CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

FINANCIAL STATEMENTS

December 31, 2025

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

December 31, 2025

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CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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 Corporation of the Township of South Glengarry's Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Council fulfills 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 Council 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.

July 27, 2026

Chief Administrative Officer

Treasurer/General Manager of Finance

Independent Auditor's Report

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

Opinion

We have audited the financial statements of Corporation of the Township of South Glengarry (the "Township"), which comprise the statement of financial position as at December 31, 2025, and the statements of financial activities, 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 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

July 27, 2026 — Licensed Public Accountants

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

STATEMENT OF FINANCIAL POSITION

As at December 31, 2025

		2025		2024
NET FINANCIAL ASSETS				
ASSETS				
Cash (Note 2)	**$**	**6,094,711**	$	9,805,855
Taxes receivable (Note 3)		**3,861,055**		3,872,470
Accounts receivable		**4,984,496**		1,573,392
		14,940,262		15,251,717
LIABILITIES				
Accounts payable		**3,024,146**		3,468,132
Deferred revenue, obligatory reserve funds (Note 4)		**214,860**		108,991
Municipal debt (Note 5)		**7,627**		12,553
Asset retirement obligations (Note 6)		**5,323,603**		5,254,626
		8,570,236		8,844,302
NET FINANCIAL ASSETS		**6,370,026**		6,407,415
NON-FINANCIAL ASSETS				
Tangible capital assets (Schedules 1 and 2)		**66,816,610**		63,079,356
Inventory		**325,166**		287,901
Prepaid expenses		**272,118**		203,626
		67,413,894		63,570,883
ACCUMULATED SURPLUS (Schedule 3)	**$**	**73,783,920**	$	69,978,298

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2025

	(Note 12) BUDGET 2025	**ACTUAL 2025**	ACTUAL 2024
REVENUES			
Taxation	$ 12,222,942	**$ 12,312,406**	$ 11,529,690
Fees and service charges	2,760,425	**2,877,445**	3,268,465
Grants	1,272,400	**1,256,056**	1,617,601
Investment income	790,000	**834,557**	949,507
Other	-	**46,671**	-
	17,045,767	**17,327,135**	17,365,263
EXPENSES			
General government	2,171,630	**2,108,035**	2,206,243
Protection services	2,286,703	**2,323,559**	2,175,029
Transportation services	6,713,480	**6,222,017**	6,373,411
Environmental services	3,452,457	**3,776,833**	4,528,050
Health services	42,715	**48,807**	52,341
Recreation and cultural services	2,094,262	**2,022,750**	1,808,954
Planning and development	689,963	**675,565**	639,079
	17,451,210	**17,177,566**	17,783,107
NET REVENUES (EXPENSES) BEFORE OTHER ITEMS	(405,443)	**149,569**	(417,844)
OTHER REVENUE RELATED TO CAPITAL			
Deferred revenue earned (Note 4)	436,559	**436,559**	879,347
Grants	1,448,441	**3,165,853**	680,726
Gain on disposal of tangible capital assets	100,000	**53,641**	104,933
	1,985,000	**3,656,053**	1,665,006
SURPLUS FOR THE YEAR	1,579,557	**3,805,622**	1,247,162
ACCUMULATED SURPLUS, beginning of year	69,978,298	**69,978,298**	68,731,136
ACCUMULATED SURPLUS, end of year	$ 71,557,855	**$ 73,783,920**	$ 69,978,298

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended December 31, 2025

	(Note 12) BUDGET 2025	**ACTUAL 2025**	ACTUAL 2024
Surplus for the year	$ 1,579,557	**$ 3,805,622**	$ 1,247,162
Amortization of tangible capital assets	3,100,000	**3,365,787**	3,545,868
Acquisition of tangible capital assets	(4,818,682)	**(7,103,041)**	(3,413,875)
Proceeds on disposal of tangible capital assets	100,000	**53,641**	107,825
Gain on disposal of tangible capital assets	(100,000)	**(53,641)**	(104,933)
Change in inventory	-	**(37,265)**	114,021
Change in prepaid expenses	-	**(68,492)**	8,038
(Decrease) increase in net financial assets	(139,125)	**(37,389)**	1,504,106
Net financial assets, beginning of year	6,407,415	**6,407,415**	4,903,309
Net financial assets, end of year	$ 6,268,290	**$ 6,370,026**	$ 6,407,415

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

STATEMENT OF CASH FLOWS

For the year ended December 31, 2025

	2025	2024
CASH FROM OPERATING ACTIVITIES		
Surplus for the year	**$ 3,805,622**	$ 1,247,162
Items not affecting cash		
Amortization of tangible capital assets	**3,365,787**	3,545,868
Gain on sale of tangible capital assets	**(53,641)**	(104,933)
Increase in asset retirement obligations	**68,977**	66,968
	7,186,745	4,755,065
Changes in non-cash working capital balances		
Taxes receivable	**11,415**	(423,699)
Accounts receivable	**(3,411,104)**	661,446
Inventory	**(37,265)**	114,021
Prepaid expenses	**(68,492)**	8,038
Accounts payable	**(184,465)**	617,561
Deferred revenue, obligatory reserve funds	**105,869**	(451,681)
	3,602,703	5,280,751
CASH USED IN FINANCING ACTIVITIES		
Repayment of municipal debt	**(4,926)**	(4,647)
CASH USED IN CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	**53,641**	107,825
Acquisition of tangible capital assets	**(7,362,562)**	(2,826,044)
	(7,308,921)	(2,718,219)
(DECREASE) INCREASE IN CASH	**(3,711,144)**	2,557,885
CASH, beginning of year	**9,805,855**	7,247,970
CASH, end of year	**$ 6,094,711**	$ 9,805,855

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

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 wastewater	Bridges	Assets under Construction	2025	2024
Cost											
Balance, beginning of year	$ 6,897,172	$ 16,205,617	$ 7,374,283	$ 4,158,393	$ 23,270,418	$ 50,395,539	$ 12,824,898	$ 14,229,052	$ 409,591	$135,764,963	$132,696,582
Additions during the year	-	140,613	35,928	415,221	-	1,040,376	-	725,663	4,745,240	7,103,041	3,413,875
Disposals during the year	-	-	-	-	-	-	-	-	-	-	(345,494)
Balance, end of year	6,897,172	16,346,230	7,410,211	4,573,614	23,270,418	51,435,915	12,824,898	14,954,715	5,154,831	142,868,004	135,764,963
Accumulated Amortization											
Balance, beginning of year	377,091	6,124,711	3,568,823	1,918,068	15,292,838	34,137,858	4,090,734	7,175,484	-	72,685,607	69,482,341
Amortization during the year	377,091	402,576	410,202	163,805	387,163	1,166,215	158,528	300,207	-	3,365,787	3,545,868
Amortization on disposals	-	-	-	-	-	-	-	-	-	-	(342,602)
Balance, end of year	754,182	6,527,287	3,979,025	2,081,873	15,680,001	35,304,073	4,249,262	7,475,691	-	76,051,394	72,685,607
Net book value	$ 6,142,990	$ 9,818,943	$ 3,431,186	$ 2,491,741	$ 7,590,417	$ 16,131,842	$ 8,575,636	$ 7,479,024	$ 5,154,831	$ 66,816,610	$ 63,079,356

Acquisitions of tangible capital assets include accounts payable of $701,644 as of December 31, 2025 (2024 - $961,165); these amounts are treated as non-cash transactions for the purposes of the consolidated statement of cash flows.

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

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	2025	2024
Cost							
Balance, beginning of year	$ 2,501,459	$ 9,091,090	$ 73,390,252	$ 42,209,306	$ 8,163,265	$135,355,372	$132,696,582
Additions during the year	-	61,115	1,884,133	-	412,552	2,357,800	3,004,284
Disposals during the year	-	-	-	-	-	-	(345,494)
Assets in service, end of year	2,501,459	9,152,205	75,274,385	42,209,306	8,575,817	137,713,172	135,355,372
Assets under construction	-	-	26,725	5,047,485	80,622	5,154,832	409,591
Balance, end of year	2,501,459	9,152,205	75,301,110	47,256,791	8,656,439	142,868,004	135,764,963
Accumulated Amortization							
Balance, beginning of year	790,602	2,946,870	45,119,657	20,075,603	3,752,875	72,685,607	69,482,341
Amortization during the year	41,093	337,216	1,763,594	960,960	262,924	3,365,787	3,545,868
Amortization on disposals	-	-	-	-	-	-	(342,602)
Balance, end of year	831,695	3,284,086	46,883,251	21,036,563	4,015,799	76,051,394	72,685,607
Net book value	$ 1,669,764	$ 5,868,119	$ 28,417,859	$ 26,220,228	$ 4,640,640	$ 66,816,610	$ 63,079,356

Acquisitions of tangible capital assets include accounts payable of $701,644 as of December 31, 2025 (2024 - $961,165); these amounts are treated as non-cash transactions for the purposes of the consolidated statement of cash flows.

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

SCHEDULE 3 - SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2025

		2025		2024
Surpluses (Deficits)				
Operating surplus (Note 11)	**$**	**-**	$	-
Street lights surplus		**255,060**		161,107
Unfinanced capital outlay		**(1,994,537)**		-
Total surpluses (deficits)		**(1,739,477)**		161,107
Reserves				
Reserves set aside for specific purposes by Council:				
Working capital		**4,613,925**		4,151,033
Waste management		**1,246,878**		1,096,878
Capital		**32,564**		32,564
Fire		**1,040,427**		559,927
Planning		**138,685**		153,685
Recreation and health		**1,082,283**		1,016,703
Roads		**2,392,026**		1,651,987
Water and wastewater		**3,176,411**		3,032,493
Other		**307,191**		297,191
Total reserves		**14,030,390**		11,992,461
Equity in tangible capital assets				
Invested in tangible capital assets		**66,816,610**		63,079,356
Less: asset retirement obligations		**(5,323,603)**		(5,254,626)
Total equity in tangible capital assets		**61,493,007**		57,824,730
ACCUMULATED SURPLUS	**$**	**73,783,920**	$	69,978,298

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

SCHEDULE 4 - SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

For the year ended December 31, 2025

	Surpluses (Deficits)	Reserves	Equity in Tangible Capital Assets	2025	2024
Balance, beginning of year	**$ 161,107**	**$ 11,992,461**	**$ 57,824,730**	**$ 69,978,298**	$ 68,731,136
Surplus for the year	**3,805,622**	**-**	**-**	**3,805,622**	1,247,162
Operating funds transferred to reserves	**(4,373,753)**	**4,373,753**	**-**	**-**	-
Reserve funds used for tangible capital assets	**-**	**(2,335,824)**	**2,335,824**	**-**	-
Current year funds used for tangible capital assets	**(4,767,217)**	**-**	**4,767,217**	**-**	-
Gain on disposal of tangible capital assets	**(53,641)**	**-**	**53,641**	**-**	-
Proceeds from disposal of tangible capital assets	**53,641**	**-**	**(53,641)**	**-**	-
Accretion expense of asset retirement obligations	**68,977**	**-**	**(68,977)**	**-**	-
Amortization of tangible capital assets	**3,365,787**	**-**	**(3,365,787)**	**-**	-
Change in accumulated surplus	**(1,900,584)**	**2,037,929**	**3,668,277**	**3,805,622**	1,247,162
Balance, end of year	**$ (1,739,477)**	**$ 14,030,390**	**$ 61,493,007**	**$ 73,783,920**	$ 69,978,298

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

SCHEDULE 5 - SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2025

	General Government	Protection Services	Transportation Services	Environmental Services	Water and Wastewater	Health Services	Recreation and Cultural Services	Planning and Development	2025	2024
REVENUE										
Taxation	$ 641,342	$ 2,302,676	$ 6,738,157	$ 783,547	$ -	$ 6,625	$ 1,794,086	$ 45,973	$ 12,312,406	$ 11,529,690
Fees and service charges	81,646	31,221	61,104	155,598	1,690,996	51,962	290,974	513,944	2,877,445	3,268,465
Grants	804,228	28,032	377,546	3,900	-	-	-	42,350	1,256,056	1,617,601
Investment income	821,792	-	-	-	12,765	-	-	-	834,557	949,507
Other	-	-	-	-	-	-	46,671	-	46,671	-
	2,349,008	2,361,929	7,176,807	943,045	1,703,761	58,587	2,131,731	602,267	17,327,135	17,365,263
EXPENSES										
Wages and benefits	1,382,047	1,089,330	1,535,022	70,984	510,463	-	734,761	502,923	5,825,530	5,440,055
Interest on municipal debt	-	-	-	-	-	-	-	753	753	1,032
Materials and services	596,843	683,574	2,171,719	430,125	1,026,009	47,600	945,135	162,666	6,063,671	5,949,076
Contracted services	-	11,697	606,443	608,589	48,839	-	-	-	1,275,568	2,189,592
Insurance and financial costs	34,646	47,417	125,239	89,979	30,885	999	28,982	9,223	367,370	382,021
Third party transfers	53,406	154,325	20,000	-	-	-	51,156	-	278,887	275,463
Amortization	41,093	337,216	1,763,594	400,143	560,817	208	262,716	-	3,365,787	3,545,868
	2,108,035	2,323,559	6,222,017	1,599,820	2,177,013	48,807	2,022,750	675,565	17,177,566	17,783,107
NET REVENUES (EXPENSES) BEFORE OTHER ITEMS	240,973	38,370	954,790	(656,775)	(473,252)	9,780	108,981	(73,298)	149,569	(417,844)
OTHER REVENUE RELATED TO CAPITAL										
Deferred revenue earned	-	-	436,559	-	-	-	-	-	436,559	879,347
Grants	-	-	495,151	-	2,643,358	-	27,344	-	3,165,853	680,726
Gain on disposal of tangible capital assets	-	53,641	-	-	-	-	-	-	53,641	104,933
	-	53,641	931,710	-	2,643,358	-	27,344	-	3,656,053	1,665,006
SURPLUS (DEFICIT)	$ 240,973	$ 92,011	$ 1,886,500	$ (656,775)	$ 2,170,106	$ 9,780	$ 136,325	$ (73,298)	$ 3,805,622	$ 1,247,162

DESCRIPTION OF ORGANIZATION

The Corporation of the Township of South Glengarry (the "Township") is a Township in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the *Municipal Act, Municipal Affairs Act* and related legislation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

(a) Basis of consolidation

(i) Consolidated entities

These financial statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund and reserves and include the activities of all committees of Council.

All interfund assets and liabilities and sources of financing and expenditures have been eliminated.

(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 (the "School Boards"), and the United Counties of Stormont, Dundas and Glengarry (the "United Counties") are not reflected in the municipal fund balances of these financial statements.

(b) Accrual 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.

(c) 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 legalisation.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) 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 transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government 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.

(e) Fees and service charges

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.

(f) 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 the Canada Community Building Fund (Gas Tax Funds) is added to the associated funds and forms part of the respective deferred revenue, obligatory reserve fund balances.

(g) Cash

Cash is defined as cash on hand and cash on deposit.

(h) 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.

(i) Deferred revenue - obligatory reserve funds

The Township receives restricted contributions under the authority of federal and provincial legislations. 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.

(j) Future employee 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) 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:

Land improvements	20 to 40 years
Buildings	20 to 50 years
Vehicles	5 to 20 years
Machinery and equipment	3 to 30 years
Water and waste plants and networks	
Underground networks	50 to 100 years
Sewage treatment plants	50 to 75 years
Water pumping stations and reservoirs	50 to 75 years
Flood stations and other infrastructure	50 to 75 years
Transportation	
Roads	7 to 50 years
Bridges and structures	25 to 75 years

One half of the annual amortization is charged in the year of acquisition and 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 $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, vehicles, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Asset retirement obligations

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset 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, 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 fiscal year-end. 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. 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 asset retirement obligation 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 asset retirement obligation liability relating to the landfill post-closure costs until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

(m) 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 asset retirement obligations. Actual results could differ from these estimates.

(n) Segments

The Township conducts its operations through eight reportable segments: General Government, Protection services, Transportation services, Environmental services, Water and Wastewater services, Health services, Recreation and Cultural services, and Planning and Development. These segments are established by senior management to facilitate the achievement of the Township's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Liability for contaminated sites

A liability for contaminated sites arises when contamination is being introduced into the air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable concentrations under an environmental standard. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

(i) An environmental standard exists;
(ii) Contamination exceeds the environmental standard;
(iii) The Township is directly responsible, or accepts responsibility to remediate the site;
(iv) The Township expects that future economic benefits will be given up; and
(v) A reasonable estimate of the amount can be made.

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites. The liability estimate includes costs that are directly attributable to the remediation activities and includes integral post-remediation operation, maintenance and monitoring costs that are a part of the remediation strategy for the contaminated site. The costs that would be included in a liability include:

- Costs directly attributable to remediation activities (for example, payroll and benefits, equipment and facilities, materials, and legal and other professional services); and
- Costs of tangible capital assets acquired as part of remediation activities to the extent they have no other alternative use.

The measurement of a liability is based on estimates and professional judgment. The liability is recorded net of any expected recoveries. The carrying amount of a liability is reviewed at each financial reporting date with any revisions to the amount previously recognized accounted for in the period in which revisions are made.

A contingency is disclosed if all of the above criteria are not met.

(p) 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 made no such 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (continued)

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

	2025	2024
Operating	**$ 5,839,971**	$ 9,695,627
Obligatory reserve funds	**254,740**	110,228
	$ 6,094,711	$ 9,805,855

3. TAXES RECEIVABLE

The balance of taxes receivable reported on the Statement of Financial Position is comprised of the following:

	2025	2024
Taxes	**$ 3,432,901**	$ 3,463,493
Interest and penalties	**458,154**	438,977
Allowance for doubtful accounts	**(30,000)**	(30,000)
	$ 3,861,055	$ 3,872,470

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:

	COVID-19	Canada Community Building Fund	Parkland	2025	2024
Balance, beginning of year	**$ 2,615**	**$ 27,660**	**$ 78,716**	**$ 108,991**	$ 560,672
Grants and contributions	**-**	**436,559**	**132,500**	**569,059**	436,594
Interest and other	**-**	**3,673**	**988**	**4,661**	22,365
Funds used for operating	**-**	**-**	**(31,292)**	**(31,292)**	(31,293)
Funds used for capital	**-**	**(436,559)**	**-**	**(436,559)**	(879,347)
Balance, end of year	**$ 2,615**	**$ 31,333**	**$ 180,912**	**$ 214,860**	$ 108,991

5. MUNICIPAL DEBT

The balance of municipal debt reported on the Statement of Financial Position is comprised of the following:

	2025	2024
Tile drain loans, interest rates 6%, repayable over a ten year period in blended payments ranging between $1,209 and $2,269, maturity dates ranging from 2026 to 2029	**$ 7,627**	$ 12,553

Principal payments assuming the loans are renewed under the same terms and conditions are as follows:

2026	$ 1,743
2027	1,848
2028	1,959
2029	2,077
	$ 7,627

6. ASSET RETIREMENT OBLIGATIONS

The Township operates two solid waste landfill sites. The North Lancaster landfill site has an estimated remaining life of 11 years as the result of an amended provisional certificate of approval from the Ministry of the Environment dated March 2010. The Beaverbrook landfill site has an estimated remaining life of 15 years as the result of an amended provisional certificate of approval from the Ministry of the Environment dated December 2008. The estimates associated with closure and post-closure include costs such as clay, topsoil, hydro seed, site preparation, equipment, ditching, drainage, fencing and post-closure monitoring estimated for twenty-five years. Total closure and post-closure costs are estimated to be $5,323,603 (2024 - $5,254,626) being accrued at the end of the current fiscal year. The estimated costs are to be recovered from future general municipal revenues 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.

	2025	2024
Balance, beginning of year	**$ 5,254,626**	$ 5,187,658
Accretion expense	**68,977**	66,968
Balance, end of year	**$ 5,323,603**	$ 5,254,626

The allocation between the estimated future closure costs and the estimated post-closure cost is as follows:

	2025	2024
Closure costs (capping)	**$ 2,609,814**	$ 2,533,800
Post closure costs (monitoring)	**2,713,789**	2,720,826
	$ 5,323,603	$ 5,254,626

7. AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES

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

	2025	2024
Municipal debt	**$ 7,627**	$ 12,553
Asset retirement obligations	**5,323,603**	5,254,626
	$ 5,331,230	$ 5,267,179

Amounts are to be recovered from the following sources:

	2025	2024
General municipal revenues	**$ 4,076,725**	$ 4,157,748
Reserves	**1,246,878**	1,096,878
Benefiting landowners	**7,627**	12,553
	$ 5,331,230	$ 5,267,179

8. GRANTS BY FUNDING SOURCE

		2025		2024
Received from Federal Government	**$**	**1,790,398**	$	778,309
Received from Provincial Government		**3,068,070**		2,042,365
	$	**4,858,468**	$	2,820,674

9. OPERATING EXPENDITURES BY OBJECT

		(Note 12) BUDGET 2025		**ACTUAL 2025**		ACTUAL 2024
Wages and benefits	$	5,866,748	**$**	**5,825,530**	$	5,440,055
Interest on municipal debt		10,000		**753**		1,032
Materials and services		6,269,150		**6,063,671**		5,949,076
Contracted services		1,559,000		**1,275,568**		2,189,592
Insurance and other financial costs		359,513		**367,370**		382,021
Third party transfers		286,799		**278,887**		275,463
Amortization		3,100,000		**3,365,787**		3,545,868
	$	17,451,210	**$**	**17,177,566**	$	17,783,107

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 $364,631 (2024 - $346,023) for current service and is included as an expenditure on the Statement of Financial Activities.

11. OPERATING SURPLUS

	(Note 12) BUDGET 2025	**ACTUAL 2025**	ACTUAL 2024
Surplus for the year	$ 1,579,557	**$ 3,805,622**	$ 1,247,162
Funds transferred to reserves	(3,313,000)	**(3,755,942)**	(2,051,170)
Reserves used for capital and operating purposes	3,181,415	**2,335,824**	1,881,863
Acquisition of tangible capital assets	(4,818,682)	**(7,103,041)**	(3,413,875)
Annual amortization expense	3,100,000	**3,365,787**	3,545,868
Proceeds from long-term debt	346,710	**-**	-
Municipal debt payments	(35,000)	**-**	-
Unfinanced capital outlay carried forward	-	**1,994,537**	-
Proceeds on disposal of tangible capital assets	100,000	**53,641**	107,825
Gain on disposal of tangible capital assets	(100,000)	**(53,641)**	(104,933)
Accretion expense of asset retirement obligations	-	**68,977**	66,968
Operating surplus for the year	41,000	**711,764**	1,279,708
Transfer from (to) street lights surplus	(41,000)	**(93,953)**	(38,828)
Transfer from (to) water and wastewater reserve	-	**(113,918)**	(347,687)
Transfer from (to) working capital reserve	-	**(503,893)**	(893,193)
	$ -	**$ -**	$ -

12. BUDGET FIGURES

The 2025 budget which includes operating, capital, reserves and reserve funds transactions were approved by Council on May 26, 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.

13. TRANSFERS TO THE SCHOOL BOARDS AND UNITED COUNTIES

The Township collected and remitted county taxes on behalf of the United Counties of Stormont, Dundas and Glengarry in the amount of $13,775,257 (2024 - $12,958,341). During the year, the Township also collected and remitted $4,217,438 (2024 - $4,138,040) for provincial education taxes on behalf of the school boards.

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 administration, 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.

WSIB disability

As a result of recent changes to the *Workplace Safety and Insurance Act*, the Township would be responsible to reimburse WSIB for disability payments under the revised regulations for work-related disabilities for firefighters. The potential future benefit and administrative costs if claims are made are estimated at $Nil. As at December 31, 2025 no claims have been filed.

15. 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 *Ontario 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 include 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 include 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, and water and wastewater services.

(e) Water and wastewater services

As part of environmental services, water and wastewater services include the operation of water and waste water facilities and infrastructure for the collection and distribution of both water and wastewater services within the Township. Water and wastewater services' transactions are presented with environmental services on the statement of financial activities.

(f) Health services

Health services provide funding for local public health organizations.

15. SEGMENTED INFORMATION (Continued)

(g) Recreation and cultural services

Recreation and cultural services provide 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.

(h) 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.

16. COMPARATIVE FIGURES

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

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

FIVE YEAR FINANCIAL REVIEW (UNAUDITED)

For the year ended December 31, 2025

FINANCIAL ACTIVITIES (000's)

	2025	2024	2023	2022	2021
Revenues					
Taxation	$ 12,312	$ 11,530	$ 10,745	$ 9,959	$ 9,533
Fees and service charges	2,877	3,268	3,102	2,930	3,283
Grants	1,256	1,618	1,489	1,352	1,781
Investment income	835	949	800	695	536
Other	47	-	4	124	3
	17,327	17,365	16,140	15,060	15,136
Expenses					
General government	2,108	2,206	2,138	2,503	1,732
Protection to persons and property	2,323	2,175	2,218	1,916	1,749
Transportation services	6,222	6,374	6,031	5,857	6,017
Environmental	3,777	4,528	3,836	3,702	3,172
Health services	49	52	63	37	47
Social and family services	-	-	-	-	-
Recreation and cultural services	2,023	1,809	1,764	1,680	1,422
Planning and development	675	639	616	394	427
	17,177	17,783	16,666	16,089	14,566
Net revenue (expenses)	150	(418)	(526)	(1,029)	570
Other revenue related to capital					
Deferred revenue earned	436	879	435	1,499	395
Grants	3,166	681	685	1,410	329
Gain on disposal of tangible capital assets	54	105	-	90	-
Contributions from developers	-	-	-	350	-
Reversal of landfill closure costs	-	-	4,009	-	-
	3,656	1,665	5,129	3,349	724
Surplus for the year	$ 3,806	$ 1,247	$ 4,603	$ 2,320	$ 1,294

PROPERTY TAXES BILLED (000's)

	2025	2024	2023	2022	2021
Own Purposes	$ 12,312	$ 11,530	$ 10,745	$ 9,959	$ 9,533
Upper-Tier	13,775	12,926	12,311	11,700	11,214
School Boards	4,217	4,170	4,115	4,043	3,945
	$ 30,304	$ 28,626	$ 27,171	$ 25,702	$ 24,692

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

FIVE YEAR FINANCIAL REVIEW
(UNAUDITED)

For the year ended December 31, 2025

TAXABLE ASSESSMENT (000's)

	2025	2024	2023	2022	2021
Residential and farm	$ 2,408,002	$ 2,386,716	$ 2,327,364	$ 2,315,969	$ 2,154,224
Commercial and industrial	166,844	164,563	159,110	159,242	151,055
	2,574,846	2,551,279	2,486,474	2,475,211	2,305,279
Exempt	64,134	63,932	48,556	46,130	45,946
	$ 2,638,980	$ 2,615,211	$ 2,535,030	$ 2,521,341	$ 2,351,225
Commercial and industrial	6.48%	6.45%	6.40%	6.43%	6.55%
Municipal residential tax rate	0.5839 %	0.5537 %	0.5198 %	0.4867 %	0.4790 %

FINANCIAL INDICATORS

	2025	2024	2023	2022	2021
Tax arrears					
Percentage of own levy	31 %	34 %	32 %	33 %	34 %
Percentage of total levy	13 %	14 %	13 %	13 %	13 %
Municipal debt	$ 7,627	$ 12,553	$ 17,200	$ 27,827	$ 37,862
Municipal debt charges	$ 753	$ 1,032	$ 1,670	$ 2,260	$ 2,849
Sustainability					
Financial assets to liabilities	1.74	1.72	1.61	1.60	2.27
Financial assets to liabilities excluding municipal debt	1.74	1.73	1.61	1.61	2.28
Municipal debt to tangible capital assets	0.01 %	0.02 %	0.03 %	0.05 %	0.07 %
Flexibility					
Debt charges to total operating revenue	- %	0.01 %	0.01 %	0.02 %	0.02 %
Total operating revenue to taxable assessment	6.57 %	6.60 %	6.37 %	5.97 %	6.60 %
Vulnerability					
Operating grants to operating revenue	7.25 %	9.38 %	9.22 %	8.98 %	11.76 %
Total grants to total revenues	21.07 %	12.08 %	10.22 %	15.00 %	13.30 %
Reserve coverage					
Reserves	$14,030,390	$11,992,461	$10,582,275	$9,948,653	$13,280,348
Reserves to operating expenses	82 %	67 %	63 %	62 %	91 %
Reserves to working capital	1.20	1.03	1.05	1.04	0.99
Working capital reserve	$4,613,925	$4,151,033	$3,301,840	$2,653,951	$3,830,248
Working capital reserve to operating expenses	27 %	23 %	20 %	16 %	26 %