Consolidated Financial Statements of

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

And Independent Auditor's Report Thereon

Year ended December 31, 2025

KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton, ON L8P 4W7
Canada
Telephone 905 523 8200
Fax 905 523 2222

INDEPENDENT AUDITOR'S REPORT

To The Members of Council, Inhabitants and Ratepayers of

The Corporation of the Town of Niagara-on-the-Lake

Opinion

We have audited the financial statements of The Corporation of Niagara-on-the-Lake (the Town), which comprise:

- the consolidated statement of financial position as at December 31, 2025
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes and schedule to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

We are independent of the Town in accordance with the ethical requirements that 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.

Other Matter – Supplementary Information

The supplementary information included in Schedule of Library Fund Activities does not form part of the financial statements. We have not audited or reviewed this supplementary information and, accordingly, we do not express an opinion, a review conclusion or any other form of assurance on this supplementary information.

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 Town'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 Town or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town'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 Town'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 Town 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 represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

August 4, 2026

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Consolidated Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Financial assets		
Cash	$ 51,662,994	$ 37,525,975
Taxes receivable		
Current year	3,618,440	3,578,082
Previous years	2,004,713	1,596,430
Accounts receivable	12,643,267	11,561,584
Debt recoverable from others (note 6)	31,470	36,752
Note receivable (note 3)	1,150,327	1,486,986
Long-term investment (note 2)	28,372,257	27,963,583
	99,483,468	83,749,392
Liabilities		
Accounts payable and accrued liabilities	19,992,116	15,426,744
Deferred revenue (note 4)	22,207,859	17,166,572
Post-employment benefits (note 5)	1,200,176	1,257,602
Net long term liabilities (note 6)	10,218,749	8,394,463
Asset retirement obligation (note 14)	1,497,614	1,445,689
	55,116,514	43,691,070
Net financial assets	44,366,954	40,058,322
Non-financial assets		
Tangible capital assets (note 13)	207,247,288	207,158,139
Inventories and prepaid expenses	483,060	421,373
	207,730,348	207,579,512
Commitments (note 8)		
Contingent liabilities (note 9)		
Accumulated surplus (note 7)	$252,097,302	$ 247,637,834

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

Signed on behalf of the Municipality:

Lord Mayor

Chief Administrative Officer

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE
Consolidated Statement of Operations and Accumulated Surplus

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

	Budget	2025	2024
	(note 12)		
Revenues			
Taxation	$ 19,545,057	$ 19,711,207	$ 18,340,860
User fees and charges	20,055,665	21,094,054	19,891,328
Government of Canada grants (note 15)	634,634	311,879	473,632
Province of Ontario grants (note 15)	2,263,479	873,629	2,236,733
Other municipality funding (note 15)	5,000	175,411	212,098
Other deferred revenues earned	327,606	1,156,821	419,550
Interest and penalties	525,000	764,458	587,012
Investment income	1,118,117	1,114,625	1,580,394
Donations	20,043	239,756	145,586
Other	4,973,422	6,561,839	5,250,049
Equity income of Niagara-on-the-Lake Energy Inc. (note 2)	–	1,428,674	8,063,589
Total revenues	49,468,023	53,432,353	57,200,831
Expenses			
General government	6,435,836	7,602,851	7,569,648
Protection services	6,253,491	5,600,316	5,496,217
Transportation services	10,499,901	10,711,588	9,421,518
Environmental services	17,493,436	15,590,086	14,461,820
Health services	351,294	570,078	575,666
Recreation	4,626,730	6,320,952	6,079,124
Planning and development	3,352,759	2,577,014	1,995,623
Total expenses	49,013,447	48,972,885	45,599,616
Annual surplus	454,576	4,459,468	11,601,215
Accumulated surplus, beginning of year	247,637,834	247,637,834	236,036,619
Accumulated surplus, end of year	$ 248,092,410	$ 252,097,302	$ 247,637,834

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

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Consolidated Statement of Changes in Net Financial Assets

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

	2025	2024
Annual surplus	$ 4,459,468	$ 11,601,215
Acquisition of tangible capital assets	(6,526,497)	(10,169,675)
Increase in Asset Retirement Obligations	(29,712)	–
Increase in capital lease additions	(822,713)	–
Amortization of tangible capital assets	7,234,062	6,936,961
Proceeds on disposal of tangible capital assets	196,904	5,432
(Gain)/loss on disposal of tangible capital assets	(141,192)	32,293
Change in inventories and prepaid expenses	(61,688)	78,585
	4,308,632	8,484,811
Net financial assets, beginning of year	40,058,322	31,573,511
Net financial assets, end of year	$ 44,366,954	$ 40,058,322

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

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Consolidated Statement of Cash Flows

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

	2025	2024
Operations		
Annual surplus	$ 4,459,468	$ 11,601,215
Items not involving cash:		
Amortization of tangible capital assets	7,234,062	6,936,961
Niagara-on-the-Lake Energy net income	(1,428,674)	(8,063,589)
(Gain)/loss on disposal of tangible capital assets	(141,192)	32,293
Asset Retirement Obligation Adjustments	22,212	23,785
	10,145,876	10,530,665
Change in non-cash assets and liabilities:		
Taxes receivable	(448,641)	(2,017,549)
Accounts receivable	(1,081,683)	(1,905,269)
Inventories and prepaid expenses	(61,688)	78,585
Accounts payable and accrued liabilities	4,565,372	(615,952)
Deferred revenue	5,041,287	3,191,434
Post-employment benefits	(57,426)	9,301
Cash from operations	18,103,097	9,271,215
Capital		
Proceeds on disposal of tangible capital assets	196,903	5,433
Acquisition of tangible capital assets	(6,526,496)	(10,137,858)
Cash used in capital activities	(6,329,593)	(10,132,425)
Investing		
Dividend received	1,020,000	3,750,000
Change in debt recoverable from others	5,282	11,110
Collection of note receivable	336,659	2,390,740
Cash from investing	1,361,941	6,151,850
Financing		
Long-term debt issued	1,740,000	2,259,124
Debt principal repayments	(689,288)	(617,854)
Principal lease repayments	(49,138)	–
Cash from financing	1,001,574	1,641,270
Increase in cash	14,137,019	6,931,910
Cash, beginning of year	37,525,975	30,594,065
Cash, end of year	$ 51,662,994	$ 37,525,975

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

The Corporation of the Town of Niagara-on-the-Lake (the "Town") is a municipality in the Province of Ontario that provides municipal services such as fire, public works, planning, parks and recreation, library and other general government operations.

1. Significant accounting policies:

The consolidated financial statements of the Town are prepared by management in accordance with Canadian public sector accounting standards ("PSAS") as recommended by the Public Sector Accounting Board ("PSAB") of CPA Canada. Significant accounting policies adopted by the Town are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of the Town's financial affairs and resources to the Town which are owned or controlled by the Town except for the Town's wholly owned government business enterprise, Niagara-on-the-Lake Energy Inc., which is accounted for on the modified equity basis of accounting as described below. These reporting entities and organizations include the Public Library Board. Interdepartmental and inter-organizational transactions and balances between these entities and organizations have been eliminated.

The investment in Niagara-on-the-Lake Energy Inc. ("NOTLEI") is accounted for on a modified equity basis, consistent with the accounting treatment for government business enterprises. Under the modified equity basis, NOTLEI's accounting principles are not adjusted to conform with those of the Town, and inter-organizational transactions and balances are not eliminated. The Town recognizes its equity interest in the annual income or loss of NOTLEI in its Consolidated Statement of Operations and Accumulated Surplus with a corresponding increase or decrease in its investment asset account. Any dividends that the Town may receive from NOTLEI are reflected as reductions in the investment account.

(ii) Partial-consolidated entities:

The Niagara District Airport Commission is operated with a joint local board and is proportionately consolidated. The Town's share is 6%.

(iii) Accounting for Region and School Board transactions:

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the Regional Municipality of Niagara are not reflected in these consolidated financial statements.

(iv) Trust funds:

Trust funds and their related operations are not included in these consolidated financial statements.

1. Significant accounting policies (continued):

(b) Basis of accounting:

The Town follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned and measurable. Expenses 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.

A statement of accumulated remeasurement gains/losses has not been presented as there are no items to report.

(c) 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 excess of revenues over expenses, provides the change in net financial assets for the year.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenditures in the acquisition, construction, development and/or betterment of the asset required to prepare the asset for its intended use.

Amortization is recorded to reflect the cost, net of anticipated residual value, associated with the use of the asset in providing government services on a straight-line basis over the estimated useful life of the asset. Work in progress assets are not amortized until the asset is available for productive use, at which time amortization commences. Gains and/or losses on the disposal of an asset are recorded on the Consolidated Statement of Operations and Accumulated Surplus in the year of disposal.

Tangible capital assets received as contributions are recorded at their fair market value at the date of receipt and are recognized as revenue. Similarly, transfer of assets to third parties are removed from tangible capital assets and recorded as an expense equal to the net book value of the asset as at the date of the transfer.

The historical cost of works of art or historical treasures have not been assigned to these assets nor disclosed on the consolidated financial statements.

1. Significant accounting policies (continued):

(c) Non-financial assets (continued):

(i) Tangible capital assets (continued):

Asset Class	Useful Life (Years)
General Assets:	
Land improvements	5 to 60
Buildings and fixtures	5 to 50
Machinery and equipment	5 to 40
Vehicles	5 to 20
Information technology	2 to 15
Other	5 to 50
Infrastructure:	
Linear assets	10 to 80
Street lighting	7 to 60
Other	7 to 50

Interest on debt incurred during construction of related tangible capital assets is expensed in the Consolidated Statement of Operations and Accumulated Surplus in the year incurred.

(ii) Asset retirement obligation:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- 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 for the removal of asbestos in several of the buildings owned by the Town has been recognized based on estimated future expenses on closure of the site and post-closure care. These estimates are based on a financial model. Inputs including structure type, square footage, and year built, in conjunction with specific rates to be applied to each facility based on this criteria. Adjustments are made annually as required (i.e. inflation, disposals, etc.).

(iii) Leased tangible capital assets:

Leases that transfer substantially all of the benefits and risks incidental to ownership are accounted for as tangible capital assets. The leased asset is recorded at the lower of the present value of the minimum lease payments and the fair value of the leased asset at the inception of the lease, with a corresponding lease obligation recognized as a long-term liability. Lease payments are allocated between principal and interest using the effective

1. Significant accounting policies (continued):

interest method. Leased tangible capital assets are amortized on the same basis as similar owned tangible capital assets over the lease term.

(iv) Inventories:

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

(d) Deferred revenue:

Deferred revenue represents licenses, permits, grants and other fees which have been collected, but for which the related services or inspections have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

(e) Government transfers:

Government transfers received are from federal and provincial governments. Transfers are recognized in the period in which the events giving rise to the transfers occur, providing the transfers are authorized, eligibility criteria are met, and reasonable estimates of the amounts can be made except when, and to the extent that, stipulations by the transferor give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished. Government transfers are paid to community organizations. Government transfers paid are recognized as a liability and expense when the transfer is authorized and all eligibility criteria have been met by the recipient.

(f) Tax revenue:

Taxes receivable and tax revenue are recognized when they meet the definition of an asset, the tax is authorized and the taxable event has occurred.

(g) Deferred revenue - obligatory reserve funds:

Deferred revenue - obligatory reserve funds represents development charge contributions, payments in lieu of parking and parkland and gas tax, levied or received under the authority of federal and provincial legislation. These amounts have been collected but the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

(h) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or provincial legislation, investment income earned on deferred revenue is added to the fund balance and forms part of the deferred revenue balance. The town held no investments at December 31, 2025 (2024 – nil)

(i) Other income:

Other income is recognized as revenue when the service is performed.

1. Significant accounting policies (continued):

(j) Cash:

Cash includes GIC's which are readily convertible into cash. Interest is recognized on the accrual basis.

(k) Post-employment benefits:

(i) The Town provides certain employee benefits which will require funding in future periods. These benefits include long-term disability, benefits under the Workplace Safety and Insurance Board ("WSIB") Act, and extended health and dental benefits for early retirees.

The costs of life insurance, benefits under WSIB, life insurance, and extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, earned days accumulated for certain employees payable at retirement, health care cost trends, long term inflation rates and discount rates.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as service payments and health and dental benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and disability benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

(ii) The costs of multi-employer defined benefit pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period. OMERS has been accounted for as a defined contribution plan since it is a multi-employer plan.

(l) Note receivable:

The note receivable is valued at cost. Recoverability is assessed annually and a valuation allowance is recorded when recoverability is impaired. The note receivable is written off when it is no longer recoverable. Recoveries of note receivable previously written off are recognized as revenue in the year received. Interest revenue is recognized as it is earned. Notes receivable with significant concessionary terms, (such as non-interest bearing notes) are accounted for as a grant and presented as an expense on the Consolidated Statement of Operations and Accumulated Surplus.

1. Significant accounting policies (continued):

(m) Use of estimates:

The preparation of the financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimation provisions for accrued liabilities and in performing actuarial valuations of post-employment benefits liability and the valuation of contributed assets. Actual results could differ from those estimates.

2. Long-term investments:

The Town holds an investment in Niagara-on-the-Lake Energy Inc. ("NOTLEI") which is represented by 1,001 common shares of the company. NOTLEI is wholly owned by the Town. Summary financial information is as follows:

Financial Position:

	2025	2024
Assets:		
Current	$ 13,373,940	$ 13,424,937
Capital	44,601,250	42,989,787
Regulatory balances	2,402,248	2,444,967
Total assets and regulatory balances	$ 60,377,438	$ 58,859,691
Liabilities:		
Current	$ 10,604,775	$ 9,556,334
Notes payable to Town of Niagara-on-the-Lake	825,327	1,161,986
Long-term debt	8,704,031	9,412,378
Other	10,389,564	9,943,755
Regulatory balances	1,481,484	821,655
Equity	28,372,257	27,963,583
Total liabilities, regulatory balances and equity	$ 60,377,438	$ 58,859,691

Operations:

	2025	2024
Revenue	$ 43,210,141	$ 47,263,123
Expenses (including income tax provision)	(41,033,525)	(38,393,474)
Net movement in regulatory balances (net of tax)	(702,548)	(806,060)
Net income and net movement in regulatory balances	1,474,068	8,063,589
Other comprehensive loss	(45,394)	–
Dividend income paid to Town of Niagara-on-the-Lake	(1,020,000)	(3,750,000)
Change in investment in Niagara-on-the-Lake Energy Inc.	$ 408,674	$ 4,313,589

2. Long-term investments (continued):

Town of Niagara-on-the-Lake investment represented by:

	2025	2024
Investment in shares of the Corporation	$ 7,054,844	$ 7,054,844
Accumulated net income, net of dividends received	21,317,413	20,908,739
Total investment in Niagara-on-the-Lake Energy Inc.	$ 28,372,257	$ 27,963,583

NOTLEI delivered electricity to the Town and related organizations in the amount of $895,439 (2024 - $868,611) and provided locate services to the Town in the amount of $202,117 (2024 - $191,356).

3. Note receivable:

The notes receivable are comprised of the following:

	2025	2024
Note 1	$ 825,327	$ 910,359
Note 2	–	42,162
Note 3	–	209,464
Note 5	325,000	325,000
	$ 1,150,327	$ 1,486,985

Note 1 bears interest at 7.25%, is unsecured and is repayable annually in the aggregate principal and interest of $250,000 (2024 - $250,000). Notes 2 and 3 were collected during 2025. Note 5 bears interest at RBC prime less 2.20% and is open ended with a loan term of 5 years (2029) and option to renew if still outstanding thereafter.

4. Deferred revenue:

A requirement of PSAS is that obligatory reserve funds be reported as deferred revenue. These reserve funds are considered obligatory as Provincial legislation restricts how these funds may be used and, under certain circumstances, when these funds will be refunded.

In the case of development charges, revenue recognition occurs after the funds have been collected and when the Town has approved the eligible expenditures and used the funds for the capital project for which the development charges were raised. These funds have been set aside, as required by the Development Charges Act, to support the cost of growth related capital projects associated with new development.

4. Deferred revenue (continued):

The deferred revenues are made up of the following:

	2024	Externally restricted inflows	Revenue earned	2025
Canada Community Building Fund	$ 568,157	$ 647,265	$ 296,001	$ 919,421
Cash-in-lieu of parking	353,331	–	–	353,331
Development charges	12,768,581	1,638,350	327,606	14,079,325
Ontario Community Infrastructure Fund	878,296	1,926,287	447,256	2,357,327
Recreational land	2,343,808	1,846,328	–	4,190,136
Provincial Modernization Fund	63,392	–	–	63,392
Other deferred	191,007	214,996	161,076	244,927
	$17,166,572	$ 6,273,226	$ 1,231,939	$ 22,207,859

5. Post-employment benefits and other liabilities:

The Town provides certain employees benefits which will require funding in future periods. These benefits include sick leave, benefits under the Workplace Safety and Insurance ("WSIB") Act, and life insurance, extended health, and dental benefits to early retirees.

	2025	2024
Retiree benefits	$ 490,629	$ 522,847
Accrued vacation pay	494,614	481,840
Accumulated sick leave	62,382	55,810
Future payments required to WSIB	152,551	197,105
	$ 1,200,176	$ 1,257,602

Information about the Town's benefit plans is as follows:

	2025	2024
Accrued benefit obligation:		
Balance, beginning of year	$ 1,284,194	$ 1,266,540
Current benefit cost	4,059	74,218
Interest	26,107	27,355
Actuarial gain	–	9,678
Benefits paid	(86,009)	(93,596)
Balance, end of year	1,228,351	1,284,195
Unamortized actuarial loss	(28,175)	(26,593)
Liability for benefits	$ 1,200,176	$ 1,257,602

5. Post-employment benefits and other liabilities (continued):

Amortization of the actuarial gain of $1,582 (2024 – actuarial loss of $1,324) has been included in expenses on the Consolidated Statement of Operations and Accumulated Surplus.

(i) Accumulated Sick Leave:

Under the Town’s sick leave benefit plan, employees can choose either to carry forward up to 5 unused days to the next year, have all unused credits paid out at the end of the year, or any combination of the two choices. Credits are paid out at 50%. The accrued benefit obligation and the expense for the year ended December 31, 2025 were determined by an actuarial review. The last actuarial valuation was performed in 2024 for the December 31, 2024 year-end.

(ii) Retiree Benefits:

The Town pays health care, dental, travel and life insurance benefits for early retirees to age 65. The Town recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued benefit liability and the expense for the year ended December 31, 2025 were determined by an actuarial review and analysis of changes made to plans since the last valuation. The last actuarial valuation was performed in 2024 for the December 31, 2024 year-end.

(iii) Accrued WSIB:

The Town has elected to be treated as a Schedule 1 employer for the purposes of WSIB where a premium is paid to cover the Town's responsibilities under the Workplace Safety and Insurance Board Act ("WSIB").

(iv) Actuarial Assumptions:

The main actuarial assumptions used for the valuations are as follows:

Interest (discount rate):

The accrued benefit obligation was determined using a discount rate of 4.50% (2024 – 4.50%).

Inflation:

Inflation was assumed to be 2.0% (2024 – 2.0%).

Medical, dental and travel costs:

Medical and travel costs are assumed to increase at a rate of 5.6667% in 2025 over 2024, reducing by 0.3333% per year to 4.0% in 2030 and to 4.0% per year thereafter.

Dental care costs are assumed at 4.0% per year (set at CPI plus 2.0%)

Salary escalations:

Future salary has been assumed to escalate at a rate of 3.0% per year (2024 – 3.0%).

5. Post-employment benefits and other liabilities (continued):

(v) Pension Agreements

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

The amount contributed to OMERS for 2025 was $1,177,159 (2024 - $1,048,285) for current service and is included as an expenditure in the consolidated statement of operations. Employees' contribution to OMERS in 2025 was $1,177,159 (2024 - $1,048,285).

Contributions for employees with a normal retirement age of 65 were being made at a rate of 9% for earnings up to the yearly maximum pensionable earnings of $71,300 and at a rate of 14.6% for earnings greater than the yearly maximum pensionable earnings.

The OMERS pension plan has a deficit at December 31, 2025 of $1.3 billion (2024 - $2.9 billion) based on an actuarial valuation of plan assets. Increases in future contributions may be required to fund deficits in the plan.

6. Net long-term liabilities:

(a) The balance of net long-term liabilities reported on the Consolidated Statement of Financial Position is made up of the following:

	2025	2024
The Town has assumed responsibility for the payment of principal and interest charges on certain long-term liabilities issued by other municipalities.	$ 9,445,174	$ 8,394,463
Lease liabilities arising from capitalized vehicle leases that meet obligation criteria	773,575	–
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges for tile drainage, have been assumed by individuals.	(31,470)	(36,752)
Net long-term liabilities, end of year	$10,187,279	$ 8,357,711

(b) The long-term liabilities in (a) issued in the name of the municipality have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

During 2025, the Town entered into vehicle lease agreements that met the criteria for capitalization under Public Sector Accounting Standards. Accordingly, the present value of future lease payments of $822,713 was recognized as a lease liability upon commencement of the leases. During the year, principal repayments of $49,138 reduced the outstanding lease liability to $773,575 at December 31, 2025. Interest on lease liabilities is recognized as an expense over the term of each lease using the effective interest method.

6. Net long-term liabilities (continued):

(c) Of the net long-term liabilities reported in (a) of this note, principal payments are as follows:

2026	$ 660,375
2027	683,692
2028	705,982
2029	727,775
2030	750,095
Thereafter	5,885,785
	$ 9,413,704

(d) Interest charges on long-term debt in the amount of $324,477 (2024 - $212,532) are included on the Consolidated Statement of Operations and Accumulated Surplus, classified under the appropriate functional expense heading. The long-term debt bears interest at rates ranging from 1.35% to 10.45% payable semi-annually. The long-term liabilities mature at various times up to 2045.

7. Accumulated surplus:

	2025	2024
Invested in tangible capital assets	$ 207,247,288	$ 207,158,139
Operating fund	(9,991,446)	(7,387,936)
Reserves and reserve funds	35,779,054	28,163,407
Investment in Niagara-on-the-Lake Energy Inc.	28,372,257	27,963,583
	261,407,153	255,897,193
Amounts to be recovered:		
Asset retirement obligation costs	(1,497,614)	(1,445,689)
Post-employment benefits	(1,200,176)	(1,257,602)
Net long-term liabilities	(6,612,061)	(5,556,068)
	(9,309,851)	(8,259,359)
	$ 252,097,302	$ 247,637,834

7. Accumulated surplus (continued):

Reserve and reserve balances:

	2025	2024
Reserves set aside by Council for specific purposes:		
Base mapping	$ 700	$ 700
Bridges and culverts	18,976	18,976
Building vehicle and equipment	88,811	87,643
By-law vehicle and equipment	69,785	65,911
Capital levy	6,499,335	5,297,799
Community centre	7,340	7,340
Contingencies	500,000	500,000
Corporate studies	95,706	119,922
Debt reduction	91,070	99,098
Developer contributions	16,133	16,133
Dock area improvement	389,821	304,461
Donations	259,582	183,016
Election expenses	100,000	60,000
Fire vehicle and equipment	9,276	(19,574)
Fleet replacement	566,077	616,043
Grant and other	36,746	746
Irrigation	431,101	449,268
Municipal accommodation tax	3,706,250	1,874,045
Ontario disabilities	259,421	239,386
Planning appeals	184,613	184,613
Parking revenue	3,424,982	2,769,858
Sidewalk improvements	31,694	31,694
Storm water management	2,225,381	1,767,616
Street lighting	14,150	14,150
Strategic priorities	1,000,000	1,000,000
Tax rate stabilization	121	121
Training and development	11,857	–
Tree Cash-in-Lieu	10,550	800
Vision Zero Road Safety Program	90,085	103,511
Wastewater capital improvements	5,804,934	5,398,665
Wastewater rate stabilization	228,428	228,428
Water capital improvements	9,265,755	6,518,648
Water rate stabilization	194,486	194,486
Winter maintenance	8,692	8,692
Total reserves	35,641,858	28,142,195
Reserve funds set aside by Council for specific purposes:		
Bequest/garden	8,504	7,832
Library development and computer	36,324	(100,900)
Library donations	19,245	38,725
Recreation enhancement	68,149	66,554
Trish Romance Art Donations	4,974	9,000
	137,196	21,211
Total reserves and reserve funds	$ 35,779,054	$ 28,163,406

8. Commitments:

(a) Capital expenditures

The estimated future capital expenditures based on projects in progress at December 31, 2025 is approximately $13,293,597 (2024 - $6,0009,001) after deducting the expenditures incurred as at December 31, 2025. These projects will be financed by grants, subsidies and long-term liabilities in future years.

(b) Niagara Health System

The Town is currently committed to funding $3,500,000 of the local share of the construction costs of the Niagara Health System (“NHS”) hospital located in St. Catharines. The Town has approved a plan to fund this commitment through annual tax levies in the years 2011 to 2031. The plan is dependent upon future councils approving this levy on an annual basis. A balance of $618,086 is owing on this commitment at December 31, 2025 (2024 - $721,100).

9. Contingent liabilities:

From time to time, the Town is subject to claims and other lawsuits that arise in the ordinary course of business, some of which may seek damages in substantial amounts, including punitive or extraordinary damages. In respect of most outstanding claims, the Town believes that insurance coverage is adequate, and that no material exposure exists on the eventual outcome of such litigation, therefore no provision has been made in the accompanying financial statements.

10. Contributions to Joint Board:

The following contributions were made by the Town to:

	2025	2024
Niagara District Airport Commission	$ 96,773	$ 96,774

The Town’s share of the net assets of the Niagara District Airport Commission is approximately 6%.

11. Segmented reporting:

The Town is a lower tier municipal government that provides a wide range of services to its citizens. Segmented information has been identified based on functional classification as categorized by the Financial Information Return. These classifications are as follows:

(i) General Government:

The mandate of this functional area is to provide political governance, administrative executive management and those expenses and revenues which are corporate in nature and cannot be easily apportioned to other departments. Reported in this functional area are departments such as Council, Clerks, CAO, Finance, Human Resources, Legal, Information Systems and Capital Assets.

11. Segmented reporting (continued):

(ii) Protection services:

Reported in this functional area are Fire and Building Services. The mandate of Fire Services is to provide emergency services through a range of services to protect the lives and property of the inhabitants of the Town. The mandate of Building Services is to inform and assist customers to ensure safe and orderly development and provide efficient delivery of building approvals, inspections, and management systems.

(iii) Transportation services:

Reported in this functional area are Roads and Works. The mandate for Roads and Works is to provide quality road and traffic maintenance and operations to the residents and businesses of the Town. This area is also responsible for winter control.

(iv) Environment services:

Reported in this functional area are Sanitary, Storm and Water Systems. The mandate is to provide a safe and reliable water resource system and is responsible for the maintenance and operation of the systems and monitoring and administering environmental programs.

(v) Health services:

Reported in this functional area is Cemetery Services. The mandate is to ensure the benefit and protection of each citizen who has purchased or has an interest in internment rights within each cemetery. Also included here is the Town’s commitment to the Niagara Health System hospital.

(vi) Recreation:

Reported in the functional area are Parks, Recreation and Culture. The Parks department is responsible for the maintenance, improvement and beautification of various parks as well as the planning and construction of new parkland and open space. The Recreation and Culture departments are responsible for the delivery of various related programs and the provision of facilities as well as the support of groups and organizations throughout the Town.

(vii) Planning and Development:

Reported in this functional area are Planning and Development. Planning creates the policy framework and implementation tools required to shape the future of the Town. Development is responsible for ensuring that the Town’s land development standards are achieved on all development applications.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Tax revenue is allocated to the segments based on budgeted expenditures. For grants received, the allocation is based on the purpose of the grant. For user fees and charges, the allocation is based on the nature of the user fee generated. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

11. Segmented reporting (continued):

Tax Revenue Breakdown -The Town levies four forms of taxation to fund various aspects of Operations as follows:

1. The **General Levy** is the Town’s main revenue source in addition to user fees and represents the overall net budget (Total Expenses less Total Revenues) related to levy supported activities. This includes both operating and capital funding for Fire and Emergency Services, Roads Operations, Parks and Recreation Operations, Planning and Development Services, Library Services, and other General Administrative functions.

2. The Town's **Storm levy** is a special tax only directed towards Urban landowners who are the beneficiaries of the existing services.

3. The **Niagara Health System levy** is described in Note 8 summarized as the Towns local share of the constructions costs associated with the Niagara Health System hospital in St. Catharine’s.

4. The **Municipal Accommodation Tax ("MAT")** is a new tax the Town introduced in 2022 through by-law 5435-22 and has since been amended via by-law 5540-23 in 2023. The MAT is applicable to accommodation establishments purchased for a period of 28 consecutive days or less. Funds generated from the program will be placed into a special reserve to be used for tourism promotion, Town capital infrastructure and tourism initiatives. Criteria for use of funds have been developed through a MAT committee in 2024.

The Town recognized $19,711,207 (2024 - $18,340,860) in Property Tax revenue and $3,917,360 (2024 -$2,819,095) in Municipal Accommodation Tax revenue (recognized within “Other”) in 2025 as follows:

Tax Levy	2025 Revenue	2024 Revenue
General	$ 18,624,285	$ 17,242,870
Storm	983,917	994,990
NHS	103,005	103,000
Sub-total property tax revenue	19,711,207	18,340,860
Municipal accommodation tax	3,917,360	2,819,095
Total Tax Revenues	$ 23,628,567	$ 21,159,955

11. Segmented reporting (continued):

2025

	General Government	Protection	Transportation	Environment	Health	Recreation	Planning and Development	Total
Revenues:								
Taxation	$ 5,717,080	$ 2,953,813	$ 4,557,751	$ –	$ 2,850	$ 5,056,949	$ 1,422,764	$ 19,711,207
User fees and charges	563,098	243,467	3,865,665	14,980,414	355,891	573,489	512,030	21,094,054
Government grants	305,600	117,751	845,984	23,870	–	66,252	1,462	1,360,919
Other	6,206,097	934,320	1,063,283	70,390	–	1,307,630	114,587	9,696,307
Gain on sale of tangible capital assets	141,192	–	–	–	–	–	–	141,192
Equity income in NOTLEI Inc.	1,428,674	–	–	–	–	–	–	1,428,674
Total revenues	14,361,741	4,249,351	10,332,683	15,074,674	358,741	7,004,320	2,050,843	53,432,353
Expenses:								
Salaries and wages	5,851,953	2,953,375	3,169,475	1,506,435	214,121	2,253,944	1,650,317	17,599,620
Operating materials and supplies	1,281,872	903,423	1,969,464	336,301	156,976	1,838,217	141,685	6,627,938
Contracted services	4,279,892	64,578	1,879,449	9,331,424	3,831	240,074	342,344	16,141,592
Rents and financial expenses	161,285	4,876	(305)	27,369	–	29,809	928	223,962
Interfunctional transfers	(4,906,492)	671,860	1,232,410	1,934,578	53,448	719,551	294,645	–
Amortization	363,080	895,683	2,340,406	2,452,788	38,688	1,134,548	8,869	7,234,062
Loss on sale of tangible capital assets	-	–	–	–	–	–	–	–
External transfers	553,853	–	–	–	103,014	5,231	97,975	760,073
Debt service	17,408	106,521	120,690	1,191	–	99,578	40,251	385,639
Total expenses	7,602,851	5,600,316	10,711,588	15,590,086	570,078	6,320,952	2,577,014	48,972,885
Annual surplus (deficit)	$ 6,758,890	$ (1,350,965)	$ (378,905)	$ (515,412)	$ (211,337)	$ 683,368	$ (526,171)	$ 4,459,468

11. Segmented reporting (continued):

2024

	General Government	Protection	Transportation	Environment	Health	Recreation	Planning and Development	Total
Revenues:								
Taxation	$ 5,555,201	$ 2,600,561	$ 4,477,181	$ –	$ 2,850	$ 4,617,511	$ 1,087,556	$ 18,340,860
User fees and charges	511,276	1,022,745	3,429,342	13,674,932	350,922	525,025	377,086	19,891,328
Government grants	331,259	13,875	2,495,348	22,186	–	63,903	(4,108)	2,922,463
Other	5,280,440	253,645	1,172,340	70,391	–	1,102,169	103,605	7,982,591
Contributed assets	–	–	–	–	–	–	–	–
Equity income in NOTLEI Inc.	8,063,589	–	–	–	–	–	–	8,063,589
Total revenues	19,741,765	3,890,826	11,574,211	13,767,509	353,772	6,308,608	1,564,139	57,200,831
Expenses:								
Salaries and wages	5,425,476	3,095,841	2,632,871	1,251,049	196,358	2,363,242	1,382,342	16,347,179
Operating materials and supplies	1,447,407	765,250	1,734,547	454,614	185,314	1,625,955	111,829	6,324,916
Contracted services	3,498,825	32,819	1,735,720	8,550,485	914	195,065	204,070	14,217,898
Rents and financial expenses	111,781	9,492	22,159	2,278	–	23,757	–	169,467
Interfunctional transfers	(4,486,973)	654,588	1,075,641	1,791,589	53,628	685,418	226,109	–
Amortization	342,992	865,313	2,191,550	2,408,995	36,438	1,082,994	8,678	6,936,960
Loss on sale of tangible capital assets	32,293	–	–	–	–	–	–	32,293
External transfers	1,178,143	–	–	–	103,014	900	15,152	1,297,209
Debt service	19,703	72,914	29,030	2,810	–	101,793	47,443	273,693
Total expenses	7,569,648	5,496,217	9,421,518	14,461,820	575,666	6,079,124	1,995,623	45,599,616
Annual surplus (deficit)	$ 12,172,117	$ (1,605,391)	$ 2,152,693	$ (694,311)	$ (221,894)	$ 229,484	$ (431,484)	$ 11,601,215

12. Budget data:

The budget data presented in these consolidated financial statements are based upon the 2025 operating and capital budgets approved by Council on February 26th, 2025. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements. Budgets established for tangible capital asset acquisitions are on a project-oriented basis, the costs of which may be carried out over one or more years. Where amounts were budgeted for on a project-oriented basis, the actual amounts for 2025 were used in order to adjust the budget numbers to reflect the same basis of accounting that was used to report the actual results. In addition, to ensure comparability of expenses, the allocation of program support costs completed for actual reporting was also applied to the budget amounts.

The chart below reconciles the approved budget figures reported on the Consolidated Statement of Operations and Accumulated Surplus.

	Budget Amount
Revenue:	
Operating budget as approved	$ 55,243,257
Add:	
Development charges	327,606
Gain on sale of tangible capital assets	141,192
Less:	
Transfers from other funds	(5,303,436)
Principal and dividends from NOTLEI	(940,596)
Total revenue	49,468,023
Expenses:	
Operating budget as approved	55,243,257
Add:	
Amortization	7,234,062
Employee future benefits	(57,425)
Capital projects resulting in operating expenses	294,648
Less:	
Transfer to reserves, including capital	(12,949,591)
Debt principal payments	(751,506)
Total expenses	49,013,447
Annual surplus	$ 454,576

13. Tangible capital assets:

(a) Work in progress:

Work in progress having a value of $2,947,250 (2024 - $3,731,275) is not depreciated. Depreciation of these assets commence when the assets are placed in service. No interest was capitalized during the period.

(b) Contributed capital assets:

Contributed capital assets are recognized at fair market value at the date of contribution. The value of contributed assets during the year is $nil (2024 - $nil).

(c) Tangible capital assets disclosed at nominal values:

Where an estimate of fair market value could not be made for a tangible capital asset, the asset was recognized at a nominal value. Nominal values totaling $nil (2024 - $nil) have been assigned to Buildings, Land, Machinery and Equipment, Land Improvements, and Linear Asset categories.

(d) Works of art and historical treasures:

No works of art or historical treasures are held by the Town.

13. Tangible capital assets (continued):

2025 General	Opening NBV	Opening Cost	Additions	ARO increase in TCA cost	Disposals	Closing Balance	Opening Accumulated Amortization	Amortization	Deletions	Closing Accumulated Amortization	Total
Land	$ 7,232,933	$ 7,232,933	$ 1,951,411	$ –	$ –	$ 9,184,344	$ –	$ –	$ –	$ –	$ 9,184,344
Land improvements	6,638,005	10,332,703	558,632	–	–	10,891,335	3,694,698	366,485	–	4,061,183	6,830,152
Buildings and fixtures	16,880,460	33,091,659	281,490	29,712	–	33,402,861	16,211,199	849,715	–	17,060,914	16,341,947
Machinery and equipment	5,964,550	11,621,065	325,913	–	7,446	11,939,532	5,656,514	579,530	5,212	6,230,832	5,708,700
Vehicles	6,790,227	13,850,249	1,233,642	–	446,668	14,637,223	7,060,022	797,618	407,187	7,450,453	7,186,770
Information technology	655,428	2,244,038	204,225	–	63,985	2,384,278	1,588,610	199,273	61,090	1,726,793	657,485
Exterior lighting	2,777,293	4,931,074	173,049	–	77,795	5,026,328	2,153,782	247,656	77,795	2,323,643	2,702,685
Subtotal: General assets	46,938,897	83,303,721	4,728,362	29,712	595,894	87,465,903	36,364,825	3,040,277	551,284	38,853,818	48,612,083
Infrastructure											
Linear assets	150,769,203	225,873,011	2,838,794	–	72,621	228,639,184	75,103,807	3,962,958	61,519	79,005,246	149,633,936
Street lighting	3,076,824	4,580,245	40,854	–	–	4,621,099	1,503,422	101,928	–	1,605,350	3,015,749
Other	2,641,940	4,515,093	525,228	–	–	5,040,321	1,873,153	128,899	–	2,002,052	3,038,269
Subtotal: Infrastructure assets	156,487,987	234,968,349	3,404,876	–	72,621	238,300,604	78,480,382	4,193,785	61,519	82,612,648	155,687,955
Work in progress											
Opening balance	3,731,275	3,731,275	6,526,496	–	–	10,257,771	–	–	–	–	10,257,771
Internally transferred	–	–	(7,310,522)	–	–	(7,310,522)	–	–	–	–	(7,310,522)
Subtotal: Work in progress	3,731,275	3,731,275	(784,026)	–	–	2,947,249	–	–	–	–	2,947,249
Grand total as at December 31, 2025	$ 207,158,139	$ 322,003,345	$ 6,526,497	$ 29,712	$668,515	$328,713,754	114,845,207	$ 7,234,062	$ 612,803	$121,466,466	$207,247,288

13. Tangible capital assets (continued):

2024 General	Opening NBV	Opening Cost	Additions	ARO increase in TCA cost	Disposals	Closing Balance	Opening Accumulated Amortization	Amortization	Deletions	Closing Accumulated Amortization	Total
Land	$ 7,232,933	$ 7,232,933	$ –	$ –	$ –	$ 7,232,933	$ –	$ –	$ –	$ –	$ 7,232,933
Land improvements	5,956,030	9,330,626	1,016,791	–	14,714	10,332,703	3,374,596	334,816	14,714	3,694,698	6,638,005
Buildings and fixtures	17,675,192	33,036,115	23,727	31,817	–	33,091,659	15,360,923	850,276	–	16,211,199	16,880,460
Machinery and equipment	5,660,342	10,763,952	895,897	–	38,784	11,621,065	5,103,610	573,079	20,174	5,656,515	5,964,551
Vehicles	7,405,739	13,758,204	140,035	–	47,990	13,850,249	6,352,464	739,387	31,829	7,060,022	6,790,227
Information technology	575,327	2,089,629	256,602	–	102,193	2,244,038	1,514,302	177,824	103,516	1,588,610	655,428
Exterior lighting	2,696,634	4,721,105	314,625	–	104,654	4,931,076	2,024,472	233,966	104,656	2,153,782	2,777,294
Subtotal: General assets	47,202,197	80,932,564	2,647,677	31,817	308,335	83,303,723	33,730,367	2,909,348	274,889	36,364,826	46,938,897
Infrastructure											
Linear assets	145,973,602	217,349,318	8,622,306	–	98,613	225,873,011	71,375,716	3,822,427	94,336	75,103,807	150,769,204
Street lighting	2,326,747	3,715,838	864,407	–	–	4,580,245	1,389,091	114,331	–	1,503,422	3,076,824
Other	2,482,985	4,265,282	249,811	–	–	4,515,093	1,782,297	90,856	–	1,873,153	2,641,940
Subtotal: Infrastructure assets	150,783,334	225,330,438	9,736,524	–	98,613	234,968,349	75,547,104	4,027,614	94,336	74,480,382	156,487,967
Work in progress											
Opening balance	5,977,619	5,977,619	10,137,858	–	–	16,115,477	–	–	–	–	16,115,477
Internally transferred	–	–	12,384,202)	–	–	(12,384,202)	–	–	–	–	(12,384,202)
Subtotal: Work in progress	5,977,619	5,977,619	(2,246,344)	–	–	3,731,275	–	–	–	–	3,731,275
Grand total as at December 31, 2024	$203,963,150	$ 312,240,621	$ 10,137,857	$ 31,817	$406,949	$322,003,347	108,277,471	$ 6,936,961	$ 369,225	$110,845,207	$207,158,139

14. Asset Retirement Obligation (ARO):

The Town's Asset retirement obligation consists of asbestos obligations as follows:

The Town owns and operates several buildings that are either known to have or possibly have asbestos, which represents a health hazard upon demolition of the building and encompasses a legal obligation to remove it. Following the adoption of PS3280 – Asset retirement obligations, the Town recognized an obligation relating to the removal and post-removal care of the asbestos in these building. The Town uses financial models that includes inputs such as structure type, square footage, and year builds, in conjunction with specific rates to be applied in the calculation of related ARO's for each facility based on this criteria. The buildings had an estimated useful life of 50 years when they were purchased, with various number of years remaining depending on this date. Inflationary adjustments of $51,925 have been captured as at December 31st, 2025 under "Adjustments to ARO", where $29,712 was capitalized and $22,213 was expensed in the Consolidated Statement of Operations and Accumulated Surplus as this portion relates to fully depreciated assets. The ARO balances are as follows:

Asset Retirement Obligation (Asbestos Removal)	Balance at December 31, 2025	Balance at December 31, 2024
Opening Balance	$ 1,445,689	$ 1,390,086
Adjustments to ARO - increase	51,925	55,603
Closing Balance	$ 1,497,614	$ 1,445,689

15. Government transfers:

Government transfers do not include payments in lieu of taxes received from Federal and Provincial governments. These amounts are included with taxation revenue on the Consolidated Statement of Operations and Accumulated Surplus:

	Budget	2025	2024
Operating transfers:			
Federal	$ 9,500	$ 15,878	$ 28,427
Provincial	389,548	426,373	426,438
Upper-Tier/Other Municipalities	5,000	175,411	212,098
	404,048	617,662	666,963
Capital transfers:			
Federal	625,134	296,001	445,205
Provincial	1,873,931	447,256	1,810,295
	2,499,065	743,257	2,255,500
Total government transfers	$ 2,903,113	$ 1,360,919	$ 2,922,463

Government transfers paid are included in the Consolidated Statement of Operations and Accumulated Surplus and are summarized in Note 11 - Segmented Information under External Transfers.

16. Trust funds:

Trust funds administered by the Town amounting to $1,404,617 (2024 - $1,362,205) have not been included in these Consolidated financial statements.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Schedule of Library Fund Activities
(Unaudited)

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

	Budget	2025	2024
Revenues:			
Development charges	$ –	$ –	$ 5,051
Municipal grant	934,996	934,996	868,748
Donations	12,000	73,114	26,826
Provincial grants	35,476	35,476	35,476
Miscellaneous	18,100	22,260	19,975
Other grants	9,500	27,025	12,501
	1,010,072	1,092,871	968,577
Expenditures:			
Amortization	132,815	132,815	135,041
Building maintenance	5,500	8,439	4,408
Contracted services	5,210	5,208	5,208
Expensed capital projects	–	17,509	3,198
External transfers	–	4,331	–
Insurance	9,508	9,508	8,713
Licensing and computer support	38,293	35,262	36,474
Memberships	2,050	1,642	1,425
General library expenses	31,750	39,951	31,689
Office supplies	30,400	45,306	32,682
Professional development	8,500	7,148	9,686
Professional fees	1,500	6,796	23,589
Program expenditures	11,250	11,504	4,728
Public relations	2,250	3,897	1,731
Purchases for resale	–	–	60,000
Rent	60,000	60,000	60,000
Telephone	5,500	7,324	6,048
Wage and benefits	794,611	632,710	841,707
Workshops	2,000	1,297	2,720
	1,141,137	1,030,647	1,269,047
Annual surplus (deficit) before the undernoted	(131,065)	62,224	(300,470)
Add: Amortization of tangible capital assets	–	132,815	135,041
Less: Acquisition of tangible capital assets	–	(69,430)	(33,961)
Transfers to/(from) reserve fund	1,750	195,039	(105,431)
Adjusted annual surplus (deficit)	$ (129,315)	$ 320,648	$ (304,821)

KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton, ON L8P 4W7
Canada
Telephone 905 523 8200
Fax 905 523 2222

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of The Town of Niagara-on-the-Lake

Opinion

We have audited the financial statements of the trust funds of The Corporation of the Town of Niagara-on-the-Lake (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2025,
- the statement of operations and accumulated surplus for the year then ended,
- the statement of cash flows for the year then ended,
- and notes, including a summary of significant accounting policies and other explanatory information.

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2025, and its results of operations 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 auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditors report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
August 4, 2026

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Statement of Financial Position – Trust Funds

As at December 31, 2025, with comparative information for 2024

	Cemetery Care & Maintenance	Cemetery Pre-need Internments	2025 Total	2024 Total
Financial Assets				
Cash	$ 1,386,251	$ 115,912	$ 1,502,163	$ 1,417,035
Due from Town of Niagara-on-the-Lake (note 2)	–	267	267	403
	1,386,251	116,179	1,502,430	1,417,438
Liabilities				
Due to Town of Niagara-on-the-Lake (note 2)	97,812	–	97,812	55,233
Net financial assets and accumulated surplus	$1,288,439	$ 116,179	$1,404,618	$ 1,362,205

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Statement of Operations and Accumulated Surplus – Trust Funds

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

	Cemetery Care & Maintenance	Cemetery Pre-need Internments	2025 Total	2024 Total
Revenues:				
Care & maintenance agreements	$ 49,249	$ –	$ 49,249	$ 49,642
Interest earned	42,036	3,820	45,856	68,167
	91,285	3,820	95,105	117,809
Expenditures:				
Interest transferred to:				
Cemetery maintenance	42,036	–	42,036	62,134
Cemetery pre-need	–	10,656	10,656	2,456
	42,036	10,656	52,692	64,590
Annual surplus	49,249	(6,836)	42,413	53,219
Accumulated surplus, beginning of year	1,239,190	123,015	1,362,205	1,308,986
Accumulated surplus, end of year	$1,288,439	$ 116,179	$ 1,404,618	$1,362,205

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE
Statement of Cash Flows – Trust Funds

Year ended December 31, 2025 with comparative information for 2024

	2025	2024
Operations:		
Annual surplus	$ 42,413	$ 53,219
Uses:		
Change in due to/from Town of Niagara-on-the-Lake	42,715	5,918
Increase in cash	85,128	59,137
Cash, beginning of year	1,417,035	1,357,898
Cash, end of year	$ 1,502,163	$ 1,417,035

See accompanying notes to financial statements.

1. Significant accounting policies:

The financial statements of The Corporation of the Town of Niagara-on-the-Lake trust funds are prepared by management in accordance with Canadian public sector accounting standards (“PSAS”) established by the Public Sector Accounting Board (“PSAB”) of CPA Canada.

(a) Basis of accounting:

(i) Receipts and expenditures are reported on the accrual basis of accounting.

(ii) 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 the receipt of goods and services and the creation of a legal obligation to pay.

2. Due from/to Town of Niagara-on-the-Lake:

The amounts owing from and to The Corporation of the Town of Niagara-on-the-Lake are non-interest bearing with no fixed terms of repayment.