Consolidated Financial Statements of

MUNICIPALITY OF NORTH PERTH

And Independent Auditor's Report thereon

Year ended December 31, 2025

KPMG

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INDEPENDENT AUDITOR'S REPORT

To the Council of Municipality of North Perth

Opinion

We have audited the consolidated financial statements of Municipality of North Perth (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2025
- the consolidated statement of operations and changes in accumulated surplus for the year then ended
- the consolidated statement of remeasurement gains (losses) for the year then ended
- the consolidated statement of changes in net financial assets 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 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 Entity as at December 31, 2025 and its consolidated results of operations, its consolidated statement of remeasurement gains (losses), its consolidated changes in net financial assets, and its consolidated 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 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 Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to 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.

- 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 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

August 14, 2026

MUNICIPALITY OF NORTH PERTH

Consolidated Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Financial assets:		
Cash and cash equivalents (note 3)	$ 25,484,471	$ 19,829,398
Taxes receivable	1,997,980	1,906,105
Accounts receivable (note 4)	6,946,662	7,958,917
Drain receivables (note 19)	1,259,962	1,705,581
Long-term receivables (note 6)	1,334,777	1,727,421
Investments (note 7)	13,657,780	16,517,500
	50,681,632	49,644,922
Financial liabilities:		
Accounts payable and accrued liabilities (note 15)	3,267,508	6,442,398
Long-term debt (note 16)	20,548,767	21,546,167
Asset retirement obligation (note 17)	3,213,559	3,119,355
Deferred revenue (note 18)	13,148,670	11,867,348
Perth Meadows obligation (note 2)	-	4,784,675
	40,178,504	47,759,943
Net financial assets	10,503,128	1,884,979
Non financial assets:		
Tangible capital assets (note 14)	173,321,934	179,518,827
Prepaid expenses and inventories of supplies	390,745	277,372
	173,712,679	179,796,199
Accumulated surplus and accumulated remeasurement gains (losses)	$ 184,215,807	$ 181,681,178
Comprised of:		
Accumulated surplus (note 9)	$ 181,558,027	$ 180,178,678
Accumulated remeasurement gains (losses)	2,657,780	1,502,500
	$ 184,215,807	$ 181,681,178

See accompanying notes to consolidated financial statements.

On behalf of the Board:

_______________________ Director _______________________ Director

MUNICIPALITY OF NORTH PERTH

Consolidated Statement of Operations and Changes in Accumulated Surplus

Year ended December 31, 2025, with comparative information for 2024

	2025 Budget (note 21)	2025 Actual	2024 Actual
Revenue:			
Taxation	$ 23,430,791	$ 22,127,069	$ 20,645,710
User fees and service charges	12,600,171	13,173,621	12,397,302
Government grants - Provincial (note 11)	7,264,417	8,295,994	6,953,886
Government grants - Federal (note 10)	515,170	124,325	41,155
Municipal grants	296,315	386,176	391,706
Development charges	40,000	537,529	840,361
Investment income	823,100	880,960	933,455
Other (note 12)	2,247,658	2,189,319	2,347,856
	47,217,622	47,714,993	44,551,431
Expenses:			
General government	6,741,752	4,801,276	3,954,080
Protection services	6,880,306	6,896,001	6,471,415
Transportation services	6,993,509	7,926,243	7,632,857
Environmental services	7,799,813	7,839,899	7,334,226
Health services	278,445	273,696	243,964
Social and family services	5,748,623	5,674,688	5,499,555
Recreation and cultural services	6,932,490	7,030,038	6,358,212
Planning and development	284,381	352,923	292,770
Perth meadows	687,159	5,540,880	527,650
	42,346,478	46,335,644	38,314,729
Annual surplus	4,871,144	1,379,349	6,236,702
Accumulated surplus, beginning of year	180,178,678	180,178,678	173,941,976
Accumulated surplus, end of year	$ 185,049,822	$ 181,558,027	$ 180,178,678

See accompanying notes to consolidated financial statements.

MUNICIPALITY OF NORTH PERTH

Consolidated Statement of Remeasurement Gains (Losses)

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Accumulated remeasurement gains (losses), beginning of year	$ 1,502,500	$ (321,200)
Net unrealized gains attributable to investments	1,477,080	1,979,300
Total amount reclassified during the year to the consolidated statement of operations	(321,800)	(155,600)
Net change in remeasurement gains for the year	1,155,280	1,823,700
Accumulated remeasurement gains, end of year	$ 2,657,780	$ 1,502,500

See accompanying notes to consolidated financial statements.

MUNICIPALITY OF NORTH PERTH

Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2025, with comparative information for 2024

	Budget 2025	Actual 2025	Actual 2024
Annual surplus	$ 4,871,144	$ 1,379,349	$ 6,236,702
Acquisition of tangible capital assets	-	(6,591,916)	(13,011,246)
Amortization of tangible capital assets	4,810,976	5,927,867	5,757,049
Loss on sale of tangible capital assets	-	6,860,942	415,214
Consumption (acquisition) of prepaid expenses and inventory of supplies	-	(113,373)	(24,427)
Net remeasurement gain for the year	-	1,155,280	1,823,700
Change in net financial assets	9,682,120	8,618,149	1,196,992
Net financial assets, beginning of year	1,884,979	1,884,979	687,987
Net financial assets, end of year	$ 11,567,099	$ 10,503,128	$ 1,884,979

See accompanying notes to consolidated financial statements.

MUNICIPALITY OF NORTH PERTH

Consolidated Statement of Cash Flows

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 1,379,349	$ 6,236,702
Items not involving cash:		
Amortization	5,927,867	5,757,049
Loss on disposal of tangible capital assets	333,283	415,214
Change in asset retirement obligation estimate	-	(13,171)
Accretion expense	94,204	91,829
Loss on transfer of Perth Meadows (note 2)	6,527,658	-
Changes in non-cash operating working capital:		
Taxes receivable	(91,875)	(541,860)
Accounts receivable	1,012,255	(2,506,287)
Drain receivables	445,619	565,383
Accounts payable and accrued liabilities	(3,174,890)	173,111
Deferred revenue	1,281,322	(203,952)
Prepaid expenses and inventories of supplies	(113,373)	(24,427)
Net change in Perth Meadows obligation	(4,784,675)	(309)
	8,836,744	9,949,282
Financing activities:		
Repayment of long-term debt	(997,400)	(976,506)
Investing activities:		
Acquisition of tangible capital assets	(6,591,916)	(13,011,246)
Collection of long-term receivables	392,644	86,893
Issuance of long-term receivable	-	(1,033,553)
Sale of investments	4,015,000	4,000,000
Proceeds from transfer of Perth Meadows	1	-
	(2,184,271)	(9,957,906)
Increase (decrease) in cash and cash equivalents	5,655,073	(985,130)
Cash and cash equivalents, beginning of year	19,829,398	20,814,528
Cash and cash equivalents, end of year	$ 25,484,471	$ 19,829,398

See accompanying notes to consolidated financial statements.

The Municipality of North Perth (the "Municipality") is a municipality in the Province of Ontario and operates under the provisions of the Municipal Act. The Municipality provides municipal services such as fire, public works, planning, parks, recreation and other general government services.

1. Significant accounting policies:

The consolidated financial statements of the Municipality are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards.

(a) Basis of consolidation:

The consolidated financial statements reflect the assets, liabilities, revenue and expenses, and changes in accumulated surplus of all municipal organizations, committees and boards which are owned or controlled by the Municipality. The following boards have been consolidated:

Listowel Business Improvement Area
North Perth Cemetery Board
North Perth Public Library Board

All inter-entity assets, liabilities, revenues and expenses have been eliminated on consolidation.

Trust funds and their related operations administered by the Municipality are not consolidated. The financial activity and position of the trust funds are reported separately.

(b) Cash and cash equivalents:

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

(c) Deferred revenue:

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. This revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

Development charges received are deferred and recognized in revenue when funds are used for specific projects or expenses.

1. Significant accounting policies (continued):

(d) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as other income. Assets under construction are not amortized until the asset is put in use.

Amortization is calculated on a straight-line basis over each asset's estimated useful life for all classes except land. Land is considered to have an infinite life and so is not amortized. Amortization is based on the following classifications and useful lives:

Asset	Useful life - Years
Land improvements	20 to 50 years
Buildings	30 to 100 years
Equipment and furniture	5 to 30 years
Fleet	10 to 25 years
Information technology equipment	5 years
Infrastructure - roads	20 years
Infrastructure - bridges and culverts	30 to 75 years
Infrastructure - water, sewer and landfill	4 to 100 years

(e) Inventory:

Inventory is recorded at the lower of average cost and net realizable value.

(f) Retirement benefits and other employee benefit plans:

The Municipality participates in a multi-employer defined benefit pension plan, however, sufficient information is not available to use defined benefit accounting. Therefore, the Municipality accounts for the plan as if it were a defined contribution plan. As such, no pension liability is included in the Municipality's financial statements and contributions are recognized as an expense in the year to which they relate.

(g) 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.

1. Significant accounting policies (continued):

(h) Revenue recognition:

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period of time for which the tax is levied. As taxes recorded are initially based on management’s best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectible amounts.

User fees and service charges, including fees for work on drainage, are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability - in which case they are reported as deferred revenue on the Statement of Financial Position. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

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

Investment income earned on operating surplus funds and reserves and reserve funds (other than obligatory reserve funds) are recorded 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.

(i) County of Perth and school boards:

The Municipality collects taxation revenue on behalf of the school boards and the County of Perth. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of these entities are not reflected in these financial statements (note 18).

(j) Asset retirement obligations:

The Municipality recognizes a future asset retirement obligation as a liability in the year in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset that results from the acquisition, construction, development, and/or normal use or operation of the asset based on management’s best estimate of the expenditure required to settle the obligation. The Municipality concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset.

1. Significant accounting policies (continued):

(j) Asset retirement obligations (continued):

The amount of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a risk-free interest rate based on management’s best estimate. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each year to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Changes in the obligation due to the passage of time are recognized in income as an operating expense using the effective interest method. Changes in the obligation due to changes in estimated cash flows are recognized as an adjustment of the carrying amount of the related long-lived asset and the carrying amount of the liability for an asset retirement obligation.

(k) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost.

The Municipality’s financial instruments include cash, taxes receivable, accounts receivable, investments, accounts payable and accrued liabilities, deferred revenue, and long-term debt. With the exception of derivative and equity investments, the carrying value approximates fair value due to the short-term nature of these financial assets and liabilities.

Unrealized changes in fair value of derivative and equity investments are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

1. Significant accounting policies (continued):

(k) Financial instruments (continued):

Financial instruments that are subsequently measured at fair value are classified based on the observability of inputs as follows:

Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

Principal protected notes within investments are measured as level 1 financial instruments.

(l) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates relate to the allowance for taxes receivable, tax revenue, accounts receivable and drain receivables, accrued liabilities, asset retirement obligations, useful lives of tangible capital assets, and the deferred life lease revenue. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Perth Meadows obligation:

In November 2011, the Municipality purchased the assets of Perth Adult Life Care Residences for $5,297,241. The assets and obligation associated with this purchase have been recorded at their gross value as an addition in tangible capital assets, deferred revenue and Perth Meadows obligation on the Consolidated Statement of Financial Position. The senior's complex is currently made up of 18 town homes and 36 suite units which the Municipality is offering as life lease or rental units.

The Phase II life leases purchased by tenants of the Perth Adult Life Care Residences as described in Note 1 to these financial statements contain a "guaranteed buy back" clause whereby the Municipality could be liable to the purchaser for up to 95% of the original purchase price upon termination of the agreement by the resident. During the year ended December 31, 2025, the Municipality completed the transfer of Perth Meadows, located at 710 Nelson Avenue South, to United Housing, a not-for-profit housing provider, for nominal consideration of $1. The transaction included the transfer of the related lands, operations, life lease agreements, tangible personal property, deposits, books and records, and related goodwill.

At closing, the Municipality transferred cash and deposit-related balances totaling $4,948,067 and assigned related obligations, including life lease deposits and deferred revenue totaling $6,806,115, to United Housing. The Municipality also transferred rent deposits of $1,885. As part of the transaction, United Housing repaid an $800,000 promissory note owing to the Municipality through an offset against amounts transferred on closing. Tangible capital assets with a net book value of $6,527,658 were transferred as part of the transaction. The Municipality retained the non-transferable Infrastructure Ontario loan associated with the property, which had an outstanding balance of $519,013 at the transfer date. Under the transfer agreement, United Housing is required to make the related principal and interest payments until the final payment date of November 16, 2037.

As a result of the transfer, the Municipality recognized a loss on disposal of $4,948,712 in the statement of operations.

The agreement also provides the Municipality with an option to repurchase the property for $2 if, within 15 years of the transfer date, United Housing ceases to operate the property as attainable seniors' housing under a not-for-profit model. The Municipality also holds a right of first refusal to acquire the property for $2 under such circumstances.

3. Cash and cash equivalents:

	2025	2024
Unrestricted	$ 16,982,432	$ 10,475,238
Restricted	8,502,039	9,354,160
	$ 25,484,471	$ 19,829,398

The restricted funds are held and restricted for specific deferred revenue projects.

4. Accounts receivable:

Accounts receivable consists of the following:

	2025	2024
General receivables	$ 1,661,144	$ 2,821,372
HST receivables	517,511	885,105
Water receivables	274,633	866,584
Other	4,493,374	3,385,856
	$ 6,946,662	$ 7,958,917

As at December 31, 2025, the balance of allowance for doubtful accounts is $nil (2024 - $nil).

5. Temporary borrowings:

The Municipality has an authorized line of credit of up to $5,000,000 at a Canadian chartered bank bearing interest at prime. The outstanding amount as of December 31, 2025 was $nil (2024 - $nil). The facility is secured by general borrowing by-laws.

6. Long-term receivables:

	2025	2024
Long-term receivable from several land owners bearing interest at 3.15% per annum. Secured by land due 2032.	$ 27,886	$ 31,398
Long-term receivable from several land owners bearing interest at 3.45% per annum. Secured by land due 2047.	76,742	80,701
Long-term receivable from several land owners bearing interest at 3.95%, receivable in blended annual payments of $61,672, due 2025.	-	59,326
Long-term receivable from several land owners bearing interest at 4.57%, receivable in blended annual payments of $45,575, due 2040.	488,068	509,389
Long-term receivable bearing interest at 6%, receivable in blended annual payments of $3,498, due 2028.	-	13,054
Long-term receivable from several land owners bearing interest at 3.00% per annum, receivable in blended annual payments of $25,127, due 2039.	223,068	233,553
Promissory note receivable from United Way of Perth-Huron, bearing interest at 2%, due in 2049.	-	800,000
Promissory note receivable from United Way of Perth-Huron, bearing interest at 3.65% receivable in semi-annual installments of 26,900, due in 2037.	519,013	-
	$ 1,334,777	$ 1,727,421

7. Investments:

	2025	2024
Principal protected notes	$ 13,657,780	$ 16,517,500

The principal protected notes are measured at fair value, have a principal balance of $11,000,000 (2024 - $15,015,000) and a market value of $13,657,780 (2024 - $16,517,500). The notes mature in April 2026 and April 2028. The return is based on certain market performance over the life of the notes and is determined upon maturity.

8. Retirement benefits:

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

Employees and the Municipality contribute equally to the plan at rates ranging from 9% to 15.8% depending on the member's designated retirement age and level of earnings. The amount contributed to OMERS for 2025 was $ 1,275,881 (2024 - $1,147,313) for current service and is reported as an expense on the consolidated statement of operations.

As at December 31, 2025, the OMERS plan is in a deficit position of $1.3 billion (2024 - $2.9 billion), which will be addressed through temporary contribution rate increases and, if needed, benefit reductions. The multi-employer plan is valued on a current market basis for all plan assets. The projected benefit method prorated on services was used for the actuarial valuation.

9. Accumulated surplus:

The Municipality segregates its accumulated surplus into the following categories:

	2025	2024
Investment in tangible capital assets	$ 153,348,185	$ 157,972,660
Reserve funds set aside for specific purpose by council:		
General capital	9,714,412	8,318,593
Water	3,249,745	2,129,300
Wastewater	6,567,285	5,669,848
Stormwater	2,120,289	1,660,109
Landfill	747,372	794,381
Cemetery	90,981	90,981
Growth	200,000	100,000
Land and property acquisition	1,000,000	500,000
Strategic initiatives	1,070,923	1,172,893
Administration	2,164,629	1,985,513
Affordable housing	175,000	75,000
Business improvement area	156,610	147,076
Library board	1,954,455	1,795,903
Perth Meadows	-	(1,138,150)
Total reserve funds	29,211,701	23,301,447
Reserves set aside for specific purpose by council:		
Contingency	2,232,740	2,082,740
Insurance and legal	175,000	100,000
Winter control	300,000	200,000
Elections	60,033	40,033
Building code enforcements	(556,082)	(398,847)
Total reserves	2,211,691	2,023,926
Unfunded	(3,213,550)	(3,119,355)
	$ 181,558,027	$ 180,178,678

The investment in tangible capital assets represents amounts already spent and invested in infrastructure less related long-term debt.

Reserves and reserve funds represent funds set aside by bylaw or council resolution for specific purposes.

10. Government grants - Federal:

	2025 Budget	2025 Actual	2024 Actual
Operating:			
Other operating funding	$ 515,170	$ 124,325	$ 41,155

11. Government grants - Provincial:

	2025 Budget	2025 Actual	2024 Actual
Operating:			
Ontario Municipal Partnership Fund	$ 1,867,800	$ 1,867,800	$ 1,680,900
Other operating funding	4,371,617	6,041,863	4,300,286
Capital:			
Ontario Community Infrastructure Fund	1,025,000	386,331	972,700
	$ 7,264,417	$ 8,295,994	$ 6,953,886

12. Other revenue:

	2025 Budget	2025 Actual	2024 Actual
Licences, permits and rents	$ 1,064,570	$ 904,222	$ 819,480
Perth Meadows	660,283	520,631	557,632
Sale of publications, equipment, etc.	161,728	150,587	147,870
Penalties and interest on taxation	243,116	311,642	265,095
Donations	86,786	113,137	774,351
Other fines and penalties	31,175	122,625	34,420
Loss on disposal of tangible capital assets	-	(333,283)	(415,213)
Other	-	77,958	3,361
Realized gain on sale of investments	-	321,800	155,600
	$ 2,247,658	$ 2,189,319	$ 2,342,596

13. Operations of School Boards and the County of Perth:

Total taxation received or receivable on behalf of the the school boards and the County of Perth, which are excluded from these consolidated financial statements, were as follows:

	2025	2024
School boards	$ 5,446,644	$ 5,414,059
County of Perth	8,624,857	7,680,464
	$ 14,071,501	$ 13,094,523

14. Tangible capital assets:

	Land and land improvements	Buildings	Equipment and furniture	Fleet	Information technology equipment	Infrastructure - roads	Infrastructure - bridges and culverts	Infrastructure - water, sewer, storm and landfill	Assets under construction	2025 Total
Cost, beginning of year	$ 16,481,051	$ 60,413,627	$ 9,008,315	$ 5,625,043	$ 586,298	$ 50,123,005	$ 23,886,255	$ 90,355,351	$ 3,587,420	$ 260,066,365
Additions	242,745	668,845	793,919	120,884	-	1,217,745	45,004	402,996	3,099,778	6,591,916
Disposals	(418,825)	(8,695,852)	(23,859)	(264,766)	-	(93,530)	(41,216)	(1,631,970)	(6,653)	(11,176,671)
Transfers	1,286,630	-	234,616	-	-	1,236,832	-	851,663	(3,609,741)	-
Cost, end of year	$ 17,591,601	$ 52,386,620	$ 10,012,991	$ 5,481,161	$ 586,298	$ 52,484,052	$ 23,890,043	$ 89,978,040	$ 3,070,804	$ 255,481,610
Accumulated amortization, beginning of year	$ 1,617,373	$ 17,534,802	$ 4,968,596	$ 2,477,191	$ 418,162	$ 18,142,477	$ 8,884,763	$ 26,504,174	$ -	$ 80,547,538
Amortization	265,134	1,458,872	515,885	309,506	54,605	1,421,411	363,570	1,538,884	-	5,927,867
Disposals	(7,613)	(2,622,463)	(4,573)	(264,766)	-	(69,757)	(36,224)	(1,310,333)	-	(4,315,729)
Accumulated amortization, end of year	$ 1,874,894	$ 16,371,211	$ 5,479,908	$ 2,521,931	$ 472,767	$ 19,494,131	$ 9,212,109	$ 26,732,725	$ -	$ 82,159,676
Net book value, end of year	$ 15,716,707	$ 36,015,409	$ 4,533,083	$ 2,959,230	$ 113,531	$ 32,989,921	$ 14,677,934	$ 63,245,315	$ 3,070,804	$ 173,321,934

14. Tangible capital assets (continued):

	Land and land improvements	Buildings	Equipment and furniture	Fleet	Information technology equipment	Infrastructure - roads	Infrastructure - bridges and culverts	Infrastructure - water, sewer, storm and landfill	Assets under construction	2024 Total
Cost, beginning of year	$ 15,493,484	$ 59,673,846	$ 8,610,021	$ 4,894,035	$ 558,594	$ 48,468,410	$ 23,366,822	$ 84,991,714	$ 1,996,429	$ 248,053,355
Additions	510,829	170,249	417,715	757,875	-	882,244	627,716	632,879	9,011,739	13,011,246
Disposals	(161,761)	(142,667)	(19,421)	(26,867)	-	(214,848)	(188,370)	(134,515)	(109,787)	(998,236)
Transfers	638,499	712,199	-	-	27,704	987,199	80,087	4,865,273	(7,310,961)	-
Cost, end of year	$ 16,481,051	$ 60,413,627	$ 9,008,315	$ 5,625,043	$ 586,298	$ 50,123,005	$ 23,886,255	$ 90,355,351	$ 3,587,420	$ 260,066,365
Accumulated amortization, beginning of year	$ 1,546,906	$ 16,144,246	$ 4,531,956	$ 2,196,202	$ 343,539	$ 16,954,279	$ 8,627,795	$ 25,028,588	$ -	$ 75,373,511
Amortization	214,848	1,447,504	449,901	307,856	74,623	1,370,033	366,275	1,526,009	-	5,757,049
Disposals	(144,381)	(56,948)	(13,261)	(26,867)	-	(181,835)	(109,307)	(50,423)	-	(583,022)
Accumulated amortization, end of year	$ 1,617,373	$ 17,534,802	$ 4,968,596	$ 2,477,191	$ 418,162	$ 18,142,477	$ 8,884,763	$ 26,504,174	$ -	$ 80,547,538
Net book value, end of year	$ 14,863,678	$ 42,878,825	$ 4,039,719	$ 3,147,852	$ 168,136	$ 31,980,528	$ 15,001,492	$ 63,851,177	$ 3,587,420	$ 179,518,827

The net book value of tangible capital assets not being amortized because they are under construction (or development) is $3,070,804 (2024 - $3,587,420).

15. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $222,639 (2024 - $271,525), which includes amounts payable for HST and payroll related taxes.

16. Long-term debt:

	2025	2024
OSIFA loan, bearing interest at 2.63%; repayable in blended semi-annual payments of $124,807; due April 2046.	$ 3,935,965	$ 4,079,232
OSIFA loan, bearing interest at 3.95%; repayable in blended semi-annual payments of $30,618; matured in October 2025.	-	59,281
OSIFA loan, bearing interest at 4.57%; repayable in blended semi-annual payments of $74,255; due October 2040.	1,598,431	1,672,026
OSIFA loan, bearing interest at 4.91%; repayable in blended semi-annual payments of $60,204; due May 2051.	1,740,465	1,774,171
Cemetery Care and Maintenance Trust Fund loan, bearing interest at 5%; repayable in blended annual payments of $25,678; due December 2027.	47,745	69,896
Canada Mortgage and Housing Corporation mortgage, bearing interest at 3.89%; repayable in annual payments of $109,300; due March 2031.	575,024	658,701
OSIFA loan, bearing interest at 3.65%; repayable in blended semi-annual payments of $168,651; due November 2037.	3,254,002	3,466,693
OILC loan, bearing interest at 2.22%; repayable in blended semi-annual payments of $290,473, due July 2045.	9,341,297	9,708,737
Tile drainage loans, bearing interest at 6.0% and repayable in annual installments. The loans are due between 2024 and 2026 and are recoverable from benefiting landowners.	55,838	57,430
	$ 20,548,767	$ 21,546,167

16. Long-term debt (continued):

Principal repayments relating to long-term debt are due as follows:

2026	$	941,814
2027		970,969
2028		975,426
2029		1,005,292
2030		1,036,120
Thereafter		15,619,146
	$	20,548,767

17. Asset retirement obligation:

The Municipality owns and operates one active landfill site and two closed sites. The liability for the closure of the operational sites and post-closure care has been recognized under PS 3280 *Asset Retirement Obligations*. The costs were based upon the presently known obligations that will exist at the estimated year of closure of the site and for post-closure care. These costs were discounted to December 31, 2024 using a discount rate of 3.02%. Solid waste landfill closure and post-closure costs are funded through the Municipality’s annual budget.

The Municipality owns and operates buildings that are known to contain asbestos. Following the adoption of PS 3280 *Asset Retirement Obligations*, the Municipality recognized an obligation relating to the removal and post-removal care of the asbestos in these buildings.

Changes to the asset retirement obligations in the year are as follows:

2025		Landfill closure		Building asbestos removal		Total
Opening balance	$	2,951,937	$	167,418	$	3,119,355
Accretion expense		89,148		5,056		94,204
Closing balance	$	3,041,085	$	172,474	$	3,213,559

17. Asset retirement obligation (continued):

2024	Landfill closure	Building asbestos removal	Total
Opening balance	$ 2,865,402	$ 175,295	$ 3,040,697
Accretion expense	86,535	5,294	91,829
Change in estimate	-	(13,171)	(13,171)
Closing balance	$ 2,951,937	$ 167,418	$ 3,119,355

Accretion expense of $94,204 (2024 - $91,829) has been recorded within environmental services and recreation and cultural services expense on the statement of operations.

18. Deferred revenue:

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized or refund issued	Ending balance
Development charges	$ 5,979,032	$ 740,235	$ 201,474	$ (537,530)	$ 6,383,211
Canada Community Building Fund	500,978	508,872	23,780	-	1,033,630
Provincial gas tax	649,125	80,089	21,695	-	750,909
Recreational land	365,027	1,000	11,507	-	377,534
Other restricted grants	2,489,147	6,046,168	-	(3,931,929)	4,603,386
Deferred life lease revenue	1,884,039	-	-	(1,884,039)	-
	$ 11,867,348	$ 7,376,364	$ 258,456	$ (6,353,498)	$ 13,148,670

18. Deferred revenue (continued):

Perth Meadows - Deferred life lease revenue

The Phase II life leases purchased by tenants of the Perth Adult Life Care Residences as described in Note 1 to these financial statements contain a "guaranteed buy back" clause whereby the Municipality is liable to the purchaser for up to 95% of the original purchase price upon termination of the agreement by the resident.

As at year-end, all obligations had been transferred as a result of the transfer described in Note 2.

19. Drain receivables:

Drainage receivable consists of costs that the Municipality has incurred for drainage works. The Municipality has billed landowners for their apportion of the drainage costs, based on the total cost of the drain to the benefiting landowners. Amounts are due subsequent to the completion of the work and are non-interest bearing.

20. Fund held in trust:

At the year end, the Municipality held $762,958 (2024 - $704,882) in trust. These funds are not included in these financial statements. Certain assets have been conveyed or assigned to the Municipality to be administered as directed by agreement or statute. The Municipality holds the assets for the benefit of, and stands in fiduciary relationship to, the beneficiaries. The following trust funds and assets are excluded from the Municipality’s financial statements:

	2025	2024
Cemetery Care and Maintenance fund	$ 762,958	$ 704,882

21. Budget:

The Financial Plan (Budget) By-Law adopted by Council on May 1, 2023 was not prepared on a basis consistent with that used to report actual results (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 statements of operations and change in net financial assets (debt) represent the Financial Plan adopted by Council on May 1, 2023 with adjustments as follows:

	2025
Financial Plan (Budget) By-Law surplus for the year	$ -
Add:	
Budgeted transfers to reserves	5,066,851
Budgeted capital expenditures	12,353,200
Budgeted principal payment on debt	-
Less:	
Budgeted transfers from reserves	(195,707)
Budgeted capital expenditures	(12,353,200)
Budgeted proceeds from temporary borrowing	-
Budgeted internal transfers and own equipment	-
Budget surplus per statement of operations	$ 4,871,144

22. Contingent liabilities:

The Municipality is a defendant in a number of lawsuits. The outcome of these lawsuits cannot be determined at this time. It is management's opinion that the municipality's insurance will adequately cover any potential liability arising from these lawsuits. Liability for these lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable.

23. Contractual commitments:

The Municipality of North Perth has an operating lease with the Avon Maitland District School Board for premises at 6144 Binning Street West that expires in 2055. The annual lease payments range from $41,507 to $78,222 and total $1,913,975 over the remaining term of the lease.

The Municipality also has an operating lease with the Huron Perth Catholic District School Board for premises at 1209 Tremaine Avenue that expires in 2030. The annual lease payments are $60,515, totalling $363,090 over the remaining term of the lease.

24. Comparative information:

Certain comparative information have been reclassified from those previously presented to conform to the presentation of the 2025 financial statements.

25. Segmented information:

The Municipality is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government

This category relates to the revenues and expenses of the operations of the Municipality itself and cannot be directly attributed to a specific segment. It includes Municipal council, administrative and clerk's departments.

Protection to Persons and Property

Protection to persons and property department is comprised of police services, fire protection and protective inspection. The police services work to ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. Protective inspection provides services related to the enforcement of building and construction codes.

Transportation

The transportation services department is responsible for the delivery of public works services related to maintenance of roadway systems, winter control, and street lighting.

Environmental

The environmental services department consists of water, wastewater and solid waste disposal utilities. The department provides drinking water, wastewater collection and treatment to ensure the Municipality's water system meets all Provincial standards, and waste collection and disposal for its citizens.

Health

The health services department is responsible for maintaining the Municipality's cemeteries.

25. Segmented information (continued):

Social

The social services department provides child care services.

Recreation and Cultural

The recreation and cultural services department is responsible for the delivery and upkeep of all recreation programs and facilities including parks and the library.

Planning and Development

The planning and development department provides a number of services including planning, economic development, and maintenance of the Municipality's drains.

Perth Meadows

The Municipality purchased the assets of Perth Adult Life Care Residences in November 2011. The senior's complex consists of 18 town homes and 36 suite units which the Municipality is offering as life lease or rental units.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers are measured on the basis of the actual cost of services provided. Taxation and grants attributable to a number of segments have been allocated to those segments based on the budgeted net operating revenue for the year.

25. Segmented information (continued):

	General government	Protection to persons and property	Transportation	Environmental	Health	Social	Recreation and cultural	Planning and development	Perth Meadows	Total 2025
Revenue:										
Taxation	$ 3,942,497	$ 4,951,891	$ 6,508,517	$ 299,613	$ 224,741	$ -	$ 5,772,612	$ 427,198	$ -	$ 22,127,069
Government grants	446,076	574,764	1,962,198	68,873	19,353	4,457,202	1,253,074	24,955	-	8,806,495
User fees and service charges	603,330	199,608	167,392	9,500,027	59,364	1,154,451	1,316,997	172,452	-	13,173,621
Development charges	-	-	-	451,448	-	-	86,081	-	-	537,529
Investment income	849,569	-	-	-	31,391	-	-	-	-	880,960
Other	813,447	788,650	36,705	(277,425)	84,855	42,519	179,156	781	520,631	2,189,319
	6,654,919	6,514,913	8,674,812	10,042,536	419,704	5,654,172	8,607,920	625,386	520,631	47,714,993
Expenses:										
Salaries and wages	3,656,352	2,027,882	1,959,052	1,763,073	205,116	5,089,648	3,781,373	65,202	55,041	18,602,739
Materials	689,604	353,595	857,626	1,859,645	17,344	224,025	1,373,326	134,042	174,554	5,683,761
Contracted services	1,218,731	3,859,080	2,357,268	1,586,120	32,372	3,667	1,005,808	112,107	132,647	10,307,800
Interest on long-term debt	-	-	52,863	448,275	3,496	-	103,895	-	19,716	628,245
Rents and financing expenses	14,007	-	3,408	89,149	-	120,555	9,401	-	-	236,520
Contributions to others	(841,181)	388,524	401,423	188,353	9,085	186,985	(405,361)	41,572	30,600	-
Amortization	63,763	266,920	2,294,603	1,905,284	6,283	49,808	1,161,596	-	179,610	5,927,867
Other	-	-	-	-	-	-	-	-	4,948,712	4,948,712
	4,801,276	6,896,001	7,926,243	7,839,899	273,696	5,674,688	7,030,038	352,923	5,540,880	46,335,644
Net surplus (deficit)	$ 1,853,643	$ (381,088)	$ 748,569	$ 2,202,637	$ 146,008	$ (20,516)	$ 1,577,882	$ 272,463	$ (5,020,249)	$ 1,379,349

MUNICIPALITY OF NORTH PERTH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

25. Segmented information (continued):

	General government	Protection to persons and property	Transportation	Environmental	Health	Social	Recreation and cultural	Planning and development	Perth Meadows	Total 2024
Revenue:										
Taxation	$ 3,884,194	$ 4,757,125	$ 6,249,656	$ 284,670	$ 200,439	$ -	$ 4,570,673	$ 698,953	$ -	$ 20,645,710
Government grants	1,500,597	420,225	668,463	106,241	-	3,996,609	689,765	4,847	-	7,386,747
User fees and service charges	317,396	117,408	53,637	9,044,059	79,272	1,403,462	1,267,097	114,971	-	12,397,302
Development charges	277,621	-	-	522,740	-	-	40,000	-	-	840,361
Investment income	918,286	-	-	-	15,169	-	-	-	-	933,455
Other	494,660	666,422	(183,767)	(52,551)	90,176	56,919	712,343	761	557,632	2,342,595
	7,392,754	5,961,180	6,787,989	9,905,159	385,056	5,456,990	7,279,878	819,532	557,632	44,546,170
Expenses:										
Salaries and wages	3,279,962	1,663,760	1,741,151	1,654,814	191,274	4,892,432	3,423,370	60,071	49,642	16,956,476
Materials	180,865	611,762	1,159,283	2,189,996	24,474	432,094	1,655,215	107,606	193,993	6,555,288
Contracted services	209,454	3,722,880	2,191,506	1,238,068	18,032	1,100	555,207	116,521	69,456	8,122,224
Interest on long-term debt	15	-	189,964	332,640	4,553	-	110,276	-	20,927	658,375
Rents and financing expenses	91,299	213,639	167,118	26,862	-	119,628	(486,702)	8,572	-	140,416
Contributions to others	114,876	-	-	-	-	-	4,764	-	-	119,640
Amortization	77,609	259,374	2,183,835	1,891,846	5,631	54,301	1,090,821	-	193,632	5,757,049
	3,954,080	6,471,415	7,632,857	7,334,226	243,964	5,499,555	6,352,951	292,770	527,650	38,309,468
Net surplus (deficit)	$ 3,438,674	$ (510,235)	$ (844,868)	$ 2,570,933	$ 141,092	$ (42,565)	$ 926,927	$ 526,762	$ 29,982	$ 6,236,702