

Financial Statements

City of Thorold

December 31, 2025

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Independent auditor's report

To the Members of Council, Inhabitants and Taxpayers of the Corporation of the City of Thorold

Opinion

We have audited the consolidated financial statements of the City of Thorold ("the Municipality"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations, change in net financial assets and cash flow 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 financial position of the City of Thorold as at December 31, 2025, and its results of operations, its changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

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

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

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

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

Doane Grant Thornton LLP

Port Colborne, Canada
July 21, 2026

Chartered Professional Accountants
Licensed Public Accountants

City of Thorold

Consolidated Statement of Financial Position

As at December 31, 2025

	<u>2025</u>	<u>2024</u>
Financial assets		
Cash	\$ 68,723,284	\$ 56,979,260
Portfolio investments (Note 2)	40,480,043	42,428,080
Taxes receivable (Note 3)		
Current year	7,340,024	5,398,607
Prior years	3,702,413	2,885,956
User charges receivable	3,342,801	3,419,972
Other receivables	<u>6,265,597</u>	<u>6,444,923</u>
	<u>129,854,162</u>	<u>117,556,798</u>
Liabilities		
Accounts payable and accrued liabilities	10,511,297	8,698,676
Other liabilities and deposits	10,074,478	12,635,852
Deferred revenue - obligatory reserve funds (Note 4)	48,331,929	44,424,744
Deferred revenue - other (Note 5)	5,043,588	4,360,103
Employee benefit obligations (Notes 6 and 19)	2,652,288	2,350,570
Asset retirement obligations (Note 7)	6,796,231	6,239,659
Contaminated sites liability (Note 8)	114,700	114,700
Long term debt (Note 9)	<u>152,348</u>	<u>298,750</u>
	<u>83,676,859</u>	<u>79,123,054</u>
Net financial assets	<u>46,177,303</u>	<u>38,433,744</u>
Non-financial assets		
Tangible capital assets (Note 10 and Pages 33 and 34)	238,213,313	234,954,393
Prepaid expenses	<u>2,205,113</u>	<u>2,327,203</u>
	<u>240,418,426</u>	<u>237,281,596</u>
Accumulated surplus (Note 11)	<u>\$ 286,595,729</u>	<u>\$ 275,715,340</u>

Contingencies (Note 22) and Commitments (Note 23)

Approved by

Director of Finance

Chief Administrative Officer

See accompanying notes to the consolidated financial statements

City of Thorold

Consolidated Statement of Operations

For the Year Ended December 31, 2025

	Budget <u>2025</u> (Note 25)	Actual <u>2025</u>	Actual <u>2024</u>
Revenues other than revenues related to tangible capital assets			
Taxation (Note 14)	\$ 28,084,974	\$ 28,545,865	\$ 26,468,588
User fees and charges (Note 16)	22,201,640	21,327,119	23,014,887
Government transfers (Note 17)	256,100	351,669	324,594
Other (Note 18)	4,291,746	4,054,681	4,474,465
	<u>54,834,460</u>	<u>54,279,334</u>	<u>54,282,534</u>
Expenses			
General government	2,612,445	2,410,473	2,930,269
Protection to persons and property	10,689,434	11,218,368	9,853,077
Transportation services	8,324,533	9,039,783	12,940,270
Environmental services	16,361,171	17,500,909	15,022,036
Health services	1,905,600	1,569,512	1,515,940
Social and family services	298,960	296,290	274,857
Recreation and culture services	9,218,662	8,481,573	8,288,101
Planning and development	2,525,535	1,719,962	1,563,630
	<u>51,936,340</u>	<u>52,236,870</u>	<u>52,388,180</u>
Annual surplus before revenues related to tangible capital assets	<u>2,898,120</u>	<u>2,042,464</u>	<u>1,894,354</u>
Revenues related to tangible capital assets			
User fees and charges (Note 16)	9,464,099	1,281,655	11,684,465
Government transfers (Note 17)	4,050,481	502,447	1,073,379
Other (Note 18)	335,891	7,006,299	13,766,940
Gain (loss) on disposal of tangible capital assets	-	47,524	(142,570)
	<u>13,850,471</u>	<u>8,837,925</u>	<u>26,382,214</u>
Annual surplus	16,748,591	10,880,389	28,276,568
Accumulated surplus (Note 11)			
Beginning of year	<u>275,715,340</u>	<u>275,715,340</u>	<u>247,438,772</u>
End of year	<u>\$ 292,463,931</u>	<u>\$ 286,595,729</u>	<u>\$ 275,715,340</u>

See accompanying notes to the consolidated financial statements.

City of Thorold

Consolidated Statement of Changes in Net Financial Assets

For the Year Ended December 31, 2025

	Budget <u>2025</u> (Note 25)	Actual <u>2025</u>	Actual <u>2024</u>
Annual surplus	\$ 16,748,591	\$ 10,880,389	\$ 28,276,568
Amortization of tangible capital assets	9,177,817	9,177,817	8,136,138
Acquisition of tangible capital assets	(36,944,206)	(5,771,513)	(16,712,635)
Contributed tangible capital assets	-	(6,690,877)	(12,953,481)
Write-down of tangible capital assets	-	-	325,690
Proceeds on sale of tangible capital assets	-	73,177	-
(Gain) loss on disposal of tangible capital assets	-	(47,524)	142,570
	(11,017,798)	7,621,469	7,214,850
Usage of inventory and prepaid expenses	-	122,090	(196,090)
Increase (decrease) in net financial assets	(11,017,798)	7,743,559	7,018,760
Net financial assets			
Beginning of year	38,433,744	38,433,744	31,414,984
End of year	\$ 27,415,946	\$ 46,177,303	\$ 38,433,744

See accompanying notes to the consolidated financial statements.

City of Thorold

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2025

	<u>2025</u>	<u>2024</u>
Increase (decrease) in cash		
Operating activities		
Annual surplus	\$ 10,880,389	\$ 28,276,568
Non-cash items:		
Amortization of tangible capital assets	9,177,817	8,136,138
Write-down of tangible capital assets	-	325,690
Contributed tangible capital assets	(6,690,877)	(12,953,481)
(Gain) loss on disposal of tangible capital assets	(47,524)	142,570
Changes in:		
Taxes receivable	(2,757,874)	(1,860,969)
User charges receivable	77,171	(598,270)
Other receivables	179,326	(345,688)
Accounts payable and accrued liabilities	1,812,621	(1,330,547)
Other liabilities and deposits	(2,561,374)	(2,218,806)
Deferred revenue - obligatory reserve funds	3,907,185	(8,949,997)
Deferred revenue - other	683,485	331,465
Employee benefit obligations	301,718	9,900
Landfill liability	556,572	176,107
Inventory and prepaid expenses	122,090	(196,090)
	<u>15,640,725</u>	<u>8,944,590</u>
Capital activities		
Proceeds from disposal of tangible capital assets	73,177	-
Acquisition of tangible capital assets	(5,771,513)	(16,712,635)
Financing activities		
Repayment of long term debt	(146,402)	(140,696)
Investing activities		
Decrease (increase) in portfolio investments	1,948,037	(4,149,591)
Net increase (decrease) in cash	11,744,024	(12,058,332)
Cash		
Beginning of year	56,979,260	69,037,592
End of year	<u>\$ 68,723,284</u>	<u>\$ 56,979,260</u>

See accompanying notes to the consolidated financial statements.

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2025

1. Significant accounting policies

Management responsibility

The consolidated financial statements of the City of Thorold (the "Municipality") are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The significant accounting policies used are as follows:

(a) Reporting entity

The consolidated financial statements reflect the financial assets, liabilities, non-financial assets, revenues, expenses and changes in accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the Municipality and which are owned or controlled by the Municipality. In addition to general government tax-supported operations, they include the following:

Thorold Public Library Board
Thorold Business Improvement Area

Interdepartmental and organizational transactions and balances are eliminated.

The following entity is proportionally consolidated:

Canada Games Park

Related party transactions are eliminated (Note 20)

Trust funds and their related operations administered by the Municipality are not consolidated, but are reported separately on the Trust Funds Statements of Financial Position and Operations (Note 21).

(b) Basis of accounting

Sources of revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting records revenues in the period they are earned and measurable and expenses in the period the goods and services are acquired and a liability is incurred.

(c) Deferred revenue

Resources restricted by agreement with an external party are recognized as revenue in the entity's financial statements in the period in which the resources are used for the purpose or purposes specified. An externally restricted inflow received before this criterion has been met is recorded as a liability until the resources are used for the purpose or purposes specified.

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2025

1. Significant accounting policies (continued)

(d) Employee future benefits

The Municipality pays certain benefits on behalf of its retired employees. These post-employment costs are recognized in the period in which the employees rendered their services to the Municipality. The actuarial determination of the accrued benefit obligations for pension benefits earned by employees uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors).

(e) Contaminated sites liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Municipality:
 - is directly responsible; or
 - accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

(f) Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location and in the condition necessary for its intended use. Contributed tangible capital assets are capitalized at their estimated fair value upon acquisition. The Municipality does not capitalize interest as part of the costs of its capital assets.

Works of art for display in municipal property are not included as capital assets. The works of art are held for exhibition, educational and historical interest. Such assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. The cost of art is not determinable or relevant to their significance. No valuation of the collection has been conducted or disclosed in the consolidated financial statements.

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2025

1. Significant accounting policies (continued)

(f) Tangible capital assets (continued)

Leases are classified as capital or operating leases. Leases that transfer substantially all benefits incidental to ownership are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Amortization is calculated on a straight-line basis to write-off the net cost of each asset over its estimated useful life for all classes except land. Land is considered to have an infinite life without amortization. Residual values of assets are assumed to be zero with any net gain or loss arising from the disposal of assets recognized in the Consolidated Statement of Operations.

Amortization is based on the following classifications and useful lives:

<u>Classification</u>	<u>Useful Life</u>
Land improvements	10 to 30 years
Buildings	10 to 50 years
Machinery and equipment	3 to 20 years
Vehicles	7 to 20 years
Infrastructure	5 to 75 years

For non-pooled assets, amortization is charged in the year of acquisition beginning in the month subsequent to asset purchase. For pooled assets, amortization is not charged in the year of acquisition and begins in the year subsequent to asset purchase. Assets under construction are not amortized until the asset is available for productive use.

(g) Subdivision infrastructure

Subdivision streets, lighting, sidewalks, drainage and other infrastructure are required to be provided by subdivision developers. Upon completion they are turned over to the Municipality and recorded as contributed tangible capital assets at their fair market value at the date of acquisition. The Municipality is not involved in the construction.

(h) Inventory

Inventory is recorded at the lower of average cost and net realizable value.

(i) Reserves for future expenses

Certain amounts, as approved by Municipal Council, are set aside in reserves and reserve funds for future operating and capital expenses.

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2025

1. Significant accounting policies (continued)

(j) Revenue recognition

i) Taxation

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes. Realty taxes are billed based on the assessment rolls provided by MPAC. Taxation revenues are recorded at the time tax billings are issued.

A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment.

Once a supplementary roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Assessments of the related property taxes are subject to appeal. Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined and the effect shared with the Region of Niagara and school boards, as appropriate.

ii) User charges

User charges are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

iii) Government transfers

Government transfers received are recognized in the financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met. Government transfers to individuals and other entities are recognized as an expense when the transfers are authorized and all eligibility criteria have been met.

iv) Other

Other revenue is recorded when it is earned, any performance obligations have been satisfied and collection is reasonably assured.

v) Investment income

Investment income earned on operating surplus funds and reserves and reserve funds (other than obligatory reserve funds) are recorded as revenue in the period earned. Investment income earned on obligatory reserve funds are recorded directly to each respective fund balance and forms part of the deferred revenue – obligatory reserve funds balance.

(k) Region of Niagara 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 Niagara are not reflected in the accumulated surplus of these consolidated financial statements.

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2025

1. Significant accounting policies (continued)

(l) Asset retirement obligations

A liability for an asset retirement obligation is recognized when all of the following criteria are met:

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

The liability is measured at the Municipality's best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date. The estimate includes costs directly attributable to the asset retirement activities. The costs also include post-retirement operation, maintenance and monitoring that are an integral part of the retirement of the tangible capital asset and the costs of tangible capital assets acquired as part of asset retirement activities to the extent those assets have no alternative use.

Upon initial recognition of the liability for an asset retirement obligation, the carrying amount of the corresponding tangible capital asset (or component thereof) is increased by the same amount. The capitalized asset retirement cost is expensed in a rational and systematic manner over the useful life of the tangible capital asset (or a component thereof). For obligations for which there is no tangible capital asset recognized or for tangible capital assets that are no longer in productive use, the asset retirement costs are expensed immediately. Subsequently, the liability is reviewed at each financial statement reporting date and adjusted for (1) changes as a result of the passage of time with corresponding accretion expense and (2) adjusted for any revisions to the timing, amount of the original estimate of undiscounted cash flows, or the discount rate. Adjustments to the liability as a result of revisions to the timing, amount of the estimate of undiscounted cash flows or the discount rate are adjusted to the cost of the related tangible capital asset and the revised carrying amount of the related tangible capital asset is amortized except for adjustments related to tangible capital assets that are not recognized or no longer in productive use, which are expensed in the period they are incurred.

The asset retirement costs are amortized on a straight-line basis over the estimated useful life of the related asset.

A recovery related to asset retirement obligation is recognized when the recovery can be appropriately measured; reasonably estimated and it is expected that future economic benefits will be obtained. The recovery is not netted against the liability.

(m) Financial instruments

All financial instruments are recorded at their cost or amortized cost except for portfolio investments in equity instruments quoted in an active market and derivatives which are recorded at their fair value with unrealized remeasurement gains and losses recorded in the Statement of Remeasurement Gains and Losses. Once realized, remeasurement gains and losses are transferred to the Statement of Operations. Changes in the fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met, upon which the gain or loss is recognized in the Statement of Operations.

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2025

1. Significant accounting policies (continued)

(m) Financial instruments (continued)

Transaction costs related to financial instruments measured at cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs related to financial instruments recorded at their fair values are expensed as incurred.

Financial liabilities (or part of a financial liability) are removed from the Statement of Financial Position when, and only when, they are discharged or cancelled or expire.

Financial assets measured at amortized cost include cash and cash equivalents, portfolio investments and other receivables.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, deferred revenue - other and long term debt.

(n) Use of estimates

The preparation of the consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Areas in which management make estimates are with regards to an allowance for uncollectible taxes receivable, obligations for employee benefits, contaminated sites liability and asset retirement obligations and useful lives of tangible capital assets.

2. Portfolio investments

	Book Value	Market Value	Book Value	Market Value
	<u>2025</u>	<u>2025</u>	<u>2024</u>	<u>2024</u>
GICs	\$ 8,622,273	\$ 8,622,445	\$ 14,844,695	\$ 14,849,208
Step-ups	2,000,000	1,949,866	3,000,000	2,909,577
PPNs	19,123,000	20,187,587	14,107,000	13,902,065
Bonds	10,484,770	11,882,338	10,226,385	11,637,630
Equity Fund	<u>250,000</u>	<u>275,074</u>	<u>250,000</u>	<u>331,643</u>
	<u>\$ 40,480,043</u>	<u>\$ 42,917,310</u>	<u>\$ 42,428,080</u>	<u>\$ 43,630,123</u>

Guaranteed investment certificates ("GICs"), step-up deposit notes ("Step-ups"), principal protected notes ("PPNs"), and federal, provincial and municipal bonds ("Bonds") carry an effective interest rates from 1.50% to 5.30% and maturity dates ranging from May, 2026 to November, 2035. Interest is receivable on a semi-annual or annual basis.

Investments held in the One Investment Program ("Equity Fund") are managed by Local Authority Services, an affiliate of the Association of Municipalities of Ontario and are fully liquid. The Municipality does not hold any equity investments that are traded in an active market, therefore all of the Municipality's investments are recorded at cost.

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2025

3. Taxes receivable

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"). The property tax receivables and tax revenue of the Municipality are subject to measurement uncertainty as a number of appeals submitted by taxpayers have yet to be heard. The Municipality has established an allowance for doubtful accounts in the amount of \$ 1,752,590 (2024 - \$ 1,752,590) and have penalties and interest receivable of \$ 2,475,271 (2024 - \$ 2,255,874).

4. Deferred revenue - obligatory reserve funds

The following balances are reflected as deferred revenue – obligatory reserve funds as provincial legislation restricts how these funds may be used and under certain circumstances these funds may be refunded:

	<u>2025</u>	<u>2024</u>
Parkland	\$ 390,222	\$ 315,342
Building code	2,327,080	3,492,928
Ontario Sport & Recreation Community grant	-	9,579
Ontario Community Infrastructure grant	2,446,324	1,451,240
Tree planting	100,965	97,869
Canada Community Benefit Fund	1,132,184	355,308
Development charges	41,792,512	38,552,044
Modernization grant	142,642	150,434
	<u>\$ 48,331,929</u>	<u>\$ 44,424,744</u>

The continuity of deferred revenue – obligatory reserve funds reported on the Consolidated Statement of Financial Position is made up of the following:

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ <u>44,424,744</u>	\$ <u>53,374,741</u>
Contributions from		
Development Charges Act	3,425,270	5,214,664
Interest earned	1,525,108	2,505,851
Canada Community Benefit Fund grant received	779,977	758,067
Infrastructure grants received	1,372,843	1,235,406
Other revenue	58,535	169,036
	<u>7,161,733</u>	<u>9,883,024</u>
Utilized for		
Operations	(1,503,318)	(4,593,732)
Tangible capital asset acquisitions	(1,751,230)	(14,239,289)
	<u>(3,254,548)</u>	<u>(18,833,021)</u>
Balance, end of year	<u>\$ 48,331,929</u>	<u>\$ 44,424,744</u>

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2025

5. Deferred revenue - other	<u>2025</u>	<u>2024</u>
Prepayment of taxes	\$ 3,493,745	\$ 3,115,979
Other	<u>1,549,843</u>	<u>1,244,124</u>
	<u>\$ 5,043,588</u>	<u>\$ 4,360,103</u>

6. Employee benefit obligations	<u>2025</u>	<u>2024</u>
Accrued vacation pay	<u>\$ 687,688</u>	<u>\$ 453,870</u>
Accumulated sick leave	<u>753,100</u>	<u>719,500</u>
Post-employment benefits	<u>1,211,500</u>	<u>1,177,200</u>
	<u>1,964,600</u>	<u>1,896,700</u>
	<u>\$ 2,652,288</u>	<u>\$ 2,350,570</u>

(a) Accrued vacation pay

As at December 31, 2025, employees of the Municipality have accumulated vacation pay credits in the amount of \$ 687,688 (2024 - \$ 453,870). Any unused credits may be carried forward to the next year.

(b) Accumulated sick leave and post-employment benefits

Under the Municipality's sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Municipality's employment. The Municipality pays certain medical and dental benefits for early retirees and life insurance benefits on behalf of its retired employees.

The accrued benefit liability for accumulated sick leave and post-employment benefits as at December 31, 2025 of \$ 1,964,600 (2024 - \$ 1,896,700) was determined by actuarial valuation using a discount rate of 4.6% (2024 - 4.6%). A reserve has been established for the accumulated sick leave liability. The balance as at December 31, 2025 is \$ 1,489,769 (2024 - \$ 1,395,631).

	<u>2025</u>	<u>2024</u>
Accrued benefit obligation		
Beginning of year	\$ 1,896,700	\$ 1,833,400
Current period benefit cost	<u>116,200</u>	<u>111,100</u>
Interest cost	<u>86,700</u>	<u>83,500</u>
Benefit payments	<u>(131,300)</u>	<u>(127,400)</u>
Amortization of actuarial (gain) loss	<u>(3,800)</u>	<u>(3,900)</u>
	<u>\$ 1,964,500</u>	<u>\$ 1,896,700</u>

City of Thorold
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2025

6. Employee benefit obligations (continued)

(b) Accumulated sick leave and post-employment benefits (continued)

	<u>2025</u>	<u>2024</u>
Funded status		
Deficit	\$ 1,906,900	\$ 1,835,300
Unamortized actuarial gain	<u>57,600</u>	<u>61,400</u>
	<u>\$ 1,964,500</u>	<u>\$ 1,896,700</u>
The net benefit expense is as follows:		
Current period benefit cost	\$ 116,200	\$ 111,100
Interest cost	86,700	83,500
Amortization of actuarial loss	<u>(3,800)</u>	<u>(3,900)</u>
	<u>\$ 199,100</u>	<u>\$ 190,700</u>

During the year \$ 181,466 (2024 - \$ 116,718) was paid to employees who left the Municipality's employment.

The most recent actuarial valuation was prepared as at December 31, 2023. The main actuarial assumptions employed for the valuation are as follows:

General inflation - future general inflation levels, as measured by changes in the Consumer Price Index (CPI), were assumed at 2.5% per annum.

Salary levels – future general salary and wage levels were assumed to be 3% per annum.

Dental costs – dental costs were assumed to be 4% (2024 - 4%) per annum.

Medical costs – medical costs were assumed to be 7% (2024 - 7.5%) per annum for 2025 grading down 0.5% per annum to a rate of 4% per annum.

7. Asset retirement obligations

The asset retirement obligation includes one closed landfill site the Municipality owns and monitors. The liability for post-closure care of the landfill has been recognized based upon monitoring costs included in the 2025 budget and inflation adjusted at 2.2% (2024 - 2.2%) per annum. These costs were then discounted to December 31, 2025 using a discount rate of 4.03% (2024 - 4.00%). Post-closure care is estimated to be required for an indefinite period and will be funded by future tax levies.

The liability for post-closure care as at December 31, 2025 is \$ 6,796,231 (2024 - \$ 6,239,659). Additional expenses for post-closure care recorded in 2025 were in the amount of \$ 737,181 (2024 - \$ 317,471) and actual expenses paid during the year were \$ 180,609 (2024 - \$ 141,363).

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2025

8. Contaminated sites liability

The Municipality reports environmental liabilities related to the management and remediation of contaminated sites where the Municipality is obligated or likely obligated to incur such costs. The Municipality has identified one property where environmental assessments have indicated soil contamination that exceeds current environmental standards.

A contaminated sites liability of \$ 114,700 (2024 - \$ 114,700) has been recorded based on estimated future remediation costs in 2104 of between \$ 900,000 and \$ 1,200,000 using a present value technique at a discount rate of 4.25%.

The Municipality's ongoing efforts to assess contaminated sites may result in future environmental remediation liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. Any changes to the Municipality's liabilities for contaminated sites will be accrued in the year in which they are assessed as likely and reasonably estimable.

9. Long term debt

2025

2024

- (a) The Municipality has assumed responsibility for the payment of principal and interest charges on certain long term debt issued by the Region of Niagara. At the end of the year, the outstanding principal amount of this debt is

\$ 152,348 **\$ 298,750**

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

<u>Debenture Number</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2025</u>	<u>2024</u>
60-2006	City Hall	5.354%	2026	\$ 47,330	\$ 92,224
129-2011	City Hall	3.43%	2026	<u>105,018</u>	<u>206,526</u>
				<u>\$ 152,348</u>	<u>\$ 298,750</u>

- (c) Principal repayments in each of the next year are due as follows:

2026 \$ 152,348

- (d) The long term debt in (a) issued in the name of the Municipality was approved by by-law. The annual principal and interest payments required to service this debt are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2025

9. Long term debt (continued)

(e) Total charges for the year for long term debt are as follows:

	<u>2025</u>	<u>2024</u>
Principal	\$ 146,401	\$ 140,696
Interest	<u>10,566</u>	<u>15,043</u>
	<u>\$ 156,967</u>	<u>\$ 155,739</u>

10. Tangible capital assets

	<u>2025</u>	<u>2024</u>
Net book value		
Land	\$ 4,011,942	\$ 4,011,942
Land improvements	16,148,869	16,365,891
Buildings	46,966,592	48,584,572
Machinery and equipment	5,461,443	5,949,519
Vehicles	<u>5,335,659</u>	<u>5,375,890</u>
	<u>77,924,505</u>	<u>80,287,814</u>
Infrastructure		
Transportation	53,586,592	52,873,221
Storm sewers	27,480,326	25,509,494
Sanitary sewers	41,724,409	40,392,628
Water	<u>33,312,478</u>	<u>32,739,248</u>
	<u>156,103,805</u>	<u>151,514,591</u>
Construction in process	<u>4,185,003</u>	<u>3,151,988</u>
	<u>\$ 238,213,313</u>	<u>\$ 234,954,393</u>

See pages 33 and 34 for more detail.

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2025

11. Accumulated surplus	<u>2025</u>	<u>2024</u>
Operating deficit	\$ (11,988,949)	\$ (12,375,736)
Investment in tangible capital assets (Note 10)	238,213,313	234,954,393
Reserves and reserve funds (Note 12)	70,086,932	62,140,362
Unfunded liabilities (Note 13)	<u>(9,715,567)</u>	<u>(9,003,679)</u>
	<u>\$ 286,595,729</u>	<u>\$ 275,715,340</u>

The 2025 operating annual surplus was \$ 113,136, which was transferred in equal parts to the Municipal Land and Building reserve, the Municipal Development reserve, the Capital Asset reserve, and the Capital Asset Transportation reserve, as authorized by Council. Had this transfer not been made, the 2025 operating deficit of the Municipality would have been \$ 11,875,813.

The 2024 operating annual surplus was \$ 909,156, which was transferred in equal parts to the Municipal Land and Building reserve, the Capital Asset reserve, and the Capital Asset Transportation reserve, as authorized by Council. Had this transfer not been made, the 2024 operating deficit of the Municipality would have been \$ 11,466,580

12. Reserves and reserve funds	<u>2025</u>	<u>2024</u>
Reserves set aside by Council for specific purposes:		
Municipal development	\$ 1,654,919	\$ 1,577,691
Working funds (uncollectible taxes)	510,000	510,000
Equipment replacement	2,170,540	2,451,248
Accumulated sick leave	1,489,769	1,395,631
Computer	545,071	510,714
Contingencies	542,438	472,438
Election	112,357	67,357
Sewage capital	11,235,596	9,468,019
Water capital	12,112,889	10,323,624
Insurance deductible	651,972	623,972
Winter control	287,896	287,896
Encumbrances	<u>2,167,251</u>	<u>1,197,843</u>
Total reserves	<u>33,480,698</u>	<u>28,886,433</u>

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2025

12. Reserves and reserve funds (continued)	<u>2025</u>	<u>2024</u>
Reserve funds set aside by Council for specific purposes:		
Capital asset	\$ 4,520,470	\$ 3,907,954
Capital asset transportation	9,222,626	7,442,444
Hospital expansion	180,875	153,817
Port Robinson beautification	16,681	12,079
Arena building	431,641	386,834
Library expansion	31,802	31,082
Hydro proceeds	17,417,833	17,424,749
Mausoleum and cemetery improvements	529,056	510,186
Municipal land and building	2,851,843	2,249,969
Niagara Falls bridge	976,346	946,415
Parking	259,143	25,630
Port Robinson transportation	150,512	145,898
Thorold pre-recreation (Mel Swart Park)	14,394	13,953
Thorold South Community Centre building	2,954	2,863
Darlene Ryan Port Robinson Community Centre	58	56
Total reserve funds	<u>36,606,234</u>	<u>33,253,929</u>
Total reserves and reserve funds	<u>\$ 70,086,932</u>	<u>\$ 62,140,362</u>

The continuity of reserves and reserve funds is made up of the following:

Balance, beginning of year	<u>\$ 62,140,362</u>	<u>\$ 60,723,701</u>
Contributions from		
Investment income	1,062,186	1,423,893
User charges	-	14,034
Other revenue	-	39,312
	<u>1,062,186</u>	<u>1,477,239</u>
Provided from (utilized for)		
Operations	10,712,936	9,086,580
Tangible capital asset acquisitions	(3,828,552)	(9,147,158)
	<u>6,884,384</u>	<u>(60,578)</u>
Balance, end of year	<u>\$ 70,086,932</u>	<u>\$ 62,140,362</u>

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2025

13. Unfunded liabilities	<u>2025</u>	<u>2024</u>
Employee benefit obligations (Note 6)	\$ 2,652,288	\$ 2,350,570
Asset retirement obligations (Note 7)	6,796,231	6,239,659
Contaminated sites liability (Note 8)	114,700	114,700
Long term debt (Note 9)	<u>152,348</u>	<u>298,750</u>
	<u>\$ 9,715,567</u>	<u>\$ 9,003,679</u>

14. Taxation	<u>Budget 2025</u>	<u>Actual 2025</u>	<u>Actual 2024</u>
Real property		\$ 67,928,051	\$ 61,801,220
From other governments			
Payments in lieu of taxes		<u>1,082,089</u>	<u>1,157,906</u>
		<u>69,010,140</u>	<u>62,959,126</u>
Less: taxation collected on behalf of (Note 15):			
Region of Niagara		32,848,593	29,164,434
School boards		<u>7,615,682</u>	<u>7,326,104</u>
		<u>40,464,275</u>	<u>36,490,538</u>
Net taxes available for municipal purposes		<u>\$ 28,545,865</u>	<u>\$ 26,468,588</u>
Residential, multi-residential and farm	\$ 23,051,164	\$ 22,934,665	\$ 20,589,492
Commercial and industrial	<u>5,033,810</u>	<u>5,611,200</u>	<u>5,879,096</u>
Net taxes available for municipal purposes	<u>\$ 28,084,974</u>	<u>\$ 28,545,865</u>	<u>\$ 26,468,588</u>

15. Collections for the Region of Niagara and school boards

Total taxation and development charges received or receivable on behalf of the Region of Niagara and the school boards were as follows:

	<u>2025</u>	<u>2024</u>
Region of Niagara	\$ 32,848,593	\$ 29,164,434
School boards	<u>7,615,682</u>	<u>7,326,104</u>
	<u>\$ 40,464,275</u>	<u>\$ 36,490,538</u>

The Municipality is required to levy and collect taxes on behalf of the Region of Niagara and the school boards. The taxes levied over (under) the amounts requisitioned are recorded as accounts payable (receivable).

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2025

16. User charges	Budget 2025	Actual 2025	Actual 2024
Operating			
Fees and service charges	\$ 4,233,046	\$ 3,831,065	\$ 2,808,965
Water charges	6,488,457	6,759,383	6,150,532
Sewer charges	9,093,983	9,660,945	8,502,929
Licences and permits	1,855,065	843,033	958,729
Development charges	531,089	232,693	4,593,732
	<u>22,201,640</u>	<u>21,327,119</u>	<u>23,014,887</u>
Capital			
Fees and service charges	317,152	24,115	1,224,593
Development charges	9,146,947	1,257,540	10,459,872
	<u>9,464,099</u>	<u>1,281,655</u>	<u>11,684,465</u>
	<u>\$ 31,665,739</u>	<u>\$ 22,608,774</u>	<u>\$ 34,699,352</u>
17. Government transfers	Budget 2025	Actual 2025	Actual 2024
Operating			
Government of Canada	\$ 11,000	\$ 15,504	\$ 11,720
Province of Ontario	149,700	251,653	239,218
Municipal	95,400	84,512	73,656
	<u>256,100</u>	<u>351,669</u>	<u>324,594</u>
Capital			
Government of Canada	1,815,355	26,913	542,186
Province of Ontario	2,235,126	442,612	531,193
Municipal	-	32,922	-
	<u>4,050,481</u>	<u>502,447</u>	<u>1,073,379</u>
	<u>\$ 4,306,581</u>	<u>\$ 854,116</u>	<u>\$ 1,397,973</u>

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2025

17. Government transfers (continued)

The Municipality recognizes the transfer of government funding as revenues or expenses in the period that the events giving rise to the transfer occurred. The government transfers reported on the Consolidated Statement of Operations are:

	<u>2025</u>	<u>2024</u>
Revenues		
Government of Canada		
Canada Community Benefit Fund	19,121	533,270
Modernization	7,792	8,916
Recreation and cultural	5,504	11,720
Tree planting	<u>10,000</u>	<u>-</u>
	<u>42,417</u>	<u>553,906</u>
Province of Ontario		
Ontario Municipal Partnership Fund	30,500	35,800
Ontario Community Infrastructure Fund	442,612	531,193
Hydro One	12,945	17,535
Recreation and cultural	42,006	32,428
Miscellaneous	<u>166,202</u>	<u>153,455</u>
	<u>694,265</u>	<u>770,411</u>
Municipal		
Provincial Offences Act	18,012	7,156
Capital grants	32,922	-
Port Robinson transportation service	<u>66,500</u>	<u>66,500</u>
	<u>117,434</u>	<u>73,656</u>
	<u>\$ 854,116</u>	<u>\$ 1,397,973</u>
Expenses		
Region of Niagara (in trust)		
- Canada Games Park Capital Lifecycle	\$ 414,000	\$ 414,000
Charitable and non-profit organizations	<u>140,684</u>	<u>139,433</u>
	<u>\$ 554,684</u>	<u>\$ 553,433</u>

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2025

18. Other revenues	Budget 2025	Actual 2025	Actual 2024
Operating			
Penalties and interest on taxes	\$ 945,804	\$ 1,377,173	\$ 1,130,298
Fines	716,595	497,531	635,217
Investment income	703,000	791,796	1,005,810
Investment income – reserves and reserve funds	1,475,112	1,062,186	1,423,893
Rental income	74,535	95,461	84,021
Donations	28,000	75,331	60,839
Other	318,700	117,224	75,059
Transfer from trust funds	30,000	37,979	59,328
	<u>4,291,746</u>	<u>4,054,681</u>	<u>4,474,465</u>
Capital			
Contributed tangible capital assets	-	6,690,877	12,953,481
Donations	335,891	315,370	340,117
Other	-	52	473,342
	<u>335,891</u>	<u>7,006,299</u>	<u>13,766,940</u>
	<u>\$ 4,627,637</u>	<u>\$ 11,060,980</u>	<u>\$ 18,241,405</u>

19. Pension agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of the 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. Employees and employers contribute jointly to the plan.

Since OMERS is a multi-employer pension plan, the Municipality does not recognize any share of the pension plan deficit of \$ 6.1 billion (2024 - \$ 4.3 billion deficit) based on the fair market value of the plan's assets, as this is a joint responsibility of all Ontario municipal entities and their employees. Contributions were made in the 2025 calendar year at rates ranging from 9.0% to 15.8% depending on the member's designated retirement age and level of earnings. Employer contributions for current and past service are included as an expense in the Consolidated Statement of Operations. Employer contributions to OMERS for 2025 current and past service was \$ 1,445,328 (2024 - \$ 1,278,491) and were matched by employee contributions in a similar amount.

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2025

20. Canada Games Park

Canada Games Park (the "Park") is a newly constructed, multi-purpose sports facility located in Thorold, Ontario, consisting of a new Sport and Ability Centre with two arenas, a quadruple gym, indoor track, fitness facilities and office space, and an outdoor sport complex with beach volleyball courts and a new athletics facility. Construction of the Park was initiated by the Canada Summer Games Host Society and taken over by the Regional Municipality of Niagara in 2021. The Park, which commenced operations on January 1, 2022, is constructed on land owned by and leased from Brock University for \$1 per year, and was substantially complete on February 7, 2022. On this date, the asset was transferred to the Canada Games Park Consortium. The ownership of the Park is shared equally by Brock University, the City of St. Catharines, the City of Thorold and the Regional Municipality of Niagara, under a Consortium and Co-Tenancy Agreement. The Region of Niagara does not participate in the revenues or operating expenses of the Park, with the exception of property insurance. Revenues and operating costs are shared by the participating consortium members, Brock University, the City of St. Catharines and the City of Thorold in equal one-third (1/3) shares. The City of Thorold has a non-controlling interest in the Park of 25%.

The following table provides condensed supplementary financial information for the Park:

	<u>2025</u>	<u>2024</u>
Financial assets		
Cash	\$ 497,433	\$ 149,241
Accounts receivable	<u>249,869</u>	<u>392,832</u>
	<u>747,302</u>	<u>542,073</u>
Liabilities		
Accounts payable and accrued liabilities	374,173	310,381
Deferred revenue	<u>198,375</u>	<u>137,027</u>
	<u>572,548</u>	<u>447,408</u>
Net financial assets	<u>174,754</u>	<u>94,665</u>
Non-financial assets		
Tangible capital assets	87,914,661	92,113,164
Inventories	13,016	6,956
Prepaid expenses	<u>48,405</u>	<u>49,465</u>
	<u>87,976,082</u>	<u>92,169,585</u>
Accumulated surplus	<u>\$ 88,150,836</u>	<u>\$ 92,264,250</u>
Accumulated surplus consists of:		
Operating surplus	\$ 236,175	\$ 151,086
Investment in tangible capital assets	<u>87,914,661</u>	<u>92,113,164</u>
	<u>\$ 88,150,836</u>	<u>\$ 92,264,250</u>

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2025

20. Canada Games Park (continued)

	<u>2025</u>	<u>2024</u>
Revenues		
Rental	\$ 2,138,496	\$ 2,037,895
Contributions	1,193,216	985,850
Concessions, catering, advertising and other	317,054	268,386
	3,648,766	3,292,131
Expenses	<u>7,762,180</u>	<u>8,683,366</u>
Annual deficit	<u>\$ (4,113,414)</u>	<u>\$ (5,391,235)</u>

The financial position information is as reported by the Park as at December 31, 2025 and the results of operations are as reported for the year ended December 31, 2025. The comparative financial position and results of operations figures are as reported by the Park at December 31, 2024.

The Municipality has recorded in the financial statements its 25% share of the Park's assets, liabilities, accumulated surplus, revenues, expenses, and annual deficit.

The following summarizes the Municipality's related party transactions with the Park for the year. All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

	<u>2025</u>	<u>2024</u>
Statement of Financial Position		
Accounts receivable	\$ 15,425	\$ 33,606
Deferred revenue	4,712	4,712
Statement of Operations		
Rentals	\$ 116,218	\$ 130,803
Contributions	383,827	317,108

Capital reserve held by the Regional Municipality of Niagara

As part of the Consortium and Co-tenancy Agreement between the Corporation of the City of St. Catharines, the Corporation of the City of Thorold, the Regional Municipality of Niagara and Brock University, each party will deposit on each anniversary date of project completion, its proportionate share (25%) of an amount equal to 1.5% of the initial hard costs of constructing the Park, to be indexed annually based on the RSMeans Construction Index, to be held in a trust account in the name of the parties. The reserve fund is held in trust by the Regional Municipality of Niagara and is allocated interest at the average annual portfolio rate of the Region's investment portfolio based on the reserve funds monthly balance. The Region will distribute funds to the Park's operator to execute capital works in alignment with approved budgets and minutes from the Consortium Partners. Each of the four Consortium partners, the Municipality being one of the partners, have contributed \$ 1,677,092 to the \$ 6,708,368 capital reserve.

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2025

21. Trust funds

Trust funds administered by the Municipality amounting to \$ 1,544,570 (2024 - \$ 1,513,955) have not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Operations.

22. Contingencies

The Municipality is involved from time to time in litigation, which arises in the normal course of business. In respect of any outstanding claims, the Municipality believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation, therefore no provision has been made in the accompanying financial statements.

23. Commitments

Capital expenses

The estimated future capital expense commitments based on projects in progress at December 31, 2025 is approximately \$ 33,424,392 (2024 - \$ 33,300,791). These projects will be financed by grants, subsidies and long term liabilities in future years.

Leases

The Municipality has commitments for operating leases for office equipment and certain premises with various expiry dates up to 2029. The approximate total commitment for each of the next five years is as follows:

2026	\$ 4,615
2027	4,349
2028	4,260
2029	3,550

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2025

23. Commitments (continued)

Tax increment based grants

The Municipality has commitments for tax increment based grants with various expiry dates up to 2030. There are currently five signed agreements with a term spanning ten years each. At December 31, 2025, the total amount remaining to be paid from these agreements is \$ 844,199 with the total commitment for each of the next five years as follows:

2026	\$ 211,946
2027	211,946
2028	207,062
2029	200,887
2030	12,358

Hospital

The Municipality has an agreement with the Niagara Health System to contribute funding for a new hospital in the amount of \$ 4.3 million, on a net present value basis with a discount rate of 5%. The contributions will be made over a sixteen year period commencing with the first payment of \$ 1,206,860 in 2011, followed by payments of \$ 298,000 per year for the remaining fifteen years up to and including 2026. The contributions are being funded from taxes with an annual levy of approximately \$ 298,000 which commenced in 2008.

Thorold Community Activities Group

The Municipality entered into a Fee for Service agreement with the Thorold Community Activities Group to provide recreation and leisure programming from January 1, 2021 until December 31, 2025. The Municipality will pay a fixed fee amount for the service starting at \$ 25,000 in 2021 with an increase of 2% per year, with a payment incentive to be paid based on reported revenues to a maximum of \$ 35,000 in 2021. The Municipality will provide in kind contributions of access to the municipal pool and parks.

Subsequent to year end, the Municipality entered into another Fee for Service agreement with the the Thorold Community Activities Group to provide recreation and leisure programming from January 1, 2026 until December 31, 2030. The Municipality will pay a fixed fee amount for the service starting at \$ 35,000 in 2026 with an increase of 3% per year, with a payment incentive to be paid based on reported revenues to a maximum of \$ 55,000 in 2026. The Municipality will provide in kind contributions of access to the municipal pool and parks.

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2025

24. Measurement uncertainty

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"), an agency of the Ontario government. All assessed property values in the Municipality were reviewed and new values established based on a common valuation date that was used by the Municipality in computing the property tax bills. However, the property tax revenue and tax receivables of the Municipality are subject to measurement uncertainty as a number of appeals submitted by taxpayers have yet to be heard. Any adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined and the effect shared with the Region of Niagara and school boards, as appropriate.

25. Budget

The budget bylaw adopted by Council on February 5, 2025 was not prepared on a basis consistent with that used to report actual results in accordance with Canadian public sector accounting standards. The budget was prepared on a modified accrual basis while Canadian public sector accounting standards require a full accrual basis. As a result, the budget figures presented in the Consolidated Statement of Operations and Consolidated Statement of Changes in Net Financial Assets represent the budget adopted by Council with the following adjustments:

Budgeted annual deficit	\$	13,403
Add:		
Principal repayments of long term debt		106,750
Reserves and reserve funds interest revenue		950,112
Reserves and reserve funds other revenue		241,998
Acquisition of tangible capital assets		36,944,206
Less:		
Transfers from reserves and reserve funds, net		(12,260,061)
Amortization of tangible capital assets		(9,177,817)
Debenture proceeds		<u>(70,000)</u>
Budgeted surplus per Consolidated Statement of Operations	\$	<u>16,748,591</u>

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2025

26. Financial instruments

The Municipality is exposed to various risks through its financial instruments. The following analysis provides a measure of the Municipality's risk exposures as at December 31, 2025:

Credit risk

Credit risk is the risk of financial loss to the Municipality if a debtor fails to pay the amounts owing to the Municipality. The Municipality is exposed to this risk arising from its cash and cash equivalents, portfolio investments, taxes receivable, user charges receivable and other receivables. The Municipality holds its cash accounts with a federally regulated chartered bank who is insured by the Canadian Deposit Insurance Corporation. In the event of default, the Municipality's cash accounts are insured up to \$ 143,964 (2024 - \$ 147,534).

Receivables are primarily due from government, corporations and individuals. Credit risk is mitigated by the highly diversified nature of the debtors and other customers. The Municipality measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up for specific accounts deemed to be possibly uncollectible. In the current and prior years, an impairment allowance was recorded relating to the other receivables. There were no changes in exposures to credit risk during the period.

Liquidity risk

Liquidity risk is the risk that the Municipality will not be able to meet all cash outflow obligations as they come due. The Municipality mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining cash and cash equivalents if unexpected cash outflows arise. The following undiscounted cash-flows are required to settle the Municipality's financial liabilities:

	2025			
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years
Accounts payables and accrued liabilities	\$ 10,513,438	\$ -	\$ -	\$ -
Other liabilities and deposits	10,076,433	-	-	-
Deferred revenue - other	5,043,588	-	-	-
Long term debt	152,348	-	-	-
Total	\$ 25,785,807	\$ -	\$ -	\$ -

	2024			
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years
Accounts payables and accrued liabilities	\$ 8,698,676	\$ -	\$ -	\$ -
Other liabilities and deposits	12,635,852	-	-	-
Deferred revenue - other	4,360,103	-	-	-
Long term debt	146,401	152,349	-	-
Total	\$ 25,841,032	\$ 152,349	\$ -	\$ -

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2025

26. Financial instruments (continued)

Liquidity risk (continued)

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Market risk

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

a) Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Municipality is exposed to interest rate risk on its portfolio investments and long term debt. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

27. Segmented information

The Municipality provides a wide range of services to its citizens. Municipal services are provided by departments and their activities are reported in the Consolidated Statement of Operations. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

General government

General government is comprised of Municipal council, administrative and clerks departments.

Protection to persons and property

Protection to persons and property is comprised of the fire, building, by-law enforcement and animal control departments.

Transportation services

The transportation services department is responsible for the delivery of public works services related to maintenance of roadway systems, maintenance of parks and open spaces, winter control, street lighting, air transportation and maintenance of municipal buildings.

Environmental services

The environmental services department consists of water, wastewater and solid waste disposal utilities. The department provides drinking water, collecting and treating wastewater, and providing collection disposal and waste minimization programs and facilities.

Health services

Health services department is responsible for cemetery operations.

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2025

27. Segmented information (continued)

Social and family services

Social and family services department is responsible for providing grants to external agencies.

Recreation and culture services

Recreation and culture services department is responsible for the delivery and upkeep of all recreation programs and facilities including arena, recreation complex, parks and library.

Planning and development

Planning and development is responsible for providing planning and zoning advice to the residents of the Municipality and construction and maintenance of municipal drains.

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.

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. The consolidated schedules of segment disclosure and the schedules of segment disclosure with budget information follow the notes.

City of Thorold

Consolidated Schedule of Tangible Capital Assets

For the Year Ended December 31, 2025

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Infrastructure</u>	<u>Construction in Process</u>	<u>2025</u>
Cost								
Beginning of year	\$ 4,011,942	\$ 26,887,489	\$ 62,733,595	\$ 11,160,220	\$ 9,787,927	\$ 214,365,608	\$ 3,151,988	\$ 332,098,769
Additions	-	1,025,820	218,872	701,113	597,095	8,886,475	2,141,986	13,571,361
Disposals	-	(150,566)	(55,023)	(292,978)	(378,283)	(373,998)	(1,108,971)	(2,359,819)
End of year	<u>4,011,942</u>	<u>27,762,743</u>	<u>62,897,444</u>	<u>11,568,355</u>	<u>10,006,739</u>	<u>222,878,085</u>	<u>4,185,003</u>	<u>343,310,311</u>
Accumulated amortization								
Beginning of year	-	10,521,598	14,149,023	5,210,701	4,412,037	62,851,017	-	97,144,376
Amortization	-	1,242,842	1,836,852	1,185,354	637,326	4,275,443	-	9,177,817
Amortization on disposals	-	(150,566)	(55,023)	(289,143)	(378,283)	(352,180)	-	(1,225,195)
End of year	-	<u>11,613,874</u>	<u>15,930,852</u>	<u>6,106,912</u>	<u>4,671,080</u>	<u>66,774,280</u>	-	<u>105,096,998</u>
Net book value	<u>\$ 4,011,942</u>	<u>\$ 16,148,869</u>	<u>\$ 46,966,592</u>	<u>\$ 5,461,443</u>	<u>\$ 5,335,659</u>	<u>\$ 156,103,805</u>	<u>\$ 4,185,003</u>	<u>\$ 238,213,313</u>

The value of contributed tangible capital assets during the year is \$ 6,690,877.

City of Thorold

Consolidated Schedule of Tangible Capital Assets

For the Year Ended December 31, 2024

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Infrastructure</u>	<u>Construction in Process</u>	<u>2024</u>
Cost								
Beginning of year	\$ 3,728,892	\$ 20,708,803	\$ 43,499,170	\$ 9,702,320	\$ 7,792,063	\$ 191,412,875	\$ 28,281,659	\$ 305,125,782
Additions	283,050	6,365,941	20,080,217	1,984,436	2,635,287	23,446,856	6,896,726	61,692,513
Disposals	-	(187,255)	(845,792)	(526,536)	(639,423)	(494,123)	(32,026,397)	(34,719,526)
End of year	<u>4,011,942</u>	<u>26,887,489</u>	<u>62,733,595</u>	<u>11,160,220</u>	<u>9,787,927</u>	<u>214,365,608</u>	<u>3,151,988</u>	<u>332,098,769</u>
Accumulated amortization								
Beginning of year	-	9,625,806	13,021,878	4,639,810	4,563,233	59,382,380	-	91,233,107
Amortization	-	1,077,912	1,584,685	1,080,127	487,075	3,906,339	-	8,136,138
Amortization on disposals	-	(182,120)	(457,540)	(509,236)	(638,271)	(437,702)	-	(2,224,869)
End of year	-	<u>10,521,598</u>	<u>14,149,023</u>	<u>5,210,701</u>	<u>4,412,037</u>	<u>62,851,017</u>	-	<u>97,144,376</u>
Net book value	<u>\$ 4,011,942</u>	<u>\$ 16,365,891</u>	<u>\$ 48,584,572</u>	<u>\$ 5,949,519</u>	<u>\$ 5,375,890</u>	<u>\$ 151,514,591</u>	<u>\$ 3,151,988</u>	<u>\$ 234,954,393</u>

The value of contributed tangible capital assets during the year is \$ 12,953,481.

City of Thorold

Consolidated Schedule of Segment Disclosure

For the Year Ended December 31, 2025

	<u>General Government</u>	<u>Protection to Persons and Property</u>	<u>Transportation Services</u>	<u>Environmental Services</u>	<u>Health Services</u>	<u>Social and Family Services</u>	<u>Recreation and Cultural Services</u>	<u>Planning and Development</u>	<u>2025</u>
Revenues									
Taxation	\$ 5,802,195	\$ 7,450,093	\$ 5,834,682	\$ 1,422,301	\$ 1,393,337	\$ 111,225	\$ 4,812,689	\$ 1,719,343	\$ 28,545,865
User charges	560,527	2,947,781	159,559	16,469,884	142,216	-	1,802,167	526,640	22,608,774
Government transfers	50,017	131,480	570,110	-	-	55,000	47,509	-	854,116
Other	3,007,735	448,297	2,537,021	4,590,361	73,371	-	402,100	2,095	11,060,980
Gain (loss) on disposal of tangible capital assets	<u>(3,280)</u>	<u>72,047</u>	<u>(21,818)</u>	<u>-</u>	<u>575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,524</u>
	<u>9,417,194</u>	<u>11,049,698</u>	<u>9,079,554</u>	<u>22,482,546</u>	<u>1,609,499</u>	<u>166,225</u>	<u>7,064,465</u>	<u>2,248,078</u>	<u>63,117,259</u>
Expenses									
Wages and benefits	1,539,517	7,934,456	3,535,853	2,429,994	867,668	87,202	3,410,578	998,762	20,804,030
Operating materials and supplies	466,677	1,129,552	1,869,513	598,664	249,711	68,815	1,929,614	183,552	6,496,098
Contracted services	70,396	945,828	340,170	12,369,286	(43,806)	9,052	422,498	304,178	14,417,602
Rents and financial expenses	32,948	38,928	63,543	51,530	7,319	552	60,085	7,918	262,823
External transfers to others	-	-	-	-	298,000	-	554,684	215,249	1,067,933
Amortization	290,369	1,169,604	3,230,704	2,051,435	190,620	130,669	2,104,114	10,303	9,177,818
Debt service	<u>10,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,566</u>
	<u>2,410,473</u>	<u>11,218,368</u>	<u>9,039,783</u>	<u>17,500,909</u>	<u>1,569,512</u>	<u>296,290</u>	<u>8,481,573</u>	<u>1,719,962</u>	<u>52,236,870</u>
Annual surplus (deficit)	<u>\$ 7,006,721</u>	<u>\$ (168,670)</u>	<u>\$ 39,771</u>	<u>\$ 4,981,637</u>	<u>\$ 39,987</u>	<u>\$ (130,065)</u>	<u>\$ (1,417,108)</u>	<u>\$ 528,116</u>	<u>\$ 10,880,389</u>

City of Thorold

Consolidated Schedule of Segment Disclosure

For the Year Ended December 31, 2024

	<u>General Government</u>	<u>Protection to Persons and Property</u>	<u>Transportation Services</u>	<u>Environmental Services</u>	<u>Health Services</u>	<u>Social and Family Services</u>	<u>Recreation and Cultural Services</u>	<u>Planning and Development</u>	<u>2024</u>
Revenues									
Taxation	\$ 5,588,715	\$ 6,872,320	\$ 5,366,471	\$ 1,394,888	\$ 1,126,056	\$ 76,989	\$ 4,534,758	\$ 1,508,391	\$ 26,468,588
User charges	245,048	9,294,984	8,863,611	15,023,226	129,717	-	853,179	289,587	34,699,352
Government transfers	62,252	40,343	1,202,072	-	-	49,158	44,148	-	1,397,973
Other	2,642,093	573,214	4,485,271	8,970,925	109,644	-	1,460,258	-	18,241,405
Gain (loss) on disposal of tangible capital assets	<u>(86,148)</u>	<u>-</u>	<u>(56,422)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(142,570)</u>
	<u>8,451,960</u>	<u>16,780,861</u>	<u>19,861,003</u>	<u>25,389,039</u>	<u>1,365,417</u>	<u>126,147</u>	<u>6,892,343</u>	<u>1,797,978</u>	<u>80,664,748</u>
Expenses									
Wages and benefits	1,425,843	6,912,473	3,381,684	1,908,094	830,531	68,296	3,130,382	1,093,759	18,751,062
Operating materials and supplies	1,105,365	1,013,571	1,664,893	539,857	234,167	69,629	1,652,796	79,631	6,359,909
Contracted services	43,513	1,060,519	362,561	10,571,889	(64,104)	5,136	483,277	182,305	12,645,096
Rents and financial expenses	45,432	74,856	112,917	118,314	72,266	1,127	412,539	13,075	850,526
External transfers to others	-	-	4,532,810	60,922	298,000	-	553,433	185,241	5,630,406
Amortization	295,073	791,658	2,885,405	1,822,960	145,080	130,669	2,055,674	9,619	8,136,138
Debt service	<u>15,043</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,043</u>
	<u>2,930,269</u>	<u>9,853,077</u>	<u>12,940,270</u>	<u>15,022,036</u>	<u>1,515,940</u>	<u>274,857</u>	<u>8,288,101</u>	<u>1,563,630</u>	<u>52,388,180</u>
Annual surplus (deficit)	<u>\$ 5,521,691</u>	<u>\$ 6,927,784</u>	<u>\$ 6,920,733</u>	<u>\$ 10,367,003</u>	<u>\$ (150,523)</u>	<u>\$ (148,710)</u>	<u>\$ (1,395,758)</u>	<u>\$ 234,348</u>	<u>\$ 28,276,568</u>

City of Thorold

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2025

General government	Budget 2025	Actual 2025	Actual 2024
Revenues			
Taxation	\$ 5,715,607	\$ 5,802,195	\$ 5,588,715
User charges	303,523	560,527	245,048
Government transfers	73,873	50,017	62,252
Other	3,021,918	3,007,735	2,642,093
Loss on disposal of tangible capital assets	-	(3,280)	(86,148)
	<u>9,114,921</u>	<u>9,417,194</u>	<u>8,451,960</u>
Expenses			
Wages and benefits	1,657,044	1,539,517	1,425,843
Operating materials and supplies	523,353	466,677	1,105,365
Contracted services	58,796	70,396	43,513
Rents and financial expenses	29,163	32,948	45,432
External transfers to others	3,500	-	-
Amortization	290,369	290,369	295,073
Debt service	50,220	10,566	15,043
	<u>2,612,445</u>	<u>2,410,473</u>	<u>2,930,269</u>
Annual surplus	<u>\$ 6,502,476</u>	<u>\$ 7,006,721</u>	<u>\$ 5,521,691</u>

Protection to persons and property	Budget 2025	Actual 2025	Actual 2024
Revenues			
Taxation	\$ 7,338,909	\$ 7,450,093	\$ 6,872,320
User charges	4,561,157	2,947,781	9,294,984
Government transfers	28,800	131,480	40,343
Other	465,595	448,297	573,214
Gain on disposal of tangible capital assets	-	72,047	-
	<u>12,394,461</u>	<u>11,049,698</u>	<u>16,780,861</u>
Expenses			
Wages and benefits	7,762,088	7,934,456	6,912,473
Operating materials and supplies	1,113,337	1,129,552	1,013,571
Contracted services	629,341	945,828	1,060,519
Rents and financial expenses	15,064	38,928	74,856
Amortization	1,169,604	1,169,604	791,658
	<u>10,689,434</u>	<u>11,218,368</u>	<u>9,853,077</u>
Annual (deficit) surplus	<u>\$ 1,705,027</u>	<u>\$ (168,670)</u>	<u>\$ 6,927,784</u>

City of Thorold

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2025

Transportation services	Budget 2025	Actual 2025	Actual 2024
Revenues			
Taxation	\$ 5,747,606	\$ 5,834,682	\$ 5,366,471
User charges	2,656,395	159,559	8,863,611
Government transfers	3,451,548	570,110	1,202,072
Other	401,044	2,537,021	4,485,271
Loss on disposal of tangible capital assets	-	(21,818)	(56,422)
	<u>12,256,593</u>	<u>9,079,554</u>	<u>19,861,003</u>
Expenses			
Wages and benefits	3,674,080	3,535,853	3,381,684
Operating materials and supplies	1,446,593	1,869,513	1,664,893
Contracted services	(361,287)	340,170	362,561
Rents and financial expenses	45,758	63,543	112,917
External transfers to others	288,685	-	4,532,810
Amortization	3,230,704	3,230,704	2,885,405
	<u>8,324,533</u>	<u>9,039,783</u>	<u>12,940,270</u>
Annual surplus	<u>\$ 3,932,060</u>	<u>\$ 39,771</u>	<u>\$ 6,920,733</u>

Environmental services	Budget 2025	Actual 2025	Actual 2024
Revenues			
Taxation	\$ 1,384,226	\$ 1,422,301	\$ 1,394,888
User charges	17,537,440	16,469,884	15,023,226
Government transfers	83,660	-	-
Other	-	4,590,361	8,970,925
	<u>19,005,326</u>	<u>22,482,546</u>	<u>25,389,039</u>
Expenses			
Wages and benefits	2,221,703	2,429,994	1,908,094
Operating materials and supplies	658,950	598,664	539,857
Contracted services	11,394,505	12,369,286	10,571,889
Rents and financial expenses	15,472	51,530	118,314
External transfers to others	19,106	-	60,922
Amortization	2,051,435	2,051,435	1,822,960
	<u>16,361,171</u>	<u>17,500,909</u>	<u>15,022,036</u>
Annual surplus	<u>\$ 2,644,155</u>	<u>\$ 4,981,637</u>	<u>\$ 10,367,003</u>

City of Thorold

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2025

Health services	Budget 2025	Actual 2025	Actual 2024
Revenues			
Taxation	\$ 1,354,513	\$ 1,393,337	\$ 1,126,056
User charges	84,047	142,216	129,717
Other	357,135	73,371	109,644
Gain on disposal of tangible capital assets	-	575	-
	<u>1,795,695</u>	<u>1,609,499</u>	<u>1,365,417</u>
Expenses			
Wages and benefits	960,152	867,668	830,531
Operating materials and supplies	237,004	249,711	234,167
Contracted services	(85,386)	(43,806)	(64,104)
Rents and financial expenses	5,210	7,319	72,266
External transfers to others	598,000	298,000	298,000
Amortization	190,620	190,620	145,080
	<u>1,905,600</u>	<u>1,569,512</u>	<u>1,515,940</u>
Annual surplus (deficit)	<u>\$ (109,905)</u>	<u>\$ 39,987</u>	<u>\$ (150,523)</u>

Social and family services	Budget 2025	Actual 2025	Actual 2024
Revenues			
Taxation	\$ 109,565	\$ 111,225	\$ 76,989
Government transfers	42,700	55,000	49,158
	<u>152,265</u>	<u>166,225</u>	<u>126,147</u>
Expenses			
Wages and benefits	60,022	87,202	68,296
Operating materials and supplies	103,287	68,815	69,629
Contracted services	4,816	9,052	5,136
Rents and financial expenses	166	552	1,127
Amortization	130,669	130,669	130,669
	<u>298,960</u>	<u>296,290</u>	<u>274,857</u>
Annual deficit	<u>\$ (146,695)</u>	<u>\$ (130,065)</u>	<u>\$ (148,710)</u>

City of Thorold

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2025

Recreation and cultural services	Budget 2025	Actual 2025	Actual 2024
Revenues			
Taxation	\$ 4,740,865	\$ 4,812,689	\$ 4,534,758
User charges	4,306,404	1,802,167	853,179
Government transfers	603,400	47,509	44,148
Other	381,945	402,100	1,460,258
	<u>10,032,614</u>	<u>7,064,465</u>	<u>6,892,343</u>
Expenses			
Wages and benefits	3,463,822	3,410,578	3,130,382
Operating materials and supplies	1,751,587	1,929,614	1,652,796
Contracted services	275,555	422,498	483,277
Rents and financial expenses	31,027	60,085	412,539
External transfers to others	1,592,557	554,684	553,433
Amortization	2,104,114	2,104,114	2,055,674
	<u>9,218,662</u>	<u>8,481,573</u>	<u>8,288,101</u>
Annual (deficit) surplus	<u>\$ 813,952</u>	<u>\$ (1,417,108)</u>	<u>\$ (1,395,758)</u>

Planning and development	Budget 2025	Actual 2025	Actual 2024
Revenues			
Taxation	\$ 1,693,683	\$ 1,719,343	\$ 1,508,391
User charges	2,216,773	526,640	289,587
Government transfers	22,600	-	-
Other	-	2,095	-
	<u>3,933,056</u>	<u>2,248,078</u>	<u>1,797,978</u>
Expenses			
Wages and benefits	1,621,653	998,762	1,093,759
Operating materials and supplies	126,372	183,552	79,631
Contracted services	148,733	304,178	182,305
Rents and financial expenses	2,060	7,918	13,075
External transfers to others	616,414	215,249	185,241
Amortization	10,303	10,303	9,619
	<u>2,525,535</u>	<u>1,719,962</u>	<u>1,563,630</u>
Annual surplus	<u>\$ 1,407,521</u>	<u>\$ 528,116</u>	<u>\$ 234,348</u>

Financial Statements

Thorold Public Library

December 31, 2025

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Independent auditor's report

To the Board, Members of Council, Inhabitants and Taxpayers of the
Corporation of the City of Thorold

Qualified Opinion

We have audited the financial statements of the Thorold Public Library ("the Library"), which comprise the statement of financial position as at December 31, 2025, and the statements of operations, changes 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, 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 Thorold Public Library as at December 31, 2025, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The Library derives revenue from donations and cash sales, 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 Thorold Public Library. Therefore, we were not able to determine whether any adjustments might be necessary to donations and other revenue and annual surplus for the years ended December 31, 2025 and 2024, net financial assets as at December 31, 2025 and 2024, and accumulated surplus as at January 1 and December 31 for both the 2025 and 2024 years. Our audit opinion on the financial statements for the year ended December 31, 2024 was modified accordingly because of the possible effects of this limitation in scope.

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 Library 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 these financial statements in accordance with Canadian accounting standards for public sector organizations, 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 Library's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Library or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Library'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 Library'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 Library'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 Library 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.

Doane Grant Thornton LLP

Port Colborne, Canada
June 18, 2026

Chartered Professional Accountants
Licensed Public Accountants

Thorold Public Library

Statement of Financial Position

As at December 31, 2025

	<u>2025</u>	<u>2024</u>
Financial assets		
Cash (Note 3)	\$ 144,706	\$ 75,020
Portfolio investments (Note 4)	47,273	46,198
Receivables	19,254	11,509
Due from City of Thorold	<u>27,251</u>	<u>26,875</u>
	<u>238,484</u>	<u>159,602</u>
Liabilities		
Payables and accruals	14,658	20,430
Employee benefit obligations (Note 5)	<u>69,779</u>	<u>72,979</u>
	<u>84,437</u>	<u>93,409</u>
Net financial assets	<u>154,047</u>	<u>66,193</u>
Non-financial assets		
Tangible capital assets (Pages 17 and 18)	372,486	391,411
Prepaid expenses	<u>2,631</u>	<u>2,075</u>
	<u>375,117</u>	<u>393,486</u>
Accumulated surplus (Note 6)	<u>\$ 529,164</u>	<u>\$ 459,679</u>

On behalf of the Board

See accompanying notes to the financial statements

Thorold Public Library

Statement of Operations

For the Year Ended December 31, 2025

	Budget 2025 (Note 12)	Actual 2025	Actual 2024
Revenues			
Municipal contribution	\$ 853,000	\$ 854,592	\$ 795,600
Government transfers (Note 8)	36,400	37,932	37,148
Other (Note 9)	<u>14,050</u>	<u>18,666</u>	<u>18,142</u>
	<u>903,450</u>	<u>911,190</u>	<u>850,890</u>
Expenses			
Administration	32,350	34,067	28,882
Amortization	82,229	82,229	80,818
Electronic resources, periodicals and newspapers	7,900	18,266	11,986
Insurance	18,500	17,865	16,566
Programs	5,000	5,017	5,335
Repairs and maintenance	50,800	51,296	46,863
Salaries, wages and benefits (Notes 10 and 11)	698,000	628,342	651,272
Service contracts	21,000	20,254	19,373
Supplies	6,400	6,912	6,854
Utilities	<u>27,500</u>	<u>22,457</u>	<u>21,065</u>
	<u>949,679</u>	<u>886,705</u>	<u>889,014</u>
Net expenses	<u>(46,229)</u>	<u>24,485</u>	<u>(38,124)</u>
Revenues related to tangible capital assets			
Municipal contribution	10,000	10,000	10,000
Development charges	<u>35,000</u>	<u>35,000</u>	<u>30,000</u>
	<u>45,000</u>	<u>45,000</u>	<u>40,000</u>
Annual surplus (deficit)	(1,229)	69,485	1,876
Accumulated surplus (Note 6)			
Beginning of year	<u>459,679</u>	<u>459,679</u>	<u>457,803</u>
End of year	<u>\$ 458,450</u>	<u>\$ 529,164</u>	<u>\$ 459,679</u>

See accompanying notes to the financial statements

Thorold Public Library

Statement of Changes in Net Financial Assets

For the Year Ended December 31, 2025

	Budget 2025 (Note 12)	Actual 2025	Actual 2024
Annual surplus (deficit)	\$ (1,229)	\$ 69,485	\$ 1,876
Amortization of tangible capital assets	82,229	82,229	80,818
Acquisition of tangible capital assets	<u>(81,000)</u>	<u>(63,304)</u>	<u>(75,844)</u>
	-	88,410	6,850
(Acquisition) usage of prepaid expenses	<u>-</u>	<u>(556)</u>	<u>40</u>
Increase in net financial assets	-	87,854	6,890
Net financial assets			
Beginning of year	<u>66,193</u>	<u>66,193</u>	<u>59,303</u>
End of year	<u>\$ 66,193</u>	<u>\$ 154,047</u>	<u>\$ 66,193</u>

See accompanying notes to the financial statements

Thorold Public Library

Statement of Cash Flows

For the Year Ended December 31, 2025

	<u>2025</u>	<u>2024</u>
Increase (decrease) in cash and cash equivalents		
Operating activities		
Annual surplus	\$ 69,485	\$ 1,876
Non-cash items:		
Amortization of tangible capital assets	82,229	80,818
Changes in:		
Receivables	(7,745)	(2,485)
Due from City of Thorold	(376)	(6,366)
Payables and accruals	(5,772)	5,728
Prepaid expenses	(556)	40
	<u>137,265</u>	<u>79,611</u>
Capital activities		
Acquisition of tangible capital assets	<u>(63,304)</u>	<u>(75,844)</u>
Financing activities		
Decrease in employee benefit obligations	<u>(3,200)</u>	<u>(2,500)</u>
Investing activities		
(Increase) decrease in portfolio investments, net	<u>(1,075)</u>	<u>1,510</u>
Net increase in cash	69,686	2,777
Cash		
Beginning of year	<u>75,020</u>	<u>72,243</u>
End of year	<u>\$ 144,706</u>	<u>\$ 75,020</u>

See accompanying notes to the financial statements

Thorold Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2025

1. Purpose of the Library

The Thorold Public Library ("the Library") provides library services to residents of the City of Thorold and residents of other municipalities who have contracted with the Library for services.

2. Significant accounting policies

Management responsibility

The financial statements of the Library are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards. The significant accounting policies used are as follows:

(a) Reporting entity

The financial statements reflect the financial assets, liabilities, non-financial assets, revenues, expenses and changes in accumulated surplus of the Library.

(b) Basis of accounting

Sources of revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting records revenues in the period they are earned and measurable and expenses in the period the goods and services are acquired and a liability is incurred.

(c) Portfolio investments

Portfolio investments are valued at the lower of cost and market value. Interest income is reported as revenue in the period earned.

(d) Deferred revenue

Receipts which are restricted by legislation of senior governments or by agreement with external parties are deferred and reported as deferred revenues. When qualifying expenses are incurred, deferred revenues are recognized as revenue at equal amounts. Revenues received in advance of expenses, which will be incurred in a later period, are deferred until they are earned by being matched against those expenses.

Thorold Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2025

2. Significant accounting policies (continued)

(e) Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location and in the condition necessary for its intended use. Contributed tangible capital assets are capitalized at their estimated fair value upon acquisition. The Library does not capitalize interest as part of the costs of its capital assets.

Leases are classified as capital or operating leases. Leases that transfer substantially all benefits incidental to ownership are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Amortization is calculated on a straight-line basis to write-off the net cost of each asset over its estimated useful life for all classes except land. Residual values of assets are assumed to be zero with any net gain or loss arising from the disposal of assets recognized in the Statement of Operations.

Amortization is based on the following classifications and useful lives:

<u>Classification</u>	<u>Useful Life</u>
Books	7 years
DVDs	3 years
Office equipment	5 years
Furniture and equipment	10 years
Computer equipment	4 years
Building improvements	20 years

For non-pooled assets, amortization is charged in the year of acquisition beginning in the month subsequent to asset purchase. For pooled assets, amortization is not charged in the year of acquisition and begins in the year subsequent to asset purchase. Assets under construction are not amortized until the asset is available for productive use.

(f) Revenue recognition

i) User charges

User charges are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

Thorold Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2025

2. Significant accounting policies (continued)

(g) Revenue recognition (continued)

i) Government transfers

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

ii) Other

Other revenue is recorded when it is earned, when any performance obligations have been satisfied and collection is reasonably assured.

(h) Reserves for future expenses

Certain amounts, as approved by the Library, are set aside in reserves for future operating and capital expenses.

(i) Financial instruments

The Library initially measures its financial assets and financial liabilities at fair value.

The Library subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and cash equivalents, portfolio investments, receivables and due from City of Thorold.

Financial liabilities measured at amortized cost include payables and accruals.

(j) Use of estimates

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Areas in which management make estimates are with regards to an allowance for doubtful accounts, accrued liabilities, employee benefit obligations and useful lives of tangible capital assets.

Thorold Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2025

3. Cash	<u>2025</u>	<u>2024</u>
Cash on hand	\$ 200	\$ 200
Bank balances	<u>144,506</u>	<u>74,820</u>
	<u>\$ 144,706</u>	<u>\$ 75,020</u>

4. Portfolio investments

Portfolio investments consist of guaranteed investment certificates that carry an effective interest rate from 2.00% to 2.60% and maturity dates ranging from February, 2026 to December, 2026. Interest is receivable on maturity. Portfolio investments reported on the Statement of Financial Position have a market value of \$ 47,445 (2024 - \$ 46,349). The Library's investment policy is to be able to hold investments until maturity. Accordingly, the financial statements only recognize gains or losses on investments sold prior to maturity.

5. Employee benefit obligations	<u>2025</u>	<u>2024</u>
Accrued vacation pay	\$ 17,479	\$ 17,479
Post-employment benefits	<u>52,300</u>	<u>55,500</u>
	<u>\$ 69,779</u>	<u>\$ 72,979</u>

(a) Accrued vacation pay

As at December 31, 2025, employees of the Library have accumulated vacation pay credits in the amount of \$ 17,479 (2024 - \$ 17,479). Any unused credits may be carried forward to the next year.

(b) Post-employment benefits

Under the Library's prior sick leave benefit plan, unused sick leave could accumulate and employees may have become entitled to a cash payment when they leave the Library's employment. Employees eligible to retire under the OMERS early retirement provisions are eligible to receive medical and dental benefits to the age of sixty-five, and life insurance benefits to the date of the employee's death. The Library pays the total premiums for such benefits.

The accrued benefit obligation at December 31, 2025 of \$ 52,300 (2024 - \$ 55,500) was determined by actuarial valuation using a discount rate of 4.6% (2024 - 4.6%).

Actuarial valuations for accounting purposes are performed every three years using the projected benefit method, pro-rated on service. Under this method, the projected post-employment benefits are deemed to be earned on a pro-rata basis over the employee's years of service.

Thorold Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2025

5. Employee benefit obligations (continued)

(b) Post-employment benefits (continued)

The most recent actuarial valuation was prepared at December 31, 2023. The main actuarial assumptions employed for the valuation are as follows:

General inflation – future general inflation levels, as measured by changes in the Consumer Price Index (CPI), were assumed at 2.5% per annum.

Salary levels – future general salary and wage levels were assumed to be 3% per annum.

Dental costs – dental costs were assumed to be 4% per annum.

Medical costs – medical costs were assumed to be 7% per annum for 2025 grading down 0.5% per annum to a rate of 4% per annum.

	<u>2025</u>	<u>2024</u>
Accrued benefit obligation		
Beginning of year	\$ 55,500	\$ 58,000
Current service cost	2,400	2,300
Interest cost	3,000	3,200
Benefits paid	(9,500)	(9,000)
Amortization of actuarial loss	<u>900</u>	<u>1,000</u>
	<u>\$ 52,300</u>	<u>\$ 55,500</u>
Funded status		
Deficit	\$ 63,900	\$ 68,000
Unamortized actuarial loss	<u>(11,600)</u>	<u>(12,500)</u>
	<u>\$ 52,300</u>	<u>\$ 55,500</u>

The net benefit expense for the employee benefit plan is as follows:

Current service cost	\$ 2,400	\$ 2,300
Interest cost	3,000	3,200
Benefits paid	(9,500)	(9,000)
Amortization of actuarial gain	<u>900</u>	<u>1,000</u>
	<u>\$ (3,200)</u>	<u>\$ (2,500)</u>

Thorold Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2025

6. Accumulated surplus	<u>2025</u>	<u>2024</u>
Operating surplus	\$ 194,654	\$ 110,165
Investment in tangible capital assets	372,486	391,411
Reserves and reserve funds (Note 7)	31,803	31,082
Unfunded liabilities	<u>(69,779)</u>	<u>(72,979)</u>
	<u>\$ 529,164</u>	<u>\$ 459,679</u>

7. Reserves and reserve funds	<u>2025</u>	<u>2024</u>
Reserve funds set aside by the Library for specific purposes:		
Expansion	<u>\$ 31,803</u>	<u>\$ 31,082</u>
Total reserves and reserve funds	<u>\$ 31,803</u>	<u>\$ 31,082</u>

The continuity of reserves and reserve funds is made up of the following:

Balance, beginning of year	\$ 31,082	\$ 29,701
Contributions from		
Interest earned	<u>721</u>	<u>1,381</u>
Balance, end of year	<u>\$ 31,803</u>	<u>\$ 31,082</u>

8. Government transfers	Budget <u>2025</u>	Actual <u>2025</u>	Actual <u>2024</u>
Operating			
Province of Ontario			
Unconditional	\$ 29,700	\$ 29,684	\$ 29,684
Pay equity grant	2,700	2,744	2,744
Government of Canada			
HRDC summer student grant	<u>4,000</u>	<u>5,504</u>	<u>4,720</u>
	<u>\$ 36,400</u>	<u>\$ 37,932</u>	<u>\$ 37,148</u>

Thorold Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2025

9. Other revenue	Budget 2025	Actual 2025	Actual 2024
Operating			
Fines and fees	\$ 3,450	\$ 2,247	\$ 3,796
Interest	-	1,323	420
Interest - reserves	-	721	1,381
Miscellaneous	10,600	14,375	12,545
	<u>\$ 14,050</u>	<u>\$ 18,666</u>	<u>\$ 18,142</u>

10. Salaries, wages and benefits	Budget 2025	Actual 2025	Actual 2024
Salaries and wages	\$ 545,000	\$ 504,352	\$ 522,092
Benefits	153,000	123,990	129,180
	<u>\$ 698,000</u>	<u>\$ 628,342</u>	<u>\$ 651,272</u>

11. Pension agreements

The Library makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of the 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. Employees and employers contribute jointly to the plan.

Since OMERS is a multi-employer pension plan, the Municipality does not recognize any share of the pension plan deficit of \$ 6.1 billion (2024 - \$ 4.3 billion deficit) based on the fair market value of the plan's assets, as this is a joint responsibility of all Ontario municipal entities and their employees. Contributions were made in the 2025 calendar year at rates ranging from 9.0% to 15.8% depending on the member's designated retirement age and level of earnings. Employer contributions for current and past service are included as an expense in the Statement of Operations. Employer contributions to OMERS for 2025 current and past service was \$ 49,797 (2024 - \$ 49,891) and were matched by employee contributions in a similar amount.

Thorold Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2025

12. Budget

The budget was prepared on a modified accrual basis while Canadian public sector accounting standards require a full accrual basis. As a result, the budget figures presented in the Statement of Operations and Statement of Changes in Net Financial Assets represent the budget adopted by the Library with the following adjustments:

Budgeted annual surplus	\$ -
Add:	
Acquisition of tangible capital assets	81,000
Less:	
Amortization of tangible capital assets	<u>(82,229)</u>
Budgeted surplus per Statement of Operations	<u>\$ (1,229)</u>

13. Financial instruments

The Library is exposed to various risks through its financial instruments. The following analysis provides a measure of the Library's risk exposures as at December 31, 2025:

Credit risk

Credit risk is the risk of financial loss to the Library if a debtor fails to pay the amounts owing to the Library. The Library is exposed to this risk arising from its cash and cash equivalents, due from City of Thorold and receivables. The Library holds its cash accounts with a federally regulated chartered bank who is insured by the Canadian Deposit Insurance Corporation. In the event of default, the Library's cash accounts are insured up to \$ 100,000 (2024 - \$ 74,820).

Receivables are primarily due from government, corporations and individuals. The Library measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up for specific accounts deemed to be possibly uncollectible. In the current and prior year, no impairment allowance was recorded. There were no changes in exposures to credit risk during the period.

Liquidity risk

Liquidity risk is the risk that the Library will not be able to meet all cash outflow obligations as they come due. The Library mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining cash and cash equivalents if unexpected cash outflows arise. The following undiscounted cash-flows are required to settle the Library's financial liabilities within one year \$ 14,658 (2024 - \$ 20,430).

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Thorold Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2025

13. Financial instruments (continued)

Market risk

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

a) Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Library is exposed to interest rate risk on its portfolio investments. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Thorold Public Library

Schedule of Tangible Capital Assets

For the Year Ended December 31, 2025

	<u>Books</u>	<u>DVDs</u>	<u>Office Equipment</u>	<u>Computers</u>	<u>Building Improvements</u>	<u>2025</u>
Cost						
Beginning of year	\$ 365,711	\$ 7,542	\$ 9,403	\$ 36,403	\$ 361,852	\$ 780,911
Additions	60,345	2,959	-	-	-	63,304
Disposals	<u>(54,401)</u>	<u>(2,365)</u>	<u>-</u>	<u>(18,912)</u>	<u>-</u>	<u>(75,678)</u>
End of year	<u>371,655</u>	<u>8,136</u>	<u>9,403</u>	<u>17,491</u>	<u>361,852</u>	<u>768,537</u>
Accumulated amortization						
Beginning of year	164,285	2,273	5,055	16,850	201,037	389,500
Amortization	52,245	2,521	1,881	9,100	16,482	82,229
Amortization on disposals	<u>(54,401)</u>	<u>(2,365)</u>	<u>-</u>	<u>(18,912)</u>	<u>-</u>	<u>(75,678)</u>
End of year	<u>162,129</u>	<u>2,429</u>	<u>6,936</u>	<u>7,038</u>	<u>217,519</u>	<u>396,051</u>
Net book value	<u>\$ 209,526</u>	<u>\$ 5,707</u>	<u>\$ 2,467</u>	<u>\$ 10,453</u>	<u>\$ 144,333</u>	<u>\$ 372,486</u>

Thorold Public Library

Schedule of Tangible Capital Assets

For the Year Ended December 31, 2024

	<u>Books</u>	<u>DVDs</u>	<u>Office Equipment</u>	<u>Computers</u>	<u>Building Improvements</u>	<u>2024</u>
Cost						
Beginning of year	\$ 357,840	\$ 8,550	\$ 14,371	\$ 24,243	\$ 360,860	\$ 765,864
Additions	59,679	3,013	-	12,160	992	75,844
Disposals	<u>(51,808)</u>	<u>(4,021)</u>	<u>(4,968)</u>	<u>-</u>	<u>-</u>	<u>(60,797)</u>
End of year	<u>365,711</u>	<u>7,542</u>	<u>9,403</u>	<u>36,403</u>	<u>361,852</u>	<u>780,911</u>
Accumulated amortization						
Beginning of year	164,973	3,437	7,149	10,789	183,131	369,479
Amortization	51,120	2,857	2,874	6,061	17,906	80,818
Amortization on disposals	<u>(51,808)</u>	<u>(4,021)</u>	<u>(4,968)</u>	<u>-</u>	<u>-</u>	<u>(60,797)</u>
End of year	<u>164,285</u>	<u>2,273</u>	<u>5,055</u>	<u>16,850</u>	<u>201,037</u>	<u>389,500</u>
Net book value	<u>\$ 201,426</u>	<u>\$ 5,269</u>	<u>\$ 4,348</u>	<u>\$ 19,553</u>	<u>\$ 160,815</u>	<u>\$ 391,411</u>

Financial Statements

Thorold Business Improvement Area

December 31, 2025

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Independent auditor's report

To the Board Members, Members of Council, Inhabitants and Taxpayers of the Corporation of the City of Thorold

Qualified Opinion

We have audited the financial statements of the Thorold Business Improvement Area ("the BIA"), which comprise the statement of financial position as at December 31, 2025, and the statements of operations, 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, 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 Thorold Business Improvement Area as at December 31, 2025, and its results of operations, its changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The BIA derives revenue from fundraising and sponsorship revenue, 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 BIA. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, annual surplus, and cash flows from operations for the years ended December 31, 2025 and 2024, net financial assets as at December 31, 2025 and 2024, and accumulated surplus as at January 1 and December 31 for both the 2025 and 2024 years. Our audit opinion on the financial statements for the year ended December 31, 2024 was modified accordingly because of the possible effects of this limitation in scope.

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 BIA 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 these 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 BIA's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the BIA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the BIA'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 BIA'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 BIA'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 BIA 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.

Doane Grant Thornton LLP

Port Colborne, Canada
June 26 , 2026

Chartered Professional Accountants
Licensed Public Accountants

Thorold Business Improvement Area **Statement of Financial Position**

As at December 31

2025

2024

Assets

Cash	\$ 19,084	\$ 49,397
Accounts receivable	-	81
Harmonized sales tax receivable	18,597	24,268
Due from the City of Thorold (Note 6)	<u>2,023</u>	<u>-</u>
	<u>39,704</u>	<u>73,746</u>

Liabilities

Accounts payable	1,969	5,319
Due to the City of Thorold (Note 6)	<u>-</u>	<u>182</u>
	<u>1,969</u>	<u>5,501</u>

Net financial assets

	<u>37,735</u>	<u>68,245</u>
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Non-financial assets

Tangible capital assets (Note 3)	28,829	18,497
Prepaid expenses	<u>3,300</u>	<u>-</u>
	<u>32,129</u>	<u>18,497</u>

Accumulated surplus (Note 4)

	<u>\$ 69,864</u>	<u>\$ 86,742</u>
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On behalf of the Board

See accompanying notes to the financial statements.

Thorold Business Improvement Area **Statement of Operations**

For the Year Ended December 31, 2025

	Budget <u>2025</u> (Note 5)	Actual <u>2025</u>	Actual <u>2024</u>
Revenues			
Tax levy from City of Thorold, net of write-offs	\$ 44,000	\$ 46,205	\$ 43,818
Other revenue	<u>-</u>	<u>3,826</u>	<u>3,060</u>
	<u>44,000</u>	<u>50,031</u>	<u>46,878</u>
Expenses			
Administration	36,139	41,217	30,058
Advertising, promotion and events	27,665	17,124	18,965
Amortization	6,487	6,487	5,483
Repairs, maintenance and supplies	1,200	46	-
Donation expense – special events	<u>-</u>	<u>2,035</u>	<u>2,957</u>
	<u>71,491</u>	<u>66,909</u>	<u>57,463</u>
Annual deficit	(27,491)	(16,878)	(10,585)
Accumulated surplus (Note 4)			
Beginning of year	<u>86,742</u>	<u>86,742</u>	<u>97,327</u>
End of year	<u>\$ 59,251</u>	<u>\$ 69,864</u>	<u>\$ 86,742</u>

See accompanying notes to the financial statements.

Thorold Business Improvement Area

Statement of Changes in Net Financial Assets

For the Year Ended December 31, 2025

	Budget <u>2025</u> (Note 5)	Actual <u>2025</u>	Actual <u>2024</u>
Annual deficit	\$ (27,491)	\$ (16,878)	\$ (10,585)
Acquisition of tangible capital assets	(15,000)	(16,819)	(11,311)
Amortization of tangible capital assets	<u>6,487</u>	<u>6,487</u>	<u>5,483</u>
	(36,004)	(27,210)	(16,413)
Acquisition of prepaid expenses	<u>-</u>	<u>(3,300)</u>	<u>-</u>
Decrease in net financial assets	(36,004)	(30,510)	(16,413)
Net financial assets			
Beginning of year	<u>68,245</u>	<u>68,245</u>	<u>84,658</u>
End of year	<u>\$ 32,241</u>	<u>\$ 37,735</u>	<u>\$ 68,245</u>

See accompanying notes to the financial statements.

Thorold Business Improvement Area **Statement of Cash Flows**

For the Year Ended December 31

2025

2024

Increase (decrease) in cash

Operating transactions

Annual deficit	\$ (16,878)	\$ (10,585)
Non-cash item		
Amortization of tangible capital assets	6,487	5,483
Decrease (increase) in accounts receivable	81	(81)
Decrease (increase) in harmonized sales tax receivable	5,671	(3,244)
Increase in prepaid expenses	(3,300)	-
(Decrease) increase in accounts payable	(3,350)	313
(Increase) decrease in Due from City of Thorold	<u>(2,205)</u>	<u>182</u>
	(13,494)	(7,932)

Capital transactions

Acquisition of tangible capital assets	<u>(16,819)</u>	<u>(11,311)</u>
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Net decrease in cash

(30,313) (19,243)

Cash

Beginning of year	<u>49,397</u>	<u>68,640</u>
End of year	<u>\$ 19,084</u>	<u>\$ 49,497</u>

See accompanying notes to the financial statements.

Thorold Business Improvement Area

Notes to the Financial Statements

For the year ended December 31, 2025

1. Purpose of the Business Improvement Area

The Thorold Business Improvement Area ("BIA"), established in 1980 pursuant to the Ontario Municipal Act, operates to revitalize and promote the downtown area of Thorold, Ontario.

The BIA is financed by a special levy charged upon businesses in the improvement area.

2. Summary of significant accounting policies

Management responsibility

The financial statements are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The significant accounting policies used are as follows:

Basis of accounting

Sources of revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting records revenues in the period they are earned and measurable and expenses in the period the goods and services are acquired and a liability is incurred.

Reporting entity

The financial statements reflect the financial assets, liabilities, non-financial assets, revenues, expenses and changes in accumulated surplus balances of the BIA.

Tangible capital assets

(i) Determination of costs

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

(ii) Amortization

Amortization is recorded to reflect the cost, net of anticipated salvage value, associated with the use of the asset in providing government services over the estimated useful life of the asset. Amortization expense is calculated on a straight-line basis over the assets' estimated useful lives. For non-pooled assets, amortization is charged in the year of acquisition beginning in the month subsequent to asset purchase. For pooled assets, amortization is not charged in the year of acquisition and begins in the year subsequent to asset purchase.

Decorations	5 years
Outdoor furniture and equipment	5 years

Thorold Business Improvement Area

Notes to the Financial Statements

For the year ended December 31, 2025

2. Summary of significant accounting policies (continued)

Contributed services

The BIA receives contributions of volunteer services. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Revenue recognition

Tax revenue is recognized in the year in which the tax billings are issued by the City of Thorold.

Government transfers are recognized in the period when the related expenses are incurred for the funding provided. Deferred revenue is recognized when the funds received are related to expenditures of a future period.

Other revenue is recorded when it is earned, measurable and collection is reasonably assured.

Financial instruments

The BIA initially measures its financial assets and financial liabilities at fair value. The BIA subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash and cash equivalents and receivables. Financial liabilities measured at amortized cost include payables and accruals.

Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The only area for which management make estimates is the useful lives of the tangible capital assets.

Thorold Business Improvement Area

Notes to the Financial Statements

For the year ended December 31, 2025

3. Tangible capital assets	<u>2025</u>	<u>2024</u>
Cost, beginning of year	\$ 50,339	\$ 67,205
Add additions during the year	16,819	11,311
Less disposals during the year	<u>(22,927)</u>	<u>(28,177)</u>
Cost, end of year	<u>44,231</u>	<u>50,339</u>
Accumulated amortization, beginning of year	31,842	54,536
Add amortization during the year	6,487	5,483
Less disposals during the year	<u>(22,927)</u>	<u>(28,177)</u>
Accumulated amortization, end of year	<u>15,402</u>	<u>31,842</u>
Net book value	<u>\$ 28,829</u>	<u>\$ 18,497</u>
4. Accumulated surplus	<u>2025</u>	<u>2024</u>
Operating surplus	\$ 41,035	\$ 68,245
Investment in tangible capital assets	<u>28,829</u>	<u>18,497</u>
	<u>\$ 69,864</u>	<u>\$ 86,742</u>

5. Budget

The budget approved by the BIA includes expenses for tangible capital assets but does not include amortization of tangible capital assets. The following is a reconciliation of the approved budget to that reported on the statement of operations.

	<u>2025</u>
Approved budgeted annual deficit	\$ (36,004)
Add budgeted acquisition of tangible capital assets	15,000
Less amortization of tangible capital assets	<u>(6,487)</u>
Budgeted annual deficit reported on the statement of operations	<u>\$ (27,491)</u>

Thorold Business Improvement Area Notes to the Financial Statements

For the year ended December 31, 2025

6. Related party balances and transactions

(a) Related parties

The BIA is related to the City of Thorold as the City is responsible for collecting and distributing the BIA levy. The City is therefore considered a related party.

(b) Transactions with the City

During the year, the City collected \$ 46,205 (2024 - \$ 43,818) in levies on behalf of the BIA. The BIA levy represents amount collected by the City from commercial property owners and remitted to the BIA to fund its operations.

(c) Due to/from the City

The balance due to or from the City represents supplemental taxes and tax write-offs relating to the BIA tax levy that have not yet been distributed to or collected from the BIA.

At December 31, 2025, the amount due from (to) the City was \$ 2,023 (2024 - \$ (182)). The balance is non-interest bearing and has no fixed terms of repayment.

(d) Measurement basis

Transactions with the City are recorded at the exchange amount, being the consideration agreed upon by the parties.

Thorold Business Improvement Area

Notes to the Financial Statements

For the year ended December 31, 2025

7. Financial instruments

Risk disclosures

Credit risk

Credit risk is the risk of financial loss to the BIA if a debtor fails to discharge their obligation (e.g., pay the accounts receivable owing to the BIA). The BIA is exposed to this risk arising from its cash and cash equivalents and receivables. The BIA holds its cash accounts with a federally regulated chartered bank who is insured by the Canadian Deposit Insurance Corporation. In the event of default, the BIA's cash accounts are insured up to \$ 19,084 (2024 - \$ 49,397).

Receivables are primarily due from government, corporations and individuals. Credit risk is mitigated by the highly diversified nature of the debtors and other customers. The BIA measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the BIA's historical experience regarding collections. In the current and prior years, there is no impairment allowance related to the receivables. There were no changes in exposures to credit risk during the period.

As at December 31, 2025, receivables consisted of \$ 18,597 (2024 – \$ 24,268) of HST rebates receivable and \$ Nil (2024 - \$81) other receivables.

Liquidity risk

Liquidity risk is the risk that the BIA will not be able to meet all cash outflow obligations as they come due. The BIA mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining cash and cash equivalents if unexpected cash outflows arise. The following undiscounted cash-flows are required to settle the BIA's financial liabilities within one year \$ 1,969 (2024 - \$ 5,501)

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.