Township of Ear Falls
Consolidated Financial Statements
December 31, 2025

Management's Responsibility

To the Members of Council, Inhabitants and Ratepayers of the Township of Ear Falls:

Management is responsible for the preparation and presentation of the accompanying consolidated 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 consolidated 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 consolidated financial statements.

The Mayor and Members of Council composed primarily of councillors who are neither management nor employees of the Municipality. The Mayor and Members of Council is responsible for overseeing management in the performance of its financial reporting responsibilities. The Mayor and Members of Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Mayor and Members of Council is also responsible for recommending the appointment of the Municipality's external auditors.

MNP LLP is appointed by the Members of Council, Inhabitants and Ratepayers of Township of Ear Falls to audit the consolidated 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 Mayor and Members of Council and management to discuss their audit findings.

August 5, 2026

e-Signed by Kevin Kahoot 2026-08-05 16:19:20:20 CDT	e-Signed by Shannon Jeffries 2026-08-05 16:18:30:30 CDT
Mayor	Clerk Treasurer Administrator

To the Members of Council, Inhabitants and Ratepayers of the Township of Ear Falls:

Opinion

We have audited the consolidated financial statements of the Township of Ear Falls and its subsidiaries (the "Municipality"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations, remeasurement gains and losses, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2025, and the results of its consolidated operations, its consolidated remeasurement gains and losses, changes in its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

MNP LLP
607 Portage Avenue, Fort Frances ON, P9A 0A7 T: 807.274.9848 F: 807.274.5142

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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

Fort Frances, Ontario

Chartered Professional Accountants

August 5, 2026

Licensed Public Accountants

Township of Ear Falls
Consolidated Statement of Financial Position
As at December 31, 2025

	2025	2024
Assets		
Financial assets		
Cash and temporary investments *(Note 2)*	**6,764,655**	7,141,103
Trade, grant and other receivable	**811,607**	517,436
Portfolio investments *(Note 3)*	**1,793,210**	1,485,013
Property tax receivable	**211,972**	207,114
	9,581,444	9,350,666
Liabilities		
Financial liabilities		
Accounts payable and accruals *(Note 5)*	**442,130**	867,484
Deferred revenue *(Note 6)*	**192,094**	105,678
Net long-term debt *(Note 7)*	**341,037**	519,551
Asset retirement obligations *(Note 8)*	**4,772,797**	4,671,427
	5,748,058	6,164,140
Net financial assets	**3,833,386**	3,186,526
Non-financial assets		
Tangible capital assets *(Note 9)*	**24,487,619**	23,838,119
Inventory of surplus land	**128,252**	134,437
Prepaid expenses	**28,366**	53,816
Total non-financial assets	**24,644,237**	24,026,372
Accumulated surplus *(Note 10)*	**28,477,623**	27,212,898
Accumulated surplus is comprised of:		
Accumulated operating surplus	**28,385,217**	27,177,145
Accumulated remeasurement gains	**92,406**	35,753
	28,477,623	27,212,898

e-Signed by Kevin Kahoot
2026-08-05 16:19:25:25 CDT
Mayor

e-Signed by Shannon Jeffries
2026-08-05 16:18:38:38 CDT
Clerk Treasurer Administrator

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

Township of Ear Falls
Consolidated Statement of Operations
For the year ended December 31, 2025

	2025 Budget	2025	2024
Revenue			
Taxation *(Note 11)*	2,209,183	**2,459,540**	2,407,138
Government transfers *(Note 12), (Note 13)*	3,559,210	**1,695,591**	1,450,339
User fees	1,551,446	**2,333,811**	2,142,598
Other revenue *(Note 14)*	2,092,057	**481,340**	568,614
	9,411,896	**6,970,282**	6,568,689
Program expenses			
General Government	2,080,447	**2,006,167**	1,800,510
Protection Services	639,635	**524,920**	527,991
Transportation Services	184,314	**308,684**	341,340
Environmental Services	2,310,465	**1,570,388**	1,459,625
Health Services	268,981	**265,045**	269,719
Social and Family Services	59,094	**116,649**	79,219
Social Housing	148,923	**59,094**	60,132
Recreation and Cultural Services	911,276	**879,248**	830,304
Planning and Development	41,658	**32,015**	39,002
Total expenditures	6,644,793	**5,762,210**	5,407,842
Operating surplus	2,767,103	**1,208,072**	1,160,847
Accumulated operating surplus, beginning of year	-	**27,177,145**	26,016,298
Accumulated operating surplus, end of year	2,767,103	**28,385,217**	27,177,145

Township of Ear Falls
Consolidated Statement of Remeasurement Gains and Losses
For the year ended December 31, 2025

	2025	2024
Accumulated remeasurement gains (losses), beginning of year	**35,753**	(4,232)
Unrealized gains (losses) attributable to:		
Portfolio investments	**56,653**	39,985
Accumulated remeasurement gains, end of year	**92,406**	35,753

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

Township of Ear Falls
Consolidated Statement of Change in Net Financial Assets
For the year ended December 31, 2025

	2025 Budget	2025	2024
Annual surplus	**2,767,103**	**1,208,072**	1,160,847
Acquisition of tangible capital assets	**(5,782,089)**	**(1,605,697)**	(1,935,172)
Amortization of tangible capital assets	**-**	**949,582**	935,704
Proceeds on sale of tangible capital assets	**-**	**-**	21,750
Loss/(Gain) on disposal of assets	**-**	**6,614**	11,309
	(5,782,089)	**(649,501)**	(966,409)
Acquisition of supplies inventories	**-**	**6,185**	(25,972)
Acquisition of prepaid expenses	**-**	**25,451**	(19,479)
Change in remeasurement gains (losses) for the year	**-**	**56,653**	39,985
	-	**88,289**	(5,466)
Increase in net financial assets	**(3,014,986)**	**646,860**	188,972
Net financial assets, beginning of year	**3,186,526**	**3,186,526**	2,997,554
Net financial assets, end of year	**171,540**	**3,833,386**	3,186,526

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

	2025	2024
Operating activities		
Operating surplus	**1,208,072**	1,160,847
Non-cash items		
Amortization	**949,582**	935,704
Accretion	**101,370**	99,217
Gain (loss) on disposal of capital assets	**6,614**	11,309
Net Remeasurement Gain (loss)	**56,653**	39,985
	2,322,291	2,247,062
Changes in working capital accounts		
Accounts receivable	**(294,171)**	(55,706)
Taxes receivable	**(4,859)**	(39,146)
Prepaid expenses and deposits	**25,451**	(19,479)
Inventory of Surplus Land	**6,185**	(25,972)
Accounts payable and accruals	**(425,354)**	456,628
Deferred revenue	**86,416**	(151,293)
	1,715,959	2,412,094
Financing activities		
Long-term debt repayments	**(178,514)**	(174,136)
Capital activities		
Purchases of tangible capital assets	**(1,605,697)**	(1,935,172)
Proceeds from sale of capital assets	**-**	21,750
	(1,605,697)	(1,913,422)
Investing activities		
Purchase of investments	**(308,196)**	(281,561)
Increase (decrease) in cash resources	**(376,448)**	42,975
Cash resources, beginning of year	**7,141,103**	7,098,128
Cash resources, end of year	**6,764,655**	7,141,103

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

1. Significant accounting policies

Management's Responsibility for the Prepared Financial Statements :

The consolidated financial statements of the Township of Ear Falls are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards. The Township of Ear Falls is a municipality in the Province of Ontario and operates under the provisions of the Municipal Act, 2001. The Township provides municipal services such as fire, public works, planning, parks, recreation, and other general government services.

Basis of Consolidation:

The consolidated financial statements reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and boards which are owned or controlled by the Township. All interfund assets and liabilities and revenue and expenses have been eliminated on consolidation. The following entities have been consolidated:

Ear Falls Public Library 100%

Non-consolidated Entities

The following joint boards are not consolidated:

Pinecrest Home for the Aged
Northwestern Health Unit
Kenora District Services Board

Cash and cash equivalents

Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.

Pension Agreement

The Township is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Township has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Township records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

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 revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset, commencing once the asset is available for productive use, as follows:

Land improvements	15 to 40 years
Buildings	20 to 60 years
Machinery and equipment	10 to 25 years
Linear assets	5 to 75 years
Library collection	15 years
Vehicles	3 to 20 years

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

Collection of Taxes on Behalf of Other Taxation Authorities

The Township collects taxation revenue on behalf of the schoolboards. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these consolidated financial statements.

Revenue recognition

Government transfers are recognized in the consolidated 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. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the consolidated statement of operations and accumulated surplus as the stipulation liabilities are settled.

Charges for water and sewer usage are recorded as user fees and recognized as services are provided. Connection fee revenues are recognized when the connection has been established.

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

Fees, rental and other user charge revenue are recorded in the accounts when title passes to the buyer and/or when services have been rendered and the transaction can be reasonably measured.

Tax Revenues

The amount of the total property tax levy is determined each year through Council's approval of the annual operating budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council approved policies, in order to raise the revenues required to meet operating budget requirements. Education tax rates are established by the Province each year in order to fund the costs of education on a Province wide basis.

Property assessments, on which property taxes are based, are established by the Municipal Property Assessment Corporation. The current value assessment (CVA) of a property represents an estimated market value of a property as of a fixed date. Assessed values for all properties within the Township are provided to the Township in the form of the returned assessment roll in December of each year.

The amount of property tax levied on an individual property is the product of the current value assessment (CVA) of the property and the tax rate for the class, together with any adjustments that reflect Council approved mitigation or other tax policy measures.

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 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 allowance for anticipated uncollectable amounts.

Trust Funds

Trust funds held in trust by the Township and their related operations are not included in these financial statements. The financial activity and position of the trust funds are reported separately.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

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

Financial instruments

Cash and equity instruments quoted in an active market are measured at fair value. Accounts receivable, taxes receivable, accounts payable, and long-term debt are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

Asset retirement obligation

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

2. Cash and Cash Equivalents

The balance of cash and cash equivalents reported on the consolidated statement of financial position is made up of the following:

	2025	*2024*
Unrestricted	**3,585,097**	4,309,679
Restricted by Council resolution	**2,987,465**	2,725,746
Externally restricted	**192,093**	105,678
	6,764,655	7,141,103

Certain surplus funds are set aside by by-laws or Council resolution for specific purposes and referred to as reserve funds. Cash and cash equivalents restricted by Council resolution represent assets that are maintained in respect of those reserve funds (Note 10).

3. Portfolio investments

	2025	2024
Measured at fair value:		
Canadian Bond Portfolio (Cost: $ 737,588)	**732,814**	657,236
Canadian Equity Portfolio (Cost: $963,216)	**1,060,396**	827,777
	1,793,210	1,485,013

The following provides an analysis of financial instruments that are measured at fair value, using a fair value hierarchy of levels 1, 2 and 3. The levels reflect the significance of the inputs used in making the fair value measurements, as described below:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Canadian bond portfolio and Canadian equity portfolio are both considered level 2. During the year, there have been no transfers between levels.

4. Temporary Borrowings

The line of credit bears interest at the prime rate of 4.45% (2024 at 5.45%) and has a limit of $750,000. The line of credit was not utilized at year end.

5. Accounts payable and accruals

	2025	2024
Due to Province of Ontario	**53,304**	34,511
Payroll payables	**36,569**	66,223
Trade accounts payable	**352,257**	766,750
	442,130	867,484

6. Deferred revenue

	2025	*2024*
After School Transportation	**-**	21,998
Child poverty reduction program	**2,488**	-
Winterfest	**2,560**	2,913
Christmas Parade	**1,196**	-
Canada Community Building Fund	**128,476**	75,309
Miscellaneous	**4,613**	5,458
Community Emergency Preparedness Grant	**46,947**	-
Ear Falls Family Safety Night	**5,814**	-
	192,094	105,678

The net change during the year in the restricted deferred revenue balances is made up as follows:

	2025	*2024*
Deferred revenue, beginning of year	**105,678**	256,971
Restricted funds received during the year	**127,526**	82,713
Revenue recognized during the year	**(41,110)**	(234,006)
Deferred revenue, end of year	**192,094**	105,678

The Township received funding from various community organizations, which included external restrictions regarding what the funds are to be used for. As of year end, the funding had not yet been used to satisfy the external restrictions and as a result, it has been recorded as deferred revenue in the statement of financial position.

The Township received government transfers for various programs including the Canada Community Building Fund and Ministry of Municipal Affairs and Housing. According to the stipulations in the funding agreements any unspent funding at year end must be repaid or deferred to future years. As of year end, some of the funding was unspent and as a result the Township has recognized it as deferred revenue in the statement of financial position.

7. Long-term debt

Net long-term debt reported on the statement of financial position is comprised of the following:

	2025	*2024*
Infrastructure Ontario Debenture, repayable semi-annually at $28,435 plus interest at 2.73%; maturing 2027	**113,740**	170,610
Infrastructure Ontario Debenture, repayable semi-annually at $40,204 including interest at 3.89%; maturing 2026	**78,122**	153,291
Infrastructure Ontario Debenture, repayable semi-annually at $26,358 including interest at 3.39%; maturing 2028	**149,175**	195,650
	341,037	519,551

Principal repayments and interest relating to net long-term debt of $341,037 outstanding are due as follows:

	Principal	Interest	Total
2026	183,055	9,653	192,708
2027	106,576	4,171	110,747
2028	51,406	1,311	52,717
	341,037	15,135	356,172

The annual principal and interest payments required to service the long-term liabilities of the Township are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

8. Asset retirement obligation

The Municipality’s financial statements include an asset retirement obligation for the closure and post closure costs of the Municipality's solid waste landfill. The related asset retirement costs are being amortized on a straight line basis.

The liability for the landfill has been estimated using a net present value technique with a discount rate of 2.17% (2024 – 2.17%). The estimated total undiscounted future expenditures are $1,492,500, which are to be incurred over 25 years. The liability is expected to be settled in 85 years.

	2025
Balance, beginning of year	**4,671,427**
Accretion	**101,370**
Balance, end of year	**4,772,797**

9. Tangible capital assets

	Cost	*Additions*	*Disposals*	*Accumulated amortization*	*2025 Net book value*
Land & Improvement	**2,673,843**	**25,863**	**-**	**622,260**	**2,077,446**
Buildings	**14,588,791**	**20,812**	**-**	**6,295,459**	**8,314,144**
Equipment	**14,443,154**	**262,470**	**-**	**12,938,863**	**1,766,761**
Linear Assets	**16,885,108**	**11,376**	**-**	**12,202,681**	**4,693,803**
Landfill	**4,106,854**	**-**	**-**	**312,479**	**3,794,375**
Vehicles	**3,393,834**	**165,299**	**-**	**1,569,020**	**1,990,113**
Collections	**132,530**	**-**	**-**	**96,801**	**35,729**
Assets under construction	**701,985**	**1,229,812**	**116,549**	**-**	**1,815,248**
	56,926,099	**1,715,632**	**116,549**	**34,037,563**	**24,487,619**

	Cost	*Additions*	*Disposals*	*Accumulated amortization*	*2024 Net book value*
Land & Improvement	2,122,635	551,207	-	554,568	2,119,274
Buildings	14,134,707	454,084	-	5,984,955	8,603,836
Equipment	14,289,350	153,804	-	12,812,133	1,631,021
Linear Assets	16,803,444	85,431	3,767	11,952,181	4,932,927
Landfill	4,106,853	-	-	267,839	3,839,014
Vehicles	3,080,259	435,693	122,116	1,425,714	1,968,122
Collections	132,530	-	-	90,590	41,940
Assets under construction	447,032	843,256	588,303	-	701,985
	55,116,810	2,523,475	714,186	33,087,980	23,838,119

The net book value of tangible capital assets not being amortized because they are under construction (or development) is $ 1,815,248 (2024- $701,985)

10. Accumulated Surplus

The Township segregates its accumulated surplus in the following categories:

	2025	2024
Investment in tangible capital assets	**24,487,619**	23,838,119
Current Funds	**569,455**	1,278,506
Unfunded liabilities	**(5,331,778)**	(5,404,544)
	19,725,296	19,712,081
Reserve		
Working capital	**547,391**	47,070
Election reserve	**9,300**	6,100
Equipment reserve	**925,952**	1,038,272
Fire department	**55,032**	35,032
Health and safety	**73,029**	22,796
Dental equipment	**2,000**	1,000
Medical centre	**137,047**	135,052
Recreation	**40,327**	19,040
Future land development	**321,032**	310,302
Emergency measures	**26,327**	20,327
Efficiency and modernization	**93,284**	93,284
Road paving	**22,850**	22,850
Enhancement project	**180,205**	90,205
Cemetery	**36,558**	31,883
Day care/toy library	**119,435**	101,047
Garbage collection	**110,217**	89,731
Water and waste water	**1,040,219**	988,434
Community GIS	**36,482**	36,482
Surplus land	**128,252**	134,437
Contingencies	**31,683**	31,683
Water/sewer connection	**35,031**	35,031
	3,971,653	3,290,058
Reserve funds set aside for specific purpose by Council:		
OCIF allocation	**1,001,808**	808,773
Sewer operating	**593,148**	537,915
Water operating	**499,533**	420,437
Corporate TCAs	**452,821**	552,534
Waterline	**32,293**	26,664
Community well-being	**85,990**	88,751
Tax rate stabilization	**299,806**	290,661
Helipad	**10**	10
Waste disposal site	**1,793,210**	1,485,014
Afterschool Transport	**22,055**	-
	4,780,674	4,210,759
	28,477,623	27,212,898

10. Accumulated Surplus *(Continued from previous page)*

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

Reserve funds represent funds set aside by bylaw or council resolution for specific purposes.

11. Taxation

	2025	2024
Property taxes	**2,540,617**	2,458,329
Payments-in-lieu of property	**127,836**	155,992
	2,668,453	2,614,321
Payments to school boards	**(208,913)**	(207,183)
	2,459,540	2,407,138

12. Government Transfers - Federal

	Budget 2025	**2025**	**2024**
Operating	-	-	
Other			**44,305**
Tangible Capital Assets			
Canada Community-Building Fund	**10,000**	**9,725**	**206,104**
Other	**875,169**	**69,544**	**114,235**
Total tangible capital assets grants	**885,169**	**79,269**	**320,339**
Total federal grants	**885,169**	**79,269**	**364,644**

13. Government Transfers - Provincial

	Budget 2025	**2025**	**2024**
Operating			
Kenora District Services Board	**110,494**	**12**	**4,534**
Ontario Municipal Partnership Fund	**480,500**	**523,700**	**480,500**
Ontario Community Infrastructure Fund	**408,059**	**408,059**	**354,834**
Northern Ontario Heritage Fund Corporation	**34,000**	**33,212**	**-**
Other	**73,000**	**72,269**	**41,440**
Total operating grants	**1,106,053**	**1,037,252**	**881,308**
Tangible Capital Assets			
Northern Ontario Heritage Fund	**452,000**	**451,632**	**39,412**

13. Government Transfers - Provincial *(Continued from previous page)*

	Budget 2025	2025	2024
Ministry of Northern Development, Mines and Natural Resources and Forestry	**70,000**	**69,490**	**69,789**
Other	**1,036,788**	**57,948**	**95,186**
Total tangible capital asset grants	**1,558,788**	**579,070**	**204,387**
Total provincial grants	**2,664,841**	**1,616,322**	**1,085,695**

14. Other Income

	2025	2024
Penalties and interest on taxation	**22,927**	25,766
Investment income	**372,506**	481,048
Rents, licenses and permits	**32,384**	9,796
Gain on sale of land and other assets	**12,200**	20,616
Municipality (Provincial Offences Act)	**5,742**	2,072
Other	**35,581**	29,316
	481,340	568,614

15. Funds Held in Trust

The trust funds administered by the Township amounting to $62,520 (2024 - $59,170) have not been included in the statement of financial position nor have the operations been included in the statement of operations and accumulated surplus. At December 31, 2025, the trust's fund balances are as follows:

	2025	2024
Prepaid Cemetery Fund	**18,494**	**17,930**
Perpetual Care	**44,026**	**41,240**
	62,520	**59,170**

16. Pension Agreement *(Continued from previous page)*

The employees of the Township participate in the Ontario Municipal Employees Retirement System (“OMERS”), which is a multi-employer plan. The Township also makes contributions to the OMERS plan on behalf of its employees. The plan has a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. However, the plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The Township is only one of a number of employers that participates in the plan and the financial information provided to the Township on the basis of the contractual agreements is usually insufficient to reliably measure the Township’s proportionate share in the plan assets and liabilities.

The contribution payable in exchange for services rendered during a period is recognized as an expense during that period. The employer portion of amounts paid to OMERS during the year was $ 250,371 (2024 - $143,186). The contributions were made for current service and these have been recognized in annual surplus.

As at December 31, 2025, the OMERS plan was 96% funded (2024 - 95%). OMERS has a strategy to return the plan to a fully funded position. The Municipality is not able to assess the implications, if any, of this strategy or of the withdrawal of other participating entities from the OMERS plan on its future contributions.

17. Contributions to Unconsolidated Joint Boards

Further to the significant accounting policies, the following contributions were made by the Township to these boards:

	2025	*2024*
Northwestern Health Unit	**50,126**	42,282
Kenora District Services Board	**149,010**	142,601
Pinecrest Home for the Aged	**80,340**	46,454
	279,476	231,337

18. Financial Instrument Risk Management

The Township is exposed to credit risk, liquidity risk, interest rate risk and other price risk from its financial instruments. This note describes the Township's objectives, policies and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements.

Credit Risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Township is exposed to credit risk through its cash, accounts receivable and taxes receivable.

			2025	*2024*
	Receivable	***Less: Impairment***	***Total***	***Total***
Taxes receivable				
Current	178,074	-	**178,074**	176,508
1 year past due	32,340	-	**32,340**	27,570
Over 2 years past due	1,558	-	**1,558**	3,036
Total	211,972	-	**211,972**	207,114
Trade, grant and other receivables				
Current	766,649	-	**766,649**	503,629
31 to 90 days	28,793	-	**28,793**	12,979
Over 90 days	16,165	-	**16,165**	828
Total	811,607	-	**811,607**	517,436

18. Financial Instrument Risk Management *(Continued from previous page)*

Liquidity Risk:

Liquidity risk is the risk that the Township will encounter difficulty in meeting obligations associated with financial liabilities. The Township is exposed to liquidity risk through its accounts payable and long-term debt.

The Township manages its liquidity risk by monitoring cash activities and expected outflows through budgeting. The Township measures its exposure to liquidity risk based on its cash flow activities against budget throughout the year.

Market Risk:

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

Interest rate risk:

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Township is exposed to interest rate risk through its long-term debt and term deposits.

The Township manages its interest rate risk by utilizing fixed-rate long term debt and term deposits in order to limit the exposure to fluctuations in interest rates. Any changes in interest rates would not impact the annual surplus.

Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Township is exposed to other price risk through it's investments. The Township manages this risk by utilizing One Investments, which is the prescribed investment manager for Ontario Municipalities.

A 5% increase in the market value of equities would increase the Township’s remeasurement gains (losses) by $89,660 (2024 - $74,251). A 5% decrease in the market value of equities would decrease the Township’s remeasurement gains (losses) by $89,660 (2024 - $74,251). This sensitivity analysis was prepared on the basis that the equity portfolio is perfectly aligned to the markets.

19. Budget

The Financial Plan (Budget) By-Law adopted by Council on February 5, 2025 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis, while public sector accounting standards now require a full accrual basis. The budget figures anticipated the use surpluses accumulated in previous years to reduce current year expenses in excess of current year revenues to $nil. In addition, the budget expensed all tangible capital expenses rather than including amortization expense. As a result, the budget figures presented in the statements of operations and accumulated surplus and change in net financial assets represent the Financial Plan adopted by Council on February 5, 2025, with adjustments as follows:

	2025
Financial Plan (Budget) Bylaw deficit for the year	
Add:	
Capital expenses	**5,782,089**
Repayment of long-term debt	**178,514**
Less:	
Transfers from accumulated surplus	**(3,193,500)**
Budget surplus per statement of operations and accumulated surplus	**2,767,103**

Under Canadian public sector accounting standards, budget amounts are to be reported on the statement of operations and accumulated surplus for comparative purposes. The 2025 budget amounts for Township of Ear Falls approved by Council have been restated to conform to the basis of preparation of the revenue and expenses on the statement of operations and accumulated surplus.

20. Contingencies

At the year end, there were properties that the Municipal Property Assessment Corporation had not reassessed that could result in possible supplementary taxes for the year. In addition, there are properties where the assessed value is being challenged. At this time, it is not possible to reliably estimate the value of these supplementary taxes and tax write-offs, so they have not been recognized in these financial statements. These adjustments, if any, will be accounted for in the year the Township can reasonably estimate an amount.

21. Segmented Information

The Township is a diversified municipal government institution that provides a wide range of services to its citizens, both directly and through third parties. The management of the Township considers decisions based on separate service areas. These service areas are: general government, protection services, transportation services, environmental services, health services, social and family services, social housing, recreation and cultural services, and planning and development.

Descriptions of the services and funds that management bases their decisions on are as follows:

General Government:

General government consists of governance, corporate management and program support. These categories relate to operations of all of the various programs and services that the Township offers to its citizens.

Protection Services:

Protection is comprised of police services and fire protection. Police service is contracted out to the Ontario Provincial Police. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education related to prevention, detection or extinguishing fires.

Transportation Services:

The transportation services area provides construction and maintenance of the roadways throughout the Township as well as the municipal airport.

Environmental Services:

Environmental services consists of the management and maintenance of the sanitary sewer system, waterworks system, and waste disposal facility located within the Township borders.

Health Services:

Health services are comprised of public health services and ambulance service. The Township contributes to local boards which provide these services to the citizens of the Township.

Social and Family Services:

Social and family services are comprised of general assistance, child care, and assistance to the aged. The Township contributes to local boards which provide these services to the citizens of the Township.

Social Housing:

The Township contributes to a local board, which provides social housing if the citizens of the Township require the service.

Recreation and Cultural Services:

This service area consists of the operation and maintenance of local parks, recreation facilities, cultural facilities, and the library.

Planning and Development:

These services relate to zoning issues as well as planning of various Township maintenance projects.

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	2025
Revenue										
Taxation	641,065	213,503	102,097	615,885	238,797	175,456	150,889	182,518	139,330	2,459,540
User fees	100,594	19,734	-	1,945,743	139,239	-	-	125,477	3,024	2,333,811
Conditional grants	504,282	18,983	69,490	127,492	-	-	-	451,644	-	1,171,891
Unconditional grants	136,499	45,460	21,739	131,138	50,846	37,360	32,128	38,863	29,667	523,700
Municipal grants	-	5,742	-	-	-	-	-	-	-	5,742
Other revenue	123,962	41,285	19,742	119,093	46,176	33,928	29,177	35,293	26,942	475,598
	1,506,402	344,707	213,068	2,939,351	475,058	246,744	212,194	833,795	198,963	6,970,282
Expenses										
Salaries and benefits	1,067,428	53,487	82,986	420,173	18,341	3,105	-	259,077	-	1,904,597
Interest on long-term debt	9,510	3,196	-	-	-	-	-	3,046	-	15,752
Materials	432,792	113,037	47,625	336,559	28,722	8,388	-	249,218	9,779	1,226,120
Contract services	192,050	315,729	20,642	556,328	57,476	4,473	-	148,395	15,737	1,310,830
Rents and financial	3,056	19	-	-	-	-	-	-	-	3,075
External Transfers	3,867	-	-	-	120,316	100,066	59,094	68,911	-	352,254
	1,708,703	485,468	151,253	1,313,060	224,855	116,032	59,094	728,647	25,516	4,812,628
Net revenue, before amortization	(202,301)	(140,761)	61,815	1,626,291	250,203	130,712	153,100	105,148	173,447	2,157,654
Amortization	297,464	39,452	157,431	257,328	40,190	617	-	150,601	6,499	949,582
Net revenue	(499,765)	(180,213)	(95,616)	1,368,963	210,013	130,095	153,100	(45,453)	166,948	1,208,072

Township of Ear Falls

Schedule 1 - Consolidated Schedule of Segmented Disclosure

For the year ended December 31. 2025

	General Government	*Protection Services*	*Transportation Services*	*Environmental Services*	*Health Services*	*Social and Family Services*	*Social Housing*	*Recreation and Cultural Services*	*Planning and Development*	*2024*
Revenue										
Taxation	1,134,408	320,037	119,715	122,829	109,822	125,839	17,075	349,304	108,109	2,407,138
User fees	89,505	54,477	-	1,739,302	126,659	-	-	119,820	12,835	2,142,598
Conditional grants	413,772	26,806	69,789	46,855	-	-	-	412,617	-	969,839
Unconditional grants	126,636	43,923	23,897	124,326	41,884	25,119	23,440	49,695	21,580	480,500
Municipal grants	-	2,072	-	-	-	-	-	-	-	2,072
Other revenue	138,220	53,165	28,925	150,486	54,612	34,320	32,287	44,491	30,036	566,542
	1,902,541	500,480	242,326	2,183,798	332,977	185,278	72,802	975,927	172,560	6,568,689
Expenses										
Salaries and benefits	900,099	55,350	75,256	381,494	14,855	1,992	-	255,889	-	1,684,935
Interest on long-term debt	13,920	3,982	-	-	-	-	-	3,796	-	21,698
Materials	357,269	78,218	76,832	360,608	32,243	6,599	-	248,569	15,621	1,175,959
Contract services	222,803	350,100	32,978	469,851	59,580	4,181	-	122,927	16,882	1,279,302
External Transfers	6,892	-	-	-	105,375	65,830	60,132	68,187	-	306,416
Rents and financial	3,589	238	-	-	-	-	-	-	-	3,827
	1,504,572	487,888	185,066	1,211,953	212,053	78,602	60,132	699,368	32,503	4,472,137
Net revenue, before amortization	397,969	12,592	57,260	971,845	120,924	106,676	12,670	276,559	140,057	2,096,552
Amortization	295,938	40,103	156,274	247,672	57,666	617	-	130,936	6,499	935,705
Net revenue	102,031	(27,511)	(99,014)	724,173	63,258	106,059	12,670	145,623	133,558	1,160,847