for this decrease is the expense of 2024 insurance claims which were prepaid in 2023.

Remeasurement Gain:

- A \$9,000 remeasurement gain reported in 2024 is new requirement and reflects an increase in the market value of the Town's equity investment with OneFund Investments.

II. Statement of Financial Operations

For the year ended December 31, 2024 (all numbers are in thousands of dollars)

Consolidated Revenues	2024	2023
Taxation (Note 15)	21,886	21,719
User fees and charges (Note 17)	14,152	13,267
Government transfers (Note 18)	8,017	2,842
Other (Note 19)	8,055	9,776
Total	52,110	47,604

Revenues increased \$4.51 million primarily due to the following:

Taxation revenue increased by \$0.17 million, primarily due to the Town's levy rate increase.

Revenue from user fees and charges increased by \$0.89 million compared to the previous year. This increase was primarily driven by a change in the wastewater revenue methodology and annual rate hikes for user fees and charges, which contributed \$0.4 million. Additionally, an increase of \$0.4 million was due to an increase in facility rentals for recreational programs in 2024 compared to 2023.

Government Transfers, which include funding from Federal, Provincial, and Municipal levels, increased by \$5.18 million. The main drivers of this increase are Provincial grants: \$4.7 million from the Strategic Priorities Infrastructure Fund for the Peach King

Centre, and \$0.61 million from the Ontario Community Infrastructure Fund to support approved capital projects.

Other revenues decreased by \$1.72 million compared to the prior year. The main drivers for this change was a \$1.6 million decreased in the use of parkland dedication reserve funds, which are earmarked for park-related capital projects and a \$0.1 million decrease in the subsidiary's earnings.

For the year ended December 31, 2024 (all numbers are in thousands of dollars)

Consolidated Expenses	2024	2023
General government	7,476	4,811
Protection to persons and property	4,503	3,785
Transportation services	6,381	5,337
Environmental services	15,990	15,070
Health services	221	227
Social and family services	194	175
Recreation and cultural services	7,909	7,271
Planning and development	1,788	1,426
Total	44,462	38,102

Expenses increased \$6.4 million primarily due to the following:

General Government expenses increase of \$2.7 million primarily due to a \$1.25 million for WSIB related claim cost and actuarial estimated future obligations, \$0.44 million in contracted and material costs related to various items such as legal and professional services, program maintenance costs, and operating projects, \$0.14 million in accrued interest on the WLMH debenture, and \$0.65 million in wages as staffing was primarily at full capacity.

Protection to persons and property expense increased \$0.72 million over 2023, primarily due to \$0.55 million in wage related costs which includes WSIB claims.

Transportation services expense increased \$1.04 million primarily due to higher project expenditures of \$0.43 million and wages of \$0.3 million. This service area has remained within budget.

Environmental Services expense increased \$0.92 million primarily due to an increase in year-end regional water and wastewater charge of \$0.61 million. The Region's wastewater costs are allocated to the local municipalities based on a 3-year average flow and reconciled to actual consumption annually, which can result in either a surplus or deficit. This charge is difficult to predict or budget for, as it is contingent on the

consumption of other municipalities. There is also a \$0.14 million increase in contracted services related to water and wastewater maintenance services.

Recreation and Cultural Services expense has increased by \$0.64 million over 2023. This category includes Community Services, Library, Art Gallery and Museum. While no specific drivers were identified for the change over 2023, the service area has remained within budget.

III. Reconciliation between the operating results and the audited results:

Appendix C has been prepared to show how the operating surplus reconciles to the annual surplus and the 2024 budget reported on the Statement of Operations.

The statements present a 2024 surplus of approximately \$7.6 million; it should be noted that this is based on PSAS accounting rules. However, the Town budget is prepared on a cash basis. Therefore, these two reporting approaches have significant differences and result in the reported surplus not being indicative of the actual “cash basis” surplus. Some examples of these differences are noted below:

1. The change in equity of the Town subsidiary, Niagara Power Inc., for which 2024 totaled \$0.66 million, is considered revenue under PSAS accounting. However, for cash-based reporting, this does not contribute to an actual surplus.
2. The change in contributed tangible capital assets, resulting from the Town’s assumption of subdivision infrastructure, totalled \$0.24 million and is considered revenue under PSAS accounting. However, for cash basis reporting, this does not contribute to the actual surplus.
3. Another example is amortization expense of \$7.2 million is not accounted for under the cash basis of accounting but is included in PSAS accounting.

2024 Year-end Deficit and Reserves and Reserve Fund Update:

During the year-end audit preparation and reconciliation process, several adjustments were made to ensure the accuracy of reported figures. As a result, the year-end deficit was reduced by \$109,268, bringing the total deficit to \$1,544,290. This includes a \$565,164 operational levy surplus for the Town, a \$23,674 deficit for the Grimsby Downtown Business Improvement Area, and a \$2,085,780 deficit in the Wastewater division.

For details on the related reserve and reserve fund movements and the updated year-

end balances, please refer to Appendix D – Reserve and Reserve Fund Balances.

For additional details related to the 2024 year-end surplus/deficit amounts, please refer to the report FIN-25-26 Year-End Results and Reserve Transfers.

Financial Impact

There are no specific financial implications related to this report as it is for information purposes.

Conclusion

It is recommended that Council approve the 2024 Financial Report, attached as Appendix A, and acknowledge receipt of the Audit Findings Report document, attached as Appendix B.

Respectfully prepared by,

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Respectfully submitted by,

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Respectfully approved by,

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Attachments

- **Appendix A** – 2024 Financial Report
- **Appendix B** – Audit Finding Report
- **Appendix C** – Reconciliation of Operating Surplus to Financial Statement Surplus
- **Appendix D** – Reserve and Reserve Funds Schedule