
Consolidated financial statements of Corporation of the Township of Scugog

December 31, 2025

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Independent Auditor's Report

To the Members of Council of
The Corporation of the Township of Scugog

Opinion

We have audited the consolidated financial statements of The Corporation of the Township of Scugog (the "Township"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statement of operations, change 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 (collectively referred to as the "financial statements").

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Township 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 financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated 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 GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Township's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Township to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Township as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 24, 2026

Corporation of the Township of Scugog
Consolidated statement of financial position
As at December 31, 2025

| | Notes | 2025 \$ | 2024 \$ |
|--|-------|--------------------|-------------|
| Financial assets | | | |
| Cash | | 37,690,840 | 35,476,185 |
| Investments | 5 | 11,085,083 | 10,529,938 |
| Taxes receivable | | 7,976,005 | 6,076,644 |
| Accounts receivable | 6 | 2,357,307 | 2,507,568 |
| Inventory for resale | | 5,042 | 2,605 |
| | | 59,114,277 | 54,592,940 |
| Liabilities | | | |
| Accounts payable and accrued liabilities | | 5,378,284 | 4,573,891 |
| Deferred revenue | 7 | 20,708,749 | 19,528,879 |
| Deposits | | 3,336,895 | 3,081,541 |
| Employee future benefits | 8 | 618,200 | 635,653 |
| Asset retirement obligations | 11 | 3,258,226 | 3,091,441 |
| Municipal debt | 9 | 1,002,961 | 1,145,576 |
| | | 34,303,315 | 32,056,981 |
| Net financial assets | | 24,810,962 | 22,535,959 |
| Contingent liabilities and commitments | 12 | | |
| Non-financial assets | | | |
| Tangible capital assets | 14 | 99,317,298 | 94,568,821 |
| Inventory of supplies | | 343,668 | 315,034 |
| Prepaid expenses | | 260,886 | 262,950 |
| | | 99,921,852 | 95,146,805 |
| Accumulated surplus | 10 | 124,732,814 | 117,682,764 |

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

Corporation of the Township of Scugog
Consolidated statement of operations
Year ended December 31, 2025

| Notes | Budget \$ | 2025 Actual \$ | 2024 Actual \$ |
|--|--------------------|----------------------|----------------------|
| | (Note 14) | | |
| Revenue | | | |
| Taxation levied for own purposes | 20,772,800 | 21,023,512 | 19,492,670 |
| User charges, licences and fines | 3,339,800 | 3,713,250 | 3,442,108 |
| Grants | | | |
| Government of Canada | 62,527 | 787,173 | 1,551,408 |
| Province of Ontario | 2,672,404 | 1,907,658 | 2,172,353 |
| Other municipalities | 8,400 | 23,470 | 1,800 |
| Other | | | |
| Casino revenues | 1,100,000 | 1,105,586 | 1,079,732 |
| Developer contributions earned | 7 | — | 1,815,457 |
| Investment income | 559,238 | 853,402 | 1,376,778 |
| Penalties and interest on taxes | 650,000 | 1,026,608 | 780,130 |
| Donations and other | 1,993,095 | 413,465 | 563,383 |
| Contributed assets | — | 1,734,145 | 1,111,522 |
| Gain on disposition of tangible capital assets | 45,000 | 58,726 | 59,728 |
| | 31,203,264 | 34,462,452 | 33,985,735 |
| Expenses | | | |
| General government | 5,597,100 | 5,250,555 | 4,755,931 |
| Protection to persons and property | 5,041,900 | 3,556,392 | 3,714,225 |
| Transportation | 13,239,102 | 10,410,538 | 9,852,802 |
| Environmental services | 248,100 | 154,073 | 128,880 |
| Recreational and cultural services | 8,952,722 | 6,633,476 | 5,965,764 |
| Planning and development | 1,638,992 | 1,407,368 | 1,161,205 |
| | 34,717,916 | 27,412,402 | 25,578,807 |
| Annual surplus | (3,514,652) | 7,050,050 | 8,406,928 |
| Accumulated surplus, beginning of year | — | 117,682,764 | 109,275,836 |
| Accumulated surplus, end of year | (3,514,652) | 124,732,814 | 117,682,764 |

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

Corporation of the Township of Scugog
Consolidated statement of change in net financial assets
Year ended December 31, 2025

| | 2025 | 2024 |
|---|--------------------|--------------|
| | \$ | \$ |
| Annual surplus | 7,050,050 | 8,402,728 |
| Acquisition of tangible capital assets | (9,546,615) | (10,804,214) |
| Amortization of tangible capital assets | 4,798,138 | 4,862,908 |
| Gain on disposition of tangible capital assets | (58,726) | (59,728) |
| Proceeds on disposal of tangible capital assets | 58,726 | 59,728 |
| | 2,301,573 | 2,461,422 |
| Acquisition of inventory of supplies | (343,668) | (315,034) |
| Use/consumption of inventory of supplies | 315,034 | 274,905 |
| Acquisition of prepaid expenses | (260,886) | (262,950) |
| Use/consumption of prepaid expenses | 262,950 | 303,747 |
| | (26,570) | 668 |
| Net change in net financial assets | 2,275,003 | 2,462,090 |
| Net financial assets, beginning of year | 22,535,959 | 20,073,869 |
| Net financial assets, end of year | 24,810,962 | 22,535,959 |

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

Corporation of the Township of Scugog
Consolidated statement of cash flows
Year ended December 31, 2025

| | 2025 \$ | 2024 \$ |
|---|--------------------|-------------|
| Operating activities | | |
| Annual surplus | 7,050,050 | 8,402,728 |
| Items not involving cash | | |
| Amortization | 4,798,138 | 4,862,908 |
| Gain on disposal of tangible capital assets | (58,726) | (59,728) |
| Accretion of asset retirement obligation | 166,785 | 133,840 |
| Value of contributed tangible capital assets | (1,734,145) | (1,111,522) |
| | 10,222,102 | 12,228,226 |
| Net change in non-cash working capital | | |
| Taxes receivable | (1,899,361) | (1,639,151) |
| Accounts receivable | 150,261 | 777,235 |
| Inventory for resale | (2,437) | (360) |
| Accounts payable and accrued liabilities | 804,393 | 1,405,532 |
| Deferred revenue | 1,179,870 | 3,378,435 |
| Deposits | 255,354 | (1,022,654) |
| Employee future benefits | (17,453) | (34,236) |
| Inventory of supplies | (28,634) | (40,129) |
| Prepaid expenses | 2,064 | 40,797 |
| | 10,666,159 | 15,093,695 |
| Capital transactions | | |
| Acquisition of tangible capital assets | (7,812,470) | (9,692,692) |
| Proceeds on disposal of tangible capital assets | 58,726 | 59,728 |
| | (7,753,744) | (9,632,964) |
| Investing activity | | |
| Purchase of investments | (555,145) | (2,687,480) |
| Financing activity | | |
| Principal payments on municipal debt | (142,615) | (138,072) |
| Net change in cash | 2,214,655 | 2,635,179 |
| Cash, beginning of year | 35,476,185 | 32,841,006 |
| Cash, end of year | 37,690,840 | 35,476,185 |

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

1. Significant accounting policies

The consolidated financial statements (the "financial statements") of the Corporation of Township of Scugog (the "Township") are the representations of management prepared in accordance with accounting standards established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

Significant accounting policies adopted by the Township are as follows:

(a) Reporting entity

(i) Consolidated financial statements

These consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the reporting entity. The reporting entity is comprised of all organizations, local boards, and committees, which are controlled by the Township including the following:

Scugog Memorial Public Library
Port Perry Business Improvement Area
Prince Albert Community Hall Committee
Greenbank Community Hall Committee
Caesarea Hall Committee

All material inter-entity transactions and balances are eliminated on consolidation.

(ii) 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 Region of Durham are not reflected in these financial statements.

(iii) Trust funds

Trust funds and their related operations administered by the Township are not consolidated, but are reported separately in the Trust Fund Financial Statements.

(b) Basis of accounting

(i) Accrual basis of accounting

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses 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.

(ii) Tax revenue

Tax revenue is recognized on all taxable properties within the Township included in the tax roll provided by the Municipal Property Assessment Corporation, using property values included in the tax roll or property values that can be reasonably estimated by the Township as it relates to supplementary or omitted assessments using tax rates authorized by Council for the Township's own purposes in the period for which the tax is levied.

At year end the Township evaluates the likelihood of having to repay taxes as a result of tax appeals or other changes and recognizes a liability if the amount can be reasonably estimated.

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(iii) Government transfers

Government transfers are recognized as revenues by the Township in the period during which the transfer is authorized and any eligibility criteria are met. Government transfers are deferred if they are restricted through stipulations that require specific actions be carried out in order to keep the transfer. For such transfers, revenue is recognized when the stipulation has been met.

(iv) User charges, licenses, fines and other revenues

User charges, licenses, fines and other revenue from transactions with performance obligations are recognized when the Township satisfies a performance obligation by providing the promised good or service to the payor. For transactions with no performance obligations, these are recognized when the Township has authority to claim or retain an inflow of economic resources and when a past transaction or event is an asset. Amounts received prior to the end of the year that will be recognized in a subsequent fiscal year are deferred and reported as a liability.

(v) Investment income

Investment income is reported as revenue in the fiscal year earned. Investment income earned on development charges reserve funds, Canada Community Building Fund reserve funds, parkland obligatory reserve funds and building permit reserve funds is added to the reserve fund balance and forms part of the respective deferred revenue balance.

(vi) Financial instruments

Financial instruments are classified into three categories: fair value, amortized cost or cost. The following chart shows the measurement method for each type of financial instrument.

| Financial instrument | Measurement method |
|--|--------------------|
| Cash | Cost |
| Investments | |
| Principal protected notes | Fair Value |
| Other | Amortized cost |
| Taxes receivable | Amortized cost |
| Accounts receivable | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |
| Municipal debt | Amortized cost |
| Capital lease obligation | Amortized cost |

The Township has invested a portion of amounts collected under the Development Charge Act in Principle Protected Notes (PPNs). PPN's meet the criteria of a financial instrument with an embedded derivative. The standards permit financial instruments containing one or more embedded derivatives to be designated as a hybrid (combined) instrument and carried at fair value. Since the use of amount collected under the Development Charges Act including investment income earned on those amounts is externally restricted and therefore increases in the fair value of PPNs are recorded as increases in deferred revenue.

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(vi) Financial instruments (continued)

Financial instruments at amortized costs are measured using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, based on the effective interest rate. It is applied to financial assets or financial liabilities that are not in the fair value category and is now the method that must be used to calculate amortized cost.

(vii) 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.

Tangible capital assets

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

| | Useful life – years |
|--------------------------------|---------------------|
| Land improvements | 15–30 |
| Buildings | 15-45 |
| Rolling stock | 5-20 |
| Computer hardware and software | 5-7 |
| Furniture and equipment | 5–15 |
| Marine | 20-80 |
| Roads | 20-75 |
| Storm sewer | 20-75 |

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use. Land is not amortized.

Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date contributed, and that amount is also recorded as revenue.

(viii) Deferred revenue

Deferred revenue represents revenues which have been collected or are receivable but for which the related services have yet to be performed or eligible expenditures incurred. Deferred revenue is comprised of general deferred revenue, development charges, Canada Community Building Fund, cash in lieu of parkland and surplus funds under the Building Code Act. These amounts will be recognized as revenues in the fiscal year the services are performed. In addition, any contributions received with external restrictions are deferred until the related expenses are incurred.

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(ix) Employee future benefits

The present value of the cost of providing employees with future benefit programs is expensed as employees earn these entitlements through service. The cost of the benefits earned by employees is determined by management using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected health care and dental costs.

(x) Reserves and Reserve Funds

Certain amounts, as approved by the Township's Council, are set aside in Reserves and Reserve Funds for future operating and capital purposes. Transfers to and/or from Reserves and Reserve Funds are an adjustment to the respective fund when approved. Reserves and Reserve Funds form part of the Township's accumulated surplus.

(xi) Asset retirement obligations

Asset retirement obligations (ARO's) are provisions for legal obligations for the retirement of the Township's tangible capital assets that are either in productive use or no longer in productive use.

An ARO liability is recognized when, as at the financial reporting date:

- (a) there is a statutory, contractual, or legal obligation to incur retirement costs in relation to a tangible capital asset;
- (b) the past transaction or event giving rise to the liability has occurred;
- (c) it is expected that future economic benefits will be given up; and
- (d) a reasonable estimate of the amount can be made.

The Township recognizes asset retirement obligations in the period in which it incurs a statutory, contractual, or legal obligation associated with the retirement of tangible capital assets resulting from acquisition, construction, development, and or normal operation of tangible capital assets.

The liabilities are measured initially at management's best estimate of the discounted future cash flows required to settle the retirement obligation. For tangible capital assets that are still in productive use, the estimated retirement costs are capitalized and amortized on the same basis as the related tangible capital asset. For assets that are no longer in productive use, the liability is expensed in the period.

In subsequent periods, the liability is accreted over time. The asset retirement obligations estimates are adjusted, if necessary, for changes in the liability estimate or timing of the future cash flows, as applicable. Accretion expenses are included in the Consolidated Statement of Operations. Actual costs incurred are charged against the asset retirement obligation to the extent of the liability recorded. Differences between actual costs incurred and the liability, if any are recognized in the Consolidated Statement of Operations when remediation is complete.

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(xii) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates. Significant estimates relate to taxes receivable, accounts receivable, accrued liabilities, employee future benefits, and asset retirement obligations.

2. Financial instruments

Risks arising from financial instruments and risk management

The Township is exposed to a variety of financial risks including credit risk and liquidity risk. The Town's overall risk management program seeks to minimize potential adverse effects on the Town's financial performance.

Credit risk

The Township's principal financial assets are cash, investments, taxes receivable and accounts receivable, which are subject to credit risk. The carrying amounts of financial assets on the Consolidated Statement of Financial Position represent the Townships' maximum credit exposure as at the Consolidated Statement of Financial Position date.

Liquidity risk

Liquidity risk is the risk that the Township will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Township manages its liquidity risk by monitoring its operating requirements, and prepares a budget to ensure that it has sufficient funds to fulfill obligations.

Liquidity risk is the risk that the Township will encounter difficulty in meeting its obligation associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Township will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Township is exposed to this risk mainly in respect of accounts payable and accrued liabilities and long-term debt. The Township's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. There have not been any changes to these risks from the prior year.

3. Trust funds

Trust funds administered by the Township amounting to \$54,977 (\$52,940 in 2024) have not been included in the Consolidated Statement of Financial Position nor have operations been included in the Consolidated Statement of Operations.

4. Operations of school boards and the Region of Durham

The following amounts raised on behalf of others are not included in these consolidated financial statements.

| | 2025 | 2024 |
|------------------|-------------------|------------|
| | \$ | \$ |
| School Boards | 9,717,017 | 9,607,340 |
| Region of Durham | 35,849,526 | 32,766,237 |
| | 45,566,543 | 42,373,577 |

5. Investments

The Township invests a portion of its DC Reserve Fund holdings in PPN's. The Township records its investment in PPN's at fair market value. At year-end the fair market value of PPN's was \$4,417,203 (\$3,226,650 in 2024) with a cost of \$4,347,180 (2024 - \$3,000,000). The fair value of PPN's are based on inputs other than quoted mark prices that are observable. The unrealized gain on the Township's investment in PPN's for the year of \$70,023 (\$2024 - \$226,650) is included in Deferred Revenue – Development Charges Act (note 7).

The Township holds other investments which consist of guaranteed investment certificates (GICs) and fixed income securities with varying maturities from November 2026 to December 2035 and bearing interest rates between 2.14% and 6.6% (from August 2025 to July 2029 with interest rates between 1.67% and 5.9% in 2024). Investments are made up as follows:

| | 2025 | 2024 |
|---|-------------------|------------|
| | \$ | \$ |
| GIC | 1,703,787 | 1,651,858 |
| Fixed income | 4,963,650 | 4,730,637 |
| Principal protected notes | 4,417,023 | 4,144,650 |
| Cash and cash equivalents included in investments | 623 | 2,793 |
| | 11,085,083 | 10,529,938 |

6. Accounts receivable

| | 2025 | 2024 |
|--|------------------|-----------|
| | \$ | \$ |
| Canada | 1,309,320 | 811,103 |
| Ontario | 35,000 | 152,421 |
| Other municipalities and school boards | 122 | — |
| Trade receivables | 886,076 | 1,599,638 |
| Developers | 261,980 | 180,917 |
| Accrued interest | 98,658 | 81,824 |
| Other | 249,827 | 109,820 |
| Allowance for doubtful accounts | (483,675) | (428,155) |
| | 2,357,307 | 2,507,568 |

7. Deferred revenue

| | 2025 | 2024 |
|---------------------------------------|-------------------|------------|
| | \$ | \$ |
| Obligatory Reserve Funds | | |
| Parkland (Planning Act) | 752,557 | 766,059 |
| Development Charges Act | 13,345,356 | 12,963,605 |
| Canada Community Building Fund (CCBF) | 2,331,459 | 2,170,647 |
| Building permit fees | 940,251 | 1,041,005 |
| | 17,369,623 | 16,941,316 |
| Other deferred revenue | 3,339,126 | 2,587,563 |
| | 20,708,749 | 19,528,879 |

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

| | Development charges | Parkland | CCBF | Building permits | Total |
|---------------------------|----------------------------|------------------|------------------|-------------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Opening obligatory funds | 12,963,605 | 766,059 | 2,170,647 | 1,041,005 | 16,941,316 |
| Restricted funds received | 1,158,490 | 91,630 | 706,780 | — | 1,956,900 |
| Restricted funds used | | | | | |
| Capital purchases | (1,549,991) | (140,661) | (630,240) | — | (2,320,892) |
| Other | — | — | — | (124,805) | (124,805) |
| Investment income | 773,252 | 35,529 | 84,272 | 24,051 | 917,104 |
| Closing obligatory funds | 13,345,356 | 752,557 | 2,331,459 | 940,251 | 17,369,623 |

Canada Community Building Fund (CCBF) revenue is provided by the Government of Canada. The use of the funds is established by the funding agreement signed between the Township and the Association of Municipalities of Ontario. CCBF funds may be used towards designated projects as specified in the funding agreements. Funds used during the year of \$632,240 (\$1,366,278 in 2024) are included in Government of Canada Grants in the consolidated statement of operations.

8. Employee future benefit

The Township provides certain employee amounts which will require funding in future periods.

(a) Vacation payable

Vacation pay owing at December 31, 2025 of \$379,621 (\$350,518 in 2024) has been fully funded from operations and included in accounts payable in these consolidated financial statements.

8. Employee future benefits (continued)

(b) Pension agreement

The Township makes contributions to the Ontario Municipal Employees Retirement System ("OMERS") which is a multi-employer plan, on behalf of all members of its staff. The Plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Contributions paid to OMERS for the year were \$725,895 (\$645,903 in 2024).

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2025. The results of this valuation disclosed total actuarial liabilities of \$151,365 million in respect of benefits accrued for service with actuarial assets at that date of \$150,043 million indicating an actuarial deficit of \$1,322 million. As OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Township does not recognize any share of the OMERS pension surplus or deficit.

(c) Post employment benefits

Under the provisions of certain employee benefit plans, an employee who, has achieved the 85 factor as determined by Ontario Municipal Employee Retirement System (OMERS), is eligible for a retirement pension from OMERS, and is under the age of 65 will be provided with Extended Health (drug, semi-private hospital and dental plan) coverage. All coverage ceases at age 65. Actuarial valuations for accounting purposes are performed triennially using the projected benefit method prorated on services. A full actuarial valuation was completed as at December 31, 2025. The significant actuarial assumptions used in estimating the Township's accrued benefit obligation are as follows:

| | | |
|--|-------------------------------|----------------|
| Discount rate | | 5.10% |
| Medical cost increases | - first year | 6.00% |
| | - decreasing over 10 years to | 4.50% plus CPI |
| Expected rate of dental cost increase | | 4.00% plus CPI |
| Estimated average remaining service life of the employee group | | 12.7 years |

Information about the Township's post retirement benefit plan is as follows:

| | 2025 | 2024 |
|--|------------------|-----------|
| | \$ | \$ |
| Accrued benefit obligation | 592,100 | 622,276 |
| Unamortized actuarial gain | 26,100 | 13,377 |
| Employee future benefit liability | 618,200 | 635,653 |
| Less amount already funded from operations | (382,000) | (382,000) |
| Amount to be recovered from future revenue | 236,200 | 253,653 |

8. Employee future benefits (continued)

(c) Post employment benefits (continued)

The post-employment benefit expense reported in the statement of consolidated statement of operations is as follows:

| | 2025 | 2024 |
|---|----------------|---------|
| | \$ | \$ |
| Current year benefit expense | 23,100 | 28,011 |
| Amortization of actuarial gains | (3,300) | (4,664) |
| Interest on post-employment benefit liability | 28,800 | 27,136 |
| Total expense related to post-employment benefits | 48,600 | 50,483 |

The change in the accrued benefit obligation is composed of the following amounts:

| | 2025 | 2024 |
|-------------------------------------|-----------------|----------|
| | \$ | \$ |
| Obligation at the start of the year | 622,276 | 618,276 |
| Current year benefit cost | 23,100 | 28,011 |
| Benefit payments | (66,076) | (84,719) |
| Interest on obligation | 28,800 | 27,136 |
| Actuarial (gain) loss recognized | (16,000) | 33,572 |
| | 592,100 | 622,276 |

9. Municipal debt

Municipal debt consists of debentures issued on behalf of the Township by the Region of Durham for which the Township has assumed responsibility for the payment of principal and interest charges and a capital lease obligation as follows:

| | 2025 | 2024 |
|--|------------------|-----------|
| | \$ | \$ |
| Long-term loan maturing October 13, 2032 repayable in annual principal repayments with semi-annual interest payments at rates ranging from 1.7% and 3.3%. | 875,453 | 986,643 |
| Capital lease obligation for additional office space in a building with the principal amount of future lease payments discounted at 5%. The building carries a NBV of \$373,570 (see Note 13(a)) | 127,508 | 158,933 |
| | 1,002,961 | 1,145,576 |

9. Municipal debt (continued)

(a) The interest rate charged on the municipal debt ranges from 1.7% to 5% (1.7% to 5% in 2024). Future payments requiring taxation and user charge financing are summarized as follows:

| | Total principal \$ | Total interest \$ | Total payments \$ |
|--------------|-----------------------|----------------------|----------------------|
| 2026 | 149,847 | 33,044 | 182,891 |
| 2027 | 156,357 | 27,857 | 184,214 |
| 2028 | 161,692 | 22,345 | 184,037 |
| 2029 | 136,858 | 16,987 | 153,845 |
| 2030 | 128,605 | 12,946 | 141,551 |
| Thereafter | 269,602 | 13,351 | 282,953 |
| Total | 1,002,961 | 126,530 | 1,129,492 |

(b) The long-term liabilities issued in the Township's name have been approved by by-law as required and the annual principal and interest payments required are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

10. Accumulated surplus

| | 2025 \$ | 2024 \$ |
|--|--------------------|-------------|
| Operating and capital funds | 3,978,216 | 4,728,277 |
| Invested in tangible capital assets (Note 15) | 99,317,298 | 94,568,821 |
| Municipal debt to be recovered in future (Note 10) | (1,002,961) | (1,145,576) |
| Reserve/reserve fund balances | 22,676,461 | 19,788,825 |
| Employee benefits payable to be recovered in future (Note 9) | (236,200) | (253,653) |
| | 124,732,814 | 117,686,694 |

11. Asset retirement obligation

The Township's financial statements include an asset retirement obligation for various buildings assumed to contain asbestos due to their age, fuel tanks and generators, and stormwater ponds requiring decommissioning. The Township would be required to perform abatement activities upon renovation or demolition of buildings. Abatement activities include handling and disposing of the asbestos in a prescribed manner when it is disturbed. The related asset retirement costs are being amortized on a straight-line basis. The liability has been estimated using a net present value technique with a discount rate of 6% (6.00% in 2024).

Significant estimates and assumptions are made in determining the asset retirement costs as there are numerous factors that will affect the amount ultimately payable. Those uncertainties may result in future actual expenditures that are different than the amounts currently recorded.

At each reporting date, as more information and experience is obtained as it relates to these asset retirement obligations, the estimates of the timing, the undiscounted cash flows and the discount rates may change. Adjustments to these factors are accounted for as an adjustment to the asset retirement obligation and the related tangible capital asset in the current period on a prospective basis.

11. Asset retirement obligation (continued)

The carrying amount of the liability is as follows:

| | \$ |
|--|------------------|
| Asset retirement obligations as at December 31, 2024 | 3,091,441 |
| Increase due to accretion expense | 166,785 |
| Asset retirement obligations as at December 31, 2025 | 3,258,226 |

12. Contingent liabilities and commitments

(a) Port Perry Annex Corporation

The Township has leased land adjacent to the municipal building to the Port Perry Annex Corporation (PPAC) for 23 years in exchange for \$230. In 2006 PPAC completed construction of an addition to the municipal building pursuant to the lease and the building is now fully occupied. PPAC is responsible for the costs and risks associated with construction and operation of the addition for the term of the lease. The Township will perform maintenance for the entire building and common areas and recover the PPAC share based on square footage along with a 7% administration fee. Ownership of the building will be transferred to the Township at the end of the lease for a nominal amount.

In April 2006, the Township signed a 23 year lease with extension option for the use of the basement of the PPAC building. A separate 5 year lease with extension option was also signed in April 2006 for use of a portion of the main floor. Lease extensions have been signed annually from April 2011 up to and including 2025 extending the lease until March 2026. As at December 31, 2025 the Township occupied approximately 44% of the building. The present value of minimum lease payments under these two leases calculated using a discount rate of 5% has been recognized as a capital expenditure and a new municipal debt obligation. Future minimum payments are included in Note 8.

(b) Credit facility agreement

The Township has a revolving credit facility agreement with its main financial institution. The amount available at any time is limited to \$2 million via an operating line. Any balance borrowed will bear interest at prime less 0.25% per year. At December 31, 2025, the Township had a balance of nil (nil in 2024) drawn against this facility.

(c) Participation in Durham Municipal Insurance Pool

The Township is a member of the Durham Municipal Insurance Pool ("DMIP"), which was created in July 2000. DMIP provides general liability insurance to 8 member municipalities.

Insurance premiums charged to each member municipality consists of a levy based on respective size and population. Future levies depend on the experience of the pool. Beyond the \$5,000 deductible, DMIP covers eligible Township insurance claims. DMIP has outside coverage in place for claims over \$500,000.

Because DMIP is a multi-municipality insurance pool, surpluses or deficits are a joint responsibility of the member municipalities through future levies. The Township does not recognize any share of the DMIP surplus or deficit, and has made no provision for a reserve for self-insurance as at December 31, 2025.

12. Contingent liabilities and commitments (continued)

(d) Legal matters

The Township has been named in litigation matters, the outcome of which is undeterminable and accordingly, no provision has been provided for any potential liability in these financial statements. Should any loss result from these claims, which is not covered by insurance, such loss would be charged to operations in the year of resolution or earlier if the loss is likely and measurable.

13. Budget amounts

The 2025 budget approved by Council on January 27, 2025, was not prepared on a basis consistent with that used to report actual results. The budget was prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis. The budget figures treated all tangible capital asset additions as expenses and did not include amortization expense on tangible capital assets or post employment benefit. As a result the budget figures presented in the consolidated statement of operations reflect adjustments for these items.

Corporation of the Township of Scugog
Notes to the consolidated financial statements
December 31, 2025

14. Tangible capital assets

| | Land | Land improvements | Buildings | Vehicles and rolling equipment | Furniture, fixtures and equipment | Computer hardware and software | Marine | Road network | Storm water network | Work in process | 2025 |
|---|------------------|-------------------|-------------------|--------------------------------|-----------------------------------|--------------------------------|----------------|--------------------|---------------------|-------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost, beginning of year | 9,806,607 | 10,119,854 | 31,149,179 | 11,245,029 | 3,743,095 | 1,367,318 | 421,803 | 101,016,444 | 13,798,256 | 18,240,675 | 200,908,260 |
| Additions | — | 463,260 | 1,349,962 | 352,408 | 228,016 | 661,043 | — | 3,513,576 | 650,808 | 6,340,966 | 13,560,039 |
| Disposals | — | (13,857) | — | (228,052) | (38,126) | — | — | — | — | (4,013,424) | (4,293,459) |
| Cost, end of year | 9,806,607 | 10,569,257 | 32,499,141 | 11,369,385 | 3,932,985 | 2,028,361 | 421,803 | 104,530,020 | 14,449,064 | 20,568,217 | 210,174,840 |
| Accumulated amortization, beginning of year | — | 6,724,585 | 18,836,978 | 6,838,323 | 2,149,289 | 840,543 | 318,888 | 65,728,618 | 4,902,215 | — | 106,339,439 |
| Amortization | — | 360,482 | 800,120 | 672,605 | 247,396 | 164,831 | 9,778 | 2,364,806 | 178,120 | — | 4,798,138 |
| Disposals | — | (13,857) | — | (228,052) | (38,126) | — | — | — | — | — | (280,035) |
| Accumulated amortization, end of year | — | 7,071,210 | 19,637,098 | 7,282,876 | 2,358,559 | 1,005,374 | 328,666 | 68,093,424 | 5,080,335 | — | 110,857,542 |
| Net book value, beginning of year | 9,806,607 | 3,395,269 | 12,312,201 | 4,406,706 | 1,593,806 | 526,775 | 102,915 | 35,287,826 | 8,896,041 | — | 94,568,821 |
| Net book value, end of year | 9,806,607 | 3,498,047 | 12,862,043 | 4,086,509 | 1,574,426 | 1,022,987 | 93,137 | 36,436,596 | 9,368,729 | 20,568,217 | 99,317,298 |

Corporation of the Township of Scugog
Notes to the consolidated financial statements
December 31, 2025

14. Tangible capital assets (continued)

| | Land \$ | Land improvements \$ | Buildings \$ | Vehicles and rolling equipment \$ | Furniture, fixtures and equipment \$ | Computer hardware and software \$ | Marine \$ | Road network \$ | Storm water network \$ | Work in process \$ | 2024 \$ |
|---|------------|----------------------------|-----------------|--|--|---|--------------|-----------------------|---------------------------------|--------------------------|-------------|
| Cost, beginning of year | 9,477,200 | 9,911,887 | 30,771,407 | 10,846,906 | 3,135,994 | 1,324,490 | 417,011 | 99,776,689 | 13,181,164 | 11,525,337 | 190,368,085 |
| Additions | 329,407 | 207,967 | 377,772 | 398,123 | 871,140 | 42,828 | 4,792 | 1,239,755 | 617,092 | 8,823,767 | 12,912,643 |
| Disposals | — | — | — | — | (264,039) | — | — | — | — | (2,108,429) | (2,372,468) |
| Cost, end of year | 9,806,607 | 10,119,854 | 31,149,179 | 11,245,029 | 3,743,095 | 1,367,318 | 421,803 | 101,016,444 | 13,798,256 | 18,240,675 | 200,908,260 |
| Accumulated amortization, beginning of year | — | 6,363,661 | 17,999,195 | 6,156,823 | 2,201,149 | 717,662 | 308,341 | 63,291,599 | 4,702,140 | — | 101,740,570 |
| Amortization | — | 360,924 | 837,783 | 681,500 | 212,179 | 122,881 | 10,547 | 2,437,019 | 200,075 | — | 4,862,908 |
| Disposals | — | — | — | — | (264,039) | — | — | — | — | — | (264,039) |
| Accumulated amortization, end of year | — | 6,724,585 | 18,836,978 | 6,838,323 | 2,149,289 | 840,543 | 318,888 | 65,728,618 | 4,902,215 | — | 106,339,439 |
| Net book value, beginning of year | 9,477,200 | 3,548,226 | 12,772,212 | 4,690,083 | 934,845 | 606,828 | 108,670 | 36,485,090 | 8,479,024 | 11,525,337 | 88,627,515 |
| Net book value, end of year | 9,806,607 | 3,395,269 | 12,312,201 | 4,406,706 | 1,593,806 | 526,775 | 102,915 | 35,287,826 | 8,896,041 | 18,240,675 | 94,568,821 |

The net book value of tangible capital assets not being amortized because they are under construction is \$20,568,217 (\$18,240,675 in 2024).

The Township holds various works of art and historical treasures pertaining to the heritage and history of the Township of Scugog. These items are not recognized as tangible capital assets in the consolidated financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

15. Comparative figures

Certain of prior years comparative figures have been reclassified to conform with current years presentation.

16. Segmented information

The Corporation of the Township of Scugog is a municipal government institution that provides a wide range of services to its citizens. Township services are reported by function and their activities are separately disclosed in the segmented information.

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. Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation, payments-in-lieu of taxes and unconditional government transfers are apportioned based on each segment's net budget requirements.

The nature of the segments and the activities they encompass are as follows:

General government

General government consists of the activities of Council and general financial and administrative management of the Township and its programs and services. Health services is grouped with general government and consists of grants made to health service providers.

Protection to persons and property

Protection includes fire and emergency services, bylaw, and building services.

Transportation

Transportation services include the inspection, planning and maintenance of the roads, bridges, sidewalks, streetlights, roadsides, winter snow clearing, subdivision planning, traffic engineering, development, and municipal servicing reviews.

Environmental

Environmental services includes storm-water management, erosion control and resale of waste diversion goods.

Recreational and cultural services

The parks, recreation and culture function provides indoor and outdoor recreational facilities and programs, as well as maintaining our heritage and library services.

Planning

Planning includes the managing of commercial, industrial and residential development within the Township.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Corporation of the Township of Scugog
Notes to the consolidated financial statements
December 31, 2025

16. Segmented information (continued)

| | General government \$ | Protection to persons and property \$ | Transportation and environmental \$ | Recreation and cultural services \$ | Planning and development \$ | 2025 Total \$ |
|----------------------------------|-----------------------------|--|---|---|-----------------------------------|---------------------|
| Revenue | | | | | | |
| Taxation | 2,782,392 | 2,221,952 | 10,976,687 | 3,562,465 | 1,480,016 | 21,023,512 |
| User charges, licences and fines | 289,523 | 781,764 | 303,809 | 1,836,643 | 501,511 | 3,713,250 |
| Government of Canada grants | 2,408 | — | 633,318 | 151,447 | — | 787,173 |
| Province of Ontario grants | 645,185 | 42,564 | 1,135,325 | 84,305 | 279 | 1,907,658 |
| Other municipality grants | — | — | — | 23,470 | — | 23,470 |
| Casino revenues | 1,105,586 | — | — | — | — | 1,105,586 |
| Developer contributions | 116,956 | 124,805 | 1,343,454 | 230,242 | — | 1,815,457 |
| Investment income | 835,681 | — | — | 17,721 | — | 853,402 |
| Penalties and interest on taxes | 136,950 | 109,364 | 540,273 | 175,345 | 64,676 | 1,026,608 |
| Donations and other | 20,200 | — | 455,646 | 62,381 | — | 413,465 |
| Contributed assets | — | — | 1,734,145 | — | — | 1,734,145 |
| Gain on disposition of assets | 12,375 | 22,000 | — | 24,351 | — | 58,726 |
| | 5,947,256 | 3,302,449 | 17,122,657 | 6,043,608 | 2,046,482 | 34,462,452 |
| Expenses | | | | | | |
| Salaries and benefits | 3,062,666 | 2,298,104 | 3,012,606 | 3,686,557 | 923,516 | 12,983,449 |
| Materials, supplies and services | 1,339,055 | 555,173 | 3,714,531 | 1,869,893 | 288,031 | 7,766,683 |
| Contracted services | 402,816 | 449,224 | 385,432 | 163,173 | 184,703 | 1,585,348 |
| Interest and financial expenses | 46,275 | 2,717 | 30,626 | — | — | 79,618 |
| Amortization expense | 372,462 | 245,209 | 3,375,542 | 798,369 | 6,556 | 4,798,138 |
| Accretion expense | 8,716 | 5,965 | 43,118 | 108,984 | — | 166,783 |
| Transfers to other entities | 18,565 | — | 2,756 | 6,500 | 4,562 | 32,383 |
| | 5,250,555 | 3,556,392 | 10,564,611 | 6,633,476 | 1,407,368 | 27,412,402 |
| Annual surplus (deficit) | 696,701 | (253,943) | 6,558,046 | (589,868) | 639,114 | 7,050,050 |

Corporation of the Township of Scugog
Notes to the consolidated financial statements
December 31, 2025

16. Segmented information (continued)

| | General government | Protection to persons and property | Transportation and environmental | Recreation and cultural services | Planning and development | 2024 Total |
|----------------------------------|-----------------------|--|-------------------------------------|-------------------------------------|-----------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue | | | | | | |
| Taxation | 2,678,516 | 2,122,059 | 9,956,591 | 1,255,288 | 3,480,215 | 19,492,670 |
| User charges, licences and fines | 220,267 | 1,039,221 | 207,018 | 1,730,196 | 245,406 | 3,442,108 |
| Government of Canada grants | 4,637 | — | 1,363,596 | 183,175 | — | 1,551,408 |
| Province of Ontario grants | 517,353 | 900 | 1,558,968 | 79,395 | 15,737 | 2,172,353 |
| Other municipality grants | — | — | — | — | 1,800 | 1,800 |
| Casino revenues | 1,079,732 | — | — | — | — | 1,079,732 |
| Developer contributions | 15,530 | 78,595 | 1,136,489 | 1,123,509 | — | 2,354,123 |
| Investment income | 1,348,206 | — | — | 28,572 | — | 1,376,778 |
| Penalties and interest on taxes | 108,030 | 85,587 | 401,570 | 50,628 | 134,315 | 780,130 |
| Donations and other | — | — | 410,525 | 152,858 | — | 563,383 |
| Contributed assets | — | — | 1,111,522 | — | — | 1,111,522 |
| Gain on disposition of assets | 59,728 | — | — | — | — | 59,728 |
| | <u>6,032,000</u> | <u>3,326,362</u> | <u>16,146,279</u> | <u>4,603,622</u> | <u>3,877,473</u> | <u>33,985,735</u> |
| Expenses | | | | | | |
| Salaries and benefits | 2,646,588 | 2,268,209 | 2,675,929 | 3,438,976 | 777,415 | 11,807,117 |
| Materials, supplies and services | 1,374,390 | 712,738 | 3,327,282 | 1,733,890 | 2,476 | 7,150,776 |
| Contracted services | 272,439 | 464,139 | 214,014 | 140,861 | 372,894 | 1,464,347 |
| Interest and financial expenses | 45,311 | 2,344 | 33,546 | — | — | 81,201 |
| Amortization expense | 329,423 | 260,830 | 3,720,738 | 543,497 | 8,420 | 4,862,908 |
| Accretion expense | 8,718 | 5,965 | 10,173 | 108,984 | — | 133,840 |
| Transfers to other entities | 79,062 | — | — | (444) | — | 78,618 |
| | <u>4,755,931</u> | <u>3,714,225</u> | <u>9,981,682</u> | <u>5,965,764</u> | <u>1,161,205</u> | <u>25,578,807</u> |
| Annual surplus (deficit) | <u>1,276,069</u> | <u>(387,863)</u> | <u>6,164,597</u> | <u>(1,362,142)</u> | <u>2,716,268</u> | <u>8,406,928</u> |