

The Corporation of the Township of Sioux Narrows - Nestor Falls
Consolidated Financial Statements
December 31, 2025

The Corporation of the Township of Sioux Narrows - Nestor Falls

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For the year ended December 31, 2025

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Management's Responsibility

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Township of Sioux Narrows - Nestor Falls:

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. 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 Members of Council 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. 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 Members of 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.

October 20, 2026



Chief Administrative Officer

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Township of Sioux Narrows - Nestor Falls:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Corporation of the Township of Sioux Narrows - Nestor Falls (the "Municipality"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations and accumulated surplus, remeasurement gains and losses, changes in net financial assets (net debt) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of 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.

Kenora, Ontario

October 20, 2026

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

The Corporation of the Township of Sioux Narrows - Nestor Falls

Consolidated Statement of Financial Position

As at December 31, 2025

	2025	2024
Assets		
Financial assets		
Cash and cash equivalents (Note 5)	380,192	521,486
Trade and other receivables (Note 6)	478,336	409,034
Taxes receivable	267,621	264,280
Portfolio investments (Note 7)	2,259,201	1,967,900
Total financial assets	3,385,350	3,162,700
Liabilities		
Financial liabilities		
Accounts payable and accruals (Note 8)	176,308	272,587
Deferred revenue (Note 9)	683,918	738,302
Due to trust funds	3,680	655
Asset retirement obligation (Note 10)	2,614,503	2,521,219
Total financial liabilities	3,478,409	3,532,763
Net debt	(93,059)	(370,063)
Contingencies (Note 12)		
Non-financial assets		
Tangible capital assets (Schedule 1)	14,139,698	13,624,006
Prepaid expenses	53,298	59,132
Total non-financial assets	14,192,996	13,683,138
Accumulated surplus (Note 13)	14,099,937	13,313,075

Approved on behalf of The Municipality



Mayor



Chief
Administrative
Officer

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

The Corporation of the Township of Sioux Narrows - Nestor Falls

Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31, 2025

	2025 <i>Budget - See Note 18</i>	2025	2024
Revenue			
Property taxes	3,168,547	3,179,603	3,083,300
User fees	197,750	201,004	353,217
Federal grants <i>(Note 14)</i>	155,909	209,264	253,710
Provincial grants <i>(Note 14)</i>	2,784,194	1,932,576	1,768,225
Other income <i>(Note 15)</i>	437,725	592,510	833,771
	6,744,125	6,114,957	6,292,223
Expenses			
General government	1,646,407	1,493,059	1,425,572
Protection services	706,016	711,932	582,438
Transportation services	126,450	108,943	245,184
Environmental services	264,450	246,106	209,784
Health services	568,388	536,943	513,411
Social and family services	807,039	805,336	805,966
Recreation and cultural services	665,381	632,873	838,315
Planning and development	935,562	896,104	782,945
Total expenditures <i>(Schedule 2)</i>	5,719,693	5,431,296	5,403,615
Surplus before other income (expenses)	1,024,432	683,661	888,608
Other income (expense)			
Gain (loss) on disposal of capital assets	-	-	36,524
Annual surplus	1,024,432	683,661	925,132
Accumulated surplus, beginning of year	10,980,564	13,313,075	12,329,292
Accumulated operating surplus, end of year, before remeasurement gains	12,004,996	13,996,736	13,254,424
Portfolio investments	-	103,201	58,651
Accumulated surplus, end of year	12,004,996	14,099,937	13,313,075

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

The Corporation of the Township of Sioux Narrows - Nestor Falls
Consolidated Statement of Remeasurement Gains and Losses

For the year ended December 31, 2025

	2025	2024
Accumulated remeasurement gains, beginning of year	190,517	131,866
Unrealized gains (losses) attributable to:		
Portfolio investments	103,201	58,651
Accumulated remeasurement gains, end of year	293,718	190,517

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

The Corporation of the Township of Sioux Narrows - Nestor Falls
Consolidated Statement of Change in Net Financial Assets (Net Debt)

For the year ended December 31, 2025

	2025 <i>Budget - See Note 18</i>	2025	2024
Annual surplus	1,024,432	683,661	925,132
Acquisition of tangible capital assets	-	(1,666,782)	(1,666,243)
Capitalization of assets from work in progress	-	415,594	228,406
(Gain) loss on sale of tangible capital assets	-	-	(36,524)
Proceeds on sale of tangible capital assets	-	-	49,989
Amortization of tangible capital assets	-	735,497	637,602
Acquisition of prepaid expenses	-	(53,299)	(59,132)
Use of prepaid expenses	-	59,132	11,645
Change in remeasurement gains (losses) for the year	-	103,201	58,651
Decrease (increase) in net debt	1,024,432	277,004	149,526
Net debt, beginning of year	(370,063)	(370,063)	(519,589)
Net financial assets (debt), end of year	654,369	(93,059)	(370,063)

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

The Corporation of the Township of Sioux Narrows - Nestor Falls

Consolidated Statement of Cash Flows

For the year ended December 31, 2025

	2025	2024
Operating activities		
Annual surplus	683,661	925,132
Non-cash items		
Amortization	735,496	637,602
Accretion	93,284	89,957
Gain (loss) on disposal of capital assets	-	(36,524)
Unrealized gain (loss) on portfolio investments	103,201	58,651
	1,615,642	1,674,818
Changes in working capital accounts		
Trade and other receivables	(69,302)	330,846
Taxes receivable	(3,341)	(88,975)
Prepaid expenses	5,835	(47,483)
Accounts payable and accruals	(96,279)	(27,160)
Deferred revenue	(54,384)	(31,278)
Due to trust funds	3,025	(75)
	1,401,196	1,810,693
Financing activities		
Repayment of capital lease obligations	-	(9,935)
Capital activities		
Purchases of tangible capital assets	(1,666,782)	(1,666,243)
Capitalized from work in progress	415,594	228,406
Proceeds of disposal of tangible capital assets	-	49,989
	(1,251,188)	(1,387,848)
Investing activities		
Purchase of investments	(291,302)	(248,566)
Increase (decrease) in cash and equivalents	(141,294)	164,344
Cash and equivalents, beginning of year	521,486	357,142
Cash and equivalents, end of year	380,192	521,486

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

The Corporation of the Township of Sioux Narrows - Nestor Falls

Notes to the Financial Statements

For the year ended December 31, 2025

1. Operating status of the Township of Sioux Narrows - Nestor Falls

The Corporation of the Township of Sioux Narrows - Nestor Falls is a municipality that was formed in 2001 pursuant to The Municipal Act. The Municipality provides municipal services such as police, fire, public works, planning, airport, parks and recreation, library and other general government operations. The Municipality may also own one or more utilities, have several designated special purpose reserves and provide funding support for other financial entities involved in economic development, recreation and tourism.

2. Significant accounting policies

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

Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgments. However, because of the inherent uncertainty in making estimates, actual results could differ from those estimates.

The focus of PSAS financial statements is on the financial position of the Municipality and the changes thereto and emphasizes those assets which could provide resources to discharge existing liabilities or finance future operations. This provides information about the Municipality's overall future revenue requirements and its ability to finance activities and meet its obligations. The following is a summary of the significant accounting policies followed in the preparation of these consolidated financial statements:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

The consolidated statement of financial position reflects all of the financial assets and liabilities of the Municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position of the Municipality, and is the difference between its assets and liabilities. This provides information about the Municipality's overall future revenue requirements and its ability to finance activities and meet its obligations.

Reporting entity

The consolidated financial statements consolidate the financial activities of the reporting entity. This entity is comprised of the municipal operations plus all organizations that are owned or controlled by the Municipality and are, therefore, accountable to the Council for the administration of their financial affairs and resources. The consolidated financial statements exclude trust assets that are administered for the benefit of external parties.

The Municipality has consolidated the assets, liabilities, revenue and expenses of the following entity:

- Sioux Narrows Library Board

All inter-entity balances have been eliminated on consolidation.

Collection of taxes on behalf of other taxation authorities

The Municipality is required by provincial law to bill, collect and remit provincial education support levies in respect of residential and other properties on behalf of the Province. The Municipality has no jurisdiction or control over the school boards' operations or education mill rate changes. Therefore, the taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these consolidated statements.

Trust funds

Trust funds and their related operations administered by the Municipality for the benefit of external parties are not consolidated, but are disclosed in Note 16.

The Corporation of the Township of Sioux Narrows - Nestor Falls

Notes to the Financial Statements

For the year ended December 31, 2025

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

Measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Tax revenue is initially measured at management's best estimate of the amount resulting from the original taxable event in accordance with tax legislation. Amortization is based on the estimated useful lives of tangible capital assets. Accounts payable and accruals are based on historical charges for unbilled goods and services at year-end. Asset retirement obligations are based on the estimated present value of future liabilities for the retirement and closure costs of the assets at year-end.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term investments with maturities of six months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Deferred revenue

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work or the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible assets are acquired.

Net financial assets (net debt)

The Municipality's financial statements are presented so as to highlight net financial assets (net debt) as the measurement of financial position. The net financial assets (net debt) of the Municipality is determined by its financial assets less its liabilities. Net financial assets (net debt) combined with non-financial assets comprise a second indicator of financial position, accumulated annual surplus.

Non financial assets

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets and prepaid expenses. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated change in net financial assets for the year.

The Corporation of the Township of Sioux Narrows - Nestor Falls

Notes to the Financial Statements

For the year ended December 31, 2025

2. Significant accounting policies (Continued from previous page)

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.

Retirement benefits

The Municipality accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan.

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Contributed tangible assets are recorded at their fair value at the date of contribution and also are recorded as revenue.

Amortization

Amortization for tangible capital assets is provided using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

	Method	Rate
Land improvements	straight-line	8 to 40 years
Buildings	straight-line	6 to 50 years
Docks	straight-line	5 to 30 years
Equipment	straight-line	8 to 10 years
Landfill sites	straight-line	7 to 10 years
Library collection	straight-line	10 years
Machinery and equipment	straight-line	15 to 50 years
Roads	straight-line	28 to 50 years
Sewage lagoon	straight-line	50 years
Signage	straight-line	10 to 20 years
Solar arrays	straight-line	40 years
Street lighting	straight-line	30 years
Vehicles	straight-line	5 to 20 years

The full amount of annual amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Interest capitalization

The Organization does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

The Corporation of the Township of Sioux Narrows - Nestor Falls

Notes to the Financial Statements

For the year ended December 31, 2025

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

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.

Revenue recognition

Government transfers

The Municipality recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Municipality recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Tax revenue

The Municipality recognizes taxes as assets and revenue when they meet the definition of an asset; are authorized by a legislature, council, or legislative convention; and the taxable event has occurred. Taxes related to unreported taxable events or unidentified economic events that would be taxable events if disclosed or known to the Municipality are recognized when such events are known, the related taxes are quantifiable, and amounts are collectible.

Tax revenue is initially measured at management's best estimate of the amount resulting from the original taxable event in accordance with tax legislation. The related tax receivable is initially recognized at its realizable value at the date of acquisition. At each financial statement date, the Municipality evaluates the tax receivable for collectability and records a valuation allowance to reflect the tax receivable at its net recoverable amount, if necessary.

Fees and user charges

Fees and user charges are recognized on a monthly basis as services are provided.

Other income

Other income is recorded when collected or when collection is reasonably assured.

Investment income

Investment income is recorded when collection is reasonably assured on an accrual basis.

Fair value measurements

The Municipality classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy, which prioritises the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the Municipality to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

The Corporation of the Township of Sioux Narrows - Nestor Falls

Notes to the Financial Statements

For the year ended December 31, 2025

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

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 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.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in annual 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. Management considers whether the investee has experienced continued losses for a period of years, in determining whether objective evidence of impairment exists. 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.

Consolidated 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.

3. Future accounting policies

Effective for year ends beginning on or after April 1, 2026, the Public Sector Accounting Board issued the Conceptual Framework for Financial Reporting in the Public Sector which replaces conceptual aspects of PS 1000 Financial Statement Concepts and PS 1100 Financial Statement Objectives. At the same time, they issued PS 1202 Financial Statement Presentation. The Township has not yet adopted these standards or determined the effect on the financial statements.

4. Segments

During 2025, the Organization had eight reportable segments: General government, Protection services, Transportation services, Environmental services, Health services, Social and family services, Recreation and cultural services, and Planning and development. These segments are differentiated by major activities and/or service lines as follows:

- General government which is primarily engaged with the Office of the Mayor and Council and corporate administration including facilities activities

The Corporation of the Township of Sioux Narrows - Nestor Falls

Notes to the Financial Statements

For the year ended December 31, 2025

4. Segments *(Continued from previous page)*

- Protection services which is primarily engaged with police, fire and bylaw enforcement activities
- Transportation services which is primarily engaged with roads, summer and winter maintenance activities
- Environmental services which is primarily engaged with waste management, diversion and disposal activities
- Health services which is primarily engaged with public health, cemeteries and ambulance activities
- Social and family services which is primarily engaged with general assistance, homes for the aged, services to aged persons and child care services
- Recreation and cultural services which is primarily engaged with parks, recreation facilities, recreation programs, golf course, libraries and tourism activities
- Planning and development which is primarily engaged with planning, commercial and industrial development, residential development, zoning, community development and marketing activities

The accounting policies of the segments are the same as those described in Note 2.

5. Cash and cash equivalents

	2025	2024
Bank	522,872	553,937
Bank overdraft	(142,680)	(32,451)
	380,192	521,486

The Municipality has available a \$1,400,000 demand operating line of credit with no specific terms of repayment. Interest is calculated and payable monthly at prime plus 1%. The loan is secured by a general security agreement over all of the assets of the Municipality. As at December 31, 2025 \$nil (2024 - \$nil) had been drawn on this facility.

Included in cash and cash equivalents is \$439,470 (2024 - \$478,677) in restricted cash.

6. Trade and other receivables

	2025	2024
Province of Ontario	367,595	257,183
HST receivable	76,077	67,077
Government of Canada	27,750	47,781
Other	6,914	36,993
	478,336	409,034

The Corporation of the Township of Sioux Narrows - Nestor Falls

Notes to the Financial Statements

For the year ended December 31, 2025

7. Portfolio investments

	2025 Cost	2025 Market Value	2025	2024
ONE Investment - Canadian Equity Portfolio	1,477,014	1,551,264	1,551,264	1,280,039
ONE Investment - Canadian Corporate Bond Portfolio	743,489	707,937	707,937	687,861
	2,220,503	2,259,201	2,259,201	1,967,900

Of the \$2,259,201 (2024 - \$1,967,900) in investments at December 31, 2025, \$244,448 (2024 - \$259,625) is restricted.

8. Accounts payable and accruals

	2025	2024
Trade and Other	173,694	245,568
Receiver General for payroll deductions	1,317	22,719
Province of Ontario	1,297	3,623
HST payable	-	677
	176,308	272,587

9. Deferred revenue

	Opening Balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Canada Community - Building Fund (CCBF)	274,890	47,619	22,887	47,619	297,777
Ministry of Northern Development, Mines, Natural Resources and Forestry	259,865	84,988	9,252	53,457	300,648
Ministry of Municipal Affairs and Housing	102,125	-	-	76,118	26,007
Subdivider contributions	52,887	-	1,599	-	54,486
Miscellaneous funding	21,462	-	-	21,462	-
Community Foundation Grants	17,505	-	-	17,505	-
Performance and Maintenance Guarantee	5,000	-	-	-	5,000
Ontario Community Infrastructure Fund	4,568	100,000	3,401	107,969	-
	738,302	232,607	37,139	324,130	683,918

Canada Community - Building Fund (CCBF) funding is provided by the Government of Canada. The use of funding is established by a funding agreement between the Municipality and the Association of Municipalities of Ontario. CCBF funding may be used towards designated public transit, water, wastewater, solid waste, community energy systems, roads and capacity building projects as specified in the funding agreements.

The Corporation of the Township of Sioux Narrows - Nestor Falls

Notes to the Financial Statements

For the year ended December 31, 2025

10. Asset retirement obligation

The Municipality opened a landfill site located 10 km northeast of Sioux Narrows, Ontario, west of Highway 71 in the District of Kenora on December 30, 1991, and is legally required to perform closure and post-closure activities upon retirement of this site, which is estimated to be in 8 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 Sioux Narrows Waste Disposal Site. The asset retirement cost is amortized on a straight-line basis over the useful life of the Sioux Narrows Waste Disposal Site. The liability must be funded within 5 years of the closure date.

The Municipality estimated the amount of the liability using the discounted cash flow method. The significant assumptions used to determine the best estimate of the liability include:

- During 2025, there was an updated topographical survey that resulted in a change in useful life. This change prolonged the life of the landfill by 5 years to a remaining total useful life of 8 years. There was an estimated 21,110 cubic metres (m3) or 22.6%, capacity remaining based on the 2023 topographical survey data and the traffic volumes from 2018 and 2019. This is the equivalent to a site life of approximately 8 years at the average fill rate of 2,290 m3/year;
- The total estimated undiscounted expenditures related to this obligation are \$2,643,577. The discount rate used is equivalent to the Municipalities long term borrowing rate of 3.7%.

	2025	2024
Balance, beginning of year	1,009,059	973,056
Accretion	37,335	36,003
Balance, end of year	1,046,394	1,009,059

The Municipality opened a landfill site located 13 km south of Nestor Falls in the unorganised Township of Claxton, District of Rainy River, Ontario, on December 31, 1975 and is legally required to perform closure and post-closure activities upon retirement of this site, which is estimated to be in 18 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 Nestor Falls Waste Disposal Site. The asset retirement cost is amortized on a straight-line balance basis over the useful life of the Nestor Falls Waste Disposal Site.

The Municipality estimated the amount of the liability using the discounted cash flow method. The significant assumptions used to determine the best estimate of the liability include:

- At the end of 2025, there was an estimated 19,042 cubic metres (m3) or 26.6%, capacity remaining based on the 2018 topographical survey data and the traffic volumes from 2019 through to 2023. This is the equivalent to a site life of approximately 18 years at the maximum fill rate of 1,000 m3/year;
- The total estimated undiscounted expenditures related to this obligation are \$3,651,867. The discount rate used is equivalent to the Municipalities long term borrowing rate of 3.7%.

	2025	2024
Balance, beginning of year	1,034,661	997,744
Accretion	38,282	36,917
Balance, end of year	1,072,943	1,034,661

The Corporation of the Township of Sioux Narrows - Nestor Falls

Notes to the Financial Statements

For the year ended December 31, 2025

10. Asset retirement obligation *(Continued from previous page)*

The Municipality opened a septic system consisting of lagoons and ponds located 8 km southeast of Sioux Narrows, Ontario, and east of Highway 71 in the District Of Kenora on March 4, 2008 and is legally required to perform closure and post-closure activities upon retirement of this site. 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 Sioux Narrows-Nestor Falls Septage Lagoons. The asset retirement cost is amortized on a straight-line basis over the useful life of the Sioux Narrows-Nestor Falls Septage Lagoons.

The Municipality estimated the amount of the liability using the discounted cash flow method. The significant assumptions used to determine the best estimate of the liability include:

- An assumed operating period (lifespan) of 25 years as there is no set lifespan for the system if it is maintained properly;
- The total estimated undiscounted expenditures related to this obligation are \$1,959,044. The discount rate used is equivalent to the Municipalities long term borrowing rate of 3.7%.

	2025	2024
Balance, beginning of year	477,499	460,462
Accretion	17,667	17,037
Balance, end of year	495,166	477,499

Asset retirement obligation summary table

	Sioux Narrows Waste Disposal Site	Nestor Falls Waste Disposal Site	Sioux Narrows- Nestor Falls Septage Lagoons	2025	2024
Balance, beginning of year	1,009,059	1,034,661	477,499	2,521,219	2,431,262
Accretion	37,335	38,282	17,667	93,284	89,957
Balance, end of year	1,046,394	1,072,943	495,166	2,614,503	2,521,219

11. Multi-employer pension plans

The Municipality makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of its eligible employees. The plan is a defined benefit plan which specifies the amount of the pension to be received by the employees based on length of service and rates of pay. Employee contributions are matched by the Municipality. The amount contributed to OMERS for employer contributions for 2025 was \$71,943 (2024 - \$76,280). For employees who have a normal retirement age of 65, contributions are 9% of employee salaries up to \$64,900 and 14.6% thereafter.

The actuarial valuation of OMERS at December 31, 2025 indicated a deficit of \$6,127 million (2024 - deficit of \$4,319 million) based on the fair market value of the Plan's assets and liabilities. Because OMERS is a multi-employer pension plan, any pension surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the OMERS pension deficit.

The Corporation of the Township of Sioux Narrows - Nestor Falls

Notes to the Financial Statements

For the year ended December 31, 2025

12. Contingencies

The Municipality's pro-rata share of the cumulative operating surplus/(deficit) of the District of Kenora Home for the Aged (the "Home") is not available for 2025 (2024 - surplus). The Home's management expects to recover any surplus/deficit from projected future operating surpluses/deficits. A billing to municipalities for their respective share of any deficit is not anticipated.

13. Accumulated surplus

Accumulated surplus consists of individual fund surpluses and reserves as follows:

	2025	2024
Unrestricted		
Invested in tangible capital assets	14,139,697	13,624,006
Asset retirement obligation	(2,614,503)	(2,521,219)
General funds	(652,067)	(460,597)
Total surplus	10,873,127	10,642,190
Reserves		
Administration	34,471	34,471
Transportation	5,000	5,000
Recreational programs and facilities	4,000	4,000
Transportation/environmental	1,000	1,000
Drying bed	500	500
Cemetery	580	580
Total reserves	45,551	45,551
Reserve funds		
General government	230,110	212,424
Transportation	171,089	157,939
Planning and development	267,021	246,497
Recreation program and facilities	351,720	324,686
Environmental services	37,988	35,068
Post closure	1,829,613	1,458,203
Total reserve funds	2,887,541	2,434,817
Remeasurement gains and losses	293,718	190,517
Accumulated surplus	14,099,937	13,313,075

The Corporation of the Township of Sioux Narrows - Nestor Falls

Notes to the Financial Statements

For the year ended December 31, 2025

14. Government transfers

During the year the Municipality recognized the following transfers as revenue:

	2025	2024
Federal		
Fednor	122,261	120,368
Canada Community - Building Fund (CCBF)	47,619	84,021
Other	39,384	49,321
	209,264	253,710
Provincial		
Ontario Municipal Partnership Fund	813,400	734,200
NOHFC	661,475	619,832
Other	266,651	303,389
Ministry of Health and Long Term Care	70,594	70,594
Ministry of Municipal Affairs and Housing	76,118	40,210
Provincial Grants - Wage Subsidy	11,223	-
Ministry of the Solicitor General	33,115	-
	1,932,576	1,768,225
	2,141,840	2,021,935

15. Other income

	2025	2024
Rent, permits and allowances	334,963	598,655
Investment income (loss)	180,649	179,833
Penalties and interest on taxation	50,505	44,958
Donations	26,393	10,325
	592,510	833,771

16. Collection of taxes on behalf of other taxation authorities

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

	2025	2024
	729,288	729,674

17. Trust funds

The trust funds administrated by the Municipality have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of operations and accumulated surplus. At December 31, 2025, the trust fund balances are as follows:

	2025	2024
Cemetery Care and Maintenance Funds	37,128	33,106

The Corporation of the Township of Sioux Narrows - Nestor Falls

Notes to the Financial Statements

For the year ended December 31, 2025

18. Budget

The disclosed budget information has been approved by the Mayor and Council of the The Corporation of the Township of Sioux Narrows - Nestor Falls at the meeting held on May 6, 2025.

The budget adopted by Council was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget expensed all tangible capital expenses. As a result, the budget figures presented in the consolidated statement of operations and the consolidated statement of change in net financial assets represent the budget adopted by Council on May 6, 2025 with adjustments as follows:

	2025	2024
Financial plan (budget) surplus (deficit) for the year		
Surplus (deficit)	(628,486)	(946,276)
Adjustments		
Capital expenditures	2,303,300	2,361,935
Amortization	(828,785)	(641,900)
Net transfers to reserves	178,403	150,000
Budget surplus per statement of operations	1,024,432	923,759

19. Financial Instruments

The Municipality as part of its operations carries a number of financial instruments. It is management's opinion that the Municipality is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Fair Value of Financial Instruments

Financial instruments measured at fair value on the statement of financial position have been classified in the fair value hierarchy as follows:

	December 31, 2025			
	Fair Value	Level 1	Level 2	Level 3
Financial assets				
Portfolio Investments	2,259,201	2,259,201	-	-
Cash	380,192	380,192	-	-

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Municipality enters into transactions to purchase units in corporate bond and Canadian equity portfolios, for which the market price fluctuates

The Municipality manages its exposure to other price risk by diversifying the investments in a portfolio managed by ONE Investment

The Corporation of the Township of Sioux Narrows - Nestor Falls
Schedule 1 - Consolidated Schedule of Tangible Capital Assets

For the year ended December 31, 2025

	<i>Land</i>	<i>Land improvements</i>	<i>Buildings</i>	<i>Docks</i>	<i>Equipment</i>	<i>Library Collection</i>	<i>Subtotal</i>
Cost							
Balance, beginning of year	1,859,986	5,586,870	7,048,551	1,014,169	254,572	126,094	15,890,242
Acquisition of tangible capital assets	-	978,936	334,488	-	-	-	1,313,424
Construction-in-progress	-	-	-	-	-	-	-
Disposal of tangible capital assets	-	-	-	-	-	-	-
Balance, end of year	1,859,986	6,565,806	7,383,039	1,014,169	254,572	126,094	17,203,666
Accumulated amortization							
Balance, beginning of year	-	1,330,082	3,308,534	155,129	238,518	57,137	5,089,400
Annual amortization	-	285,341	173,094	34,005	2,108	12,609	507,157
Accumulated amortization on disposals	-	-	-	-	-	-	-
Balance, end of year	-	1,615,423	3,481,628	189,134	240,626	69,746	5,596,557
Net book value of tangible capital assets	1,859,986	4,950,383	3,901,411	825,035	13,946	56,348	11,607,109
2024 Net book value of tangible capital assets	1,859,986	4,256,788	3,740,017	859,040	16,054	68,957	10,800,842

The Corporation of the Township of Sioux Narrows - Nestor Falls
Schedule 1 - Consolidated Schedule of Tangible Capital Assets

For the year ended December 31, 2025

	<i>Subtotal</i>	<i>Vehicles</i>	<i>Machinery and equipment</i>	<i>Roads</i>	<i>Sewage Lagoon</i>	<i>Signage</i>	<i>Subtotal</i>
Cost							
Balance, beginning of year	15,890,242	2,275,991	1,266,961	904,051	168,900	260,139	20,766,284
Acquisition of tangible capital assets	1,313,424	28,167	156,147	169,044	-	-	1,666,782
Construction-in-progress	-	-	-	-	-	-	-
Disposal of tangible capital assets	-	-	-	-	-	-	-
Balance, end of year	17,203,666	2,304,158	1,423,108	1,073,095	168,900	260,139	22,433,066
Accumulated amortization							
Balance, beginning of year	5,089,400	1,254,528	864,797	683,811	66,420	192,122	8,151,078
Annual amortization	507,157	122,239	52,156	10,005	3,360	21,748	716,665
Accumulated amortization on disposals	-	-	-	-	-	-	-
Balance, end of year	5,596,557	1,376,767	916,953	693,816	69,780	213,870	8,867,743
Net book value of tangible capital assets	11,607,109	927,391	506,155	379,279	99,120	46,269	13,565,323
2024 Net book value of tangible capital assets	10,800,842	1,021,463	402,164	220,240	102,480	68,017	12,615,206

The Corporation of the Township of Sioux Narrows - Nestor Falls
Schedule 1 - Consolidated Schedule of Tangible Capital Assets

For the year ended December 31, 2025

	<i>Subtotal</i>	<i>Solar Array</i>	<i>Street lighting</i>	<i>Landfill Sites</i>	<i>Assets under construction</i>	<i>2025</i>	<i>2024</i>
Cost							
Balance, beginning of year	20,766,284	292,180	26,200	719,073	415,594	22,219,331	20,827,633
Acquisition of tangible capital assets	1,666,782	-	-	-	-	1,666,782	1,437,839
Construction-in-progress	-	-	-	-	(415,594)	(415,594)	-
Disposal of tangible capital assets	-	-	-	-	-	-	(46,141)
Balance, end of year	22,433,066	292,180	26,200	719,073	-	23,470,519	22,219,331
Accumulated amortization							
Balance, beginning of year	8,151,078	102,264	23,143	318,840	-	8,595,325	7,990,402
Annual amortization	716,665	7,305	873	10,653	-	735,496	637,602
Accumulated amortization on disposals	-	-	-	-	-	-	(32,679)
Balance, end of year	8,867,743	109,569	24,016	329,493	-	9,330,821	8,595,325
Net book value of tangible capital assets	13,565,323	182,611	2,184	389,580	-	14,139,698	13,624,006
2024 Net book value of tangible capital assets	12,615,206	189,916	3,057	400,233	415,594	13,624,006	

The Corporation of the Township of Sioux Narrows - Nestor Falls
Schedule 2 - Consolidated Expenses by Object

For the year ended December 31, 2025

	<i>2025 Budget</i>	<i>2025</i>	<i>2024</i>
Consolidated expenses by object			
Accretion	93,284	93,284	89,957
Amortization	735,500	735,496	637,602
Benefits	253,100	241,796	267,044
Contracted services	333,857	472,923	401,566
External transfers	1,216,101	1,216,461	1,172,530
Materials	1,825,332	1,452,398	1,560,383
Miscellaneous	-	26,816	-
Rent	49,750	61,935	46,123
Utilities	2,000	-	-
Salaries and wages	1,160,769	1,096,756	1,228,410
Special projects	50,000	33,431	-
	5,719,693	5,431,296	5,403,615

The Corporation of the Township of Sioux Narrows-Nestor Falls
Schedule 3 - Consolidated Schedule of Segment Disclosure
For the Year Ended December 31, 2025

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2025 Total
Revenue									
Taxation	1,040,295	525,150	41,526	162,938	410,387	644,130	279,625	75,552	3,179,603
Fees and user charges	-	-	-	24,476	880	-	171,677	3,970	201,003
Government grants	700,762	353,751	27,972	109,758	276,445	433,898	188,361	50,893	2,141,840
Other income	193,857	97,860	7,738	30,363	76,475	120,032	52,107	14,079	592,511
	<u>1,934,914</u>	<u>976,761</u>	<u>77,236</u>	<u>327,535</u>	<u>764,187</u>	<u>1,198,060</u>	<u>691,770</u>	<u>144,494</u>	<u>6,114,957</u>
Expense									
Accretion	93,284	-	-	-	-	-	-	-	93,284
Amortization	106,044	58,846	57,301	43,473	26,578	4,284	285,125	153,845	735,496
Contracted services	50,413	317,985	-	53,042	-	-	49,923	1,560	472,923
Contributions to other organizations	-	-	-	-	424,059	792,402	-	-	1,216,461
Materials	587,234	192,051	49,892	84,896	49,865	8,650	210,525	269,285	1,452,398
Rents and financial expenses	58,245	-	1,750	-	-	-	1,940	-	61,935
Salaries, wages and benefits	597,839	143,050	-	64,694	36,442	-	85,360	411,167	1,338,552
Miscellaneous	-	-	-	-	-	-	-	26,816	26,816
Special Projects	-	-	-	-	-	-	-	33,431	33,431
	<u>1,493,059</u>	<u>711,932</u>	<u>108,943</u>	<u>246,106</u>	<u>536,943</u>	<u>805,336</u>	<u>632,873</u>	<u>896,104</u>	<u>5,431,296</u>
Net surplus/(deficit)	<u>441,855</u>	<u>264,829</u>	<u>(31,707)</u>	<u>81,429</u>	<u>227,244</u>	<u>392,724</u>	<u>58,898</u>	<u>(751,610)</u>	<u>683,661</u>

The Corporation of the Township of Sioux Narrows-Nestor Falls
Schedule 3 - Consolidated Schedule of Segment Disclosure
For the Year Ended December 31, 2024

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2024 Total
Revenue									
Taxation	768,823	337,966	142,270	127,911	297,911	467,669	486,439	454,311	3,083,300
Fees and user charges	-	-	-	24,770	175	-	325,782	2,490	353,217
Government grants	504,171	221,628	93,296	83,880	195,361	306,684	318,992	297,923	2,021,935
Other income	207,902	91,391	38,472	34,589	80,560	126,465	131,540	122,852	833,771
	<u>1,480,896</u>	<u>650,985</u>	<u>274,038</u>	<u>271,150</u>	<u>574,007</u>	<u>900,818</u>	<u>1,262,753</u>	<u>877,576</u>	<u>6,292,223</u>
Expense									
Accretion	89,957	-	-	-	-	-	-	-	89,957
Amortization	98,653	55,489	48,640	32,823	26,578	1,875	219,699	153,845	637,602
Contracted services	49,255	219,015	-	73,216	-	-	59,226	854	401,566
Contributions to other organizations	-	-	-	-	383,848	788,682	-	-	1,172,530
Materials	584,356	164,747	196,544	37,757	53,996	15,409	263,945	243,628	1,560,380
Rents and financial expenses	44,430	-	-	-	-	-	1,693	-	46,123
Salaries, wages and benefits	558,921	143,187	-	65,989	48,989	-	293,753	384,619	1,495,457
	<u>1,425,572</u>	<u>582,438</u>	<u>245,184</u>	<u>209,784</u>	<u>513,411</u>	<u>805,966</u>	<u>838,315</u>	<u>782,945</u>	<u>5,403,615</u>
Net surplus/(deficit) before other items	<u>55,324</u>	<u>68,547</u>	<u>28,854</u>	<u>61,366</u>	<u>60,596</u>	<u>94,852</u>	<u>424,438</u>	<u>94,631</u>	<u>888,608</u>
Other Items									
Gain on disposal of capital assets									<u>36,524</u>
Net Surplus/(defecit)									<u>925,132</u>

For each reported segment, revenue and 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. Taxation, payments-in-lieu of taxes, certain government grants and interest income have been apportioned based on a percentage of actual expenses.