CORPORATION OF THE TOWNSHIP OF ESSA

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

bakertilly

CORPORATION OF THE TOWNSHIP OF ESSA

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

TABLE OF CONTENTS

bakertilly

Corporation of the Township of Essa
5786 County Road 21
Utopia, Ontario
L0M 1T0

TOWNSHIP of ESSA
Where Town and Country Meet

Telephone: (705) 424-9917
Fax: (705) 424-2367
Web Site: www.essatownship.on.ca

CORPORATION OF THE TOWNSHIP OF ESSA

For The Year Ended December 31, 2025

MANAGEMENT REPORT

The accompanying consolidated financial statements of the Corporation of the Township of Essa are the responsibility of management and have been approved by Council.

The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Township maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Township's assets are appropriately accounted for and adequately safeguarded.

The Township's Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving financial statements.

Council reviews and approves the Township's financial statements for issuance to the members of the Corporation of the Township of Essa. Council meets periodically with management, as well as the external auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities and to review the financial statements and the independent auditor's report.

The consolidated financial statements have been audited by Baker Tilly KDN LLP in accordance with Canadian generally accepted auditing standards on behalf of the Township. Baker Tilly KDN LLP has full and free access to Council.

Mayor	Treasurer	June 29, 2026

Baker Tilly KDN LLP
272 Charlotte St.
Peterborough, ON
Canada K9J 2V4

T: (705) 742-3418
F: (705) 742-9775

www.bakertilly.ca

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Essa

Opinion
We have audited the consolidated financial statements of the Corporation of the Township of Essa and its local boards (the Township), which comprise the consolidated statement of financial position as at December 31, 2025, the consolidated statements of operations and accumulated surplus, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Township as at December 31, 2025, and the results of its consolidated 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 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 consolidated financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Township to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 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.

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
July 3, 2026

bakertilly

CORPORATION OF THE TOWNSHIP OF ESSA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At December 31, 2025

	2025 $	2024 $
FINANCIAL ASSETS		
Cash	51,385,543	34,524,277
Taxes receivable	3,274,790	2,980,927
Accounts receivable	3,165,742	1,436,984
Investments (note 4)	-	20,541,300
TOTAL FINANCIAL ASSETS	57,826,075	59,483,488
LIABILITIES		
Accounts payable and accrued liabilities	7,071,147	6,017,013
Accounts payable - developers	645,000	645,000
Deferred revenue - obligatory reserve fund (note 8)	24,134,164	29,105,958
Deferred revenue - other	47,562	195,509
Long term debt (note 9)	1,660,507	1,918,747
Employee future benefits payable (note 7)	656,600	623,400
TOTAL LIABILITIES	34,214,980	38,505,627
NET FINANCIAL ASSETS	23,611,095	20,977,861
NON-FINANCIAL ASSETS		
Tangible capital assets (note 10)	132,199,641	125,072,045
Prepaid expenses	61,200	67,807
TOTAL NON-FINANCIAL ASSETS	132,260,841	125,139,852
ACCUMULATED SURPLUS (note 11)	155,871,936	146,117,713

The accompanying notes are an integral part of these financial statements

bakertilly

CORPORATION OF THE TOWNSHIP OF ESSA

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended December 31, 2025

	Budget 2025 $ (note 2)	Actual 2025 $	Actual 2024 $
REVENUES			
Property taxation	15,568,285	15,483,748	14,544,462
User charges	10,092,669	11,531,417	6,352,797
Government of Canada	2,500	16,766	3,561
Province of Ontario	1,526,796	1,693,188	2,180,897
Other municipalities	34,000	64,696	120,863
Penalties and interest on taxes	320,000	399,610	335,926
Investment income	1,059,120	988,947	1,772,491
Donations	18,056	15,519	30,748
Sale of assets and other	-	950	1,010
Development charges earned (note 8)	6,907,037	5,524,750	2,228,915
Parkland fees earned (note 8)	870,000	587,682	2,459,204
Canada Community-Building Fund earned (note 8)	697,722	1,349,500	277,540
TOTAL REVENUES	37,096,185	37,656,773	30,308,414
EXPENSES			
General government	2,794,948	2,684,979	2,626,768
Protection services	8,156,934	8,593,447	5,993,906
Transportation services	6,301,307	6,648,810	6,094,223
Environmental services	4,785,380	4,602,996	4,786,545
Health services	136,439	96,210	95,306
Recreation and cultural services	4,312,499	4,641,550	4,103,288
Planning and development	682,509	634,558	422,249
TOTAL EXPENSES	27,170,016	27,902,550	24,122,285
ANNUAL SURPLUS	9,926,169	9,754,223	6,186,129
ACCUMULATED SURPLUS - beginning of year		146,117,713	139,958,163
ADJUSTMENT ON ADOPTION OF THE REVENUE RECOGNITION STANDARD		-	(26,579)
ACCUMULATED SURPLUS - beginning of year, as restated		146,117,713	139,931,584
ACCUMULATED SURPLUS - end of year		155,871,936	146,117,713

The accompanying notes are an integral part of these financial statements

bakertilly

CORPORATION OF THE TOWNSHIP OF ESSA

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended December 31, 2025

	Budget 2025 $ (note 2)	Actual 2025 $	Actual 2024 $
ANNUAL SURPLUS	9,926,169	9,754,223	6,186,129
Amortization of tangible capital assets	4,890,106	5,496,108	4,890,105
Purchase of tangible capital assets	(17,078,735)	(12,643,570)	(9,680,382)
Loss on disposal of tangible capital assets	-	19,866	5,562
Proceeds on sale of tangible capital assets	-	-	19,389
Change in prepaid expenses	-	6,607	(24,608)
INCREASE/(DECREASE) IN NET FINANCIAL ASSETS	(2,262,460)	2,633,234	1,396,195
NET FINANCIAL ASSETS - beginning of year	20,977,861	20,977,861	19,608,245
ADJUSTMENT ON ADOPTION OF THE REVENUE RECOGNITION STANDARD	-	-	(26,579)
NET FINANCIAL ASSETS - beginning of year, as restated	20,977,861	20,977,861	19,581,666
NET FINANCIAL ASSETS - end of year	18,715,401	23,611,095	20,977,861

The accompanying notes are an integral part of these financial statements

bakertilly

CORPORATION OF THE TOWNSHIP OF ESSA

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2025

	2025 $	2024 $
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	9,754,223	6,186,129
Items not involving cash		
Amortization of tangible capital assets	5,496,108	4,890,105
Loss on disposal of tangible capital assets	19,866	5,562
Change in employee future benefits payable	33,200	58,100
Change in non-cash assets and liabilities		
Taxes receivable	(293,863)	(769,807)
Accounts receivable	(1,728,758)	464,746
Prepaid expenses	6,607	(24,608)
Accounts payable and accrued liabilities	1,054,134	(6,899)
Deferred revenue - obligatory reserve fund	(4,971,794)	(1,901,275)
Deferred revenue - other	(147,947)	94,526
Net change in cash from operating activities	9,221,776	8,996,579
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(12,643,570)	(9,680,382)
Proceeds on disposal of tangible capital assets	-	19,389
Net change in cash from capital activities	(12,643,570)	(9,660,993)
INVESTING ACTIVITIES		
Disposal of investments	50,541,300	70,437,683
Purchase of investments	(30,000,000)	(80,623,586)
Net change in cash from investing activities	20,541,300	(10,185,903)
FINANCING ACTIVITIES		
Debt principal repayments	(258,240)	(321,672)
NET CHANGE IN CASH	16,861,266	(11,171,989)
CASH - beginning of year	34,524,277	45,696,266
CASH - end of year	51,385,543	34,524,277

The accompanying notes are an integral part of these financial statements

bakertilly

The Township of Essa is a lower tier municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook. Significant aspects of the accounting policies are as follows:

(a) Reporting Entity

These consolidated financial statements reflect the assets, liabilities, revenues and expenses and accumulated surplus of the reporting entity.

The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Township and which are owned and controlled by the Township. These consolidated financial statements include:

- Essa Public Library Board
- Angus Business Improvement Area Board

All interfund assets and liabilities and revenues and expenses are eliminated.

(b) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset, as well as legally or contractually required retirement activities. When historical cost records were not available, other methods were used to estimate costs. The cost, less residual value, if any, is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

Land improvements	15 to 30 years
Buildings	25 to 60 years
Equipment	5 to 50 years
Vehicles	10 to 25 years
Roads and bridges	7 to 75 years
Water and sanitary sewer systems	20 to 80 years
Storm sewers	20 to 80 years

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

Assets under construction are not amortized until they are put into service.

(c) Non-Financial Assets

Tangible capital and other non-financial assets are accounted for as assets by the Township because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Township unless they are sold.

(d) Deferred Revenue

Deferred revenue represents grants, user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) Reserves and Reserve Funds

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

(f) Recognition of Revenues and Expenses

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

Property taxation

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC) and in accordance with the provisions of the Municipal Act, 2001. The Township's Council establishes the tax rates annually, incorporating amounts to be raised for local services, and amounts the Township is required to collect on behalf of the County and School Boards. From time to time property assessments are adjusted by MPAC through the reconsideration process or by the Assessment Review Board through the appeal process. Additional assessments, referred to as supplementary and omitted assessment can also be issued by MPAC in accordance with the Assessment Act. These adjustments and additional assessments are reported in the financial statements when amounts can be reasonably determined.

The Township is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

Government funding

Government funding is recognized in the financial statements as revenues in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Other Revenue

User charges are recognized as revenue in the year the goods and services are provided.

Investment income is recorded in the year in which it is earned.

Canada Community-Building Fund, Parkland fees, and development charges are recognized in the period in which the related expenditures are recorded.

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(g) Financial Instruments

Financial instruments are classified as either fair value or amortized cost. The following chart shows the measurement method for each type of financial instrument.

Financial Instrument	Measurement Method
Cash	Amortized Cost
Taxes receivable	Amortized Cost
Accounts receivable	Amortized Cost
Investments	Amortized Cost
Accounts payable and accrued liabilities	Amortized Cost
Accounts payable - developers	Amortized Cost
Long term debt	Amortized Cost

Fair value category: The Township manages and reports performance for groups of financial assets on a fair-value basis. Investments traded in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses.

Amortized cost category: Amounts are measured at the initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. 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. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument asset or financial instrument liability.

The following hierarchy provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

As there are no unrealized gains or losses on financial instruments to report, the Statement of Remeasurement Gains and Losses has not been presented in these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(h) Use of Estimates

Certain items recognized in the consolidated financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Township's best information and judgment. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements or changes in such estimates in future periods could be significant. The Township's significant estimates include:

- Amortization of tangible capital assets is based on estimated useful life and residual value - See Note 1(b)
- Employee future benefits payable depend on certain actuarial and economic assumptions

(i) 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 Township has no significant asset retirement obligations.

2. BUDGET FIGURES

The budget, approved by the Township differs from the budget reflected on the Consolidated Statement of Operations and Accumulated Surplus as the approved budget has been adjusted to comply with PSA reporting requirements.

The following is a reconciliation of Council's approved budget to the annual surplus:

	2025 $
Council approved budgeted surplus	-
Tangible capital asset additions	17,078,735
Amortization of tangible capital assets	(4,890,106)
Principal repayment of long term debt	396,467
Transfers to/(from) reserves and reserve funds	(2,658,927)
Annual surplus reported on the Consolidated Statement of Operations	9,926,169

3. 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 $2,000,000 via an operating loan. Any balance borrowed will accrue interest at the bank's prime lending rate less 0.75% per annum. Council authorized the temporary borrowing limit by By-law 2025-12. At December 31, 2025 there was no balance outstanding (2024 - $Nil).

4. INVESTMENTS

Investments recorded at amortized cost, consist of:

	2025 $	2024 $
Guaranteed investment certificate maturing January 10, 2025 at 3.89%	-	10,342,878
Guaranteed investment certificate maturing January 15, 2025 at 3.78%	-	10,198,422
	-	20,541,300

5. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF SIMCOE

During 2025, requisitions were made by the County of Simcoe and School Boards requiring the Township to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are as follows:

	School Boards $	County $
Amounts requisitioned and remitted	6,484,347	11,528,070

These amounts have not been included in the Consolidated Statement of Operations and Accumulated Surplus.

6. PENSION AGREEMENTS

Certain employees of the Township are eligible members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan.

The Actuarial Opinion contained in the 2025 Annual Report disclosed total actuarial liabilities of $151,365 million in respect of benefits accrued for service with actuarial assets of $150,043 million indicating an actuarial deficit of $1,322 million. Because 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.

The Township's total contributions to OMERS in 2025 were $1,070,494 (2024 - $924,398) of which $535,247 (2024 - $462,199) was contributed by employees.

7. EMPLOYEE FUTURE BENEFITS PAYABLE

The Township provides certain employee benefits which will require funding in future periods as follows:

	2025 $	2024 $
Accrued benefit obligation	439,400	377,000
Unamortized actuarial gain	217,200	246,400
Employee future benefits payable	656,600	623,400

The Township sponsors benefit plans to pay costs of extended health, vision benefits and dental for eligible employees after they retire. All benefits are provided upon retirement and continue for a maximum period of 5 years based on years of service, but not beyond the age of 65, at which time the benefits cease. In the event of the death of a former eligible employee, the benefit coverage continues to the surviving spouse to the earlier of 12 months, the spouse reaches age 65 or remarriage. Employees who retire on or after January 1, 2015 with at least 20 years of service are eligible to continue coverage to age 65 once the employer paid benefits have expired, provided the retiree pays 100% of the premium. The plans are not funded by the Township until paid.

The actuarial valuation as at December 31, 2025 was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates and employee turnover and mortality. 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, which was 10 years. The assumptions used reflect management's best estimate. The main actuarial assumptions employed for the valuation are as follows:

Expected inflation rate	4.40%
Future health care premiums rates - first year 2025	7.57%
and decreasing each year to ultimate rate in 2045 of	4.0%

	2025 $	2024 $
Liability at January 1	623,400	565,300
Current year benefit cost	62,400	86,200
Interest cost	18,900	10,800
Benefit payments	(18,900)	(22,500)
Amortization of actuarial gains	(29,200)	(16,400)
Liability at December 31	656,600	623,400

8. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the Chartered Professional Accountants Canada Public Sector Accounting Handbook, is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as legislation and external agreements restrict how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds of the Township are summarized below:

	2025 $	2024 $
Development charges	21,037,630	24,767,467
Parkland	3,077,040	3,575,339
Canada Community-Building Fund	14,931	597,230
Ontario Community Infrastructure Fund	4,563	165,922
	24,134,164	29,105,958

The continuity of deferred revenue - obligatory reserve funds is as follows:

	2025 $	2024 $
Balance - beginning of year	29,105,958	31,007,233
Add amounts received:		
Development charges	1,179,446	1,816,458
Canada Community-Building Fund	752,270	732,596
Ontario Community Infrastructure Fund	700,599	824,234
Interest	724,344	991,886
	3,356,659	4,365,174
Less transfer to operations:		
Development charges earned	5,524,750	2,228,915
Canada Community-Building Fund	1,349,500	277,540
Ontario Community Infrastructure Fund	866,521	1,300,790
Parkland fees earned	587,682	2,459,204
	8,328,453	6,266,449
Balance - end of year	24,134,164	29,105,958

9. LONG TERM DEBT

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

	2025 $	2024 $
Ontario Strategic Infrastructure Financing Authority Debenture, matures February 2, 2031, repayable in blended semiannual payments of $173,452, bears interest at 4.78% per annum. Borrowed for sanitary sewer systems.	1,660,507	1,918,747

(b) The long term debt in (a) issued in the name of the Township 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. The long term debt principal and interest payments for water systems will be recovered from a combination of water user charges and water development charges. The long term debt principal and interest payments for sanitary sewer systems will be recovered from sewer development charges.

(c) Interest paid during the year on long term debt amounted to $88,667 (2024 - $101,520).

(d) The long term debt reported in (a) of this note is repayable as follows:

	Principal $	Interest $	Total $
2026	270,731	76,176	346,907
2027	283,827	63,080	346,907
2028	297,556	49,351	346,907
2029	311,949	34,958	346,907
2030	327,039	19,868	346,907
2031	169,405	4,049	173,454
	1,660,507	247,482	1,907,989

10. TANGIBLE CAPITAL ASSETS

The net book value of the Township's tangible capital assets are:

	2025 $	2024 $
General		
Land	19,291,210	19,291,210
Land improvements	5,015,004	4,579,786
Buildings	13,416,621	13,287,983
Equipment	11,336,490	12,003,486
Vehicles	3,794,661	4,240,046
Infrastructure		
Roads and bridges	45,119,458	37,609,839
Water and sanitary sewer systems	24,759,224	25,235,509
Storm sewers	7,971,869	8,208,798
	130,704,537	124,456,657
Assets under construction	1,495,104	615,388
	132,199,641	125,072,045

For additional information, see the Consolidated Schedule of Tangible Capital Assets.

During the year there were no write-downs of assets (2024 - $Nil), no interest capitalized (2024 - $Nil) and no contributed assets (2024 - $Nil).

	2025 $	2024 $
General government	1,082,575	1,101,428
Protection services	3,695,624	3,892,110
Transportation services	60,926,279	53,004,430
Environmental services	51,255,074	52,168,108
Recreation and cultural services	15,219,058	14,880,077
Planning and development	21,031	25,893
	132,199,641	125,072,046

11. ACCUMULATED SURPLUS

(a) Accumulated surplus consists of the following:

	2025 $	2024 $
Surplus/(Deficit)		
Township	6,293,628	2,146,664
Unfunded employee future benefits	(656,600)	(623,400)
	5,637,028	1,523,264
Invested In Capital Assets		
Tangible capital assets - net book value	132,199,641	125,072,045
Long term debt	(1,660,507)	(1,918,747)
	130,539,134	123,153,298
Surplus	136,176,162	124,676,562
Reserves		
Working funds	1,790,303	1,746,637
Contingencies	139,532	38,568
Acquisition of capital assets	7,747,830	10,835,575
Operations	116,255	113,420
Water and sewer - see (b) below	5,754,540	5,527,941
Future enforcement of Building Code Act - see (c) below	830,377	1,030,342
Total Reserves	16,378,837	19,292,483
Reserve Funds		
Water and sewer services	3,283,725	2,131,731
Angus Business Improvement Area	33,212	16,937
Total Reserve Funds	3,316,937	2,148,668
	155,871,936	146,117,713

(b) In 2015, the Township approved a transfer of $2,073,400 from the reserve for water and sewer infrastructure to fund the erosion control on the Nottawasaga River through by-law 2015-34. The by-law provides that this amount will be repaid over 15 years plus interest at the prevailing reserve interest rate which was 1.25% at the time of the by-law, and be funded from taxation. In relation to the reserve loan of $2,073,400, the Township contributed $138,226 in loan principal and $7,096 in interest to the water and sewer reserve in 2025. The balance of the loan owing to the reserve at December 31, 2025 is $429,434 (2024 - $567,660).

(c) This reserve represents the building department accumulated surplus to be used to fund enforcement of the Building Code Act and future inspections relating to building permits issued.

bakertilly

12. EXPENSES BY OBJECT

The expenses for the year reported on the Consolidated Statement of Operations and Accumulated Surplus by object are as follows:

	Budget 2025 $ (note 2)	Actual 2025 $	Actual 2024 $
Salaries and benefits	8,771,181	8,276,660	7,543,049
Interest charges	140,267	88,667	101,520
Materials	8,473,795	8,158,322	7,671,535
Contracted services	4,557,780	5,483,047	3,580,975
Rents and financial	79,224	122,217	97,623
External transfers	257,663	257,663	231,916
Amortization	4,890,106	5,496,108	4,890,105
Loss (gain) on disposal of tangible capital assets	-	19,866	5,562
	27,170,016	27,902,550	24,122,285

13. COMMITMENT

The Township along with two neighbouring municipalities (Adjala-Tosorontio Township and New Tecumseth Township) negotiated a joint policing contract with the Minister of the Solicitor General for the provision of police services by the Ontario Provincial Police (OPP), effective January 1, 2024 to December 31, 2026. The Township's cost for policing is based on a per property amount plus a per call charge. The 2025 Township OPP costs were $2,932,533 (2024 - $2,991,065).

14. CONTINGENT LIABILITIES

The Township, in the course of its operations, has been named in several lawsuits, the outcome of which is indeterminable at this time. No amounts in connection with these items have been reflected in these financial statements.

15. COMPARATIVE FIGURES

Certain comparative figures were restated, where required, to conform with the current year presentation. The changes do not affect prior year excess (deficiency) of revenue over expenses.

16. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in the Township assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

The Township is exposed to the following risks in respect of certain of the financial instruments held:

(a) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The value of fixed income securities will generally rise if interest rates fall and conversely fall when rates rise.

Interest rate risk is the risk that the Municipality has interest rate exposure on its long term debt. This exposure is low as the long term debt have a fixed interest rate and term.

In the opinion of management, the Township is not exposed to any significant credit, liquidity, market or currency risk.

17. SEGMENTED INFORMATION

The Township of Essa is a municipal government organization that provides a range of services to its residents. 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 certain unconditional government transfers are apportioned based on each segment's net requirements.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. For additional information see the Consolidated Schedule of Segment Disclosure.

General Government

General government consists of the activities of Council and general financial and administrative management of the Township and its programs and services.

Protection Services

Protection services include police, fire, conservation authority and protective inspection and control.

Transportation Services

The activities of the transportation function include construction and maintenance of the Township's roads and bridges, winter control and street lighting.

Environmental Services

This function is responsible for providing water, sanitary sewer, and storm water services to certain areas of the Township.

Health Services

The health services function consists of the activities of the cemetery board.

Recreation and Cultural Services

The recreation and cultural services function provides parks, indoor and outdoor recreational facilities and programs and library services.

Planning and Development

The planning and development services function manages commercial, industrial and residential development within the Township.

CORPORATION OF THE TOWNSHIP OF ESSA

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
For the Year Ended December 31, 2025

	General					Infrastructure				
	Land $	Land improvements $	Buildings $	Equipment $	Vehicles $	Roads and bridges $	Water and sanitary sewer systems $	Storm sewers $	Assets Under Construction $	Totals $
COST										
Balance, beginning of year	19,291,210	6,893,543	29,342,476	25,589,236	9,149,778	85,352,741	34,371,711	12,783,099	615,388	223,389,182
Add: additions during the year	-	737,236	798,991	212,482	-	10,015,145	-	-	879,716	12,643,570
Less: disposals during the year	-	38,450	-	91,714	-	93,424	-	-	-	223,588
Balance, end of year	19,291,210	7,592,329	30,141,467	25,710,004	9,149,778	95,274,462	34,371,711	12,783,099	1,495,104	235,809,164
ACCUMULATED AMORTIZATION										
Balance, beginning of year	-	2,313,757	16,054,493	13,585,750	4,909,732	47,742,902	9,136,202	4,574,301	-	98,317,137
Add: additions during the year	-	282,152	670,353	879,478	445,385	2,505,526	476,285	236,929	-	5,496,108
Less: disposals during the year	-	18,584	-	91,714	-	93,424	-	-	-	203,722
Balance, end of year	-	2,577,325	16,724,846	14,373,514	5,355,117	50,155,004	9,612,487	4,811,230	-	103,609,523
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	19,291,210	5,015,004	13,416,621	11,336,490	3,794,661	45,119,458	24,759,224	7,971,869	1,495,104	132,199,641

CORPORATION OF THE TOWNSHIP OF ESSA

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE
For the Year Ended December 31, 2025

	General Government $	Protection Services $	Transportation Services $	Water and Sewer $	Health Services $	Recreation and Cultural Services $	Planning and Development $	Consolidated $
Revenues								
Property taxation	2,777,484	4,895,227	4,173,666	-	69,879	3,013,919	553,573	15,483,748
User charges	377,045	5,143,788	278,702	4,554,353	48,609	1,007,246	121,674	11,531,417
Government transfers - operating	800,400	-	-	-	-	43,033	-	843,433
Government transfers - capital	-	-	866,521	-	-	-	-	866,521
Other municipalities	-	52,250	-	-	-	8,050	4,396	64,696
Penalties and interest on taxes	399,610	-	-	-	-	-	-	399,610
Investment income	988,524	-	-	-	-	-	423	988,947
Donations	-	-	-	-	-	15,519	-	15,519
Sale of assets and other	950	-	-	-	-	-	-	950
Development charges earned	-	78,632	4,279,897	498,632	-	667,589	-	5,524,750
Parkland fees earned	-	-	-	-	-	587,682	-	587,682
Canada Community-Building Fund earned	-	-	1,349,500	-	-	-	-	1,349,500
Total revenues	5,344,013	10,169,897	10,948,286	5,052,985	118,488	5,343,038	680,066	37,656,773
Expenses								
Salaries and benefits	1,467,614	2,005,688	1,741,886	181,031	42,573	2,450,433	387,435	8,276,660
Interest charges	-	-	-	88,667	-	-	-	88,667
Materials	776,643	1,128,590	1,949,045	2,951,943	47,942	1,222,994	81,165	8,158,322
Contracted services	252,042	4,838,432	44,659	52	5,695	181,070	161,097	5,483,047
Rents and financial	115,193	-	-	6,072	-	952	-	122,217
External transfers	-	257,663	-	-	-	-	-	257,663
Amortization	73,487	363,074	2,913,220	1,375,231	-	766,235	4,861	5,496,108
Loss (gain) on disposal of tangible capital assets	-	-	-	-	-	19,866	-	19,866
Total expenses	2,684,979	8,593,447	6,648,810	4,602,996	96,210	4,641,550	634,558	27,902,550
Net surplus	2,659,034	1,576,450	4,299,476	449,989	22,278	701,488	45,508	9,754,223

CORPORATION OF THE TOWNSHIP OF ESSA

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE
For the Year Ended December 31, 2024

	General Government $	Protection Services $	Transportation Services $	Water and Sewer $	Health Services $	Recreation and Cultural Services $	Planning and Development $	Consolidated $
Revenues								
Property taxation	3,474,198	4,853,337	3,776,333	-	59,766	1,904,507	476,321	14,544,462
User charges	189,478	1,093,823	63,104	4,133,085	54,220	718,551	100,536	6,352,797
Government transfers - operating	850,400	-	-	-	-	32,018	1,250	883,668
Government transfers - capital	-	-	1,300,790	-	-	-	-	1,300,790
Other municipalities	-	60,863	-	-	-	60,000	-	120,863
Penalties and interest on taxes	335,926	-	-	-	-	-	-	335,926
Investment income	1,772,063	-	-	-	-	-	428	1,772,491
Donations	14,616	-	-	-	-	16,132	-	30,748
Sale of assets and other	1,010	-	-	-	-	-	-	1,010
Development charges earned	-	99,105	1,460,614	471,862	-	197,334	-	2,228,915
Parkland fees earned	-	-	-	-	-	2,459,204	-	2,459,204
Canada Community-Building Fund earned	-	-	277,540	-	-	-	-	277,540
Total revenues	6,637,691	6,107,128	6,878,381	4,604,947	113,986	5,387,746	578,535	30,308,414
Expenses								
Salaries and benefits	1,505,209	1,663,777	1,591,410	175,865	51,117	2,251,371	304,300	7,543,049
Interest charges	-	-	-	101,520	-	-	-	101,520
Materials	745,175	598,404	1,994,782	3,131,194	40,195	1,082,167	79,618	7,671,535
Contracted services	219,604	3,133,556	71,738	-	3,994	118,613	33,470	3,580,975
Rents and financial	76,984	-	-	19,519	-	1,120	-	97,623
External transfers	-	231,916	-	-	-	-	-	231,916
Amortization	79,796	366,253	2,430,731	1,358,447	-	650,017	4,861	4,890,105
Loss (gain) on disposal of tangible capital assets	-	-	5,562	-	-	-	-	5,562
Total expenses	2,626,768	5,993,906	6,094,223	4,786,545	95,306	4,103,288	422,249	24,122,285
Net surplus/(deficit)	4,010,923	113,222	784,158	(181,598)	18,680	1,284,458	156,286	6,186,129

bakertilly

CORPORATION OF THE TOWNSHIP OF ESSA

ESSA PUBLIC LIBRARY BOARD

FINANCIAL STATEMENTS

DECEMBER 31, 2025

bakertilly

Baker Tilly KDN LLP
272 Charlotte St.
Peterborough, ON
Canada K9J 2V4

T: (705) 742-3418
F: (705) 742-9775

www.bakertilly.ca

INDEPENDENT AUDITOR'S REPORT

To the Members of the Essa Public Library Board, the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Essa

Qualified Opinion
We have audited the financial statements of the Essa Public Library Board of the Corporation of the Township of Essa (the Board), which comprise the statement of financial position as at December 31, 2025, the statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2025, and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Qualified Opinion
In common with many Public Library Boards, the Board derives revenue from user fees, fundraising and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Board. Therefore, we were not able to determine whether any adjustments might be necessary to user fees, fundraising and donations revenue, annual deficit and cash flows from operations for the years ended December 31, 2025 and 2024, and assets and accumulated surplus as at December 31, 2025 and 2024. Our opinion on the financial statements for the year ended December 31, 2024 was modified accordingly because of the possible effects of this scope limitation.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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 Board'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 Board or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board'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 Board'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 Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
July 3, 2026

bakertilly

CORPORATION OF THE TOWNSHIP OF ESSA

ESSA PUBLIC LIBRARY BOARD
STATEMENT OF FINANCIAL POSITION
At December 31, 2025

	2025 $	2024 $
FINANCIAL ASSETS		
Cash	151,990	118,944
LIABILITIES		
Accounts payable	5,000	5,000
Due to Township of Essa (note 6)	165,177	131,057
TOTAL LIABILITIES	170,177	136,057
NET DEBT	(18,187)	(17,113)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 2)	494,056	506,582
Prepaid expenses	18,187	17,113
TOTAL NON-FINANCIAL ASSETS	512,243	523,695
ACCUMULATED SURPLUS (note 3)	494,056	506,582

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF ESSA

ESSA PUBLIC LIBRARY BOARD
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended December 31, 2025

	Budget 2025 $ (note 4)	Actual 2025 $	Actual 2024 $
REVENUES			
Contribution from Township of Essa (note 6)	1,145,430	1,072,229	985,251
Province of Ontario	25,797	26,267	29,707
Government of Canada	2,500	16,766	2,311
User fees, fundraising and donations	38,500	49,115	50,843
TOTAL REVENUES	1,212,227	1,164,377	1,068,112
EXPENSES			
Salaries and benefits	916,328	891,880	819,538
Utilities	28,138	23,251	23,043
Subscriptions and periodicals	1,640	5,531	6,967
Insurance and audit (note 6)	50,693	38,276	34,085
Computer support and supplies	12,450	12,115	9,172
Facility costs	70,794	65,776	53,979
Office	9,300	16,231	13,575
Fundraising costs	2,000	2,089	1,779
Amortization	98,864	103,345	98,864
Other operating costs	21,784	18,320	19,323
Contract services	1,200	89	187
TOTAL EXPENSES	1,213,191	1,176,903	1,080,512
ANNUAL DEFICIT	(964)	(12,526)	(12,400)
ACCUMULATED SURPLUS - beginning of year		506,582	518,982
ACCUMULATED SURPLUS - end of year		494,056	506,582

CORPORATION OF THE TOWNSHIP OF ESSA

ESSA PUBLIC LIBRARY BOARD
STATEMENT OF CHANGE IN NET DEBT
For the Year Ended December 31, 2025

	Budget 2025 $ (note 4)	Actual 2025 $	Actual 2024 $
ANNUAL DEFICIT	(964)	(12,526)	(12,400)
Amortization of tangible capital assets	98,864	103,345	98,864
Acquisition of tangible capital assets	(97,900)	(90,819)	(86,464)
Change in prepaid expenses	-	(1,074)	(12,216)
CHANGE IN NET DEBT	-	(1,074)	(12,216)
NET DEBT - beginning of year	(17,113)	(17,113)	(4,897)
NET DEBT - end of year	(17,113)	(18,187)	(17,113)

The accompanying notes are an integral part of these financial statements

bakertilly

CORPORATION OF THE TOWNSHIP OF ESSA

ESSA PUBLIC LIBRARY BOARD
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2025

	2025 $	2024 $
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual deficit	(12,526)	(12,400)
Items not involving cash		
Amortization of tangible capital assets	103,345	98,864
Change in non-cash assets and liabilities		
Prepaid expenses	(1,074)	(12,216)
Due to Township of Essa	34,120	49,301
Net change in cash from operating activities	123,865	123,549
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(90,819)	(86,464)
NET CHANGE IN CASH	33,046	37,085
CASH - beginning of year	118,944	81,859
CASH - end of year	151,990	118,944

The accompanying notes are an integral part of these financial statements

bakertilly

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook. Significant aspects of the accounting policies adopted by the Board are as follows:

(a) Recognition of Revenue and Expenses

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the period in which the transactions of events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

Government funding is recognized in the financial statements as revenues in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

User fees are recognized as revenue in the year the goods and services are provided.

Donations and fundraising revenue are recognized when the amounts are received.

(b) Use of Estimates

Certain items recognized in the financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Board's best information and judgment. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. The Board's significant estimates include:

- Amortization of tangible capital assets is based on estimated useful life and residual value - See Note 1(c)

(c) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset, as well as legally or contractually required retirement activities. When historical cost records were not available, other methods were used to estimate costs. The cost, less residual value, if any, is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

Furniture and equipment	5 to 40 years
Books	10 years

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Financial Instruments

Financial instruments are classified as either fair value or amortized cost. The following chart shows the measurement method for each type of financial instrument.

Financial Instrument	Measurement Method
Cash	Amortized Cost
Accounts payable	Amortized Cost
Due to Township of Essa	Amortized Cost

Fair value category: The Board manages and reports performance for groups of financial assets on a fair-value basis. Investments traded in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses.

Amortized cost category: Amounts are measured at the initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. 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. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument asset or financial instrument liability.

The following hierarchy provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

As there are no unrealized gains or losses on financial instruments to report, the Statement of Remeasurement Gains and Losses has not been presented in these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) Non-Financial Assets

Tangible capital assets and other non-financial assets are accounted for as assets by the Board because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Board unless they are sold.

(f) Reserves

Certain amounts, as approved by the Board, are set aside in reserves for future operating and capital purposes. Transfers to and/or from reserves are an adjustment to the respective fund when approved.

(g) Inter-Entity Transactions

The Essa Public Library Board is a Board of the Township of Essa and is consolidated with the Township's financial statements.

Allocated costs and recovery of costs are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Unallocated costs are measured at the carrying amount, which is the amount recorded in the records of the Township.

2. TANGIBLE CAPITAL ASSETS

The net book value of the Board's tangible capital assets are:

	Furniture and equipment $	Books $	2025 Totals $	2024 Totals $
COST				
Balance, beginning of year	332,662	893,559	1,226,221	1,169,368
Add: additions during the year	20,396	70,423	90,819	86,464
Less: disposals during the year	-	91,714	91,714	29,611
Balance, end of year	353,058	872,268	1,225,326	1,226,221
ACCUMULATED AMORTIZATION				
Balance, beginning of year	197,177	522,462	719,639	650,386
Add: additions during the year	20,680	82,665	103,345	98,864
Less: disposals during the year	-	91,714	91,714	29,611
Balance, end of year	217,857	513,413	731,270	719,639
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	135,201	358,855	494,056	506,582

3. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2025 $	2024 $
Invested In Capital Assets		
Tangible capital assets - net book value	494,056	506,582
	494,056	506,582

4. BUDGET FIGURES

The budget, approved by the Board differs from the budget reflected on the Statement of Operations and Accumulated Surplus as the approved budget has been adjusted to comply with PSA reporting requirements.

The following is a reconciliation of the Board's approved budget to the PSA presented budget:

	2025 $
Board approved budgeted surplus	-
Tangible capital asset additions	97,900
Amortization of tangible capital assets	(98,864)
Annual deficit reported on the Statement of Operations	(964)

5. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in the Board assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

In the opinion of management, the Board is not exposed to any significant interest rate, credit, liquidity, market or currency risk.

6. INTER-ENTITY TRANSACTIONS

During the year, the Board entered into transactions with the Township of Essa.

As part of the budgeting process, the Township approves a contribution to the Board which is identified on the Statement of Operations and Accumulated Surplus that is adjusted to eliminate any annual operating surplus or deficit.

Details of the inter-entity expense transactions are as follows:

	2025 $	2024 $
Allocated costs:		
Accounting	3,714	3,562
Insurance	34,562	30,523
	38,276	34,085

In addition, the Township provides rental of buildings to the Board at no cost.

All balances with the Township of Essa have been identified on the Statement of Financial Position. Due from (to) balances are unsecured, without interest and have no terms of repayment.

CORPORATION OF THE TOWNSHIP OF ESSA

ANGUS BUSINESS IMPROVEMENT AREA BOARD

FINANCIAL STATEMENTS

DECEMBER 31, 2025

bakertilly

Baker Tilly KDN LLP
272 Charlotte St.
Peterborough, ON
Canada K9J 2V4

T: (705) 742-3418
F: (705) 742-9775

www.bakertilly.ca

INDEPENDENT AUDITOR'S REPORT

To the Members of the Angus Business Improvement Area Board, the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Essa

Opinion
We have audited the financial statements of the Angus Business Improvement Area Board of the Corporation of the Township of Essa (the Board), which comprise the statement of financial position as at December 31, 2025, the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2025, and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board'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 Board or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board'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 Board'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 Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
July 3, 2026

bakertilly

CORPORATION OF THE TOWNSHIP OF ESSA

ANGUS BUSINESS IMPROVEMENT AREA BOARD
STATEMENT OF FINANCIAL POSITION
At December 31, 2025

	2025 $	2024 $
FINANCIAL ASSETS		
Due from Township of Essa (note 4)	33,212	16,937
NET FINANCIAL ASSETS	33,212	16,937
NON-FINANCIAL ASSETS		
Tangible capital assets (note 2)	21,032	25,893
ACCUMULATED SURPLUS (note 3)	54,244	42,830

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF ESSA

ANGUS BUSINESS IMPROVEMENT AREA BOARD
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended December 31, 2025

	Budget 2025 $ (note 5)	Actual 2025 $	Actual 2024 $
REVENUES			
Taxation (note 4)	43,920	42,364	32,358
Investment income	-	423	428
TOTAL REVENUES	43,920	42,787	32,786
EXPENSES			
Decorations	14,435	2,172	6,523
Landscaping	14,794	12,689	13,773
Amortization	4,861	4,861	4,861
Signs	5,000	7,881	-
Professional fees (note 4)	2,000	3,000	3,000
Memberships and other	1,791	270	549
Donations	900	500	650
TOTAL EXPENSES	43,781	31,373	29,356
ANNUAL SURPLUS	139	11,414	3,430
ACCUMULATED SURPLUS - beginning of year		42,830	39,400
ACCUMULATED SURPLUS - end of year		54,244	42,830

The accompanying notes are an integral part of these financial statements

bakertilly

CORPORATION OF THE TOWNSHIP OF ESSA

ANGUS BUSINESS IMPROVEMENT AREA BOARD
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended December 31, 2025

	Budget 2025 $ (note 5)	Actual 2025 $	Actual 2024 $
ANNUAL SURPLUS	139	11,414	3,430
Amortization of tangible capital assets	4,861	4,861	4,861
Acquisition of tangible capital assets	-	-	(1,731)
INCREASE IN NET FINANCIAL ASSETS	5,000	16,275	6,560
NET FINANCIAL ASSETS - beginning of year	16,937	16,937	10,377
NET FINANCIAL ASSETS - end of year	21,937	33,212	16,937

The accompanying notes are an integral part of these financial statements

bakertilly

CORPORATION OF THE TOWNSHIP OF ESSA

ANGUS BUSINESS IMPROVEMENT AREA BOARD
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2025

	2025 $	2024 $
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	11,414	3,430
Items not involving cash		
Amortization of tangible capital assets	4,861	4,861
Change in non-cash assets and liabilities		
Due from Township of Essa	(16,275)	(6,560)
Net change in cash from operating activities	-	1,731
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	-	(1,731)
NET CHANGE IN CASH	-	-
CASH - beginning of year	-	-
CASH - end of year	-	-

The accompanying notes are an integral part of these financial statements

bakertilly

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook. Significant aspects of the accounting policies adopted by the Board are as follows:

(a) Recognition of Revenue and Expenses

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the period in which the transactions of events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC) and in accordance with the provisions of the Municipal Act, 2001. The Township's Council establishes the BIA special area tax rate annually, incorporating amounts to be raised for BIA services. From time to time property assessments are adjusted by MPAC through the reconsideration process or by the Assessment Review Board through the appeal process. Additional assessments, referred to as supplementary and omitted assessment can also be issued by MPAC in accordance with the Assessment Act. These adjustments and additional assessments are reported in the financial statements when amounts can be reasonably determined.

Investment income is recognized as earned.

(b) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions 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 revenue and expenses during the period and are based on the Board's best information and judgment. Actual results could differ from these estimates.

(c) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset, as well as legally or contractually required retirement activities. When historical cost records were not available, other methods were used to estimate costs. The cost, less residual value, if any, is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

Electronic Signs	10 years

Assets under construction are not amortized until they are put into service.

(d) Reserve Funds

Certain amounts, as approved by the Board, are set aside in reserve funds for future operating and capital purposes. Transfers to and/or from reserve funds are an adjustment to the respective fund when approved.

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) Financial Instruments

Financial instruments are classified as either fair value or amortized cost. The following chart shows the measurement method for each type of financial instrument.

Financial Instrument	Measurement Method
Due from Township of Essa	Amortized Cost

Fair value category: The Board manages and reports performance for groups of financial assets on a fair-value basis. Investments traded in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses.

Amortized cost category: Amounts are measured at the initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. 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. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument asset or financial instrument liability.

The following hierarchy provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

As there are no unrealized gains or losses on financial instruments to report, the Statement of Remeasurement Gains and Losses has not been presented in these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(f) Inter-Entity Transactions

The Angus Business Improvement Area Board is a Board of the Township of Essa and is consolidated with the Township's financial statements.

Allocated costs and recovery of costs are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Unallocated costs are measured at the carrying amount, which is the amount recorded in the records of the Township.

2. TANGIBLE CAPITAL ASSETS

The net book value of the tangible capital assets for electronic signs are:

	2025 Totals $	2024 Totals $
COST		
Balance, beginning of year	48,615	46,884
Add: additions during the year	-	1,731
Balance, end of year	48,615	48,615
ACCUMULATED AMORTIZATION		
Balance, beginning of year	22,722	17,861
Add: additions during the year	4,861	4,861
Balance, end of year	27,583	22,722
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	21,032	25,893

3. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2025 $	2024 $
Invested In Capital Assets		
Tangible capital assets - net book value	21,032	25,893
Surplus	21,032	25,893
Reserve Fund		
Operations	33,212	16,937
	54,244	42,830

4. INTER-ENTITY TRANSACTIONS

During the year, the Board entered into transactions with the Township of Essa.

As part of the budgeting process, the Township approves a tax levy contribution to the Board which is identified on the Statement of Operations and Accumulated Surplus. The tax levy contribution is adjusted for any tax adjustments for properties within the Board's geographical boundaries.

Details of the inter-entity expense transactions are as follows:

	2025 $	2024 $
Allocated costs:		
Professional fees	3,000	3,000
	3,000	3,000

In addition, the Township provides accounting and administrative services to the Board at no cost.

All balances with the Township of Essa have been identified on the Statement of Financial Position. Due from (to) balances are unsecured, without interest and have no terms of repayment.

5. BUDGET FIGURES

The budget, approved by the Board differs from the budget reflected on the Statement of Operations and Accumulated Surplus as the approved budget has been adjusted to comply with PSA reporting requirements.

The following is a reconciliation of the Board's approved budget to the PSA presented budget:

	2025 $
Board approved budgeted surplus	-
Amortization of tangible capital assets	(4,861)
Transfers to reserves and reserve funds	5,000
Annual surplus reported on the Statement of Operations	139

6. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in the Board assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

In the opinion of management, the Board is not exposed to any significant interest rate, credit, liquidity, market or currency risk.