Corporation of the Township of South Stormont
Financial Statements
December 31, 2025

Contents

For the year ended December 31, 2025

Management's Responsibility

To the Members of Council, Inhabitants and Ratepayers of Corporation of the Township of South Stormont:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Council is composed entirely of Councillors who are neither management nor employees of the Township. The Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors.

MNP LLP is appointed by the Members of Council, Inhabitants and Ratepayers to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

June 26, 2026

Interim CAO

Director of Finance/Treasurer

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of Corporation of the Township of South Stormont:

Opinion

We have audited the financial statements of Corporation of the Township of South Stormont (the "Township"), which comprise the statement of financial position as at December 31, 2025, and the statements of financial activities and accumulated surplus, changes in net financial assets, cash flows and the related schedules for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Township as at December 31, 2025, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Township 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 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 Township’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 Township or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Township’s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township'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 Township'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 Township to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

MNP LLP

Cornwall, Ontario

Chartered Professional Accountants

June 26, 2026

Licensed Public Accountants

Corporation of the Township of South Stormont
Statement of Financial Position
As at December 31, 2025

	2025	*2024*
Financial assets		
Cash *(Note 2)*	**15,133,038**	14,621,590
Taxes receivable	**2,155,695**	1,771,240
Accounts receivable	**3,594,575**	2,546,793
Land held for resale	**400,994**	400,994
	21,284,302	19,340,617
Liabilities		
Accounts payable and accruals	**7,824,081**	5,038,155
Accrued interest on municipal debt	**73,681**	73,681
Deferred revenue *(Note 3)*	**1,636,240**	84,400
Deferred revenue, obligatory reserve funds *(Note 4)*	**2,173,357**	1,747,548
Future employment benefits payable *(Note 5)*	**50,000**	50,000
Asset retirement obligations *(Note 6)*	**2,506,848**	2,539,231
Municipal debt *(Note 7)*	**6,295,782**	6,868,312
	20,559,989	16,401,327
Net financial assets	**724,313**	2,939,290
Non-financial assets		
Tangible capital assets (Schedule 1, 2)	**91,986,726**	83,392,601
Inventory	**373,803**	378,868
Prepaid expenses	**283,655**	188,238
	92,644,184	83,959,707
Accumulated surplus *(Schedule 3)*	**93,368,497**	86,898,997

Contingencies *(Note 14)*

The accompanying notes are an integral part of these financial statements

Corporation of the Township of South Stormont
Statement of Financial Activities and Accumulated Surplus
For the year ended December 31, 2025

	2025 Budget (Note 11)	2025	2024
Revenue			
Taxation	**10,908,903**	**11,012,980**	10,053,301
Fees and service charges	**6,874,541**	**6,757,920**	7,002,288
Grants	**1,083,700**	**1,100,493**	1,348,605
Investment income	**865,285**	**911,891**	740,576
Rents	**505,516**	**519,704**	478,242
Permits and licences	**418,500**	**457,169**	367,478
Sale of land	**500,000**	**147,472**	2,576,591
Donations and other	**10,500**	**40,775**	3,321
	21,166,945	**20,948,404**	22,570,402
Program expenses *(Note 9)*			
General government	**3,065,189**	**2,908,705**	2,869,884
Protection services	**2,426,500**	**2,508,973**	2,350,954
Transportation	**5,137,401**	**5,440,563**	5,263,223
Environmental	**7,386,193**	**6,291,589**	9,050,591
Health and recreation	**2,260,337**	**2,483,298**	2,333,498
Planning and development	**1,226,993**	**1,131,002**	1,176,609
	21,502,613	**20,764,130**	23,044,759
Surplus (deficit) before other income (expense)	**(335,668)**	**184,274**	(474,357)
Other income (expense)			
Deferred revenue earned *(Note 4)*	**1,508,174**	**1,535,324**	1,204,167
Capital grant revenue	**14,775,470**	**4,732,530**	184,544
Gain (loss) on disposal of tangible capital assets	**204,349**	**17,372**	(3,130)
	16,487,993	**6,285,226**	1,385,581
Annual surplus	**16,152,325**	**6,469,500**	911,224
Accumulated surplus, beginning of year *(Schedule 3)*	**86,898,997**	**86,898,997**	85,987,773
Accumulated surplus, end of year *(Schedule 3)*	**103,051,322**	**93,368,497**	86,898,997

The accompanying notes are an integral part of these financial statements

Corporation of the Township of South Stormont
Statement of Change in Net Financial Assets
For the year ended December 31, 2025

	2025 Budget (Note 11)	**2025**	*2024*
Annual surplus	**16,152,325**	**6,469,500**	911,224
Acquisition of tangible capital assets	**(26,837,060)**	**(12,148,597)**	(3,882,237)
Amortization	**3,503,857**	**3,544,735**	3,503,857
Proceeds on sale of tangible capital assets	**-**	**27,109**	-
(Gain) loss on disposal of tangible capital assets	**(204,349)**	**(17,372)**	3,130
Change in inventory	**-**	**5,065**	20
Change in prepaid expenses	**-**	**(95,417)**	(53,137)
(Decrease) increase in net financial assets	**(7,385,227)**	**(2,214,977)**	482,857
Net financial assets, beginning of year	**2,939,290**	**2,939,290**	2,456,433
Net financial assets, end of year	**(4,445,937)**	**724,313**	2,939,290

The accompanying notes are an integral part of these financial statements

Corporation of the Township of South Stormont
Statement of Cash Flows
For the year ended December 31, 2025

	2025	*2024*
Operating activities		
Annual surplus	**6,469,500**	911,224
Non-cash items		
Amortization	**3,544,735**	3,503,857
(Gain) loss on disposal of capital assets	**(17,372)**	3,130
	9,996,863	4,418,211
Changes in working capital accounts		
Taxes receivable	**(384,455)**	235,359
Accounts receivable	**(1,047,782)**	1,607,878
Land held for resale	**-**	1,382,873
Inventory	**5,065**	20
Prepaid expenses	**(95,417)**	(53,137)
Accounts payable	**2,785,926**	772,977
Deferred revenue	**1,551,840**	-
Deferred revenue, obligatory reserve funds	**425,809**	387,337
Asset retirement obligations	**(32,383)**	(436,085)
	13,205,466	8,315,433
Financing activities		
Repayment of municipal debt	**(622,730)**	(630,187)
Proceeds from the issue of municipal debt	**50,200**	-
	(572,530)	(630,187)
Capital activities		
Purchases of tangible capital assets	**(12,148,597)**	(3,882,237)
Proceeds on disposal of tangible capital assets	**27,109**	-
	(12,121,488)	(3,882,237)
Increase in cash resources	**511,448**	3,803,009
Cash, beginning of year	**14,621,590**	10,818,581
Cash, end of year	**15,133,038**	14,621,590

The accompanying notes are an integral part of these financial statements

Corporation of the Township of South Stormont

Schedule 1 - Schedule of Tangible Capital Assets - By Asset Type

For the year ended December 31, 2025

	Land and Land Improvements	*Buildings*	*Vehicles*	*Equipment*	*Plants and Facilities*	*Roads*	*Water and Sewer*	*Bridges*	*Assets under Construction*	*2025*	*2024*
Cost											
Balance, beginning of year	**7,630,531**	**15,162,411**	**7,029,618**	**4,620,493**	**31,977,172**	**50,762,230**	**23,702,433**	**6,988,069**	**3,731,677**	**151,604,634**	147,776,253
Acquisitions during the year	**1,296,010**	**-**	**61,455**	**300,869**	**257,367**	**1,319,624**	**36,928**	**262,210**	**8,614,134**	**12,148,597**	3,882,237
Disposals during the year	**-**	**-**	**(292,409)**	**(6,511)**	**-**	**-**	**-**	**-**	**-**	**(298,920)**	(53,856)
Balance, end of year	**8,926,541**	**15,162,411**	**6,798,664**	**4,914,851**	**32,234,539**	**52,081,854**	**23,739,361**	**7,250,279**	**12,345,811**	**163,454,311**	151,604,634
Accumulated amortization											
Balance, beginning of year	**2,003,747**	**6,481,547**	**3,962,091**	**2,523,040**	**24,860,793**	**20,437,461**	**5,953,754**	**1,989,600**	**-**	**68,212,033**	64,758,902
Amortization during the year	**135,571**	**366,298**	**343,921**	**170,208**	**731,085**	**1,394,858**	**284,448**	**118,346**	**-**	**3,544,735**	3,503,857
Accumulated amortization on disposals	**-**	**-**	**(283,540)**	**(5,643)**	**-**	**-**	**-**	**-**	**-**	**(289,183)**	(50,726)
Balance, end of year	**2,139,318**	**6,847,845**	**4,022,472**	**2,687,605**	**25,591,878**	**21,832,319**	**6,238,202**	**2,107,946**	**-**	**71,467,585**	68,212,033
Net book value 2025	**6,787,223**	**8,314,566**	**2,776,192**	**2,227,246**	**6,642,661**	**30,249,535**	**17,501,159**	**5,142,333**	**12,345,811**	**91,986,726**	83,392,601
Net book value 2024	5,626,784	8,680,864	3,067,527	2,097,453	7,116,379	30,324,769	17,748,679	4,998,469	3,731,677	83,392,601	

Corporation of the Township of South Stormont
Schedule 2 - Schedule of Tangible Capital Assets - By Segment
For the year ended December 31, 2025

	General government	*Protection services*	*Transportation services*	*Environmental services*	*Health and recreation*	*Planning and development*	***2025***	*2024*
Cost								
Balance, beginning of year	7,064,188	8,544,658	62,439,106	60,030,109	8,564,239	1,230,658	**147,872,958**	144,589,460
Additions during the year	-	60,671	1,732,915	1,005,240	415,135	320,500	**3,534,461**	3,337,354
Disposals during the year	-	(292,409)	(6,511)	-	-	-	**(298,920)**	(53,856)
Assets in service, end of year	7,064,188	8,312,920	64,165,510	61,035,349	8,979,374	1,551,158	**151,108,499**	147,872,958
Assets under construction	-	3,136,195	820,089	7,735,882	431,516	222,130	**12,345,812**	3,731,676
Balance, end of year	7,064,188	11,449,115	64,985,599	68,771,231	9,410,890	1,773,288	**163,454,311**	151,604,634
Accumulated amortization								
Balance, beginning of year	2,265,098	4,032,033	25,101,470	32,295,586	4,338,962	178,884	**68,212,033**	64,758,902
Amortization during the year	193,829	212,322	1,766,047	1,118,773	253,764	-	**3,544,735**	3,503,857
Accumulated amortization on disposals	-	(283,540)	(5,643)	-	-	-	**(289,183)**	(50,726)
Balance, end of year	2,458,927	3,960,815	26,861,874	33,414,359	4,592,726	178,884	**71,467,585**	68,212,033
Net book value 2025	4,605,261	7,488,300	38,123,725	35,356,872	4,818,164	1,594,404	**91,986,726**	83,392,601
Net book value 2024	4,799,090	4,512,625	37,503,648	30,475,377	4,582,738	1,519,124	**83,392,601**	-

Corporation of the Township of South Stormont
Schedule 3 - Schedule of Accumulated Surplus
For the year ended December 31, 2025

	2025	*2024*
Operating deficits		
Operating surplus	**-**	-
Water and waste water deficit	**(1,537,987)**	(1,537,987)
Unfinanced capital outlay, capital surplus	**(2,192,952)**	8,971
Unfunded liabilities to be recovered from future revenues		
Accrued interest on municipal debt	**(73,681)**	(73,681)
Future employment benefits payable	**(50,000)**	(50,000)
Asset retirement obligations	**(215,756)**	(248,140)
Total operating deficits	**(4,070,376)**	(1,900,837)
Reserves and reserve funds		
Reserves set aside for specific purposes by Council:		
Working capital	**593,134**	581,372
Future infrastructure, facilities	**1,036,225**	638,226
Elections	**90,000**	60,000
Administration	**444,770**	459,770
Fire	**244,037**	1,463,933
Roads	**(318,553)**	238,840
Water and waste water	**7,434,610**	6,521,459
Waste management	**267,989**	348,989
Recreation	**1,506,096**	1,434,336
Land inventory	**920,791**	920,791
Other	**198,405**	208,255
Total reserves	**12,417,504**	12,875,971
Reserve funds set aside for specific purposes by legislation, regulation or agreement:		
Water and waste water	**1,492,750**	1,599,509
Library	**2,302**	2,302
Total reserve funds	**1,495,052**	1,601,811
Total reserves and reserve funds	**13,912,556**	14,477,782
Equity in tangible capital assets		
Invested in tangible capital assets	**91,986,726**	83,392,601
Less: related debt	**(6,169,318)**	(6,779,458)
Less: asset retirement obligations	**(2,291,091)**	(2,291,091)
Total equity in tangible capital assets	**83,526,317**	74,322,052
Accumulated surplus	**93,368,497**	86,898,997

Corporation of the Township of South Stormont

Schedule 4 - Schedule of Changes in Accumulated Surplus (Deficit)

For the year ended December 31, 2025

	Operating Deficits	*Reserves and Reserve Funds*	*Invested in Tangible Capital Assets*	*2025*	*2024*
Accumulated surplus, beginning of year	**(1,900,837)**	**14,477,782**	**74,322,052**	**86,898,997**	85,987,773
Annual surplus (deficit)	**9,994,769**	**19,466**	**(3,544,735)**	**6,469,500**	911,224
Reserve funds used for operations	**368,235**	**(368,235)**	**-**	**-**	-
Operating funds transferred to reserves	**(2,230,007)**	**2,230,007**	**-**	**-**	-
Reserve funds used for tangible capital assets	**-**	**(2,446,464)**	**2,446,464**	**-**	-
Current year funds used for tangible capital assets	**(9,702,133)**	**-**	**9,702,133**	**-**	-
Disposal of tangible capital assets	**9,737**	**-**	**(9,737)**	**-**	-
Municipal debt repaid relating to capital	**(610,140)**	**-**	**610,140**	**-**	-
Change in accumulated surplus (deficit)	**(2,169,539)**	**(565,226)**	**9,204,265**	**6,469,500**	911,224
Accumulated surplus, end of year	**(4,070,376)**	**13,912,556**	**83,526,317**	**93,368,497**	86,898,997

	General government	*Protection services*	*Transportation*	*Environmental*	*Health and recreation*	*Planning and development*	*2025*
Revenue							
Taxation	2,223,754	1,903,937	4,364,203	516,532	1,457,310	547,244	11,012,980
Fees and service charges	47,085	234,415	225,318	5,717,744	327,453	205,905	6,757,920
Grants	1,007,962	33,334	-	436	8,962	49,799	1,100,493
Investment income	861,533	-	-	50,358	-	-	911,891
Rents	-	267,759	-	-	231,317	20,628	519,704
Permits and licences	16,608	21,502	9,215	-	-	409,844	457,169
Sale of land for development	-	-	-	-	-	147,472	147,472
Donations and other	-	40,775	-	-	-	-	40,775
	4,156,942	2,501,722	4,598,736	6,285,070	2,025,042	1,380,892	20,948,404
Expenses							
Wages and benefits	1,459,571	1,303,476	1,607,426	753,363	1,065,539	821,659	7,011,034
Interest on municipal debt	-	55,605	31,430	85,780	37,520	17,921	228,256
Material and services	1,037,065	462,927	730,910	2,481,297	740,126	184,104	5,636,429
Contracted services	70,176	291,984	332,478	1,189,463	194,833	36,721	2,115,655
Insurance and financial cost	148,064	55,504	972,301	662,913	191,487	70,597	2,100,866
Third party transfers	-	127,155	-	-	-	-	127,155
Amortization	193,829	212,322	1,766,018	1,118,773	253,793	-	3,544,735
	2,908,705	2,508,973	5,440,563	6,291,589	2,483,298	1,131,002	20,764,130
Surplus (deficit) before other income (expense)	1,248,237	(7,251)	(841,827)	(6,519)	(458,256)	249,890	184,274
Deferred revenue earned	-	-	1,291,324	244,000	-	-	1,535,324
Capital grant revenue	-	-	-	4,564,024	168,506	-	4,732,530
Gain (loss) on disposal of long-lived assets held	(6,986)	25,226	(868)	-	-	-	17,372
Annual surplus (deficit)	1,241,251	17,975	448,629	4,801,505	(289,750)	249,890	6,469,500

Corporation of the Township of South Stormont

Schedule 5 - Schedule of Segmented Disclosure

For the year ended December 31, 2025

	General government	*Protection services*	*Transportation*	*Environmental*	*Health and recreation*	*Planning and development*	*2024*
Revenue							
Taxation	682,617	2,139,656	3,979,553	746,650	1,256,931	1,247,894	10,053,301
Fees and service charges	66,137	149,517	167,969	5,954,065	551,143	113,457	7,002,288
Grants	1,014,413	168,003	-	124,992	14,302	26,895	1,348,605
Investment income	696,580	-	-	43,996	-	-	740,576
Rents	-	261,732	-	-	216,510	-	478,242
Permits and licences	11,635	21,009	10,245	-	-	324,589	367,478
Sale of land for development	-	-	-	-	-	2,576,591	2,576,591
Donations and other	-	3,321	-	-	-	-	3,321
	2,471,382	2,743,238	4,157,767	6,869,703	2,038,886	4,289,426	22,570,402
Expenses							
Wages and benefits	1,415,514	1,232,097	1,590,666	762,910	1,028,483	817,442	6,847,112
Interest on municipal debt	-	34,961	63,730	91,600	40,541	15,503	246,335
Material and services	964,151	501,176	719,701	2,976,000	690,501	221,593	6,073,122
Contracted services	50,174	211,060	600,007	1,776,099	159,027	45,905	2,842,272
Insurance and financial cost	246,216	47,458	666,863	2,232,077	159,126	69,676	3,421,416
Third party transfers	-	110,645	-	-	-	-	110,645
Amortization	193,829	213,557	1,622,256	1,211,905	255,820	6,490	3,503,857
	2,869,884	2,350,954	5,263,223	9,050,591	2,333,498	1,176,609	23,044,759
Surplus (deficit) before other income (expense)	(398,502)	392,284	(1,105,456)	(2,180,888)	(294,612)	3,112,817	(474,357)
Deferred revenue earned	-	-	903,674	300,493	-	-	1,204,167
Capital grant revenue	-	1,180	-	30,864	152,500	-	184,544
Gain (loss) on disposal of long-lived assets held	-	(3,130)	-	-	-	-	(3,130)
Annual surplus (deficit)	(398,502)	390,334	(201,782)	(1,849,531)	(142,112)	3,112,817	911,224

1. Significant accounting policies

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards. These financial statements and reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund, reserves and reserve funds and include the activities of all committees of Council. They include the following significant accounting policies:

Basis of consolidation

(i) Consolidated entities

There are no consolidated entities.

(ii) Non-consolidated entities

There are no non-consolidated entities.

(iii) Accounting for United Counties and school board transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards, and the United Counties of Stormont, Dundas and Glengarry are not reflected in the municipal fund balances of these financial statements.

Basis of accounting

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian public sector accounting standards requires administration 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 financial statements, and the reported amounts of revenues and expenditures during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. Significant items subject to such estimates and assumptions include the estimated useful lives of tangible capital assets, the valuation of allowances for doubtful taxes and accounts receivable, the valuation of inventories, deferred revenue, and the estimated landfill closure and post-closure costs. Actual results could differ from these estimates.

Revenue recognition

Fees and service charges, sale of land and rents

Fees and service charges are recognized when the activity is performed or when the services are rendered. Examples include, but are not limited to, water and waste water charges, solid waste tipping fees, licensing fees, permits, and other fees from various recreation programs and facilities.

Government grants and transfers

Government grants and transfers are the transfer of assets from other levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return. The Township recognizes a government grant or transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government grant or transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Township recognizes revenue as the liability is settled.

Taxation and related revenue

Property tax billings are issued by the Township based on assessment rolls prepared by the Municipal Property Assessment Corporation ("MPAC"). The Township collects property tax revenue for municipal purposes, county taxes on behalf of the United Counties of Stormont, Dundas and Glengarry, provincial education taxes on behalf of the Province of Ontario, payments in lieu of taxation, local improvements and other charges. The authority to levy and collect property taxes is established under the *Municipal Act 2001*, the *Assessment Act*, the *Education Act* and other legislation.

1. Significant accounting policies *(Continued from previous page)*

Revenue recognition *(Continued from previous page)*

Taxation revenue consists of non-exchange transactions and is recognized in the period to which the assessment relates and when a reasonable estimate of the amounts can be made. Annual taxation revenue also includes adjustments related to reassessments and appeals to prior years' assessments. The Township is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

Investment income

Investment income earned on surplus funds is reported as revenue in the period earned. Investment income earned on obligatory funds such as parkland allowances and gas tax funds is added to the associated funds and forms part of the respective deferred revenue, obligatory reserve fund balances.

Cash and cash equivalents

Cash and cash equivalent include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash. The Township did not have any cash equivalents at December 31, 2025 or December 31, 2024.

Deferred revenue

Deferred revenue represents government transfers that have been received for specific purposes, but the respective expenses have not been incurred to date. These amounts will be recognized as revenues in the year the expenses are incurred.

Deferred revenue, obligatory reserve funds

The Township receives restricted contributions under the authority of federal and provincial legislation. These funds by their nature are restricted in their use and are recorded as deferred revenue until applied to applicable costs. Amounts applied to qualifying expenditures are recorded as revenue in the fiscal period they are expended.

Employee future benefits

Employee benefits include vacation entitlements. Vacation benefits are accrued in accordance with the Township's policy. The Township accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS") as a defined contribution plan.

Reserves and reserve funds

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and from reserves and reserve funds are an adjustment to the respective fund when approved.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the surplus or deficit, provides the change in net financial assets for the year.

(i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The costs, less residual values, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

1. Significant accounting policies *(Continued from previous page)*

Non-financial assets *(Continued from previous page)*

Land improvements	5 to 40 years
Buildings	10 to 40 years
Machinery and equipment	5 to 30 years
Vehicles	6 to 24 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
underground networks	50 to 100 years
sewage treatment plants	40 years
water pumping stations and reservoirs	40 years
other infrastructure	50 to 75 years
Transportation	
roads	7 to 40 years
bridges and structures	5 to 75 years

Amortization is not charged in the year of acquisition or in the year of disposal. Assets under construction are not amortized until the assets are available for productive use, at which time they are capitalized.

The Township has a capitalization threshold of $10,000 to $25,000 so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons. Examples of pooled assets are desktop computer systems, utility poles and defibrillators.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of the transfer.

(iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property 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.

(iv) Inventory

Inventory held for consumption is recorded at the lower of cost or replacement cost. Inventory held for sale is recorded at the lower of cost or net realizable value.

Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal obligation for the Township to incur retirement costs in relation to a tangible capital asset (or component thereof), 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 best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at December 31, 2025. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset (or component thereof). The asset retirement cost is amortized over the useful life of the related asset.

At each financial reporting date, the Township reviews the carrying amount of the liability. The Township recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

The Township continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

1. Significant accounting policies *(Continued from previous page)*

Liability for contaminated site

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Township is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2025.

At each financial reporting date, the Township reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The Township continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Segments

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The Municipality has provided definitions of the segments used and presented financial information in segmented format in Note 13.

Financial instruments

The Township recognizes its financial instruments when the Township becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Township may irrevocably elect to subsequently measure any financial instrument at fair value. The Township has not made such an election during the year. The Township subsequently measures all its financial assets and liabilities at amortized cost.

The Township subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. The Township has not presented a statement of remeasurement gains and losses as it does not have any items giving rise to remeasurement gains (losses). Interest income is recognized in the statement of financial activities.

Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized into income. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Management considers whether the investee has experienced continued losses for a period of years, recent collection experience for the loan, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses in the fiscal year it occurs.

2. Cash and temporary investments

	2025	2024
Unrestricted	**12,550,539**	11,920,426
Restricted cash	**2,582,499**	2,701,164
	15,133,038	14,621,590

3. Deferred revenue

	2025	2024
Housing Enabling Water Systems Fund	**1,539,640**	-
Ontario Trillium Foundation	**96,600**	84,400
	1,636,240	84,400

4. Deferred revenue, obligatory reserve funds

A requirement of Canadian public sector accounting standards is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds are summarized as follows:

	Development Charges	**OCIF**	**Federal Gas Tax**	**Parkland**	**2025**	2024
Balance, beginning of year	455,022	545,179	728,463	18,884	**1,747,548**	1,360,211
Grants and billings	370,472	883,373	444,419	32,563	**1,730,827**	1,523,982
Transfer from reserves	-	-	-	179,954	**179,954**	-
Interest and other	16,573	-	33,779	-	**50,352**	67,522
Deferred revenue earned	-	(910,524)	(624,800)	-	**(1,535,324)**	(1,204,167)
Balance, end of year	842,067	518,028	581,861	231,401	**2,173,357**	1,747,548

5. Future employment benefits payable

The Township provides employee benefits that will require funding in future periods. With respect to responsibilities under the Workplace Safety and Insurance Board ("WSIB") Act the Township had elected to be a Schedule 2 employer for the period between 1998 and 2010. Subsequent to 2010, the Township has elected to be a Schedule 1 employer and remits payments to the WSIB as required to fund disability payments. The estimated liability recorded in these financial statements with respects to any WSIB liability while as a Schedule 2 employer is $50,000 (2024 - $50,000).

6. Asset retirement obligations

The Township's asset retirement obligations include future building demolition costs and the closure and post-closure monitoring costs for two solid waste landfill sites, of which one landfill site is closed.

The estimated closure and post-closure costs for both sites are $2,506,848 (2024 - $2,539,231) which have been adjusted by applying a discount rate of 2.71%, based on the Township's borrowing rate. These costs are to be recovered from future taxation revenue and reserves.

The reported liability is based on estimates and assumptions using the best information available at the end of the reporting period. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total liability and will be recognized prospectively, as a change in estimate, when applicable.

Asset retirement obligations for the year are as follows:

	2025	*2024*
Balance, beginning of year	**2,539,231**	2,975,316
Liabilities settled relating to landfill closure and post closure costs	**(32,383)**	(59,185)
Liabilities settled relating to future demolition costs of buildings	**-**	(376,900)
Balance, end of year	**2,506,848**	2,539,231

7. Long-term debt

	2025	*2024*
Term loan, 2.71%, repayable in blended semi-annual payments of $145,247, due July 2036, South Stormont water plant	**2,747,207**	2,958,938
Bank term loan, 2.53%, repayable in blended monthly payments of $2,972, due August 2041, Fire pumper rescue vehicle	**1,031,391**	466,299
Bank term loan, 3.15%, repayable in blended monthly payments of $8,179, due June 2035, South Stormont Medical Clinic	**804,931**	876,498
Bank term loan, 4.98% repayable in blended semi-annual payments of $50,268, due October 2043, Tanker truck and bridge infrastructure	**615,502**	1,244,249
Bank term loan, 2.28%, repayable in blended monthly payments of $3,033, due August 2041, Emergency Medical Services building	**478,505**	504,053
Bank term loan, 2.71%, repayable in blended semi-annual payments of $7,215, due December 2049, Windermere water project	**253,380**	260,792
Bank term loan, 3.52%, repayable in blended semi-annual payments of $122,357, due November 2026, South Stormont municipal buildings	**238,402**	468,629
Tile drain loans, 6%, repayable over a ten year period in blended payments ranging between $1,630 and $4,402, maturity dates ranging from 2027 to 2035	**126,464**	88,854
	6,295,782	6,868,312

7. Long-term debt *(Continued from previous page)*

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed, are estimated as follows:

2026	646,553
2027	421,014
2028	429,917
2029	441,690
2030	452,840
Thereafter	3,903,768
	6,295,782

Of the municipal debt reported above, principal repayments payable from general municipal revenues and benefiting landowners total $1,126,862 and $1,265,152, respectively, during the period from 2026 to 2030, and $2,041,869 and $1,861,899, respectively, during the period from 2031 to 2049.

8. Unfunded liabilities to be recovered from future revenues

Unfunded liabilities to be recovered from future taxation, benefiting landowners and reserves are as follows:

	2025	*2024*
Municipal debt	**6,295,782**	6,868,312
Accrued interest on municipal debt	**73,681**	73,681
Future employment benefits payable	**50,000**	50,000
Asset retirement obligations	**2,506,848**	2,539,231
	8,926,311	9,531,224
Unfunded liabilities are to be recovered from the following sources:		
General municipal revenues	**5,799,261**	6,222,640
Benefiting landowners	**3,127,050**	3,308,584
	8,926,311	9,531,224

9. Operating expenditures by object

	2025 Budget (Note 11)	***2025***	*2024*
Wages and benefits	**7,365,883**	**7,011,034**	6,847,112
Interest on municipal debt	**199,141**	**228,256**	246,335
Material and services	**6,197,748**	**5,636,429**	6,073,122
Contracted services	**2,410,573**	**2,115,655**	2,842,272
Insurance and financial cost	**1,713,656**	**2,100,866**	3,421,416
Third party transfers	**111,755**	**127,155**	110,645
Amortization	**3,503,857**	**3,544,735**	3,503,857
	21,502,613	**20,764,130**	23,044,759

10. Pension agreements

The Township is a member of the Ontario Municipal Employees Retirement System ("OMERS") which is a multi-employer retirement plan. The plan is a contributory 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. Employers and employees contribute to the plan.

The most recent actuarial valuation was at December 31, 2025. The December 31, 2025 financial statements of OMERS report net assets available for benefits of $145.2 billion and an actuarial funding deficit of $1.3 billion. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Township does not recognize any share of the OMERS funding deficit in these financial statements.

The employer amount contributed to OMERS for 2025 was $472,867 (2024 - $409,333) for current service and is included as an expenditure on the Statement of Financial Activities.

11. Budget figures

The 2025 budget which includes operating, capital, reserves and reserve fund transactions was approved by Council on January 22, 2025. The budgets established for capital, reserves and reserve funds are based on a project-oriented basis, the costs of which may be carried out over one or more years.

12. Operating and water and wastewater operations surpluses and deficits

	Budget (Note 11) 2025	*Actual 2025*	*Actual 2024*
Surplus for the year	**16,152,325**	**6,469,500**	**911,224**
Operating funds transferred to reserves and reserve funds	**(1,303,606)**	**(1,382,882)**	**(1,739,147)**
Reserves and reserve funds used for operations	**-**	**189,952**	**162,600**
Reserve fund interest	**-**	**(19,466)**	**(27,376)**
Reserves and reserve funds used for capital purposes	**2,437,989**	**2,446,464**	**1,722,044**
Acquisition of tangible capital assets	**(26,837,060)**	**(12,148,597)**	**(3,882,237)**
Amortization of tangible capital assets	**3,503,857**	**3,544,735**	**3,503,857**
Principal payments on municipal debt	**(589,155)**	**(610,140)**	**(652,739)**
Proceeds on issuance of municipal debt	**6,798,000**	**-**	**-**
Unfinanced capital outlay (utilized) carried forward	**-**	**2,201,916**	**-**
Disposal of tangible capital assets	**-**	**9,737**	**3,130**
Asset retirement obligations	**-**	**(32,383)**	**(436,085)**
Operating deficit (surplus) for the year	**162,350**	**668,836**	**(434,729)**
Current year water/waste water deficit (surplus) transferred to equity	**-**	**-**	**1,537,987**
Current year water/waste water deficit (surplus) transferred to reserves	**(162,350)**	**(847,125)**	**(921,389)**
Current year operating deficit (surplus) transferred to reserves	**-**	**178,289**	**(181,869)**
	-	**-**	**-**

The operating deficit for the fiscal year ended December 31, 2025 was $178,289 (2024 - surplus of $181,869) of which $178,289 was financed with a transfer from the winter control reserve, building permit reserve and the working capital reserve. The water and wastewater surplus of $847,125 (2024 - $921,389) was transferred to the water/waste water reserves.

13. Segmented information

The Township is responsible for providing a range of services to its citizens. For management reporting purposes the Township's operations and activities are organized and reported by department. These departments are reported by functional area in the body of the financial statements similar to reporting reflected in the Ontario Financial Information Return. These functional areas represent segments for the Township and expended disclosure by object has been reflected in the Schedule of Segmented Disclosure.

For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

A brief description of each segment follows:

(a) General government

General government includes corporate services and governance of the Township. Administration as a segment includes operating and maintaining municipally-owned buildings, human resource management, legal, communications, information systems and technology, support to Council for policy development, by-law development in compliance with the Municipal Act, tax billing and collection responsibilities, financial management reporting, monitoring and overall budget status as well as frontline reception and customer service.

(b) Protection services

Protection services includes fire protection, conservation authority, protective inspection and control and emergency measures. Fire protection includes inspection, extinguishing and suppression services, emergency medical first response, and prevention education and training programs. Inspection and control includes building inspection, by-law enforcement and dog control services.

(c) Transportation services

Transportation services includes administration and operation of traffic and parking services for the Township. In addition, services are provided for winter and summer road maintenance along with the repair and construction of the municipal roads system including bridges and culverts, as well as operation and maintenance of a fleet of vehicles and equipment for use in providing services to the Township.

(d) Environmental services

Environmental services include waste collection, disposal and recycling services, the operation of landfill sites and water and waste water facilities and the related infrastructure for the collection and distribution of both water and waste water services within the Township.

(e) Health and recreation

Health and recreation provides services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure programs and facilities including community halls, libraries, parks, recreation fields, and arenas.

(f) Planning and development

Planning and development manages development for business interests, environmental concerns, heritage matters, local neighbourhoods and community development. It also facilitates economic development by providing services for the approval of all land development plans and the application and enforcement of the zoning by-law and official plan.

14. Contingencies

Legal action

The Township is involved in various legal actions in the normal course of business. The Township and its insurers are defending all actions against the Township. In the opinion of management, the aggregate amount of any potential liability is not expected to have a material adverse effect on the Township's financial position. Losses, if any, will be accounted for in the period they become determinable.

Contaminated sites

The Township identified two parcels of land that are non-productive or partially productive for PS 3260 purposes, liability for contaminated sites, that could be environmentally impacted. The estimated cost of undertaking various types of Environmental Site Assessments is unknown. A liability has not been recorded in these financial statements because the Township's expectation of future economic benefits being given up to remediate these sites is unlikely and the liability cost of remediation cannot be determined.

15. Financial Instruments

The Township, as part of its operations, carries a number of financial instruments. It is management's opinion that the Township is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Credit concentration

Financial instruments that potentially subject the Township to concentrations of credit risk consist primarily of taxes and accounts receivable. However, credit exposure is limited due to the Township's large customer base.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Township is exposed to interest rate cash flow risk with respect to long-term debt and taxes receivable. However, the exposure is limited as all long-term debt and taxes receivable are at a fixed interest rate.

Liquidity risk

Liquidity risk is the risk that the Township will not be able to meet its financial obligations as they become due.

The Township manages liquidity risk by continually monitoring actual and forecasted cash flows from operations to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

16. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.