Consolidated Financial Statements of

TOWN OF EAST GWILLIMBURY

And Independent Auditor's Report thereon

Year ended December 31, 2025

KPMG

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board, Council, Inhabitants and Ratepayers
of the Town of East Gwillimbury

Opinion

We have audited the consolidated financial statements of the Town of East Gwillimbury (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 change in net financial assets for the year then ended
- the consolidated statement of accumulated remeasurement gains and losses 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, its consolidated results of operations, its consolidated change in net financial assets, its consolidated accumulated remeasurement gains and losses 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.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in the Annual Report 2025.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the Annual Report 2025 as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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 purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

July 24, 2026

TOWN OF EAST GWILLIMBURY

Consolidated Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Financial Assets		
Cash	$ 30,390,017	$ 58,343,010
Investments (note 5)	110,598,335	111,602,840
Taxes receivable	12,789,206	11,131,691
User charges receivable	2,210,607	2,441,383
Accounts receivable	12,465,018	5,300,851
	168,453,183	188,819,775
Financial Liabilities		
Accounts payable and accrued liabilities	17,753,590	21,296,220
Employee and elected official future salaries and benefits payable (note 6)	2,547,348	2,257,535
Deposits and deferred revenue (note 7)	10,602,885	10,482,364
Obligatory reserve funds (note 8)	17,414,726	41,276,618
Asset retirement obligations (note 11)	1,639,570	1,570,891
	49,958,119	76,883,628
Net financial assets	118,495,064	111,936,147
Non-financial assets:		
Prepaid expenses	421,111	561,782
Tangible capital assets (note 12)	351,818,122	310,762,096
	352,239,233	311,323,878
Accumulated surplus:		
Accumulated surplus (note 17)	467,777,501	420,344,190
Accumulated remeasurement gains	2,956,796	2,915,835
Contingencies (note 15)		
	$ 470,734,297	$ 423,260,025

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Virginia Hackson
______________________ Mayor

M. Marshall
______________________ Treasurer

TOWN OF EAST GWILLIMBURY

Consolidated Statement of Operations and Accumulated Surplus

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

	2025 Budget (note 3)	2025	2024
Revenue:			
Net taxation charges (note 9)	$ 36,216,410	$ 36,758,396	$ 33,862,548
User charges	34,984,013	27,338,842	22,405,508
Charges to developers	50,175,992	31,136,424	30,594,686
Government transfers (note 10)	13,162,133	4,917,842	2,115,061
Penalties on taxes	600,000	1,400,124	1,174,069
Investment income	500,000	6,644,012	4,841,408
Contributed tangible capital assets	–	12,178,412	2,909,143
Other	255,100	921,009	1,166,784
	135,893,648	121,295,061	99,069,207
Expenses:			
General government	13,248,141	13,043,587	11,401,604
Protection to persons and property	11,925,044	11,365,961	10,790,087
Transportation services	43,281,180	12,838,899	10,432,808
Environmental services	18,893,818	20,567,020	17,492,910
Recreation and cultural services	56,622,429	14,220,551	10,999,614
Planning and development	4,837,170	1,990,177	1,911,481
	148,807,782	74,026,195	63,028,504
Annual surplus (deficit) before the undernoted	(12,914,134)	47,268,866	36,040,703
Gain on sale of tangible capital assets	–	164,445	187,750
Annual surplus (deficit)	(12,914,134)	47,433,311	36,228,453
Accumulated surplus, beginning of year	420,344,190	420,344,190	384,115,737
Accumulated surplus, end of year	$ 407,430,056	$ 467,777,501	$ 420,344,190

See accompanying notes to consolidated financial statements.

TOWN OF EAST GWILLIMBURY

Consolidated Statement of Change in Net Financial Assets

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

	2025 Budget (note 3)	2025	2024
Annual surplus (deficit)	$ (24,599,512)	$ 47,433,311	$ 36,228,453
Acquisition of tangible capital assets	11,685,378	(42,096,675)	(37,108,800)
Contributed tangible capital assets	–	(12,178,412)	(2,909,143)
Amortization of tangible capital assets	–	13,197,894	9,731,774
Proceeds from sale of tangible capital assets	–	185,612	468,091
Gain on sale of tangible capital assets	–	(164,445)	(187,750)
	(12,914,134)	6,377,285	6,222,625
Change in remeasurement gains	–	40,961	2,915,835
Change in prepaid expenses	–	140,671	(125,471)
Change in net financial assets	(12,914,134)	6,558,917	9,012,989
Net financial assets, beginning of year	111,936,147	111,936,147	102,923,158
Net financial assets, end of year	$ 99,022,013	$ 118,495,064	$ 111,936,147

See accompanying notes to consolidated financial statements.

TOWN OF EAST GWILLIMBURY

Consolidated Statement of Accumulated Remeasurement Gains and Losses

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

	2025	2024
Accumulated remeasurement gains, beginning of year	$ 2,915,835	$ –
Realized gains, reclassified to the consolidated statement of operations and accumulated surplus	(2,317,915)	–
Unrealized gains attributable to:		
Portfolio investments	2,358,876	2,915,835
Accumulated remeasurement gains, end of year	$ 2,956,796	$ 2,915,835

See accompanying notes to consolidated financial statements.

TOWN OF EAST GWILLIMBURY

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	$ 47,433,311	$ 36,228,453
Items not involving cash:		
Amortization of tangible capital assets	13,197,894	9,731,774
Accretion expense	68,679	70,916
Contributed tangible capital assets	(12,178,412)	(2,909,143)
Gain on sale of tangible capital assets	(164,445)	(187,750)
Change in non-cash operating items:		
Taxes receivable	(1,657,515)	(2,409,164)
User charges receivable	230,776	(426,804)
Accounts receivable	(7,164,167)	253,668
Accounts payable and accrued liabilities	(3,542,630)	(660,407)
Employee and elected official future salaries and benefits payable	289,813	165,313
Deposits and deferred revenue	120,521	(109,466)
Obligatory reserve funds	(23,861,892)	(13,788,499)
Prepaid expenses	140,671	(125,471)
	12,912,604	25,833,420
Capital activities:		
Proceeds from sale of tangible capital assets	185,612	468,091
Acquisition of tangible capital assets	(42,096,675)	(37,108,800)
	(41,911,063)	(36,640,709)
Investing activities:		
Disposal of short-term investments	1,045,466	25,538,000
Increase (decrease) in cash	(27,952,993)	14,730,711
Cash, beginning of year	58,343,010	43,612,299
Cash, end of year	$ 30,390,017	$ 58,343,010

See accompanying notes to consolidated financial statements.

The Town of East Gwillimbury (the "Town") is a lower-tier municipality located in York Region within the Greater Toronto Area of the Province of Ontario. It provides essential infrastructure and services to its residents, including local roads, water distribution and sewage collection, recreational facilities, libraries, emergency services, and waste collection. The Town is governed by a municipal council comprised of seven Members of Council. The Mayor is elected at large and Councillors each represent a ward of the community. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. Significant accounting policies:

(a) Management's responsibility for the consolidated financial statements:

The consolidated financial statements of the Town are the responsibility of management and have been prepared by management in accordance with Canadian public sector accounting standards as established by the Public Sector Accounting Board ("PSAB") of Chartered Professional Accountants of Canada.

(b) Basis of consolidation:

These consolidated financial statements reflect the assets, liabilities, revenue and expenses of the Town which comprises all of the organizations that are accountable for the administration of their financial affairs and resources to Council and are controlled by the Town.

The operations of the East Gwillimbury Public Library Board ("Library") have been fully consolidated in these consolidated financial statements.

All inter-organizational transactions and balances have been eliminated on consolidation.

The taxation, other revenue, expenses, assets and liabilities with respect to the School Boards and the Region of York are not reflected in the Town's consolidated financial statements except to record any resulting receivable or payable with the Town at year-end.

(c) Basis of accounting:

Revenue and expenses are reported on the accrual basis of accounting whereby revenue are recognized as they are earned and measurable. Expenses are recognized in the year goods and services are acquired and a liability is incurred or transfers are due.

1. **Significant accounting policies (continued):**

(d) Cash:

Cash includes cash on hand and balances held with financial institutions.

(e) Government transfers:

Government transfers include entitlements, transfers under shared cost agreements and grants. Government transfers are recognized in the consolidated financial statements as revenue in the year in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the consolidated statement of operations and accumulated surplus as the stipulation liabilities are settled.

(f) Financial instruments:

PS 3450 Financial Instrument establishes standards on how to account for and report all types of financial instruments including derivatives. Financial instruments include primary instruments (such as receivables, payables, and equity instruments) and derivative financial instruments (such as financial options, futures and forwards, interest rate swaps and currency swaps). The Town's investments in Principal Protected Notes ("PPN") meet the requirements of a financial instrument that has an embedded derivative included in the financial instrument. The standards allow for the financial instruments that contain one or more embedded derivatives; the Town may designate the entire hybrid (combined) instrument carried at fair value. This designation is irrevocable. The Town has made an election for the PPN to report the combined instrument at fair value. Any unrealized gains and losses are reported through a new statement called statement of accumulated remeasurement gains and losses. Unrealized gains and losses are realized upon settlement of the financial instrument when the financial instrument is sold or reaches maturity.

1. **Significant accounting policies (continued):**

(g) Employee future benefits:

Employee future benefits include health and basic dental coverage that the Town pays on behalf of its current and retired employees. The Town records these future benefits as they are earned during the employee's tenure of service. The Town also estimates future benefits relating to accumulated vacation and overtime as they are earned but not yet paid.

The present value of the cost of providing employees with future benefit programs is expensed as employees earn these entitlements through service. The cost of the benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected health care and dental costs. Vacation entitlements and banked overtime are accrued for as entitlements are earned.

(h) Non-financial assets:

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.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributed to acquisition, construction, development or betterment of the asset. The cost, less residual value of the tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

Transportation infrastructure	5 - 75 years
Environmental infrastructure	15 - 75 years
Facilities	20 - 100 years
Vehicles	5 - 15 years
Machinery and equipment	3 - 25 years
Land improvements	15 - 50 years

Amortization is pro-rated to six months in the year of acquisition and in the year of disposal. Capital work in progress is not amortized until the asset is available for productive use.

1. Significant accounting policies (continued):

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt when fair value can be reasonably estimated. Tangible capital assets conveyed from developers are recorded at the estimated engineering value at the time of title transfer and as approved by Council.

(i) Leases:

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefit and risks incidental to the ownership of property is classified as a capital lease.

All other leases are accounted for as operating leases wherein rental payments are expensed on a straight-line basis.

(j) Deferred revenue - obligatory reserve funds:

Deferred revenue represents user charges and fees which have been collected but for which the related services have yet to be performed. These accounts will be recognized as revenue in the fiscal year the services are performed. The Town receives development charges, parkland, Canada Community Building, Ontario Municipal Partnership, main street revitalization, cannabis legalization and technology modernization funding under the authority of provincial and federal legislation and Town by-laws. These funds, by their nature, are restricted in their use and, until applied to specific capital works, are recorded as deferred revenue.

(k) Investment income:

Investment income is reported as revenue in the year earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the deferred revenue balance.

1. Significant accounting policies (continued):

(l) Budget figures:

The budgets originally approved by the Town for 2025, adjusted as noted below, are reflected on the consolidated statement of operations and accumulated surplus and the consolidated statement of change in net financial assets.

- Amounts for the cost of contributed tangible capital assets and the related revenue have been added and are based on actual amounts, as neither the cost of the contributed tangible capital assets nor the revenue was included in the original Council approved budget.

- Amounts included in the original Council approved capital budget which are not recognized as tangible capital assets are included in consolidated statement of operations and accumulated surplus under the appropriate functional expense category, while those recognized as tangible capital assets are included in the consolidated statement of change in net financial assets.

Budget figures have been restated for purposes of these consolidated financial statements to comply with PSAB reporting requirements and are not audited.

(m) Pension plan:

The Town is an employer member of the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Town has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. The Town records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the plan for past employee service.

1. Significant accounting policies (continued):

(n) 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. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts. 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.

Conditional grant revenue is recognized to the extent the conditions on it have been fulfilled. Unconditional grant revenue is recognized when the funds have been received.

Developer credit agreements relating to assets transferred to the Town are recognized as revenue as the related developer credits are owed on associated building permits.

Charges for sewer and water usage are recorded as user fees. Connection fee revenue is recognized when the connection has been established. User fees and other revenue are reported on accrual basis.

Where there is no exchange of service, such as fines and penalties, the Town records revenue at the time of the transaction.

Where there is an exchange of services, the Town records revenue when the performance obligation is satisfied. Performance obligation can be satisfied immediately, such as with water and sewer user fees, licenses and sale, or over time, such as building permits and recreation user fees.

(o) Development charge credit liabilities:

Development charge credit liabilities arise from contractual obligations with developers and are recorded at the time the asset is assumed by the Town. The liability is reduced by annual payments made to the developer based on the proportionate share of development charge receipts for the applicable service component received in the year.

1. **Significant accounting policies (continued):**

(p) Asset retirement obligations:

An asset retirement obligations should be recognized when, as at the financial reporting date, all the following criteria are met:

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

A liability has been recognized for the removal of asbestos in multiple buildings owned by the Town, based on estimated future expenses on closure of the site.

The liability is discounted using a present value technique and is adjusted annually for accretion expense. The recognition of a liability resulted in an increase to the respective tangible capital assets. This increase is being amortized in accordance with the amortization accounting policies outlined above in (h).

The carrying value of the liability is reconsidered at each financial reporting date with changes to the timing or amount of original estimate of cash flows recorded as an adjustment to the asset retirement obligation and tangible capital assets. Actual costs incurred are charged against the asset retirement obligation to the extent of the liability recorded. Differences between the actual costs incurred and the liability recognized in the consolidated statement of operations and accumulated surplus when remediation is complete.

1. Significant accounting policies (continued):

(q) Use of estimates:

The preparation of these consolidated financial statements in conformity with PSAB requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures 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. The principal estimates used in the preparation of these consolidated financial statements include allowance for doubtful accounts, the useful life and valuation of tangible capital assets, contingent liabilities, employee future benefits, taxes receivable, accrued liabilities, the fair value of contributed tangible assets, and asset retirement obligations.

Actual results could differ from those estimates as additional information becomes available in the future.

2. Future accounting pronouncements:

These standards and amendments were not yet effective for the year ended December 31, 2025, and have therefore not been applied in preparing these consolidated financial statements. Management is currently assessing the impact of these standards on the future consolidated financial statements.

(a) The conceptual framework for financial reporting in the public sector was revised and 2024-2025 Annual Improvements to Public Sector Accounting Standards ("PSAS") were issued. The PSAB approved amendments providing terminology updates to align various sections of the PSAS Handbook with PSAB's Conceptual Framework and Reporting Model. These revisions and amendments are effective for fiscal years beginning on or after April 1, 2026 (the Town's December 31, 2027 year end).

(b) PS 1202, Financial Statement Presentation, will replace the current section PS 1201. This guideline is effective for fiscal years beginning on or after April 1, 2026 (the Town's December 31, 2027 year end).

(c) PS 3251, Employee Benefits, will replace the current sections PS 3250 and PS 3255. The proposed section is currently pending final approval, with an expected effective date of April 1, 2029 (the Town's December 31, 2030 year end).

2. Future accounting pronouncements (continued):

(d) PS 3150, Tangible Capital Assets. The PSAB has issued amendments related to PS 3150 in May 2025 as a result of implementing its Government Not-for-Profit Strategy, which incorporates the PS 4200 series into public sector accounting standards with potential customization. The amendments to this section are effective for fiscal periods beginning on or after April 1, 2030 (the Town's December 31, 2031 year end).

(e) PS 3155, Intangible Assets, will replace the current section PSG-8, Purchased Intangibles. The proposed section is currently pending final approval and an effective date for the proposed standard is currently not known.

3. Budget reconciliation:

The authority of Council is required before monies can be spent by the Town. Approvals are given in the form of an annual budget. The budget approved by Council differs from the budget in the consolidated statement of operations and accumulated surplus. The difference is due primarily to the capitalization of tangible capital assets. A supplementary capital budget was approved subsequent to the initial budget approval. The budget has also been adjusted to account for material changes due to PSAB reporting requirements.

	Revenue	Expenses
Operating fund and capital budget	$ 135,893,648	$ 135,893,656
Transfer to/from other funds	–	24,599,504
Total Council approved budget	135,893,648	160,493,160
Less acquisition of tangible capital assets	–	(11,685,378)
Adjusted budget per consolidated statement of operations and accumulated surplus	$ 135,893,648	$ 148,807,782

4. Financial instruments:

All financial instruments must be classified in accordance with the significance of the inputs used in making fair value measurements. The fair value hierarchy prioritizes the valuation techniques used to determine the fair value of a financial instrument based on whether the inputs to those techniques are observable or unobservable:

- Level 1: when valuation can be based on quoted prices in active markets for identical assets and liabilities;

- Level 2: when they are valued using quoted prices for similar assets and liabilities, quoted prices in markets that are not active, or models using inputs that are observable; and

- Level 3: when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

Fair value inputs are taken from observable markets where possible, but if they are unavailable, judgement is required in establishing fair value. The Town's fair value hierarchy is classified as Level 2 for PPN. The classification for disclosure purposes has been determined in accordance with generally accepted pricing models, based on discounted cash flow analysis, with the most significant inputs being the contractual terms of the instrument and the market discount rates that reflect the credit risk of counterparties. All other financial instruments are classified as Level 1.

The carrying amount of cash, investments, taxes receivable, accounts receivable, customer deposits, accounts payable and accrued liabilities, employee future benefits liabilities, long-term liabilities, and contract holdbacks approximate their fair value due to the short-term maturity of these financial instruments.

4. Financial instruments (continued):

The carrying value and fair value of the Town's other financial instruments are as follows:

	2025		2024	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Level 1:				
Guaranteed investment certificates	$ 44,652,505	$ 44,652,505	$ 43,335,005	$ 43,335,005
Level 2:				
Principle protected notes	62,989,034	65,945,830	65,352,000	68,267,835
	$ 107,641,539	$ 110,598,335	$ 108,687,005	$ 111,602,840

The Town may be exposed to a variety of financial risks including credit risk, liquidity risk and market risk:

(a) Credit risk:

Credit risk is the risk of a financial loss to the Town if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Town consisting of cash, accounts receivable, and investments.

The Town's credit risk is primarily attributable to its receivables. The amounts disclosed in the consolidated statement of financial position are net of an allowance for doubtful accounts, estimated by management of the Town.

The Town does not have any significant past due accounts receivable that are not provided for. The Town actively monitors accounts receivable and has the right to enforce payment as per the contract.

4. Financial instruments (continued):

The credit risk on cash and investments is limited because the counterparties are chartered banks and financial institutions with high credit ratings assigned by national credit rating agencies. The Town's investment policy contains strict guidelines regarding the types of low-risk investments that are permitted, and the investments are managed by an investment manager to mitigate risk.

(b) Liquidity risk:

Liquidity risk is the risk that the Town will not be able to meet its financial obligations as they become due. The Town's objective is to have sufficient liquidity to ensure current and future obligations will be met when due. The Town monitors its cash balance and cash flows generated from operations to meet its liquidity requirements.

(c) Market risk:

Market risk is comprised of three types of risk: interest rate risk, currency risk and price risk.

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Town limits its exposure to interest rate risk by investing in fixed income guaranteed investment certificates. As of December 31, 2025, the Town did not hold financial assets or liabilities that expose it to significant variation in cash flow due to fluctuations in interest rates.

Currency risk is the risk that the value of financial assets and liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates. The Town is not exposed to any significant currency risk due to limited foreign currency transactions.

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 currency risk). The Town mitigates price risk by maintaining low-risk bearing investments that are assigned high credit ratings by national credit rating agencies.

5. Investments:

		2025		2024
Guaranteed investment certificates, interest rate between 1.65% and 4.25% (2024 - 1.65% and 4.25%)	$	44,652,505	$	43,335,005
Maturing by:				
March 2025	$	–	$	15,518,500
March 2026		17,521,505		17,521,505
October 2027		5,000,000		5,000,000
April 2028		5,295,000		5,295,000
July 2029		5,918,000		–
July 2030		5,918,000		–
March 2035		5,000,000		–

		2025		2024
Principle protected notes, interest rate between 3.45% and 6.90% (2024 - 2.40% and 6.90%)	$	65,945,830	$	68,267,835
Maturing by:				
December 2026		59,035		–
March 2027		–		14,825,700
July 2027		5,875,526		–
July 2028		5,999,727		–
August 2029		5,039,250		–
November 2030		–		11,950,000
June 2031		6,119,067		11,311,630
August 2031		–		10,062,400
October 2031		5,438,950		4,793,400
March 2032		5,305,000		–
July 2032		5,918,000		–
August 2032		5,153,000		–
December 2033		5,821,100		5,504,450
August 2035		5,068,000		–
July 2039		10,149,175		9,820,255

6. Employee and elected official future salaries and benefits payable:

The Town provides certain employee and elected official benefits that will require funding in future periods. The Town pays certain health and dental benefits to the age of 65 on behalf of those retired employees that were employed by the Town for 25 years or more. The liability recorded by the Town has been determined by an actuarial study completed in 2024 which covers the period from 2024 to 2026.

The Town recognizes the cost of its post retirement non-pension benefit costs and vacation entitlement obligations, in the period in which the employee rendered the services.

The Town has a pay for performance program for senior management that is paid in the subsequent fiscal period based on an evaluation of accomplishments for the fiscal year. The cost of the pay for performance program is recognized in the period in which the employee rendered the services.

The Town also pays severance to elected officials based on length of continuous service to a maximum of six months remuneration. Severance cost obligations for elected officials are recognized in the period in which the elected official rendered the services.

	2025	2024
Vacation pay and banked overtime	$ 1,414,747	$ 1,234,789
Council severance	164,916	148,487
Accrued post retirement non-pension benefits	898,978	819,528
Pay for performance program	68,707	54,731
Total employee future benefits payable	$ 2,547,348	$ 2,257,535

As recommended by PSAB, the projected benefit method pro-rated on services has been adopted to attribute the cost of non-pension retirement benefits to the periods of employee service.

Under this method, the present value of all fiscal 2025 and later costs (premiums) to be paid by the Town for each active and retired employee for non-pension retirement benefits, as at December 31, 2025, are pro-rated. They are pro-rated over the employee's service from the date of employment to the date the employee first becomes eligible to receive the benefit.

6. **Employee and elected official future salaries and benefits payable (continued):**

(a) General inflation:

Future general inflation levels were assumed to increase at 2.00% (2024 - 2.00%) per year.

(b) Interest (discount) rate:

The present value of the post employment benefit liability was determined using a discount rate of 4.50% (2024 - 4.50%).

(c) Health costs:

Health costs were assumed to increase at an average of 5.67% (2024 - 6.00%) for 2025 reducing by 0.3333% per year to reach 4% per year starting in 2030 and 3.75% per year thereafter.

(d) Dental costs:

Dental costs were assumed to increase at an average of 4.10% (2024 - 4.00%) per year, set at consumer price index plus 2.00%.

7. **Deposits and deferred revenue:**

The Town has total deposits and deferred revenue of $10,602,885 (2024 - $10,482,364). Deferred revenue represents $7,563,523 (2024 - $7,358,265) with the balance being held as deposits. Deferred revenue is comprised of contributions made to the Town for various purposes. The balances in the deferred revenue of the Town are summarized below:

	2025	2024
Balance, beginning of year	$ 7,358,265	$ 7,346,756
Contributions received	2,283,624	2,104,793
Amounts recognized as revenue	(2,078,366)	(2,093,284)
Balance, end of year	$ 7,563,523	$ 7,358,265

8. Obligatory reserve funds:

The balances in the obligatory reserve funds of the Town are summarized below:

	2025	2024
Development charges, opening balance	$ 32,168,164	$ 47,226,317
Add:		
Developer contributions	5,153,965	13,458,383
Interest earned	1,094,562	1,765,375
Deduct:		
Amounts used for eligible capital projects	(29,511,383)	(29,810,248)
Credit issued	(2,816,342)	(471,663)
Development charges, ending balance	$ 6,088,966	$ 32,168,164
Parkland, opening balance	$ 2,855,265	$ 2,091,502
Add:		
Developer contributions	755,970	653,733
Interest earned	191,764	110,030
Parkland, ending balance	$ 3,802,999	$ 2,855,265
Canada Community Building Fund, opening balance	$ 5,078,519	$ 4,718,765
Add:		
Allocation received	1,134,366	1,100,845
Interest earned	167,175	236,486
Deduct:		
Amounts used for eligible capital projects	(523,258)	(977,577)
Canada Community Building Fund, ending balance	$ 5,856,802	$ 5,078,519
Ontario Community Infrastructure Fund, opening balance	$ 1,156,707	$ 907,186
Add:		
Allocation received	975,665	848,404
Interest earned	42,901	49,819
Deduct:		
Amounts used for eligible capital projects	(525,714)	(648,702)
Ontario Community Infrastructure Fund, ending balance	$ 1,649,559	$ 1,156,707

8. Obligatory reserve funds (continued):

Technology Modernization Fund, opening balance	$ 17,963	$ 121,347
Add:		
Interest earned	525	3,362
Deduct:		
Amounts used for eligible capital projects	(2,088)	(106,746)
Technology Modernization Fund, ending balance	$ 16,400	$ 17,963
Total obligatory reserve funds	$ 17,414,726	$ 41,276,618

9. Net taxation charges:

Net taxation charges consist of the following:

	2025	2024
Total taxes levied by the Town	$ 94,734,646	$ 89,287,501
Less:		
Taxes levied on behalf of the Region of York	38,012,567	35,794,049
Taxes levied on behalf of the School Boards	19,963,683	19,630,904
	57,976,250	55,424,953
	$ 36,758,396	$ 33,862,548

10. Government transfers:

Government transfers include monetary transfers based on cost-sharing agreements between the three levels of government. Some funds are transferred when the Town provides evidence that the qualifying expenses have been incurred. The Town also receives government transfers once certain criteria have been met or with the stipulation that the funds are used for specific programs or expenses (entitlements with stipulations). Any transfers received where the transfer stipulations have not been met by year-end are recorded as deferred revenue (see notes 7 and 8). Grants are also received to support specific program areas such as recreation programs, etc.

10. Government transfers (continued):

The following kinds of transfers were included in revenue:

	2025	2024
Grants with stipulations	$ 4,797,604	$ 2,054,591
Other grants	120,238	60,470
Total government transfers	$ 4,917,842	$ 2,115,061

11. Asset retirement obligations:

The Town owns and operates multiple buildings that are assumed to have asbestos based off criteria, such as building age and condition, which represents a health hazard upon demolition of the building and has a legal obligation to be removed. With the adoption of PS 3280, the Town recognized obligations relating to liability related to the removal of the asbestos in these buildings as estimated at January 1, 2023. A liability relating to the costs at present value has been recorded using a discount factor of 3.50% per annum. The corresponding expense is recorded in recreation and cultural services.

Changes to the asset retirement obligation in the year:

	Asbestos removal	
Asset retirement obligation	2025	2024
Opening balance, January 1	$ 1,570,891	$ 1,499,975
Accretion expense	68,679	70,916
Closing balance, December 31	$ 1,639,570	$ 1,570,891

12. Tangible capital assets:

	Balance, December 31, 2024	Additions/ transfers	Disposals	Balance, December 31, 2025
Cost				
Transportation infrastructure	$ 85,904,217	$ 7,030,233	$ –	$ 92,934,450
Environmental infrastructure	143,969,232	8,329,981	–	152,299,213
Facilities	48,275,796	88,945,153	–	137,220,949
Vehicles	12,069,201	915,052	(657,971)	12,326,282
Machinery and equipment	9,256,099	1,561,326	(200,872)	10,616,553
Land improvements	22,692,448	2,833,906	–	25,526,354
Land	68,793,062	–	–	68,793,062
	390,960,055	109,615,651	(858,843)	499,716,863
Capital work in progress	69,237,016	39,797,525	(95,138,092)	13,896,449
	$ 460,197,071	$ 149,413,176	$ (95,996,935)	$ 513,613,312

	Balance, December 31, 2024	Additions	Disposals	Balance, December 31, 2025
Accumulated amortization				
Transportation infrastructure	$ 48,415,956	$ 4,032,363	$ –	$ 52,448,319
Environmental infrastructure	62,363,365	4,415,931	–	66,779,296
Facilities	15,956,140	2,136,587	–	18,092,727
Vehicles	6,999,012	970,299	(392,448)	7,576,863
Machinery and equipment	6,082,185	706,021	(432,625)	6,355,581
Land improvements	9,618,317	936,693	(12,606)	10,542,404
	$ 149,434,975	$ 13,197,894	$ (837,679)	$ 161,795,190

	Net book value, December 31, 2024	Net book value, December 31, 2025
Transportation infrastructure	$ 37,488,261	$ 40,486,131
Environmental infrastructure	81,605,867	85,519,917
Facilities	32,319,656	119,128,222
Vehicles	5,070,189	4,749,419
Machinery and equipment	3,173,914	4,260,972
Land improvements	13,074,131	14,983,950
Land	68,793,062	68,793,062
	241,525,080	337,921,673
Capital work in progress	69,237,016	13,896,449
	$ 310,762,096	$ 351,818,122

12. Tangible capital assets (continued):

Contributed assets, excluding land, are recorded at the time the Town assumes responsibility for the maintenance of the municipal services such as roads, sidewalks, and storm sewers.

Assets under construction:

Assets under construction and other capital work in progress having a value of $13,896,449 (2024 - $69,237,016) have not been amortized. Amortization of these assets will commence when the asset is put into service.

13. Contractual obligations:

During the year, the Town had work done on several major projects with contract values totaling $145,482,839 (2024 - $111,552,339). These contracts relate to the construction and expansion of certain permanent facilities that were to be constructed in 2024 or later periods. As at December 31, 2025, $53,563,110 (2024 - $47,734,804) relating to these contracts had not been expended.

14. Pension plan:

The Town makes contributions to OMERS, which is a multi-employer pension plan, on behalf of full-time members of staff. The plan is a defined benefit plan, which specifies that amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. OMERS provides pension services to more than 500,000 active and retired members and approximately 1,000 employees.

Each year an independent actuary determines the status of OMERS Primary Pension Plan (the "Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2025. The results of this valuation disclosed total actuarial liabilities of $151.3 billion in respect of benefits accrued for service with actuarial assets at that date of $150.0 billion indicating an actuarial deficit of $1.3 billion. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Town does not recognize any share of the OMERS pension surplus or deficit. Matching contributions made by the Town to OMERS for 2025 were $2,571,259 (2024 - $2,161,536).

15. Contingencies:

The Town is subject to various legal claims arising in the normal course of its operations. The ultimate outcome of these claims cannot be determined at this time; however, the Town's management believes that the ultimate resolution of these matters will not have a material adverse effect on its consolidated financial position.

16. Insurance coverage:

Effective January 1, 2021, the Town retained the services of Marsh Canada Limited to provide insurance and risk management services. The current policies provides a $25,000 deductible limit per incident, except for auto which provides a $10,000 deductible limit per incident.

17. Accumulated surplus:

Accumulated surplus is comprised of the following:

	2025	2024
Town reserves		
Corporate/operating:		
General capital	$ 5,718,594	$ 5,702,043
Tax stabilization	3,156,619	3,299,747
Building faster fund	746,820	–
COVID operating grant	578,002	569,940
	10,200,035	9,571,730
Program specific:		
Legal administration	1,356,544	1,280,592
Insurance	760,831	699,153
Winter maintenance	648,427	613,035
Emergency services	524,269	512,398
Election	470,863	248,316
Public art	187,129	176,750
Climate change initiatives	175,235	165,424
Library fundraising	166,639	172,082
Library operating	158,455	151,642
Farmers market	10,699	10,100
	4,459,091	4,029,492

TOWN OF EAST GWILLIMBURY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

17. Accumulated surplus (continued):

	2025	2024
Development specific:		
Building code enforcement	15,431,204	16,192,440
Development engineering	3,834,041	3,822,346
Planning	433,486	(301,201)
Fill and site alteration	89,606	51,440
Parks development	(424,820)	(469,121)
	19,363,517	19,295,904
Asset management:		
Facilities	10,502,922	10,419,983
Roads infrastructure	8,411,270	9,092,197
Vehicle and equipment replacement - tax levy	4,711,069	4,213,083
Information technology	1,859,963	1,928,902
Tree planting and protection	1,499,291	1,556,721
Parks structure	1,130,195	665,750
Library asset replacement	806,175	707,731
Municipal parking	261,146	246,628
Public works roads	196,032	185,056
	29,378,063	29,016,051
Community capital contribution:		
Administration facilities	5,509,627	5,092,608
Parkland acquisition	4,404,638	4,079,455
Ineligible due to level of service	3,180,838	2,959,362
Art and culture heritage	1,946,646	1,813,948
Economic development initiatives and servicing	1,586,481	1,460,334
Environment and watershed enhancement	792,181	751,347
10% mandatory development credit reduction	(15,390)	773,345
	17,405,021	16,930,399
Water and wastewater		
Stabilization:		
Water and sewer rate stabilization	3,241,658	3,060,160
Asset management:		
Infrastructure - water and sewer	35,013,702	30,815,956
Vehicle and equipment replacement - water and sewer	404,313	299,349
Rate supported - water and sewer	25,072	23,726
	35,443,087	31,139,031

17. Accumulated surplus (continued):

	2025	2024
Total reserves before the undernoted	119,490,472	113,042,767
Supplementary taxes - unbilled	117,322	56,775
Total reserves	119,607,794	113,099,542
Advanced capital projects to be reimbursed by development charges	(2,008,845)	(1,946,557)
Invested in tangible capital assets	351,818,122	310,762,096
Asset retirement obligation	(1,639,570)	(1,570,891)
Accumulated surplus	$ 467,777,501	$ 420,344,190

18. Segmented information:

The Town provides a range of services to its citizens. For management reporting and stewardship purposes, all operations are organized and reported by the services they supply.

Town services are provided by departments and their activities are reported. The following departments have been separately disclosed in the segmented information, along with a description of their services. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 1.

(a) General government:

All support staff and services are included here such as Town Council, the Office of the CAO, Clerks, and Finance.

(b) Protection to persons and property:

Protection is comprised of emergency services, By-law enforcement and Building Code enforcement. These departments are responsible for maintaining and enhancing public safety through emergency management planning, prevention and public education programs, enforcement and emergency response.

TOWN OF EAST GWILLIMBURY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

18. Segmented information (continued):

	Consolidated 2025	Consolidated 2024	General government 2025	General government 2024	Protection to persons and property 2025	Protection to persons and property 2024	Transportation services 2025	Transportation services 2024	Environmental services 2025	Environmental services 2024	Recreation and cultural services 2025	Recreation and cultural services 2024	Planning and development 2025	Planning and development 2024
Revenue:														
Net taxation charges	$ 36,758,396	$ 33,862,548	$ 36,758,396	$ 33,862,548	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
User charges	27,338,842	22,405,508	353,887	211,739	1,622,534	1,908,663	3,359,391	1,423,440	17,921,351	15,974,348	2,376,195	2,049,481	1,705,484	837,837
Charges to developers	31,136,424	30,594,686	535,158	472,950	46,308	14,962	1,237,786	571,833	20,011	137,359	29,040,346	29,207,132	256,815	190,450
Grants	4,917,842	2,115,061	115,501	129,026	784,785	2,509	3,674,572	1,700,261	192,839	175,356	107,145	73,316	43,000	34,593
Penalties on taxes	1,400,124	1,174,069	1,400,124	1,174,069	–	–	–	–	–	–	–	–	–	–
Investment income	6,644,012	4,841,408	6,635,852	4,834,858	–	–	–	–	–	–	8,160	6,550	–	–
Contributed tangible capital assets	12,178,412	2,909,143	12,178,412	2,909,143	–	–	–	–	–	–	–	–	–	–
Sale of assets	178,009	513,376	(31,611)	481,909	57,410	2,456	102,163	11,425	6,000	11,931	44,047	5,655	–	–
Other	743,000	653,408	299,825	67,363	72,887	144,659	34,182	27,876	172,985	326,876	163,121	86,634	–	–
	$ 121,295,061	$ 99,069,207	$ 58,245,544	$ 44,143,605	$ 2,583,924	$ 2,073,249	$ 8,408,094	$ 3,734,835	$ 18,313,186	$ 16,625,870	$ 31,739,014	$ 31,428,768	$ 2,005,299	$ 1,062,880
Expenses:														
Salaries and wages	$ 33,681,389	$ 30,232,420	$ 7,208,296	$ 6,212,461	$ 8,991,306	$ 8,373,909	$ 4,293,311	$ 4,066,443	$ 3,587,846	$ 3,248,626	$ 8,029,487	$ 6,844,190	$ 1,571,143	$ 1,486,791
Materials	6,766,885	4,808,620	1,572,184	1,199,206	477,915	516,797	1,396,461	948,720	462,492	408,853	2,843,607	1,628,868	14,226	106,176
Contracted services	20,119,524	17,986,430	3,364,638	3,079,142	1,144,821	1,107,754	2,637,974	2,280,756	12,026,060	10,411,668	546,290	788,596	399,741	318,514
Rents and financial	191,824	198,344	44,342	42,399	–	–	–	–	–	–	147,482	155,945	–	–
Amortization	13,197,894	9,731,774	854,127	868,396	751,919	791,627	4,511,153	3,136,889	4,490,622	3,423,763	2,585,006	1,511,099	5,067	–
Accretion	68,679	70,916	–	–	–	–	–	–	–	–	68,679	70,916	–	–
	$ 74,026,195	$ 63,028,504	$ 13,043,587	$ 11,401,604	$ 11,365,961	$ 10,790,087	$ 12,838,899	$ 10,432,808	$ 20,567,020	$ 17,492,910	$ 14,220,551	$ 10,999,614	$ 1,990,177	$ 1,911,481
Annual surplus (deficit) before gain of tangible capital assets	$ 47,268,866	$ 36,040,703	$ 45,201,957	$ 32,742,001	$ (8,782,037)	$ (8,716,838)	$ (4,430,805)	$ (6,697,973)	$ (2,253,834)	$ (867,040)	$ 17,518,463	$ 20,429,154	$ 15,122	$ (848,601)
Gain on sale of tangible capital assets	$ 164,445	$ 187,750	$ 164,445	$ 187,750	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Annual surplus (deficit)	$ 47,433,311	$ 36,228,453	$ 45,366,402	$ 32,929,751	$ (8,782,037)	$ (8,716,838)	$ (4,430,805)	$ (6,697,973)	$ (2,253,834)	$ (867,040)	$ 17,518,463	$ 20,429,154	$ 15,122	$ (848,601)