

Township of Emo
Financial Statements
December 31, 2025

**Township of Emo
Contents**

For the year ended December 31, 2025

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Management's Responsibility

To the Mayor and Council of Township of Emo:


Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

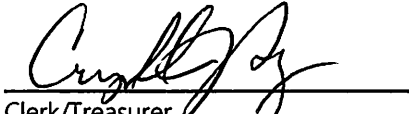
In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Mayor and Councillors composed primarily of Councillors who are neither management nor employees of the Municipality. The Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, and external auditors. The Council is also responsible for recommending the appointment of the Municipality's external auditors.

MNP LLP is appointed by the Mayor and Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

May 27, 2026


Mayor


Clerk/Treasurer

To the Mayor and Council of Township of Emo:

Qualified Opinion

We have audited the consolidated financial statements of Township of Emo and its subsidiaries (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations, the consolidated statement of change in net financial assets, and 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.

In our opinion, except for the effects of the matter(s) described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2025, and the results of its consolidated operations, its consolidated changes in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

Effective January 1, 2023, the Municipality was required to adopt PS 3280 Asset Retirement Obligation which requires the recognition of legal obligations associated with the retirement of tangible capital assets by public sector entities. Under the modified retroactive application method, the asset retirement obligation on transition is to be recorded using assumptions of January 1, 2023. The corresponding asset retirement cost is added to the carrying value of the related tangible capital assets adjusted for amortization since the time the legal obligation was incurred. The net adjustment is charged to accumulated surplus. Comparative figures are to be restated to reflect this change in accounting policy. Management has partially completed the impact of this departure from Canadian public Sector accounting standards on expenses and annual surplus for the years ended December 31, 2025 and 2024, tangible capital assets and the asset retirement obligation as of December 31, 2025, and 2024 and accumulated surplus as at January 1 and December 31, for both the 2025 and 2024 years.

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 qualified opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Municipality'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 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.

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.

Fort Frances, Ontario
May 27, 2026

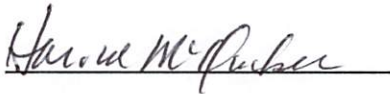
MNP LLP
Chartered Professional Accountants
Licensed Public Accountants

MNP

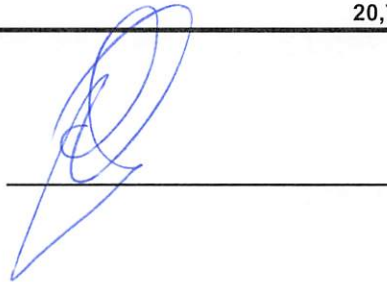
Township of Emo
Consolidated Statement of Financial Position
As at December 31, 2025

	<u>2025</u>	<u>2024</u>
Financial assets		
Cash and cash equivalents	870,295	965,005
Taxes receivable	258,246	476,176
Accounts receivable	767,052	2,494,132
Investments (Note 2)	6,139,131	2,725,647
Total of assets	8,034,724	6,660,960
Liabilities		
Accounts payable and accrued liabilities	513,040	718,609
Deferred revenue (Note 3)	272,161	383,783
Asset retirement obligation - landfill (Note 5)	381,795	372,483
Total of financial liabilities	1,166,996	1,474,875
Net financial assets	6,867,728	5,186,085
Non-financial assets		
Tangible capital assets (Note 6)	13,607,229	13,898,340
Inventories of supplies	245,261	43,042
Prepaid expenses	46,342	44,926
Total non-financial assets	13,898,832	13,986,308
Accumulated surplus	20,766,560	19,172,393
Accumulated surplus is comprised of:		
Accumulated surplus (Note 7)	20,766,560	19,172,393

Approved on behalf of the Council



Councillor



Councillor

Township of Emo
Consolidated Statement of Operations
For the year ended December 31, 2025

	2025	2025	2024
	<i>Budget</i>		
Revenue			
Taxation	2,209,398	2,228,222	2,180,205
Government transfers (Note 10)	782,567	883,016	580,301
Municipal grants	236,232	237,946	231,612
User fees and service charges	3,343,592	2,134,483	2,562,323
Other revenue (Note 8)	214,470	282,384	262,202
Realized investment income (loss)	-	154,312	(135,683)
	6,786,259	5,920,363	5,680,960
Expenses			
General Government	1,166,246	991,439	1,142,349
Protection Services	388,094	398,819	386,748
Transportation Services	805,067	767,111	737,988
Environmental Services	650,258	941,583	886,967
Health Services	88,599	299,629	298,472
Social and Family Services	-	39,680	39,380
Social Housing	457,477	202,185	173,334
Recreation and Cultural Services	665,844	666,314	665,858
Planning and Development	15,500	19,436	23,284
Total expenditures	4,237,085	4,326,196	4,354,380
Operating surplus	2,549,174	1,594,167	1,326,580
Accumulated operating surplus, beginning of year, as previously stated	-	19,172,393	17,858,269
Change in estimate	-	-	(12,456)
Accumulated operating surplus, end of year	2,549,174	20,766,560	19,172,393

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

Township of Emo
Consolidated Statement of Remeasurement Gains and Losses
For the year ended December 31, 2025

	2025	2024
Accumulated remeasurement gains (losses), beginning of year	-	(176,753)
Unrealized gains (losses) attributable to:		
Portfolio investments	-	(10,378)
Amounts reclassified to the statement of operations:		
Portfolio investments	-	187,131
Accumulated remeasurement gains (losses), end of year	-	-

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

Township of Emo
Consolidated Statement of Change in Net Financial Assets
For the year ended December 31, 2025

	<i>2025 Budget</i>	<i>2025</i>	<i>2024</i>
Annual surplus (deficit)	2,549,174	1,594,167	1,326,580
Acquisition of tangible capital assets	(640,101)	(194,135)	(398,298)
Disposal of tangible capital asset	-	9,484	-
Amortization of tangible capital assets	-	636,186	621,111
Net capitalization (acquisition) of assets under construction	-	(160,424)	91,083
Change in estimate	-	-	(3,884)
Acquisition of supplies inventories	-	(202,219)	58,299
Acquisition of prepaid expenses	-	(1,416)	(14,904)
Change in remeasurement gains (losses) for the year	-	-	176,753
Increase in net financial assets	1,909,073	1,681,643	1,856,740
Net financial assets, beginning of year	-	5,186,085	3,329,345
Net financial assets, end of year	1,909,073	6,867,728	5,186,085

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

Township of Emo
Consolidated Statement of Cash Flows
For the year ended December 31, 2025

	2025	2024
Operating activities		
Operating surplus	1,594,167	1,326,580
Remeasurement gain (loss)	-	187,131
Retrospective application of accounting change	-	(14,262)
Non-cash items		
Amortization	636,186	621,111
Gain (loss) on disposal of capital assets	4,892	-
	2,235,245	2,120,560
Changes in non-cash operating balances		
Accounts receivable	1,727,080	(1,365,977)
Taxes receivable	217,930	(220,011)
Inventory	(202,219)	58,299
Prepaid expenses	(1,416)	(14,904)
Accounts payable and accruals	(205,569)	130,753
Deferred revenue	(111,622)	161,121
Solid waste closure and post-closure liabilities	9,312	12,966
	3,668,741	882,807
Financing activities		
Long-term debt repayments	-	(10,155)
Capital activities		
Acquisition of tangible capital assets	(194,135)	(398,298)
Proceeds on disposal of tangible capital assets	4,592	-
Acquisition of assets under construction	(160,424)	(71,623)
Assets under construction put in use	-	162,706
	(349,967)	(307,215)
Investing activities		
Net use (acquisition) in investments	(3,413,484)	(823,552)
Increase (decrease) in cash resources	(94,710)	(258,115)
Cash resources, beginning of year	965,005	1,223,120
Cash resources, end of year	870,295	965,005

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

1. **Significant accounting policies**

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

Basis of consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures of all municipal organizations, committees, and boards which are owned or controlled by Council.

A government partnership exists where the Municipality has shared control over the board or entity. The Municipality's pro-rata share of the assets, liabilities, revenues and expenditures are reflected in the consolidated financial statements using the proportionate consolidation method.

The following government partnership, which the Municipality has a 33% ownership in, has been proportionately consolidated:

- Joint Fire Chief Services Committee

The following boards are not consolidated:

- Northerwestern Health Unit
- District of Rainy River Services Board

Government business enterprises and partnerships are separate legal entities that do not rely on the Municipality for funding. Investments in government business enterprises are accounted for using the modified equity method. No government business enterprises are reflected in the consolidated financial statements.

Cash and cash equivalents

The policy of the Municipality is to disclose bank balances under cash and cash equivalents including bank overdrafts and lines of credit with balances that fluctuate frequently from being positive to being overdrawn and temporary investments with a maturity of three months or less from the date of acquisition.

Inventory

Inventory of supplies is recorded at the lower of cost or net replacement value.

Deferred revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized on the statement of operations in the year in which it is used for the specified purpose.

1. **Significant accounting policies** *(Continued from previous page)*

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue.

When conditions indicate that a tangible capital asset no longer contributes to the Municipality's ability to provide goods and services, or that the value of future economic benefits associated with a tangible capital asset is less than its net book value, the Municipality reduces the cost of the asset to reflect the decline in its value. Write-downs of tangible capital assets are not reversed.

Amortization

Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

	<i>Method</i>	<i>Rate</i>
Building and facilities	straight-line	25 to 50 years
Equipment and vehicles	straight-line	10 to 40 years
Roads	straight-line	10 to 80 years
Culverts and bridges	straight-line	40 to 80 years
Sewer and water	straight-line	20 to 60 years
Other	straight-line	5 to 10 years

Revenue recognition

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decision, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectible amounts. Taxation revenue is initially recognized based on management's best estimate of the taxes that will be received. However, the total amount of tax revenue recognized may change due to future reassessments such as audits, appeals and court decisions.

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

Pension plan

The Municipality is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multiemployer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Municipality records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

Government transfers

Government transfers, which include legislative grants, are recognized as revenue in the consolidated financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. When transfer stipulations give rise to a liability, government transfers are recognized as deferred revenue and recognized as revenue when the stipulations are settled.

School boards

The Municipality collects taxation revenue on behalf of the school boards. The taxation, other revenues, expenditures, assets and liabilities with respect to operations of the school boards are not reflected in these consolidated financial statements.

1. **Significant accounting policies** *(Continued from previous page)*

Trust funds

Funds held in trust by the Municipality, and their related operations, are not included in these consolidated financial statements. The financial activity and position of the trust funds are reported separately on the trust funds statement of continuity and balance sheet.

Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal obligation for the Municipality to incur retirement costs in relation to a tangible capital asset (or component thereof), 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 best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at December 31, 2025. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset (or component thereof). The asset retirement cost is amortized over the useful life of the related asset.

At each financial reporting date, the Municipality reviews the carrying amount of the liability. The Municipality recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

The Municipality continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Use of estimates

The preparation of 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 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 management's best estimates as additional information becomes available in the future.

The estimates used in preparation of these consolidated financial statements are the useful lives of the property, plant and equipment, the capacity of the landfill site, the useful life of the landfill site, the post-closure costs of the landfill and taxation revenue.

Financial instruments

The Municipality recognizes its financial instruments when the Municipality becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Municipality may irrevocably elect to subsequently measure any financial instrument at fair value. The Municipality has not made such an election during the year.

The Municipality subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. Interest income is recognized in the statement of operations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Township of Emo
Notes to the Financial Statements
For the year ended December 31, 2025

1. **Significant accounting policies** *(Continued from previous page)*

Financial instruments *(Continued from previous page)*

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating surplus. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

Statement of Remeasurement Gains and Losses

By presenting remeasurement gains (losses) separately, changes in the carrying value of financial instruments arising from fair value measurement, unrealized foreign exchange gains (losses) and other comprehensive income arising from investments in government business entities are distinguished from revenues and expenses reported in the statement of operations. The statement of operations reports the extent to which revenues raised in the period were sufficient to meet the expenses incurred. Remeasurement gains (losses) do not affect this assessment as they are recognized in the statement of remeasurement gains and losses. Taken together, the two statements account for changes in a Municipality's net assets (liabilities) in the period.

Upon settlement, the cumulative gain (loss) is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to all financial instruments are reported in the statement of operations.

2. **Investments**

	2025	2024
Measured at cost:		
CIBC Guaranteed investment Certificate	1,284	1,259
High interest savings account	6,137,847	2,724,388
	6,139,131	2,725,647

Certain surplus funds are set aside by by-laws or Council resolution for specific purposes and referred to as reserve funds. Investments restricted by Council resolution represent the assets that are maintained in respect of those reserve funds (Note 8).

Township of Emo
Notes to the Financial Statements
For the year ended December 31, 2025

3. Deferred revenue

	<i>Opening balance</i>	<i>Contributions Received</i>	<i>Externally restricted investment income</i>	<i>Revenue recognized</i>	<i>Ending Balance</i>
Canada Community Building Fund	121,188	78,862	-	(184,318)	15,732
OCIF	251,099	165,787	2,978	(173,430)	246,434
Other deferred	11,496	-	-	(1,501)	9,995
NORDS	-	70,919	-	(70,919)	-
	383,783	315,568	2,978	(430,168)	272,161

Canada Community Building Fund

The Federal Government advances the Municipality funding relating to gasoline tax. This funding must be spent on approved infrastructure projects. The funding can be deferred for a maximum of 5 years.

OCIF

Funds relate to the Ontario Community Infrastructure Fund (OCIF). These funds are to be spent on approved infrastructure projects and therefore, are deferred until the funds are spent and the project is completed.

NORDS

Funds relate to the Northern Ontario Resource Development Support Fund (NORDS). These funds are to be spent on approved infrastructure projects and therefore, are deferred until the funds are spent and the projects are complete.

4. Credit facilities

The Municipality has unused credit available with a chartered bank in the amount of \$150,000.

5. Asset retirement obligation

The Municipality opened a landfill site on January 1, 1990, and is legally required to perform closure and post-closure activities upon retirement of this site, which is estimated to be in 36 years. The Municipality recognized a liability for the asset retirement obligation and a corresponding amount has been capitalized as an asset retirement cost and added to the carrying value of the landfill. The asset retirement cost is amortized on a straight-line basis over the useful life of the landfill.

The Municipality estimated the amount of the liability using a net present value technique. The significant assumptions used to determine the best estimate of the liability include:

- Discount rate of 2.50% (2024 - 2.50%). The estimated total undiscounted future cash expenditures are \$513,590 (2024 - \$513,590), which are to be incurred over 35 years. The liability is expected to be settled in 49 years.

	<i>2025</i>	<i>2024</i>
Balance, beginning of year	372,483	359,517
Liabilities incurred	-	3,881
Accretion	9,312	9,085
Balance, end of year	381,795	372,483

Township of Emo
Notes to the Financial Statements
For the year ended December 31, 2025

6. Tangible capital assets

	<i>Cost</i>	<i>Additions</i>	<i>Disposals</i>	<i>Accumulated amortization</i>	<i>2025 Net book value</i>
Land	119,652	-	-	-	119,652
Buildings and facilities	4,538,712	-	-	2,564,749	1,973,963
Equipment and vehicles	4,586,081	65,642	17,665	3,242,414	1,391,644
Assets under construction	380,847	160,424	-	-	541,271
Roads	2,327,297	125,776	-	1,634,563	818,510
Bridges & Culverts	233,050	2,717	-	183,493	52,274
Sewer & Water	12,130,072	-	-	3,553,799	8,576,273
Other tangible assets	717,027	-	-	583,385	133,642
	25,032,738	354,559	17,665	11,762,403	13,607,229

	<i>Cost</i>	<i>Additions</i>	<i>Disposals</i>	<i>Accumulated amortization</i>	<i>2024 Net book value</i>
Land	119,652	-	-	-	119,652
Buildings and facilities	4,449,015	89,697	-	2,479,469	2,059,243
Equipment and vehicles	4,426,611	159,470	-	3,029,785	1,556,296
Assets under construction	471,930	71,623	162,706	-	380,847
Roads	2,190,869	136,429	-	1,520,514	806,784
Bridges & Culverts	220,348	12,702	-	177,599	55,451
Sewer & Water	12,130,072	-	-	3,354,002	8,776,070
Other tangible assets	715,351	1,676	-	573,030	143,997
	24,723,848	471,597	162,706	11,134,399	13,898,340

Amortization expense of \$636,186 (2024 - \$621,111) was recorded in the statement of operations. Total amortization expense comprises \$85,280 amortization for buildings and facilities, \$220,811 for equipment and vehicles, \$114,049 for roads, \$5,894 for bridges and culverts, \$199,797 for sewer and water, and \$10,355 for other tangible assets.

7. Accumulated operating surplus

Accumulated operating surplus consists of the following:

	<i>2025</i>	<i>2024</i>
Investment in tangible capital assets		
Tangible capital assets	13,065,958	13,517,793
Tangible capital assets under construction	541,271	380,847
	13,607,229	13,898,640
Current operations		
General operating	943,550	2,232,851
Parks	(163,178)	(163,178)
Recreation	(149,549)	(149,549)
Cemetery	127,513	127,513
Libraries	192,642	142,727
Arena	287,008	271,282
	1,237,986	2,461,646

Township of Emo
Notes to the Financial Statements
For the year ended December 31, 2025

7. Accumulated operating surplus *(Continued from previous page)*

	2025	2024
Other allocated deficits		
Landfill closure	(381,795)	(372,386)
<hr/>		
Reserve funds		
Replacement of capital assets	4,592,434	1,659,411
Landfill closures	302,996	293,388
Sick leave	17,662	17,101
Fire department	223,942	216,836
Water and sewer	672,007	503,658
	5,809,041	2,690,394
<hr/>		
Reserves		
Working capital reserve	494,099	494,099
	20,766,560	19,172,393

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

Reserve funds represent funds set aside by by-law or Council resolution for specific purposes.

8. Other income

	2025	2024
Penalties and interest on taxes	40,054	28,417
Licenses, permits and rents	59,507	63,793
Donations	40,802	18,471
Other	142,021	151,521
	282,384	262,202

9. Pension agreement

The employees of the Municipality participate in the Ontario Municipal Employees Retirement System (OMERS). The Municipality also makes contributions to the OMERS plan on behalf of its employees. The plan has a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. However, the plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The Municipality is only one of a number of employers that participate in the plan and the financial information provided to the Municipality on the basis of the contractual agreements is usually insufficient to reliably measure the Municipality's proportionate share in the plan assets and liabilities.

The contributions payable in exchange for services rendered during a period is recognized as an expense during that period. The Municipality's employer portion of amounts paid to OMERS during the year ended December 31, 2025, was \$75,352 (2024 - \$59,241).

As at December 31, 2025, the OMERS plan was 99% funded (December 31, 2024 - 98%) and reported an actuarial funding deficit of \$1.3 billion (2024 - \$2.9 billion). OMERS has a strategy to return the plan to a fully funded position. The Municipality is not able to assess the implications, if any, of this strategy or of the withdrawal of other participating entities from the OMERS plan on its future contributions.

Township of Emo
Notes to the Financial Statements
For the year ended December 31, 2025

10. Government transfers

	2025	2024
Federal operating transfers		
Canada Summer Jobs Fund	7,224	-
Canadian Heritage Fund	5,000	-
Other	-	2,319
	12,224	2,319
Federal capital assets transfers		
Investing in Capital Infrastructure	13,318	2,294
Canada Community Building Fund	184,319	10,449
	197,637	12,743
Provincial operating transfers		
Ontario Municipal Partnership Fund	414,100	382,700
Northern Ontario Heritage Fund Corporation	-	17,500
Ministry of the Solicitor General	8,592	-
Other	8,424	10,288
	431,116	410,488
Provincial capital asset transfers		
Northern Ontario Heritage Fund Corporation	-	28,310
Ontario Community Infrastructure Fund	171,953	54,690
Ministry of Northern Development, Mines, Natural Resources and Forestry (NORDS)	70,086	71,751
	242,039	154,751
	883,016	580,301

11. Expenses by object

	2025	2024
Salaries, wages and employee benefits	1,173,854	1,207,797
Materials	1,178,178	1,186,015
Contracted services	275,041	265,230
Rents and financial expenses	528,211	583,193
Contributions to other organizations	534,726	491,034
Amortization of tangible capital assets	636,186	621,111
	4,326,196	4,354,380

Township of Emo
Notes to the Financial Statements
For the year ended December 31, 2025

12. Budget

The Financial Plan (Budget) By-Law adopted by Council on April 29, 2025 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to a surplus of \$13,859. In addition, the budget did not include amortization expense. As a result, the budget figures presented in the consolidated statements of operations and change in net financial assets represent the Financial Plan adopted by Council on April 29, 2025, with adjustments as follows:

	<i>2025</i>
Financial plan (budget) by-law deficit for the year	13,859
Transfers from reserves	1,940,134
Budgeted capital additions	640,101
Additional recreation revenue	563,862
Education taxation expense	263,997
Interdepartmental transfers	(63,100)
Additional recreation expenses	(541,145)
Education taxation revenue	(268,534)
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Budget surplus/(deficit) per consolidated statement of operations	2,549,174

13. Operations of school boards

During the year, the following taxation revenue was raised and remitted:

	<i>2025</i>	<i>2024</i>
Taxation school purpose	266,550	264,550
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14. Trust funds

The trust funds administered by the Municipality amounting to \$109,233 (2024 - \$94,267) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of operations.

15. Contributions to unconsolidated boards

The following contributions were made by the Municipality to these boards:

	<i>2025</i>	<i>2024</i>
Northwestern Health Unit	77,249	65,161
District of Rainy River Services Board	457,477	425,873
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	534,726	491,034

Township of Emo
Notes to the Financial Statements
For the year ended December 31, 2025

16. Partnership in Joint Fire Chief Services Committee

On June 16, 2021, the Corporation of the Township of Emo entered into an agreement with the Corporation of the Township of Alberton, the Corporation of the Township of Chapple, and the Corporation of the Township of LaVallee in order to provide common administration and oversight of fire chief services and directly related matters. This agreement was executed in an effort to increase delivery efficiency and cost effectiveness of fire chief services and directly related matters for each of the Municipalities. Under the agreement, decisions related to the financial and operating activities of the Joint Fire Chief Services Committee are shared. No partner is in a position to exercise unilateral control.

Effective March 31, 2023, the Township of Alberton withdrew from the partnership. The remaining partners acquired the Township of Alberton's share of the non-financial asset for \$11,700 (\$3,900 each). For each of the remaining three member committees, the exit resulted in an increase in their proportionate interest of the partnership to 33.33%.

Effective March 12, 2025, the partnership was dissolved. The Township of LaVallee kept ownership of the jointly controlled assets, and paid out cash to the Township of Emo and the Township of Chapple for their portion of the assets.

The Municipality's financial statements reflect proportionate consolidation, whereby they include the Corporation of the Township of Emo's pro-rata share of the expenses and jointly controlled assets. Upon dissolution of the partnership, the Township of Emo recorded the disposal of their portion of the assets and recognized a loss on dissolution of \$4,894.

The Joint Fire Chief Services Committee has total expenses of \$33,179 (2024 - \$71,032) for the year ended December 31, 2024. The Corporation of the Township of Emo's pro-rata share of these expenses is \$12,334 (2024 - \$26,483).

The Joint Fire Chief Services Committee has tangible capital assets of:

	<i>Total</i>	<i>2025 Municipality Portion</i>	<i>Total</i>	<i>2024 Municipality Portion</i>
Vehicles - Cost	-	-	55,059	17,665
Vehicles - accumulated amortization	-	-	(13,765)	(8,182)
Vehicles - net book value	-	-	41,294	9,483

17. Segmented information

Township of Emo is a diversified municipal government institution that provides a wide range of services to its citizens. The management of the Municipality considers decisions based on separate service areas. These service areas are:

- General government;
- Protection services;
- Transportation services;
- Environmental services;
- Health services;
- Social and family services;
- Social housing;
- Recreation and cultural services; and
- Planning and development.

17. **Segmented information** *(Continued from previous page)*

Descriptions of the services and funds that management bases their decisions on, are as follows:

General Government

General government consists of governance, Corporate management and program support. These categories relate to operations of all of the various programs and services that the Municipality offers to its citizens.

Protection Services

Protection is comprised of police service and fire protection. Police service is contracted out to the Ontario Provincial Police. The fire department is responsible for providing fire suppression service, fire prevention programs, training and education related to prevention, detection or extinguishment of fires. The members of the fire department consist of volunteers.

Transportation Services

The transportation services area provides construction and maintenance of roadways throughout the Municipality.

Environmental Services

Environmental services consist of the management and maintenance of the sanitary sewer system, waterworks system, and waste disposal facility located within the municipal borders.

Health Services

Health services are comprised of public health services and ambulance services. The Municipality contributes to local boards which provide these services to the citizens of the Municipality.

Social and Family Services

Social and family services are comprised of general assistance, child care and assistance to the aged. The Municipality contributes to local boards which provide these services to the citizens of the Municipality.

Social Housing

The Municipality contributes to a local board, which provides social housing if the citizens of the Corporation of the Township of Emo require the service.

Recreation and Cultural Services

This service area consists of the operation and maintenance of local parks, recreation facilities, cultural facilities and the town library.

Planning and Development

This service relates to zoning issues as well as planning of various municipal maintenance projects.

Township of Emo
Schedule 1 - Consolidated Schedule of Segmented Disclosure
For the year ended December 31, 2025

	<i>General Government</i>	<i>Protection Services</i>	<i>Transportation Services</i>	<i>Environmental Services</i>	<i>Health Services</i>	<i>Social and Family Services</i>	<i>Social Housing</i>	<i>Recreation and Cultural Services</i>	<i>Planning and Development</i>	2025
Revenue										
Taxation	538,167	188,801	422,626	483,812	181,848	47,961	131,659	213,468	9,880	2,228,222
User fees and service charges	-	-	6,278	1,977,373	13,350	-	-	137,132	350	2,134,483
Other revenue	105,472	38,982	82,828	94,820	35,639	9,399	25,803	41,836	1,937	436,696
Conditional grants	-	12,838	-	2,239	-	-	-	13,910	253	29,240
Unconditional grants	100,015	36,946	78,542	69,913	33,795	8,913	24,488	39,672	1,836	414,100
Municipal grants	-	-	-	-	-	-	-	237,946	-	237,946
Capital	-	39,498	376,516	23,662	-	-	-	-	-	439,676
	743,654	327,045	966,790	2,671,819	264,632	66,273	181,930	683,964	14,256	5,920,383
Expenses										
Rents and financial	351,889	13,516	50,550	40,678	907	-	-	70,671	-	528,211
Materials	165,207	80,612	253,298	500,084	1,446	-	-	167,172	10,359	1,178,178
Salaries and benefits	414,767	72,886	293,069	45,940	3,767	-	-	343,002	323	1,173,854
Contracted services	28,917	186,744	-	50,626	-	-	-	-	8,754	275,041
External transfers	-	-	-	-	292,861	39,680	202,185	-	-	534,726
	960,780	353,858	596,917	637,328	298,981	39,680	202,185	580,845	19,436	3,690,010
Net revenue, before amortization	(217,126)	(26,813)	369,873	2,034,491	(34,348)	26,593	(20,255)	103,119	(5,180)	2,230,353
Amortization	30,659	44,961	170,194	304,255	848	-	-	85,469	-	636,186
Net revenue	(247,785)	(71,774)	199,679	1,730,236	(34,997)	26,593	(20,255)	17,850	(5,180)	1,594,167

Township of Emo
Schedule 1 - Consolidated Schedule of Segmented Disclosure
For the year ended December 31, 2025

	<i>General Government</i>	<i>Protection Services</i>	<i>Transportation Services</i>	<i>Environmental Services</i>	<i>Health Services</i>	<i>Social and Family Services</i>	<i>Social Housing</i>	<i>Recreation and Cultural Services</i>	<i>Planning and Development</i>	<i>2024</i>
Revenue										
Taxation	561,065	191,400	400,737	441,398	189,790	52,278	119,093	214,559	9,885	2,180,205
User fees and service charges	-	-	1,565	2,394,292	21,375	-	-	144,641	450	2,562,323
Other revenue	32,559	11,107	23,255	25,615	11,014	3,034	6,911	12,451	573	126,519
Conditional grants	17,500	2,781	-	2,032	-	-	-	4,348	3,466	30,107
Unconditional grants	98,486	33,597	70,343	77,480	33,315	9,177	20,905	37,662	1,735	382,700
Municipal grants	-	260	-	-	-	-	-	231,352	-	231,612
Capital	-	-	71,751	67,433	-	-	-	28,310	-	167,494
	709,610	239,125	567,651	3,008,250	255,494	64,489	146,909	673,323	16,109	5,680,960
Expenses										
Rents and financial	408,763	11,706	42,534	45,388	771	-	-	74,031	-	583,193
Materials	190,225	99,186	279,851	459,656	14,028	-	-	130,682	12,187	1,186,015
Salaries and benefits	484,382	55,001	264,381	28,093	4,705	-	-	369,733	1,502	1,207,797
Contracted services	28,320	177,961	-	49,354	-	-	-	-	9,595	265,230
External transfers	-	-	-	-	278,320	39,380	173,334	-	-	491,034
	1,111,690	343,854	586,766	582,491	297,824	39,380	173,334	574,646	23,284	3,733,269
Net revenue, before amortization	(402,080)	(104,729)	(19,115)	2,425,759	(42,330)	25,109	(26,425)	98,677	(7,175)	1,947,691
Amortization	30,659	42,894	151,222	304,476	648	-	-	91,212	-	621,111
Net revenue	(432,739)	(147,623)	(170,337)	2,121,283	(42,978)	25,109	(26,425)	7,465	(7,175)	1,326,580