Consolidated Financial Statements of

THE CORPORATION OF THE TOWN OF PERTH

And Independent Auditor's Report thereon

Year ended December 31, 2025

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Town of Perth (the "Corporation") are the responsibility of the Corporation's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. Significant accounting policies are described in note 2 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Corporation's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of consolidated financial statements. These systems are monitored and evaluated by management.

Management meets with the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to Council approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Corporation. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Corporation's consolidated financial statements.

Michael Touw
Chief Administrative Officer

Nev Jande, CPA, CA
Director of Corporate Services

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Town of Perth

Opinion

We have audited the consolidated financial statements of the Corporation of the Township of Perth (the Entity), which comprise:

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

(Hereinafter referred to as the "financial statements").

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

Basis for Opinion

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

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

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

September 22, 2026

CORPORATION OF THE TOWN OF PERTH

Consolidated Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Financial Assets		
Cash	$ 17,295,055	$ 8,569,397
Investments (note 3)	–	9,947,698
Taxes receivable	886,096	705,050
User charges receivable	441,451	463,944
Accounts receivable	1,182,959	774,684
Land for resale	428,298	428,298
	20,233,859	20,889,071
Financial Liabilities		
Accounts payable and accrued liabilities	2,572,832	2,806,517
Prepaid property taxes	819,841	709,407
Asset retirement obligations (note 7)	2,797,773	3,309,207
Other current liabilities	1,115,108	326,407
Obligatory reserve funds (note 4)	3,063,147	2,635,019
Long term liabilities (note 5)	4,236,824	4,872,746
	14,605,525	14,659,303
Net financial assets	5,628,334	6,229,768
Non-Financial Assets		
Tangible capital assets (note 13)	72,389,052	71,196,585
Prepaid expense	421,498	613,323
	72,810,550	71,809,908
Contingent liability - contaminated sites (note 10)		
Contingent liabilities (note 11)		
Commitments (note 12)		
Accumulated municipal equity (note 6)	$ 78,438,884	$ 78,039,676

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

CORPORATION OF THE TOWN OF PERTH

Consolidated Statement of Operations and Municipal Equity

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

	2025 Budget (note 16)	2025 Actual	2024 Actual
Revenue:			
Property taxation	$ 9,969,399	$ 10,104,350	$ 9,585,377
User charges	4,884,619	4,981,487	4,817,419
Government grants	3,511,146	3,734,314	3,737,162
Licenses and permits	397,521	414,359	212,732
Investment income	500,000	685,579	1,043,118
Penalties and interest on taxes	91,000	138,550	115,396
Provincial offences	653,487	777,717	605,367
Other	212,450	453,066	270,201
Contribution from developers	7,207	397,207	7,207
	20,226,829	21,686,629	20,393,979
Expenses (note 14):			
General government	3,380,047	2,956,677	3,275,394
Protection to persons and property	4,245,423	4,416,385	3,912,562
Transportation services	2,977,320	3,251,731	2,925,555
Environmental services	5,261,803	5,603,356	4,630,421
Recreation and cultural services	3,989,588	3,965,241	3,563,927
Planning and development	1,127,076	1,094,031	1,151,009
	20,981,257	21,287,421	19,458,868
Annual surplus (deficit)	(754,428)	399,208	935,111
Accumulated municipal equity, beginning of year	78,039,676	78,039,676	77,104,565
Accumulated municipal equity, end of year	$ 77,285,248	$ 78,438,884	$ 78,039,676

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

CORPORATION OF THE TOWN OF PERTH

Consolidated Statement of Changes in Net Financial Assets

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

	2025 Budget	2025 Actual	2024 Actual
	(note 16)		
Annual surplus (deficit)	$ (754,428)	$ 399,208	$ 935,111
Amortization of tangible capital assets	3,211,000	3,460,721	3,240,238
Acquisition of tangible capital assets	(11,160,915)	(4,653,188)	(8,207,816)
Utilization (acquisition) of prepaid expenses	–	191,825	(297,065)
	(7,949,915)	(1,000,642)	(5,264,643)
Decrease in net financial assets	(8,704,343)	(601,434)	(4,329,532)
Net financial assets, beginning of year	6,229,768	6,229,768	10,559,300
Net financial assets, end of year	$ (2,474,575)	$ 5,628,334	$ 6,229,768

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

CORPORATION OF THE TOWN OF PERTH

Consolidated Statement of Cash Flows

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

	2025	2024
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 399,208	$ 935,111
Items not involving cash:		
Amortization of tangible capital assets	3,460,721	3,240,238
Change in asset retirement obligations	(511,434)	1,036,884
Changes in non-cash operating working capital:		
Taxes receivable	(181,046)	(31,908)
User charges receivable	22,493	(150,498)
Accounts receivable	(408,275)	70,204
Accounts payable and accrued liabilities	(233,685)	1,321,774
Prepaid property taxes	110,434	43,759
Other current liabilities	788,701	(210,354)
Obligatory reserve funds	428,128	786,655
Prepaid expense	191,825	(297,065)
	4,067,070	6,744,800
Capital activities:		
Acquisition of capital assets	(4,653,188)	(8,207,816)
Investing activities:		
Redemption of investments	9,947,698	2,854,580
Financing activities:		
Proceeds of debt issuance	–	688,000
Repayment of debt	(635,922)	(583,458)
	(635,922)	104,542
Increase in cash	8,725,658	1,496,106
Cash, beginning of year	8,569,397	7,073,291
Cash, end of year	$ 17,295,055	$ 8,569,397

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

The Corporation of the Town of Perth (the 'Town') was incorporated in 1854. The Town operates as a lower tier government in the County of Lanark, in the Province of Ontario, Canada and provides municipal services such as police, fire, public works, planning, parks and recreation and other general government operations.

1. Significant accounting policies:

The consolidated financial statements of the Town are the representations of management and have been prepared in all material respects in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies adopted by the Town are as follows:

Reporting Entity

(a) Basis of consolidation:

(i) Consolidated entities:

The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenses, reserves, reserve funds and changes in investment in tangible capital assets of the Town. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Town and which are owned or controlled by the Town. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated. These consolidated financial statements include:

- Business Improvement Area Committee
- Public Library Board (proportionate share)

(ii) Accounting for school board transactions:

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

(b) Basis of accounting:

(i) The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.

(ii) Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

1. Significant accounting policies (continued):

(c) Taxation and related revenues:

Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation ('MPAC'). Tax rates are established by the Town Council, incorporating amounts to be raised for local services, amounts to be raised on behalf of County of Lanark for regional services, and amounts the Town is required to collect on behalf of the Province of Ontario in respect of education taxes. Taxation revenues are recorded at the time tax billings are issued. Adjustments to taxation revenue can occur during the year related to the issuance of supplementary tax billings and/or assessment appeals. These adjustments are recorded when the amount of the adjustments can be quantified. The Town is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period in which the interest and penalties are applied.

(d) Financial instruments:

The Town records derivatives and portfolio investments in equity instruments that are quoted in an active market at fair value. All other financial instruments will generally be measured at cost or amortized cost.

Management has not elected to record any investments at fair value as they are not managed and evaluated on a fair value basis.

Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses which records the remeasurement gains and losses for financial instruments measured at fair value. Unrealized gains and losses are realized upon settlement of the financial instrument when the financial instrument is sold or reaches maturity through the Consolidated Statement of Operations and Municipal Equity. 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 Consolidated Statement of Operations and Municipal Equity.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the Consolidated Statement of Remeasurement Gains and Losses.

Long-term debt is recorded at amortized cost.

1. Significant accounting policies (continued):

(d) Financial instruments (continued):

Establishing fair value:

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

Fair value hierarchy:

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

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

(e) Foreign currency:

Foreign currency transactions are recorded at the exchange rate at the time of the transaction.

Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the Consolidated Statement of Remeasurement Gains and Losses. In the period of settlement, the realized foreign exchange gains and losses are recognized in the Consolidated Statement of Operations and Municipal Equity and the unrealized balances are reversed from the Consolidated Statement of Remeasurement Gains and Losses.

(f) Statement of Remeasurement Gains and Losses:

A Statement of Remeasurement Gains and Losses has not been provided as there are no significant unrealized gains or losses at December 31, 2025 or 2024.

1. Significant accounting policies (continued):

(g) Tangible capital assets:

Tangible capital assets are recorded at historical cost or where historical cost records were not available, other methods determined to provide a best estimate of historical cost and accumulated amortization of the assets. In certain cases, the Town used replacement costs and appropriate indices to deflate the replacement cost to an estimated historical cost at the year of acquisition. Costs include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset.

The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Estimated useful life
Land Improvements	10 - 25 years
Buildings	20 - 50 years
Vehicles	10 - 15 years
Equipment & Machinery	3 - 15 years
Linear Assets	20 - 65 years

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of other asset as of the date of transfer.

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset’s net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset’s net book value, is reported on the Consolidated Statement of Operations and Municipal Equity in the year of disposal. Transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

When conditions indicate that a tangible capital asset no longer contributes to the Town's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset’s remaining service potential. The resulting net adjustment is reported as an expense on the Consolidated Statement of Operations and Municipal Equity.

1. Significant accounting policies (continued):

(g) Tangible capital assets (continued):

Amortization is charged from the month following acquisition. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

(h) Leases:

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property 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.

(i) Inventories:

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

(j) Pension and employee benefits:

The Town accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

Employee benefits include vacation entitlement and sick leave benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave benefits are accrued in accordance with the Town's policy.

(k) Revenue recognition:

Government transfers and funding for projects are recognized when the transfer is authorized, any eligible criteria has been met and the amount can be reasonably estimated. Town generated funds, generally consisting of user fees, licenses and permits, are recognized when the goods are sold or the services are provided, performance obligations fulfilled, and future economic benefits are measurable and expected to be obtained. Other restricted contributions received in advance of the related expenditure are deferred until the related expenditure is incurred.

(l) Government transfers:

Government transfers are recognized in the consolidated 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.

1. Significant accounting policies (continued):

(m) Deferred revenue:

The Town defers recognition of user charges and fees which have been collected but for which the related services have yet to be performed. Government transfers of gas taxes, development charges collected under the Development Charges Act, 1997, and recreational land collected under the Planning Act are reported as deferred revenues in the Consolidated Statement of Financial Position. These amounts will be recognized as revenue in the fiscal year the services are performed.

The Town receives restricted contributions under the authority of Federal and Provincial legislation and Town by-laws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

(n) Investment income:

Investment income earned on surplus, current funds, capital funds, reserves and reserve funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on development charges and obligatory reserve funds is added to the fund balance and forms part of respective deferred revenue balances.

(o) Asset retirement obligations:

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

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

The liability for closure of operational sites and post-closure care relating to landfill sites has been recognized based on estimated future expenses. The liability is discounted using a present value calculation and adjusted annually for accretion expense. Assumptions used in the calculations are revised annually.

The liability for the removal of asbestos in several of the buildings owned by the Town has been recognized based on estimated undiscounted future expenses. Assumptions used in the calculations are revised yearly.

Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liabilities are recognized in the Consolidated Statement of Operations and Municipal Equity at the time of remediation.

1. Significant accounting policies (continued):

(o) Asset retirement obligations (continued):

The recognition of the ARO liability resulted in an accompanying increase to the respective tangible capital assets. Building tangible capital assets affected by the asbestos liability are being amortized with the building following the amortization accounting policies outlined in Note 1(g).

(p) Liability for contaminated sites:

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:

(i) an environmental standard exists;

(ii) contamination exceeds the environmental standard;

(iii) the Town:

a. is directly responsible; or

b. accepts responsibility

(iv) it is expected that future economic benefit will be given up; and

(v) a reasonable estimate of the amount can be made.

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

(q) Use of estimates:

The preparation of consolidated financial statements 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 revenue and expenses during the period. Amounts subject to estimates include asset retirement obligations and the carrying value of tangible capital assets. Actual results could differ from these estimates.

2. Operations of County of Lanark and school boards:

During the year, the Town collected and made property tax transfers including payments in lieu of property taxes, to the County of Lanark and School Boards as follows:

	School Boards		County of Lanark	
	2025	2024	2025	2024
Property taxes	$ 2,276,253	$ 2,251,464	$ 4,067,011	$ 3,765,992
Taxation from other governments	–	–	41,714	41,554
Amounts requisitioned and paid	$ 2,276,253	$ 2,251,464	$ 4,108,725	$ 3,807,546

3. Long-term investments:

Long-term investments are comprised of:

	Level	2025	2024
Guaranteed investment certificates, with interest rates of 0%	1	$ –	$ 9,947,698

During the year, all guaranteed investment certificates matured and were not subsequently reinvested.

4. Obligatory reserve funds:

A requirement of public sector accounting standards of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as a liability on the Consolidated Statement of Financial Position. This requirement is in place as Provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The transactions for the year are summarized below:

	Development charges	Parkland	Canada Community Building Fund	OCIF	2025 Total	2024 Total
January 1, 2025	$ 2,469,078	$ 28,424	$ 137,516	$ –	$ 2,635,018	$ 1,848,364
Government grants	–	–	211,861	644,712	856,573	206,000
Contributions from developers	326,104	–	–	–	326,104	552,163
Interest income	71,217	961	7,963	–	80,141	104,182
Transfer to capital acquisitions	(7,207)	–	(182,770)	(644,712)	(834,689)	(75,691)
December 31, 2025	$ 2,859,192	$ 29,385	$ 174,570	$ –	$ 3,063,147	$ 2,635,018

5. Long-term liabilities:

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

	2025	2024
Federation of Canadian Municipalities (3.41%), maturing in 2029	$ 1,734,381	$ 2,193,370
Infrastructure Ontario (2.60%), maturing in 2036	1,847,979	1,991,376
Infrastructure Ontario (4.28%), maturing in 2039	654,464	688,000
	$ 4,236,824	$ 4,872,746

(b) Principal payments are due as follows:

2026	$ 655,911
2027	678,603
2028	701,010
2029	459,262
2030	204,614
2031 and thereafter	1,537,424
	$ 4,236,824

(c) Interest expense on long term liabilities in 2025 amounted to $150,818 (2024 - $140,656).

(d) These payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

(e) Subsequent to year-end, the Town obtained additional financing in the amount of $3.3 million, amortized over 30 years. The purpose of this debt was to fund the unfinanced capital as described in note 6.

6. Accumulated municipal equity:

	2025	2024
Investment in tangible capital assets:		
Tangible capital assets	$ 72,389,052	$ 71,196,585
Long-term liabilities	(4,236,824)	(4,872,746)
Unfinanced capital	(2,074,193)	–
	66,078,035	66,323,839
Unfunded asset retirement obligations	(1,201,903)	(1,196,884)
Reserves (Schedule 1)	13,562,752	12,912,721
Total accumulated municipal equity	$ 78,438,884	$ 78,039,676

7. Asset retirement obligations:

The Town's asset retirement obligations consist of the following:

(a) Landfill obligation:

The Town owns and operates one landfill site. The liability for the closure of operational sites and post-closure care for all the sites has been recognized under PS 3280 *Asset Retirement Obligations*. The costs were based upon the presently known obligations that will exist at the estimated year of closure of the sites and for a minimum of 55 years post this date. As at December 31, 2025, the landfill had an estimated remaining useful life of 13 years. Post-closure care is estimated to be required for a minimum 55 years from the date of site closure. The Town recognized an obligation relating to the removal and post-removal care of the landfill. These costs were discounted using a discount rate of 3.0% (2024 - 4.56%) per annum and an inflation rate of 5.0% (2024 - 4.56%) per annum.

(b) Asbestos obligation:

The Town owns and operates several buildings that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. Post-closure care is estimated to extend for up to a year post the closure of the building, while demolition and construction continues. Estimated costs have not been discounted as the date of demolition is unknown.

7. Asset retirement obligations (continued):

The change in the estimated obligations during the year consists of the following:

	Landfill closure	Asbestos removal	2025 Total	2024 Total
Balance, January 1, 2025	$ 3,141,923	$ 167,284	$ 3,309,207	$ 2,272,323
Change in estimate:				
Landfill	118,028	–	118,028	900,000
Accretion and inflationary adjustments:				
Landfill closure and post-closure	94,258	–	94,258	129,600
Buildings	–	5,019	5,019	7,284
Liabilities settled during the year	(728,739)	–	(728,739)	–
Balance, December 31, 2025	$ 2,625,470	$ 172,303	$ 2,797,773	$ 3,309,207

8. Pension contributions:

The Town makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all permanent members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employers and employees contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Town does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

The last available report was at December 31, 2025 and at that time the plan reported a $1.3 billion actuarial deficit (2024 - $2.9 billion actuarial deficit).

The amount contributed to OMERS was $529,325 (2024 - $492,831) for current services and is included as an expense on the Consolidated Statement of Operations and Municipal Equity classified under the appropriate functional expense.

9. Provincial Offences Administration (POA):

The Town has assumed the administration of the Provincial Offences office for all County of Lanark resident municipalities. The transfer of administration from the Ministry of the Attorney General to the Corporation of the Town of Perth was a result of the Provincial Offences Act (POA) 1997, which provides the framework for the transfer of responsibility and administration of POA courts.

The POA is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor Licence Act, Municipal By-Laws and minor federal offences. The POA governs all aspects of legal process from serving notice to a defendant, to conducting trials, including sentencing and appeals.

The Town's share of net revenues arising from operation of the POA office have been consolidated with these consolidated financial statements. The revenue of the court office consists of fines levied under Parts I and III (including delay penalties) for POA charges filed in the Perth court.

If fines are paid at other court offices, the receipt is recorded in the Integrated Courts Operation Network System ("ICON") operated by the Province of Ontario. Revenue is recognized when receipt of funds is recorded by the provincial ICON system regardless of the location where payment is made.

The Town of Perth shares net POA revenues based on weighted assessment.

10. Contingent liability - contaminated sites:

The Town has identified a potential liability for two contaminated sites. One site was previously used as a landfill and the other attached to an industrial property with environmental issues. The Town has completed environmental assessments on both sites. An estimate of the liability for the contaminated sites could not be reasonably estimated. Both sites are currently vacant.

11. Contingent liabilities:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2025, management believes that the Town has valid defences and appropriate insurance coverages in place.

In the event any claims are successful, the amount of any potential liability is not determinable, therefore, no amount has been accrued in the consolidated financial statements.

12. Commitments:

(a) The Town has a long-term contract with Glenview Iron and Metal Ltd. for the collection of waste and source-separated organics. The contract commenced January 1, 2022 and will expire on December 31, 2026. All collection charges are based on the number of households. Charges are adjusted annually for inflation. Payments under the contract for 2025 were $565,246 (2024 - $511,250).

(b) The Town has entered into a long-term contract with the Ontario Provincial Police for the provision of policing services. The contract expires December 31, 2026. Annual charges are determined based on levels of service and are reconciled to actual costs in the following year. Payments under the contract for 2025 were $ 1,800,276 (2024 - $1,667,201).

(c) Council has approved the carry-forward from 2025 to 2026 of approximately $4.8 million in capital and operating projects. Additionally, the Town has a capital commitment of $3.7 million related to the wastewater plant which will be funded through a government grant.

(d) Subsequent to year-end, the Town entered into a capital contract with a third party to construct a new municipal building in the amount of $4.3 million. The building is expected to be completed in fiscal 2027 and will be funded through external financing.

13. Tangible capital assets:

Cost	Balance, January 1, 2025	Additions	Disposals, transfers and adjustments	Balance December 31, 2025
Land	$ 1,797,212	$ –	$ –	$ 1,797,212
Land infrastructure	28,683	–	–	28,683
Land improvements	6,103,191	88,869	–	6,192,060
Buildings	15,827,181	173,210	–	16,000,391
Vehicles	4,112,139	976,561	–	5,088,700
Equipment	8,345,472	199,594	–	8,545,066
Linear:				
Bridges and culverts	6,878,989	–	–	6,878,989
Roads	27,098,081	879,165	–	27,977,246
Water	13,111,625	–	–	13,111,625
Sanitary sewer	22,921,531	228,355	–	23,149,886
Storm sewer	9,178,608	–	–	9,178,608
Construction in progress	1,270,708	2,081,170	–	3,351,878
Library board	736,725	26,264	(19,644)	743,345
	$ 117,410,145	$ 4,653,188	$ (19,644)	$ 122,043,689

13. Tangible capital assets (continued):

Accumulated amortization	Balance, January 1, 2025	Amortization	Disposals, transfers and adjustments	Balance December 31, 2025
Land	$ –	$ –	$ –	$ –
Land infrastructure	–	–	–	–
Land improvements	1,485,235	359,366	–	1,844,601
Buildings	7,904,949	535,600	–	8,440,549
Vehicles	1,832,083	268,970	–	2,101,053
Equipment	3,025,466	459,034	–	3,484,500
Linear:				
Bridges and culverts	2,608,107	167,669	–	2,775,776
Roads	12,336,246	701,736	–	13,037,982
Water	5,155,287	199,238	–	5,354,525
Sanitary sewer	6,910,114	572,863	–	7,482,977
Storm sewer	4,377,238	172,041	–	4,549,279
Construction in progress	–	–	–	–
Library board	578,835	24,204	(19,644)	583,395
	$ 46,213,560	$ 3,460,721	$ (19,644)	$ 49,654,637

Net book value	Balance, January 1, 2025	Balance December 31, 2025
Land	$ 1,797,212	$ 1,797,212
Land infrastructure	28,683	28,683
Land improvements	4,617,956	4,347,459
Buildings	7,922,232	7,559,842
Vehicles	2,280,056	2,987,647
Equipment	5,320,006	5,060,566
Linear:		
Bridges and culverts	4,270,882	4,103,213
Roads	14,761,835	14,939,264
Water	7,956,338	7,757,100
Sanitary sewer	16,011,417	15,666,909
Storm sewer	4,801,370	4,629,329
Construction in progress	1,270,708	3,351,878
Library board	157,890	159,950
	$ 71,196,585	$ 72,389,052

14. Segmented information:

The Town is a diversified municipal government that provides a wide range of services to its citizens. The services are provided by departments and their activities are reported in the Consolidated Statement of Operations and Accumulated Municipal Equity.

Departments have been separately disclosed in the segmented information, along with the service they provide, are set out in the schedule below.

For each reported segment, expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

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.

14. Segmented information (continued):

2025	General Government	Protection to Persons and Property	Transportion Services	Environmental Services	Recreation and Cultural Services	Planning and Development	2025 Total
Revenue:							
Property taxation	$ 10,104,350	$ -	$ -	$ -	$ -	$ -	$ 10,104,350
User charges	10,658	25,937	142,795	3,825,183	861,751	115,163	4,981,487
Government grants	1,569,694	619,511	827,455	69,479	602,409	45,766	3,734,314
Licenses and permits	22,542	391,817	-	-	-	-	414,359
Investment income	366,615	-	-	315,027	3,937	-	685,579
Penalties and interest on taxes	138,550	-	-	-	-	-	138,550
Provincial offences	-	777,717	-	-	-	-	777,717
Other	141,984	7,401	37,190	-	113,337	153,154	453,066
Contribution from developers	-	-	-	390,000	7,207	-	397,207
	12,354,393	1,822,383	1,007,440	4,599,689	1,588,641	314,083	21,686,629
Expenses:							
Salaries and benefits	1,358,501	1,362,566	1,110,703	1,045,626	2,340,469	422,106	7,639,971
Long term debt interest	-	-	-	121,727	29,091	-	150,818
Materials and services	1,303,038	150,303	629,519	1,695,429	605,253	162,517	4,546,059
Contracted services	495,095	2,332,105	418,376	980,421	223,603	474,529	4,924,129
External transfers	-	231,280	-	-	213,988	34,879	480,147
Rents and financial	66,760	5,966	42,850	-	-	-	115,576
Interfunctional	(411,326)	189,352	-	221,974	-	-	-
Amortization	174,609	144,813	1,050,283	1,538,179	552,837	-	3,460,721
	2,986,677	4,416,385	3,251,731	5,603,356	3,965,241	1,094,031	21,317,421
Annual surplus (deficit)	$ 9,367,716	$ (2,594,002)	$ (2,244,291)	$ (1,003,667)	$ (2,376,600)	$ (779,948)	$ 369,208

14. Segmented information (continued):

2024	General Government	Protection to Persons and Property	Transportion Services	Environmental Services	Recreation and Cultural Services	Planning and Development	2024 Total
Revenue:							
Property taxation	$ 9,585,377	$ -	$ -	$ -	$ -	$ -	$ 9,585,377
User charges	10,584	9,245	143,815	3,766,958	744,992	141,825	4,817,419
Government grants	1,533,963	696,669	560,619	66,970	841,441	37,500	3,737,162
Licenses and permits	26,554	186,178	-	-	-	-	212,732
Investment income	535,660	-	-	499,705	7,753	-	1,043,118
Penalties and interest on taxes	115,396	-	-	-	-	-	115,396
Provincial offences	605,367	-	-	-	-	-	605,367
Other	81,380	5,999	10,868	-	72,883	99,071	270,201
Contribution from developers	-	-	-	-	7,207	-	7,207
	12,494,281	898,091	715,302	4,333,633	1,674,276	278,396	20,393,979
Expenses:							
Salaries and benefits	1,418,447	1,348,306	953,602	1,141,190	2,056,823	483,769	7,402,137
Long term debt interest	-	-	-	140,656	-	-	140,656
Materials and services	1,174,334	164,153	641,536	881,105	513,736	385,186	3,760,050
Contracted services	474,743	2,218,817	321,223	1,077,807	259,837	262,378	4,614,805
External transfers	-	(3,586)	-	-	212,416	19,676	228,506
Rents and financial	40,204	5,502	19,207	1,838	5,725	-	72,476
Interfunctional	-	55,000	-	(55,000)	-	-	-
Amortization	167,666	124,370	989,987	1,442,825	515,390	-	3,240,238
	3,275,394	3,912,562	2,925,555	4,630,421	3,563,927	1,151,009	19,458,868
Annual surplus (deficit)	$ 9,218,887	$ (3,014,471)	$ (2,210,253)	$ (296,788)	$ (1,889,651)	$ (872,613)	$ 935,111

15. Financial instruments and risk management:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Town is exposed to credit risk with respect to accounts receivable on the Consolidated Statement of Financial Position.

The Town assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Town at December 31, 2025 is the carrying value of these assets. The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Consolidated Statement of Operations and Municipal Equity. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Consolidated Statement of Operations and Municipal Equity.

					2025	2024
	Current	Past due	Gross receivables	Allowances	Net receivables	Net receivables
Accounts receivable	$ 638,029	$ 248,067	$ 886,096	$ –	$ 886,096	$ 705,050
Taxes receivable	1,184,987	–	1,184,987	(2,028)	1,182,959	774,684
User charges receivable	452,761	–	452,761	(11,310)	441,451	463,944
Total	$ 2,275,777	$ 248,067	$ 2,523,844	$ (13,338)	$ 2,510,506	$ 1,943,678

(b) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, impact the Town's income or the value of its holdings of financial instruments. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

There have been no significant changes to the market risk exposure from 2024.

15. Financial instruments and risk management (continued):

(b) Market risk (continued)

(i) Currency risk:

Currency risk arises from the Town's operations in different currencies and converting non-Canadian earnings at different points in time at different foreign currency levels when adverse changes in foreign currency rates occur. The Town does not have any material transactions or financial instruments denominated in foreign currencies.

(ii) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Town to cash flow interest rate risk.

The Town's management monitors the interest rate fluctuations on a continuous basis and acts accordingly with regards to long-term debt as described in note 7. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the long-term debt.

There has been no change to the interest rate risk exposure from 2024.

(c) Liquidity risk:

Liquidity risk is the risk that the Town will not be able to meet all of its cash outflow obligations as they come due. The Town mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. Accounts payable are all current and the terms of the long-term debt are disclosed in note 5.

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

16. Budget information:

The 2025 budget amounts that were approved were not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Board Standards). The budget included capital items such as infrastructure replacements and estimated costs for constructed assets, as program expenses, but the actual expenses have been removed in the Consolidated Statement of Operations and Municipal Equity. The revenue attributable to these items continue to be included in the Consolidated Statement of Operations and Municipal Equity, resulting in a significant variance.

The following analysis is provided to assist readers in their understanding of differences between the approved budget and the audited consolidated financial statements:

	2025 Budget	2025 Actual
Total revenue	$ 20,226,829	$ 21,686,629
Total expenses	20,981,257	21,287,421
Annual surplus (deficit)	(754,428)	399,208
Amortization of tangible capital assets	3,211,000	3,460,721
Adjusted annual surplus	2,456,572	3,859,929
Capital expenses	(11,160,915)	(4,653,188)
Unfunded asset retirement obligations	–	5,019
Proceeds of long-term debt	6,000,000	–
Principal repayments	(634,670)	(635,922)
Decrease in operating surplus	$ (3,339,013)	$ (1,424,162)
Allocated as follows:		
Unfunded capital projects	$ –	$ (2,074,193)
Net transfers to (from) reserves	(3,339,013)	650,031
	$ (3,339,013)	$ (1,424,162)

CORPORATION OF THE TOWN OF PERTH

Schedule 1: Continuity of Reserves and Reserve Funds

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

	2025 Budget (note 16)	2025 Actual	2024 Actual
Net transfers from (to) other funds:			
Transfers from operations	$ 2,176,515	$ 3,748,720	$ 8,872,388
Transfers to capital acquisitions	(5,515,528)	(3,098,689)	(5,493,021)
Total net transfers	(3,339,013)	650,031	3,379,367
Reserves and reserve fund balances, beginning of year	12,912,721	12,912,721	9,533,354
Reserves and reserve fund balances, end of year	$ 9,573,708	$ 13,562,752	$ 12,912,721

Composition of Reserves and Reserve Funds

	2025	2024
Reserves set aside for specific purposes by Council:		
For operating purposes:		
Emergencies	$ 750,000	$ 750,000
Strategic initiatives	64,309	64,309
Business improvement area	221,118	130,988
Contingency	188,872	–
	1,224,299	945,297
For capital purposes:		
Acquisition of capital assets	4,051,645	3,647,962
Water and sewer	8,138,760	8,154,144
Library board	148,048	165,318
	12,338,453	11,967,424
Total reserves and reserve funds	$ 13,562,752	$ 12,912,721