

Township of Lake of the Woods
Consolidated Financial Statements
December 31, 2025

Township of Lake of the Woods

Contents

For the year ended December 31, 2025

	Page
Management's Responsibility	
Independent Auditor's Report	
Consolidated Financial Statements	
Consolidated Statement of Financial Position.....	1
Consolidated Statement of Operations and Accumulated Operating Surplus.....	2
Consolidated Statement of Remeasurement Gains and Losses.....	3
Consolidated Statement of Change in Net Financial Assets.....	4
Consolidated Statement of Cash Flows.....	5
Notes to the Consolidated Financial Statements.....	6
Schedules	
Schedule 1 - Consolidated Schedule of Segmented Disclosure.....	18

Management's Responsibility

To the Members of Council, Inhabitants and Ratepayers of Township of Lake of the Woods:

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 Township Council composed primarily of members 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, Inhabitants and Ratepayers of Township of Lake of the Woods 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.

March 10, 2026

Mayor

Clerk-Treasurer

To the Members of Council, Inhabitants and Ratepayers of Township of Lake of the Woods:

Opinion

We have audited the consolidated financial statements of Township of Lake of the Woods and its subsidiaries (the "Municipality"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations and accumulated operating surplus, remeasurement gains and losses, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2025, and the results of its consolidated operations, its consolidated remeasurement gains and losses, changes in its consolidated net financial assets 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.

Fort Frances, Ontario
March 10, 2026

MNP LLP
Chartered Professional Accountants
Licensed Public Accountants

MNP

Township of Lake of the Woods
Consolidated Statement of Financial Position

As at December 31, 2025

	2025	2024
Financial assets		
Cash and cash equivalents <i>(Note 2)</i>	3,770,506	3,566,131
Accounts receivable	118,234	116,561
Taxes receivable	68,584	60,484
Investments <i>(Note 3)</i>	3,337	3,243
Total financial assets	3,960,661	3,746,419
Liabilities		
Bank indebtedness <i>(Note 4)</i>	-	19,166
Accounts payable and accruals	40,746	28,866
Deferred revenue <i>(Note 5)</i>	102,200	90,233
Asset retirement obligations - landfill <i>(Note 6)</i>	1,292,932	1,255,274
Total financial liabilities	1,435,878	1,393,539
Net financial assets	2,524,783	2,352,880
Non-financial assets		
Tangible capital assets <i>(Note 7)</i>	4,596,244	4,552,369
Accumulated surplus <i>(Note 8)</i>	7,121,027	6,905,249
Accumulated surplus is comprised of:		
Accumulated operating surplus	7,120,961	6,905,278
Accumulated remeasurement gains (losses)	66	(29)
	7,121,027	6,905,249
Contingencies <i>(Note 13)</i>		
Commitments <i>(Note 15)</i>		

Approved on behalf of the Council

Mayor

Clerk-Treasurer

Township of Lake of the Woods

Consolidated Statement of Operations and Accumulated Operating Surplus

For the year ended December 31, 2025

	2025	2025	2024
	<i>Budget</i>		
Revenue			
Taxation	734,572	739,813	740,150
Government transfers - federal and provincial (Note 9), (Note 10)	916,588	910,296	925,485
User fees and service charges	12,990	21,729	31,020
Permits, licences, and fines	35,176	54,127	42,999
Investment income	126,462	124,065	178,631
Municipal grants	14,149	17,587	16,674
Other income (Note 11)	405	15,080	263
	1,840,342	1,882,697	1,935,222
Program expenses			
General government	148,446	146,983	146,002
Protection services	240,699	247,219	235,896
Transportation services	507,954	509,822	484,204
Environmental services	160,480	161,753	154,661
Health services	239,419	239,066	241,889
Social and family services	37,633	37,633	26,270
Social housing	191,757	191,757	178,124
Recreation and cultural services	96,224	97,147	87,894
Planning and development	39,356	35,634	26,374
	1,661,968	1,667,014	1,581,314
Operating surplus	178,374	215,683	353,908
Accumulated operating surplus, beginning of year	6,905,278	6,905,278	6,551,370
Accumulated operating surplus, end of year	7,083,652	7,120,961	6,905,278

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

Township of Lake of the Woods
Consolidated Statement of Remeasurement Gains and Losses

For the year ended December 31, 2025

	2025	2024
Accumulated remeasurement gains (losses), beginning of year	(29)	(172)
Unrealized gains (losses) attributable to:		
Portfolio investments	95	143
Accumulated remeasurement gains (losses), end of year	66	(29)

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

Township of Lake of the Woods
Consolidated Statement of Change in Net Financial Assets

For the year ended December 31, 2025

	<i>2025</i> <i>Budget</i>	<i>2025</i>	<i>2024</i>
Annual surplus	178,374	215,683	353,908
Acquisition of tangible capital assets	(335,878)	(356,404)	(449,318)
Amortization of tangible capital assets	297,790	312,529	296,721
Change in tangible capital assets, under construction	-	-	108,673
	(38,088)	(43,875)	(43,924)
Net change in remeasurement gains (losses) for the year	-	95	143
Change in net financial assets	140,286	171,903	310,127
Net financial assets, beginning of year	2,352,880	2,352,880	2,042,753
Net financial assets, end of year	2,493,166	2,524,783	2,352,880

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

Township of Lake of the Woods Consolidated Statement of Cash Flows

For the year ended December 31, 2025

	2025	2024
Operating transactions		
Operating surplus	215,683	353,908
Remeasurement Loss	95	143
Non-cash items		
Amortization	312,529	296,721
Gain (loss) on disposal of capital assets	(14,800)	-
Changes in non-cash operating balances		
Accounts receivable	(1,673)	(11,900)
Taxes receivable	(8,100)	10,961
Accounts payable and accrued liabilities	11,880	(12,951)
Deferred revenue	11,967	(15,647)
Asset retirement obligations - landfill	37,658	36,561
	565,239	657,796
Capital transactions		
Acquisition of tangible capital assets	(356,404)	(449,318)
Acquisition of assets under construction	-	108,673
Proceeds from disposal of tangible capital assets	14,800	-
	(341,604)	(340,645)
Investing transactions		
Acquisition of investments	(94)	(143)
Increase (decrease) in cash resources	223,541	317,008
Cash resources, beginning of year	3,546,965	3,229,957
Cash resources, end of year	3,770,506	3,546,965
Cash resources (deficiency) are composed of:		
Cash and cash equivalents	3,770,506	3,566,131
Bank indebtedness	-	(19,166)
	3,770,506	3,546,965

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

Township of Lake of the Woods

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

1. Significant accounting policies

The consolidated financial statements of the Township of Lake of the Woods are the representations of management. They have been prepared in accordance with Canadian accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Basis of consolidation

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

The Municipality has a government partnership in place. The partnership is accounted for on a proportionate consolidation basis whereby the Municipality's pro-rata share of each of the assets, liabilities, revenue and expenditures are combined on a line by line basis in the consolidated financial statements. The Municipality has a 33.33% ownership in the government partnership. The government partnership that has been consolidated is:

Rainy River Health Care Committee

The following boards are not consolidated:

Northwestern Health Unit
District of Rainy River Services Board

Government business enterprises are separate legal entities which 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.

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 decisions, 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 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.

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.

Basis of accounting

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of 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. Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year. Accumulated surplus 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.

Township of Lake of the Woods
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

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.

Amortization

Amortization is recorded at one half of the annual rate in the year of capitalization. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

	<i>Method</i>	<i>Rate</i>
Buildings	straight-line	20 to 50 years
Roads	straight-line	10 to 80 years
Machinery and equipment	straight-line	10 to 20 years
Vehicles	straight-line	10 to 20 years
Furniture and equipment	straight-line	10 years
Computer hardware and software	straight-line	5 to 10 years

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 consolidated statement of financial position. The revenue is recognized on the consolidated statement of operations in the year in which it is used for the specified purpose.

Government transfers

Government transfers, which include legislative grants, are recognized on the consolidated financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

School boards

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

Trust funds

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

Asset retirement obligation

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

Township of Lake of the Woods
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

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

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 useful lives of the landfill sites, retirement costs of the landfills and taxation revenue.

Financial instruments

Cash and equity instruments quoted in an active market are measured at fair value. Accounts receivable, accounts payable, and long-term debt are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

2. **Cash and cash equivalents**

The balance of cash reported on the consolidated statement of financial position is made up of the following:

	2025	2024
Unrestricted	62,868	5,857
Restricted by Council resolutions	3,605,438	3,470,041
Restricted by funding agreements	102,200	90,233
	3,770,506	3,566,131

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

Township of Lake of the Woods
Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

3. Investments

	2025	2024
Bonds	3,337	3,243

The income from investments for the year was \$95 (2024 - \$143). The market value of the Municipality's investment in bonds was \$3,337 (2024 - \$3,243).

4. Bank indebtedness

Bank indebtedness at year end is a result of outstanding cheques. Physical balance in the operating account at December 31, 2025 is \$ 59,031 (2024 - \$161,073). The Municipality has unused credit facilities at year end of \$25,000 (2024 - \$25,000).

5. Deferred Revenue

	Opening Balance	Contributions Received	Externally restricted investment income	Revenue recognized	Ending balance
Canada Community Building Fund	90,233	20,174	2,992	11,199	102,200

Canada Community Building Fund

The Ministry requires the Municipality to put unspent CCBF funding into a reserve. The funding and interest earned in the reserve must be spent on approved projects.

Township of Lake of the Woods
Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

6. Asset retirement obligations

The Municipality's financial statements include an asset retirement obligation for the Bergland Landfill. The related asset retirement costs are being amortized on a straight line basis.

The liability for the Bergland Landfill has been estimated using a net present value technique with a discount rate of 3% (2024 – 3%). The estimated total undiscounted future expenditures are \$304,500 (2024 - \$304,500), which are to be incurred over 28 years. The liability is expected to be settled in 216 years.

	2025	2024
Balance, beginning of year	668,861	649,380
Increase due to accretion expense	20,066	19,481
Balance, end of year	688,927	668,861

The Municipality's financial statements include an asset retirement obligation for the the Morson Landfill. The related asset retirement costs are being amortized on a straight line basis.

The liability for the Morson Landfill has been estimated using a net present value technique with a discount rate of 3% (2024 – 3%). The estimated total undiscounted future expenditures are \$260,000 (2024 - \$260,000), which are to be incurred over 27 years. The liability is expected to be settled in 62 years.

	2025	2024
Balance, beginning of year	586,413	569,333
Increase due to accretion expense	17,592	17,080
Balance, end of year	604,005	586,413

Township of Lake of the Woods
Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

7. Tangible capital assets

	<i>Cost</i>	<i>Additions</i>	<i>Disposals</i>	<i>Accumulated amortization</i>	<i>2025 Net book value</i>
Land & land improvements	971,463	-	-	138,742	832,721
Buildings	1,877,765	-	-	724,152	1,153,613
Equipment	1,170,467	9,127	-	677,576	502,018
Vehicles	529,602	117,297	48,748	321,521	276,630
Roads & bridges	3,383,025	227,272	63,959	2,018,674	1,527,664
Other tangible assets	124,410	-	-	82,965	41,445
Culverts	586,185	2,708	-	326,740	262,153
	8,642,917	356,404	112,707	4,290,370	4,596,244

	<i>Cost</i>	<i>Additions</i>	<i>Disposals</i>	<i>Accumulated amortization</i>	<i>2024 Net book value</i>
Land & land improvements	971,463	-	-	135,750	835,713
Buildings	1,709,731	168,034	-	682,296	1,195,469
Equipment	1,148,347	22,120	-	628,386	542,081
Vehicles	529,602	-	-	343,961	185,641
Roads & bridges	3,138,109	244,916	-	1,908,266	1,474,759
Other tangible assets	124,410	-	-	79,887	44,523
Culverts	571,937	14,248	-	312,002	274,183
	8,193,599	449,318	-	4,090,548	4,552,369

Township of Lake of the Woods
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

8. Accumulated operating surplus

The Municipality segregates its accumulated surplus in the following categories:

	2025	2024
Investment in tangible capital assets		
Tangible capital assets	4,596,244	4,552,369
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Current operations		
General operating	1,002,718	996,772
Government partnership	9,947	11,589
	<hr/>	<hr/>
	1,012,665	1,008,361
<hr/>		
Other allocated deficits		
Asset retirement obligation - landfill	(1,292,932)	(1,255,274)
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Reserve funds		
Replacement of equipment	2,337,419	2,139,817
Landfill closures	83,817	81,158
Recreation	83,814	78,818
	<hr/>	<hr/>
	2,505,050	2,299,793
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Working capital reserve	300,000	300,000
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Total Surplus	7,121,027	6,905,249
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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.

Township of Lake of the Woods
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

9.	Government transfers - federal	2025	2024
	Operating		
	Canada Community Building Fund	11,199	40,704
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10.	Government transfers - provincial	2025	2024
	Operating		
	Ontario Municipal Partnership Fund	708,200	654,800
	Other	16,552	13,836
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	Total operating transfers	724,752	668,636
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	Tangible capital assets		
	Ontario Community Infrastructure Fund	100,000	100,000
	Northern Ontario Resource Development Support	74,345	74,345
	Ontario Trillium	-	41,800
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	Total tangible capital assets	174,345	216,145
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	Total provincial transfers	899,097	884,781
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11.	Other income	2025	2024
	Donations and fundraising	280	263
	Gain on sale of tangible capital assets	14,800	-
<hr/>			
		15,080	263
<hr/>			
12.	Expenses by object	2025	2024
	Wages and benefits	272,276	241,665
	Materials	172,704	175,090
	Contracted services	331,745	325,717
	Rent and financial expenses	126,720	115,680
	External transfers	451,040	426,441
	Amortization	312,529	296,721
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		1,667,014	1,581,314
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Township of Lake of the Woods
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

13. Contingent liabilities

The Municipality was formerly a member of a reciprocal insurance company licensed under the Insurance Act. In the event that a claim is experienced relating to the period that the Municipality was a member of the company, they may be required to pay additional premiums or losses related to the event. Should any premium demand or losses occur, such losses will be recognized in the year of resolution or settlement of the claim.

The reciprocal insurance company is in runoff with an expected wind-up date subsequent to December 31, 2025. If a surplus exists in the company at the time of wind-up, it will be returned to the former members. Should any surplus be returned to the Municipality, it will be recognized in the year it is received.

14. Pension agreement

The Municipality makes contributions to the Ontario Municipal Employees' Retirement System (OMERS), a multi-employer plan, on behalf of two members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan.

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of the Ontario municipal Organizations and their employees. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2025 was \$ 6,863 (2024 - \$7,595) for current service. The OMERS Board rate was 9.0% to 14.6% depending on income level for 2025 (2024 - 9.0% to 14.6% depending on income level).

15. Commitments

Locum Housing

The Municipality has entered into an agreement with two other organizations to construct housing for locum doctors in the Town of Rainy River. In the event that insufficient grants, contributions, donations or fundraising proceeds are unavailable to cover the costs of the construction and furnishings of the housing, the parties to the agreement have agreed to provide the necessary funds to complete the project by way of repayable loans, bearing interest at prime up to the maximum set by the committee.

16. Operations of school boards

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

	2025	2024
School boards	206,827	208,782

17. Trust fund

The Trust Fund administered by the Municipality amounting to \$93,254 (2024 - \$89,844) has not been included on the consolidated statement of financial position nor has the operation been included on the consolidated statement of operations.

Township of Lake of the Woods
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

18. Contributions to unconsolidated boards

The following contributions were made by the Municipality to these boards

	2025	2024
Northwestern Health Unit	17,158	14,473
District of Rainy River Services Board	433,882	406,968
	451,040	421,441

19. Government partnership

On July 11, 2011, the Municipality entered into an agreement with three other communities to jointly construct and maintain housing for locum physicians and medical students. All revenues and costs related to the development and operations will be shared based on each community's financial contribution to the project. Upon entering into the agreement, each community made a \$25,000 refundable contribution leaving each community with a 25% proportional interest.

In September 2015, one of the member communities withdrew from the partnership and was refunded their original \$25,000 member contribution. For each of the remaining three member communities, the exit of this partner resulted in an increase in their proportionate interest of the partnership to 33.33%.

	<i>Total</i>	<i>2025 Municipality Portion</i>	<i>Total</i>	<i>2024 Municipality Portion</i>
Financial assets	30,172	10,057	35,147	11,716
Financial liabilities	(75,331)	(25,110)	(75,380)	(25,127)
Net financial debt	(45,159)	(15,053)	(40,233)	(13,411)
Non-financial assets	375,510	125,170	381,479	127,160
Accumulated surplus	330,351	110,117	341,246	113,749
Revenue	17,794	5,932	16,221	5,407
Expenses	(28,689)	(9,564)	(33,442)	(11,147)
Annual debt	(10,895)	(3,632)	(17,221)	(5,740)
Accumulated surplus, beginning of year	341,246	113,749	358,467	119,489
Accumulated surplus, end of year	330,351	110,117	341,246	113,749

Township of Lake of the Woods
Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

20. Financial instruments

The Municipality is exposed to credit risk and liquidity risk from its financial instruments. This note describes the Municipality's objectives, policies and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Municipality is exposed to credit risk through taxes receivable.

As at December 31, 2025, the aging of this financial asset is as follows:

	Current	1 year past due	2 years past due	3 years past due	Thereafter	2025
Taxes receivable	51,231	9,859	3,606	3,888	-	68,584

As at 2024, the aging of this financial asset was as follows:

	Current	1 year past due	2 years past due	3 years past due	Thereafter	2024
Taxes receivable	41,767	8,806	3,439	6,472	-	60,484

The Municipality manages its credit risk by implementing the tax sale policies legislated by the Ontario Municipal Act.

21. Segmented information

The Township of Lake of the Woods 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.

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 to provide 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 consists of maintenance of the two waste disposal facilities located within the municipal borders.

Health services

Health services are comprised of public health services and ambulance service. 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, childcare 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 Township of Lake of the Woods require the service.

Recreation and cultural services

This service area consists of various small recreation programs. Also, the Municipality contributes to the library board of another Municipality in order to ensure a library is available to the citizens of the Municipality.

Planning and development

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

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

	General government	Protection services	Transportation services	Environmental services	Health services	Social and family services	Social housing	Recreation and cultural services	Planning and development	2025
Revenue										
Taxation	139,899	68,822	222,605	54,365	83,518	57,095	52,327	54,376	6,806	739,813
User fees and service charges	-	-	7,042	6,412	7,325	-	-	-	950	21,729
Conditional grants	-	1,052	198,001	-	-	-	-	3,043	-	202,096
Unconditional grants	133,921	65,881	213,093	52,042	79,949	54,655	50,091	52,053	6,515	708,200
Municipal grants	-	-	13,638	3,949	-	-	-	-	-	17,587
Other income	33,696	16,577	53,617	13,095	35,196	13,752	12,603	13,097	1,639	193,272
	307,516	152,332	707,996	129,863	205,988	125,502	115,021	122,569	15,910	1,882,697
Expenses										
Wages and benefits	78,777	28,453	122,340	34,117	4,631	-	-	3,958	-	272,276
Materials	11,263	34,955	94,508	527	5,906	-	-	23,921	1,624	172,704
Contracted services	27,857	153,899	20,600	82,979	1,560	-	-	10,840	34,010	331,745
Rent and financial services	27,629	7,947	33,014	41,895	3,329	-	-	12,906	-	126,720
External transfers	-	-	-	-	221,650	37,633	191,757	-	-	451,040
	145,526	225,254	270,462	159,518	237,076	37,633	191,757	51,625	35,634	1,354,485
Net revenue, before amortization	161,990	(72,922)	437,534	(29,655)	(31,088)	87,869	(76,736)	70,944	(19,724)	528,212
Amortization	1,457	21,965	239,360	2,235	1,990	-	-	45,522	-	312,529
Net revenue	160,533	(94,887)	198,174	(31,890)	(33,078)	87,869	(76,736)	25,422	(19,724)	215,683

Township of Lake of the Woods
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	139,963	68,854	222,706	54,390	83,556	57,121	52,350	54,401	6,809	740,150
User fees and service charges	-	41	10,525	11,179	8,375	-	-	-	900	31,020
Conditional grants	-	1,005	224,837	-	-	-	-	44,843	-	270,685
Unconditional grants	123,822	60,914	197,025	48,118	73,921	50,534	46,314	48,128	6,024	654,800
Municipal grants	-	-	12,725	3,949	-	-	-	-	-	16,674
Other income	44,053	21,654	70,040	5,926	26,541	17,964	16,464	17,109	2,142	221,893
	307,838	152,468	737,858	123,562	192,393	125,619	115,128	164,481	15,875	1,935,222
Expenses										
Wages and benefits	79,581	12,278	110,572	31,736	4,286	-	-	3,212	-	241,665
Materials	12,792	33,394	103,223	295	8,230	-	-	17,075	81	175,090
Contracted services	27,249	159,708	20,462	79,799	1,661	-	-	10,545	26,293	325,717
Rent and financial services	24,923	7,625	27,667	40,596	3,676	-	-	11,193	-	115,680
External transfers	-	-	-	-	222,047	26,270	178,124	-	-	426,441
	144,545	213,005	261,924	152,426	239,900	26,270	178,124	42,025	26,374	1,284,593
Net revenue, before amortization	163,293	(60,537)	475,934	(28,864)	(47,507)	99,349	(62,996)	122,456	(10,499)	650,629
Amortization	1,457	22,891	222,280	2,235	1,989	-	-	45,869	-	296,721
Net revenue	161,836	(83,428)	253,654	(31,099)	(49,496)	99,349	(62,996)	76,587	(10,499)	353,908