Consolidated Financial Statements of

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Year ended December 31, 2025

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Consolidated Financial Statements

Year ended December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Town of The Blue Mountains

Opinion

We have audited the consolidated financial statements of The Corporation of the Town of The Blue Mountains (the Entity), which comprise:

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

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2025, and its consolidated results of operations, its consolidated changes in 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 Financial Statements"*** section of our auditor's report.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

September 16, 2026

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Consolidated Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Financial assets:		
Cash (Note 3)	$ 22,174,329	$ 24,343,518
Investments (Note 4)	45,113,815	38,829,825
Taxes receivable	3,842,034	3,523,301
Trade and other receivables	6,913,157	6,169,612
Long-term receivables (Note 5)	3,404,139	1,519,378
	81,447,474	74,385,634
Liabilities:		
Accounts payable and accrued liabilities (Note 6)	16,415,758	12,019,795
Developer and other deposits	3,148,032	3,881,863
Asset retirement obligation (Note 8)	29,849,250	29,451,553
Deferred revenue (Note 20)	35,356,345	30,856,651
Long-term liabilities (Note 7)	4,700,089	5,240,438
	89,469,474	81,450,300
Net debt	(8,022,000)	(7,064,666)
Non-financial assets:		
Inventory of supplies	188,537	224,457
Prepaid expenses	496,257	595,618
Tangible capital assets (Note 9)	346,211,456	294,365,096
	346,896,250	295,185,171
Accumulated surplus (Note 10)	$ 338,874,250	$ 288,120,505

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

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Consolidated Statement of Operations and Accumulated Surplus

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

	2025 Budget (Note 11)	2025 Actual	2024 Actual
Revenue:			
Taxation	$ 23,931,910	$ 23,786,530	$ 21,931,376
Fees and user charges	17,025,551	18,399,696	14,294,917
Grants (Note 13)	17,643,355	4,013,878	1,795,276
Other income (Note 12)	616,675	33,038,989	11,719,491
Obligatory reserve funds (Note 20)	55,520,563	23,178,341	15,883,251
Total revenue	114,738,054	102,417,434	65,624,311
Expenses:			
General government	13,795,549	10,703,754	8,279,712
Protection services	10,805,371	9,254,967	8,428,930
Transportation services	6,992,578	8,863,661	8,026,538
Waste management	4,573,485	4,699,307	5,049,736
Water and wastewater	5,312,656	9,261,080	8,205,994
Health services	155,570	105,737	104,346
Recreation and culture	6,115,398	5,982,018	5,417,950
Planning and development	3,378,969	2,793,165	2,993,287
Total expense	51,129,576	51,663,689	46,506,493
Annual surplus	63,608,478	50,753,745	19,117,818
Accumulated surplus, beginning of year	288,120,505	288,120,505	269,002,687
Accumulated surplus, end of year (Note 10)	$ 351,728,983	$ 338,874,250	$ 288,120,505

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

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Consolidated Statement of Change in Net Debt

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

	2025 Budget (Note 11)	2025 Actual	2024 Actual
Annual surplus	$ 63,608,478	$ 50,753,745	$ 19,117,818
Acquisition of tangible capital assets	(103,245,210)	(62,946,177)	(30,773,445)
Amortization of tangible capital assets	9,627,012	9,627,012	8,450,338
Amortization of asset retirement obligations	669,606	669,606	669,605
Loss (gain) on disposal of tangible capital assets	(335,000)	108,386	599,535
Proceeds on disposal of tangible capital assets	-	694,814	143,339
	(93,283,592)	(51,846,359)	(20,910,628)
Inventory of supplies	-	35,919	(25,409)
Prepaid expenses	-	99,361	(111,422)
	-	135,280	(136,831)
Increase in net debt	(29,675,114)	(957,334)	(1,929,641)
Net debt beginning of year	(7,064,666)	(7,064,666)	(5,135,025)
Net debt end of year	$ (36,739,780)	$ (8,022,000)	$ (7,064,666)

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

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Consolidated Statement of Cash Flows

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

	2025	2024
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 50,753,745	$ 19,117,818
Items not involving cash:		
Accretion expense ARO	397,697	915,531
Amortization of tangible capital assets	9,627,012	8,450,338
Amortization of asset retirement obligations	669,605	669,605
Contributed tangible capital assets	(26,310,664)	(8,685,612)
Loss on disposal of tangible capital assets	108,386	599,535
	35,245,781	21,067,215
Change in non-cash working capital balances:		
Taxes receivable	(318,733)	(546,884)
Trade and other receivables	(743,545)	803,415
Prepaid expenses	99,361	(111,422)
Inventory of supplies	35,919	(25,409)
Accounts payable and accrued liabilities	4,395,963	2,247,590
Developer and other deposits	(733,831)	(1,168,146)
Deferred revenue	4,499,693	(6,400,501)
Net change in cash from operating activities	42,480,608	15,865,858
Capital transactions:		
Cash used to acquire tangible capital assets	(36,635,511)	(22,087,833)
Proceeds on disposal of tangible capital assets	694,814	143,339
Net change in cash from capital transactions	(35,940,697)	(21,944,494)
Investing activities:		
Increase in temporary investments	(6,283,990)	23,423,438
Increase of long-term receivables	(1,884,761)	267,483
Net change from investing activities	(8,168,751)	23,690,921
Financing Activities:		
Repayment of long-term liabilities	(540,349)	(534,690)
Net change from financing activities	(540,349)	(534,690)
Net change in cash	(2,169,189)	17,077,595
Cash, beginning of year	24,343,518	7,265,923
Cash, end of year	$ 22,174,329	$ 24,343,518

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

1. Significant Accounting Policies

a. Basis of accounting

The consolidated financial statements of The Corporation of the Town of The Blue Mountains (the "Town") are representations of management. They have been prepared in accordance with the Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB).

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses 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.

b. Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for items such as accrued grant receivables, accrued liabilities, post-employment benefits and solid waste landfill closure and post-closure costs. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future.

c. Basis of consolidation

The consolidated statements reflect the assets, liabilities, revenues and expenses of all municipal organizations, committees, and boards which are owned or controlled by Council. All interfund assets and liabilities and revenues and expenses have been eliminated on consolidation.

The Blue Mountains Public Library Board	100%
Thornbury Business Improvement Area	100%
The Blue Mountains Attainable Housing Corporation (BMAHC)	100%

d. Cash and cash equivalents

Cash and cash equivalents include all cash balances and short-term highly liquid investments that are readily convertible into cash.

e. Financial instruments

The Town classifies all of its financial instruments at amortized cost. The maximum exposure to credit risk is the carrying value of the financial instruments. These financial instruments include cash, taxes receivable, trade and other receivables, long-term investments, loans receivable, accounts payable and accrued liabilities, and long-term liabilities. All financial instruments are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement. As all financial instruments are measured at cost or amortized cost, there have been no re-measurement gains or losses and the statement of remeasurement has been excluded.

1. Significant Accounting Policies (continued)

e. Financial instruments (continued)

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

f. Long-term receivables

Long-term receivables are recorded at cost.

g. Inventory of supplies

Inventory held for consumption is recorded at the lower of cost and replacement cost.

h. Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Costs include all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Amortization is provided over the estimated useful life of the assets, using the straight-line method. The useful life of the assets is based on estimates made by Council. The following rates are used:

Asset	Useful Life – Years
Land improvements	10 to 50 years
Buildings	15 to 50 years
Machinery, equipment and vehicles	5 to 50 years
Water systems	20 to 100 years
Sewer systems	20 to 100 years
Roads	10 to 75 years

Asset retirement obligations are amortized using the same basis and useful life as the underlying asset.

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and are also recorded as revenue.

i. Post-employment benefits

The municipality provides post-employment health and life insurance benefits to eligible retired employees. The benefits earned by employees are determined using management’s best estimate of expected benefit costs and are expensed as services are rendered.

The contributions to the Ontario Municipal Employee’s Retirement System (“OMERS”), a multi-employer defined benefit plan are expensed when contributions are due.

1. Significant Accounting Policies (continued)

j. County and school board

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

k. Trust funds

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

l. Revenue recognition

Revenues are recognized as follows:

a. Tax levies are recognized as revenue when the amounts are levied on the municipality's ratepayers.

b. Fines and donations are recognized when collected.

c. Other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.

d. Investment income earned on surplus funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is recorded directly to each fund balance.

e. Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized and eligibility criteria have been met and reasonable estimates of the amounts can be made.

f. Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations in the year in which it is used for the specified purpose.

1. Significant Accounting Policies (continued)

m. Asset retirement obligation

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

i. There is a legal obligation to incur retirement costs in relation to a tangible capital asset and other contract obligations;
ii. The past transactions or events giving rise to the liability has occurred;
iii. It is expected that future economic benefits will be given up; and
iv. A reasonable estimate of the amount can be made.

The asset retirement obligation is based on management's best estimate of the expenditures to settle the obligation.

The liability for closure of operational sites and post-closure care relating to landfill sites has been recognized based on estimated future expenses. This liability is discounted using a present value calculation, and adjusted yearly for accretion expense where there is a known retirement date. The liability for the removal of asbestos in buildings has also been recognized based on estimated future expenses on closure of the site and post-closure care. The recognition of a liability results in an accompanying increase to the respective tangible capital assets.

2. Change in accounting policy

a. PS 3400 – Revenue

On January 1, 2024 the Town adopted Public Accounting Standard PS 3400 – Revenue retroactively. PS 3400 Revenue establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligations (i.e. the payor expects a good or service from the public sector entity), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions. For exchange transactions, revenue is recognized when a performance obligation is satisfied. For non-exchange transactions, revenue is recognized when there is authority to retain an inflow of economic resources and a past event that gave rise to an asset has occurred. No significant changes were required as a result of implementing the new standard.

3. Cash

		2025		2024
Unrestricted	$	22,174,329	$	24,343,518
	$	22,174,329	$	24,343,518

Cash balances are earning interest at a rate of prime less 1.85%.

The municipality has an available operating facility of $1,000,000 which was not drawn upon at December 31, 2025. The operating facility is due on demand and bears interest at the bank’s prime rate less 0.75%.

4. Investments

		2025		2024
High Interest Savings Account	$	12,147,283	$	26,401,286
Guaranteed Investment Certificates, 4.00% to 4.85% due 2026 to 2045		32,966,532		12,428,539
	$	45,113,815	$	38,829,825

Investments have a market value of $45,113,815 (2024 - $38,829,825) as at December 31, 2025.

The interest rate for the High Interest Savings Account is primarily influenced by the current interest rate environment, especially the Bank of Canada's overnight rate and other benchmark rates. This rate is calculated on a daily basis. As of the end of December 2025, the interest rate was 2.78%

5. Long-term receivables

During 2025, the Town completed three new local improvements projects and levied the associated costs to benefiting property owners. Property owners have the option to repay their assessed share annual installments over the periods of 10, 20, or 25 years. The repayment options bear interest at rates of 3.64% for 10 year term, 4.25% for 20 year term and 4.39% for 25 year term. The annual installments include principal and interest are added to the property tax roll. As a result, a new long-term receivable totaling $2,164,689 was recognized as of December 31,2025.

		2025		2024
Water and sewer loans, 5.5% to 18%, due to 2029	$	1,239,450	$	1,519,378
Sewer loans, 3.64% to 4.39%, due 2049		2,164,689		-
	$	3,404,139	$	1,519,378

6. Accounts payable and accrued liabilities

		2025		2024
Trade accounts payable	$	13,597,427	$	9,724,172
Accrued liabilities		2,818,331		2,295,623
	$	16,415,758	$	12,019,795

7. Long-term liabilities

The balance of long-term liabilities reported on the consolidated statement of financial position is made up of the following:

		2025		2024
Loan payable, 5.11%, repayable in semi-annual principal instalments of $40,000 plus interest, due 2031	$	480,000	$	560,000
Loan payable, 2.00%, repayable in blended semi-annual payments of $128,000, due 2027		376,208		620,750
Loan payable, 3.58%, repayable in blended semi-annual payments of $18,687, due 2037		361,996		385,771
Loan payable, 3.21% repayable in blended semi-annual payments of $30,141, due 2033		305,995		346,794
Loan payable, 2.74% repayable in blended semi-annual payments of $19,700, due 2046		827,400		866,800
Loan payable, 2.61% repayable in blended semi-annual payments of $55,916, due 2046		2,348,490		2,460,323
	$	4,700,089	$	5,240,438

The interest expense included on the consolidated statements of operations and accumulated surplus totals $145,929 (2024 - $192,715).

Principal payments estimated for the next 5 fiscal years, and thereafter if not demanded, are as follows:

2026	$	546,119
2027		424,308
2028		298,477
2029		299,432
2030		300,422
Thereafter		2,831,331
	$	4,700,089

8. Asset retirement obligation

a. Landfill obligation

The Town owns and operates one active landfill site. The liability for the closure of the operational site and post-closure care has been recognized under PS 3280 – Asset Retirement Obligations. The costs were based upon the presently known obligations that will exist at the estimated year of closure of the site and for 50 years post this date. The active site has a remaining capacity of approximately 161,175 m3 and an estimated life expectancy of 25 years. These costs were discounted to December 31, 2025 using a discount rate of 3.21%.

b. Asbestos obligation

The Town owns and operates buildings and maintains pipe infrastructure that are known to have asbestos. Following the adoption of PS 3280 – Asset retirement obligations, the Town recognized an obligation relating to the removal and post-removal care of the asbestos in these buildings as estimated at January 1, 2022. The buildings have an estimated useful life of 40 years.

Changes to the asset retirement obligations in the year are as follows:

Asset retirement obligations	Landfill closure	Building Asbestos removal	Pipe Asbestos removal	Total
Opening balance Jan 1, 2025	$ 28,640,339	$ 270,625	$ 540,589	$ 29,451,553
Accretion expense	389,945	(9,591)	17,343	397,697
Closing balance Dec 31, 2025	$ 29,030,284	$ 261,034	$ 557,932	$ 29,849,250

Asset retirement obligations	Landfill closure	Building Asbestos removal	Pipe Asbestos removal	Total
Opening balance Jan 1, 2024	$ 27,750,026	$ 262,212	$ 523,784	$ 28,536,022
Accretion expense	890,313	8,413	16,805	915,531
Closing balance Dec 31, 2024	$ 28,640,339	$ 270,625	$ 540,589	$ 29,451,553

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to the Financial Statements

For the Year Ended December 31, 2025

9. Tangible capital assets

2025	Land	Land Improvements	Buildings	Machinery, equipment and vehicles	Water-System	Sewer-System	Road	Asset Retirement Obligation	Work-in-progress	Total
Cost, beginning of year	$ 33,859,505	$ 13,612,742	$ 34,212,086	$ 50,713,251	$ 64,332,567	$ 79,551,819	$ 123,949,403	$ 20,322,863	$ 26,311,091	$ 446,865,327
Additions	4,673,118	334,444	86,159	3,316,076	7,116,638	4,976,988	19,095,055	-	23,347,699	62,946,177
Disposals	-	-	-	(1,552,152)	(287,556)	(182,095)	-	-	(8,970)	(2,030,773)
Transfers	-	49,736	12,367,514	16,199,700	442,870	553,613	40,662	-	(29,654,095)	-
Cost, end of year	38,532,623	13,996,922	46,665,759	68,676,875	71,604,519	84,900,325	143,085,120	20,322,863	19,995,725	507,780,731
Accumulated amortization, beginning of year	-	7,364,987	16,901,552	22,319,995	19,653,545	19,783,509	62,338,546	4,138,097	-	152,500,231
Amortization	-	558,009	1,118,543	3,173,945	857,093	999,457	2,919,965	669,605	-	10,296,617
Disposals	-	-	-	(1,057,357)	-	-	(170,216)	-	-	(1,227,573)
Accumulated amortization, end of year	-	7,922,996	18,020,095	24,436,583	20,510,638	20,782,966	65,088,295	4,807,702	-	161,569,275
Net carrying amount, end of year	$ 38,532,623	$ 6,073,926	$ 28,645,664	$ 44,240,292	$ 51,093,881	$ 64,117,359	$ 77,996,825	$ 15,515,161	$ 19,995,725	$ 346,211,456

9. Tangible capital assets (continued)

2024	Land	Land Improvements	Buildings	Machinery, equipment and vehicles	Water-System	Sewer-System	Road	Asset Retirement Obligation	Work-in-progress	Total
Cost, beginning of year	$ 33,859,505	$ 13,444,062	$ 34,056,876	$ 46,660,544	$ 60,833,117	$ 77,864,654	$ 119,532,362	$ 20,322,863	$ 11,222,023	$ 417,796,006
Additions	-	168,680	149,644	3,794,652	3,499,450	1,636,072	4,855,404	-	16,669,543	30,773,445
Disposals	-	-	-	(691,398)	-	-	(438,363)	-	(574,363)	(1,704,124)
Transfers	-	-	5,566	949,453	-	51,093	-	-	(1,006,112)	-
Cost, end of year	33,859,505	13,612,742	34,212,086	50,713,251	64,332,567	79,551,819	123,949,403	20,322,863	26,311,091	446,865,327
Accumulated amortization, beginning of year	-	6,813,567	15,980,644	20,335,832	18,860,253	18,822,188	60,060,562	3,468,492	-	144,341,538
Amortization	-	551,420	920,908	2,605,588	793,292	961,321	2,617,809	669,605	-	9,119,943
Disposals	-	-	-	(621,425)	-	-	(339,825)	-	-	(961,250)
Accumulated amortization, end of year	-	7,364,987	16,901,552	22,319,995	19,653,545	19,783,509	62,338,546	4,138,097	-	152,500,231
Net carrying amount, end of year	$ 33,859,505	$ 6,247,755	$ 17,310,534	$ 28,393,256	$ 44,679,022	$ 59,768,310	$ 61,610,857	$ 16,184,766	$ 26,311,091	$ 294,365,096

9. Tangible capital assets (continued)

The net book value of tangible capital assets, not being amortized because they are under construction, is $19,995,725 (2024 - $26,311,091).

The Town holds various works of art and historical treasures. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

In 2025, $NIL interest (2024 - $NIL) was capitalized to tangible capital assets during the year.

10. Accumulated surplus

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

	2025	2024
Invested in tangible capital assets:		
Tangible capital assets at cost less accumulated amortization	$ 346,211,456	$ 294,365,096
Unfinanced tangible capital assets	-	(13,874,281)
Tangible capital assets finance by long-term liabilities and to be funded in future years	(4,700,089)	(5,240,438)
Total invested in tangible capital assets	341,511,367	275,250,377
Unfunded vacation and post-employment benefits	(381,009)	(278,953)
Unfunded projects	-	(1,280,679)
Unfunded asset retirement obligation	(29,451,553)	(29,451,553)
Attainable Housing Corporation	(190,717)	(190,717)
	311,488,088	244,048,475
Reserves and Reserve Funds	27,386,162	44,072,030
Accumulated surplus	338,874,250	288,120,505
Reserves:		
Working funds	(4,934,488)	767,975
Insurance, sick leave and WSIB	607,878	607,878
Current purposes	5,078,746	5,030,738
Capital purposes	747,053	739,804
	1,499,189	7,146,395
Reserve funds		
Capital purposes	25,886,973	36,925,635
	$ 27,386,162	$ 44,072,030

11. Budgets

	2025 Budget	2025 Actual	2024 Actual
Annual surplus (deficit)	$ 63,608,478	$ 50,753,745	$ 19,117,818
Amortization of tangible capital assets	10,296,618	10,296,617	9,119,943
Change in unfunded liabilities	-	102,056	1,013,573
Change in unfunded operating expenses	-	(1,280,679)	41,661
Change in other surpluses	-	-	475,680
	73,905,096	59,871,739	29,768,675
Net transfers from (to) reserves	25,721,490	16,685,868	674,201
Tangible capital asset acquisitions, disposals and write-downs	(103,345,210)	(62,142,977)	(30,030,571)
Change in unfunded capital projects	-	(13,874,281)	(259,968)
Long-term liabilities issuance	4,474,597	-	-
Long-term liabilities principal repayments	(755,973)	(540,349)	(534,690)
	-	-	(382,353)
Prior year general surplus (deficit)	-	-	382,353
Revenue	114,738,054	102,417,434	65,624,311
Expenses	51,129,576	51,663,689	46,506,493
	$ 63,608,478	$ 50,753,745	$ 19,117,818

Under Canadian public sector accounting principles, budget amounts are to be reported on the consolidated statement of operations and changes in net debt for comparative purposes. The 2025 budget amounts approved by Council have been reclassified to conform to the presentation of the consolidated statements of operations and changes in net debt. The following is a reconciliation of the budget approved by Council.

12. Other income

	2025	2024
Tax penalty and interest	$ 536,049	$ 449,656
Other fines and penalties	259,194	165,505
Investment interest	1,931,645	2,375,356
Licenses, permits and rents	835,580	464,304
Donations	79,903	75,894
Contributed tangible capital assets	26,310,664	8,685,612
(Loss) gain on disposal of tangible capital assets	(108,386)	(599,535)
Other	3,194,340	102,699
	$ 33,038,989	$ 11,719,491

13. Grants

	2025	2024
Operating:		
Province of Ontario		
Unconditional grants	$ 1,455,500	$ 1,350,300
Conditional - Roads	18,853	15,666
Conditional - Other	70,889	66,668
	1,545,242	1,432,634
Government of Canada		
Other	26,653	50,592
Other municipalities		
Conditional - Other	140,608	154,353
Total operating grants	1,712,503	1,637,579
Capital		
Province of Ontario		
Conditional - Other	1,959,896	70,040
Government of Canada		
Conditional - Other	341,479	87,657
Total capital grants	2,301,375	157,697
Total grants	$ 4,013,878	$ 1,795,276

14. Pension agreements

The municipality makes contributions to the Ontario Municipality Employees Retirement Systems Fund (OMERS), which is a multi-employer plan, on behalf of its staff. This plan is a defined benefit plan which specifies the amount of the retirement benefits to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan. The employer amount contributed to OMERS on behalf of 194 members of staff for 2025 current service was $1,518,958 (2024 - $1,310,258). The contribution rate for 2025 was 9.00% to 14.60% and 9.20% to 15.80% for firefighters depending on age and income level (2024 – 9.00% to 14.60% and 9.20% to 15.80%).

OMERS is a multi-employer plan, therefore, any pension plan 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 surplus or deficit. The last available report for the OMERS plan was December 31, 2025. At that time, the plan reported a $1.3 billion actuarial deficit (2024 - $2.9 billion actuarial deficit).

15. Trust funds

The trust funds administered by the municipality amounting to $504,302 (2024 - $479,736) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of financial activities. At December 31, 2025 the trust fund balances are as follows:

	2025	2024
Cemetery Care and Maintenance funds	$ 504,302	$ 479,736

16. Contractual commitments

a) The municipality has entered into several contracts by the end of the fiscal year. These contracts encompass areas such as major capital infrastructure projects, vehicle replacement, waste disposal, haulage and disposal of biosolids, treatment chemicals for drinking water and wastewater systems, building maintenance services and road maintenance supplies. The anticipated future payments until the completion of these contracts amount to approximately $70,666,655. Funding for these commitments will be sourced from municipal reserve funds, development charges, local improvement charges, government grants, long-term debt and taxation.

b) The Town has entered into lease agreements with various vendors for equipment for the following amounts:

2026	$ 113,570
2027	103,397
2028	106,525
2029	109,754
2030	112,983
Total	$ 546,229

17. Subdivision agreements

As part of various subdivision agreements, the Town has received letters of credit to cover developers' responsibilities in completing the projects as well as covering unpaid municipal levies. Letters of credit held by the Town at December 31, 2025 amount to $26,204,959 (2024 - $27,211,447).

18. Claims and lawsuits

From time to time, the Town is subject to claims and other lawsuits that arise in the ordinary course of business, some of which may seek damages in substantial amounts.

These claims may be covered by the Town's insurance up to a maximum of $50 million in coverage for any one occurrence and in the annual aggregate for products and completed operations during the policy period.

Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable.

19. Segmented information

The Town is a diversified municipal government institution that provides a wide range of services to its citizens such as police, fire, sewer, water, waste collection, disposal and recycling, recreational, library and planning. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

a. General government

This item relates to the revenues and expenses that relate to the governance and operation of the municipality itself and cannot be directly attributed to a specific segment.

b. Protection to persons and property services

Protection is comprised of police services, fire protection, conservation authority, emergency measures, animal control and building and structural inspection. The police services work is to ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression services, fire prevention program training and education. The members of the fire department consist of full time firefighters and volunteers. Building and By-law services provides a number of services including By-law enforcement, maintenance and enforcement of building and construction codes and review of all property development plans through its application process.

c. Transportation services

Transportation is responsible for construction and maintenance of the municipality's roadways, bridges, parking areas and streetlighting.

d. Waste management

Waste management consists of providing solid waste collection, landfill and disposal services. It also consists of environmental initiatives.

19. Segmented information (continued)

e. Water and wastewater

Water and wastewater consist of providing collection, distribution and treatment services. It also ensures the municipality’s water system meets all Provincial standards.

f. Health services

Health services include contributions to the operations of local cemeteries.

g. Recreational and cultural services

This service area provides services meant to improve the health and development of the Town’s citizens. The Town operates and maintains parks and arenas. The municipality also provides library services and recreational programs.

h. Planning and development

This department is responsible for planning and zoning, including the Official Plan. This service area also includes tourist information and promotion, business improvement area, weed control and drainage.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Amounts that are directly attributable to a number of segments have been allocated on a reasonable basis as follows:

- Taxation, payments-in-lieu, penalties and interest:
  Allocated to those segments that are funded by these amounts based on the actual for the year.

- Unconditional grants:
  Allocated to segments based on the actuals for the year.

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to the Financial Statements

For the Year Ended December 31, 2025

19. Segmented information (continued)

2025	General government	Protection services	Transportation services	Waste management	Water and wastewater	Health services	Recreation and cultural services	Planning and development	Total
Revenue									
Taxation	$ 6,167,880	$ 5,628,852	$ 4,113,055	$ 2,594,421	$ -	$ 83,620	$ 3,397,114	$ 1,801,588	$ 23,786,530
Fees and user charges	4,112,000	675,330	267,485	351,658	10,469,795	29,930	1,540,273	953,225	18,399,696
Grants	1,457,370	33,639	74,534	156,694	2,223,270	-	53,239	15,132	4,013,878
Other income	1,668,988	1,096,726	19,407,846	15,037	10,627,534	40,782	124,341	57,735	33,038,989
Obligatory reserve funds	1,674,582	425,906	9,980,718	22,430	5,903,784	-	5,170,921	-	23,178,341
	15,080,820	7,860,453	33,843,638	3,140,240	29,224,383	154,332	10,285,888	2,827,680	102,417,434
Expenses									
Salaries and benefits	4,890,226	4,476,780	2,737,305	781,896	2,538,547	45,999	3,785,461	1,995,225	21,251,439
Interest on long-term liabilities	73,440	13,534	-	22,983	25,710	-	10,262	-	145,929
Materials and supplies	713,539	378,171	1,732,668	267,462	2,062,028	21,299	900,774	146,676	6,222,617
Contracted services	2,828,615	3,355,651	830,087	2,096,816	388,809	6,260	282,615	544,799	10,333,652
Other transfers	1,294,702	628,275	-	83,409	-	25,000	-	87,141	2,118,527
Rent and financials	102,927	70,941	144,584	52,232	276,340	4,576	227,730	17,879	897,209
Accretion expense	-	-	(3,262)	389,945	15,539	(666)	(3,858)	-	397,698
Amortization of tangible capital assets	800,305	331,615	3,422,279	1,004,564	3,954,107	3,269	779,034	1,445	10,296,618
	10,703,754	9,254,967	8,863,661	4,699,307	9,261,080	105,737	5,982,018	2,793,165	51,663,689
Total annual surplus (deficit)	$ 4,377,066	$ (1,394,514)	$ 24,979,977	$ (1,559,067)	$ 19,963,303	$ 48,595	$ 4,303,870	$ 34,515	$ 50,753,745

19. Segmented information (continued)

2024	General government	Protection services	Transportation services	Waste management	Water and wastewater	Health services	Recreation and culture services	Planning and development	Total
Revenue									
Taxation	$ 5,686,836	$ 5,189,848	$ 3,792,270	$ 2,392,077	$ -	$ 77,098	$ 3,132,167	$ 1,661,080	$ 21,931,376
Fees and user charges	130,522	480,333	318,401	370,776	10,282,266	15,091	1,393,080	1,304,448	14,294,917
Grants	362,387	339,831	256,389	237,838	108,104	4,766	302,684	183,277	1,795,276
Other income	2,528,956	616,796	3,724,042	32,743	5,024,618	37,100	193,865	(438,629)	11,719,491
Obligatory reserve funds	546,913	37,311	1,796,616	4,339	13,002,790	-	495,282	-	15,883,251
	9,255,614	6,664,119	9,887,718	3,037,773	28,417,778	134,055	5,517,078	2,710,176	65,624,311
Expenses									
Salaries and benefits	4,023,800	4,355,259	2,517,960	709,601	2,304,185	47,368	3,352,185	2,065,960	19,376,318
Interest on long-term liabilities	101,059	14,365	-	35,625	30,061	-	11,604	-	192,714
Materials and supplies	712,271	609,136	1,707,914	203,433	1,976,025	20,724	872,715	141,965	6,244,183
Contracted services	2,558,804	2,788,783	644,629	2,099,677	332,509	7,334	225,380	582,588	9,239,704
Other transfers	-	293,070	-	57,200	-	25,000	-	181,709	556,979
Rent and financials	117,548	70,403	126,847	46,680	281,379	1,171	197,473	19,620	861,121
Accretion expense	-	-	2,861	890,313	18,388	584	3,385	-	915,531
Amortization of tangible capital assets	766,230	297,914	3,026,327	1,007,207	3,263,447	2,165	755,208	1,445	9,119,943
	8,279,712	8,428,930	8,026,538	5,049,736	8,205,994	104,346	5,417,950	2,993,287	46,506,493
Total annual surplus (deficit)	$ 975,902	$ (1,764,811)	$ 1,861,180	$ (2,011,963)	$ 20,211,784	$ 29,709	$ 99,128	$ (283,111)	$ 19,117,818

20. Deferred revenue

	Opening balance	Contributions received	Investment income	Revenue recognized/ Other Transfers	Ending balance
Obligatory reserve funds					
Development charges	$ 23,433,981	$ 5,784,216	$ 647,275	$ (19,402,021)	$ 10,463,451
Recreational land	474,493	172,150	18,412	-	665,055
Parking revenues	37,975	-	1,406	-	39,381
Canada Community Building Fund	858,642	307,524	39,353	-	1,205,519
Ontario Community Infrastructure Fund	3,437,626	1,934,768	32,720	(5,372,281)	32,833
	28,242,717	8,198,658	739,166	(24,774,302)	12,406,239
Other					
Grants and other	39,923	21,891,526	-	(1,507,799)	20,423,650
Short term accommodation	799,785	-	-	(113,331)	686,454
Harbour deposits	38,850	5,850	-	(7,200)	37,500
Community Services Rentals	-	129,041	-	-	129,041
Developer contributions	1,228,347	-	-	(16,758)	1,211,589
Engineering fees	238,497	-	-	(238,497)	-
Other	253,675	1,171,191	-	(977,851)	447,015
BMAHC	14,857	-	-	-	14,857
	2,613,934	23,197,608	-	(2,861,436)	22,950,106
	$ 30,856,651	$ 31,396,266	$ 739,166	$ (27,635,738)	$ 35,356,345

21. Comparative information

Certain comparative information has been reclassified from those previously presented to conform to the presentation in the current year.