The Corporation of
The City of Sarnia

Financial Statements
For the Year Ended December 31, 2025

SARNIA SEMPER

SARNIA
ONTARIO

FINANCIAL STATEMENTS
2025

THE CORPORATION OF THE CITY OF SARNIA

2025

CITY COUNCIL

Mayor	**Mike Bradley**
Councillors	**Dave Boushy**
	Terry Burrell
	Bill Dennis
	Anne Marie Gillis
	Adam Kilner
	Chrissy McRoberts
	George Vandenberg
	Brian White

CITY ADMINISTRATION

Chief Administrative Officer	Chris Carter
General Manager, Corporate Services	David Stockdale
General Manager, Community Services	Adam MacDonald
General Manager, Engineering & Operations	David Jackson
Fire Chief	Jeff Weber
Chief of Police	Derek Davis

POLICE SERVICE BOARD

Chairperson	Kelly Ash
Vice Chairperson	Anne Marie Gillis
Councillors	Chrissy McRoberts
	Jerry Bernardo
	Carrie McEachran
Secretary	Joan Knight

SARNIA POWER CORPORATION

Chairperson	Garry McDonald
Vice Chairperson	Margaret Dragan
Director	Dr. Katherine Albion
	Sandy Marshall
	Douglas A. Sulman

AUDITORS

BDO Canada LLP

CONTENTS

Management's Statement of Responsibility for Financial Reporting

Management of The Corporation of The City of Sarnia is responsible for the preparation, presentation and integrity of the accompanying consolidated financial statements. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the judgments and estimates necessary to prepare the consolidated financial statements in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Management is also responsible for providing reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced. Management is required to design a system of internal controls to achieve these responsibilities and to ensure the proper authorization of transactions and the integrity of the financial data. BDO Canada LLP, whose report follows, were appointed as independent auditors by City Council to audit the consolidated financial statements.

City Council is responsible for determining that management fulfills its responsibilities in the preparation of the consolidated financial statements and the financial control of operations. These consolidated financial statements are approved by City Council.

Sarnia, Ontario, Canada

May 25, 2026

Chris Carter, Chief Administrative Officer

David Stockdale, General Manager, Corporate Services

Kristen McGill

Kristen McGill, Treasurer

Tel: 519 944-6993
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Windsor, ON N8W 5A4
Canada

Independent Auditor's Report

To the Members of Council of the Corporation of the City of Sarnia

Opinion

We have audited the consolidated financial statements of the Corporation of the City of Sarnia (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the City of Sarnia as at December 31, 2025, and its consolidated results of operations, its consolidated change in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Municipality’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Municipality’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Municipality 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.

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

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Windsor, Ontario
July 22, 2026

Financial Statements
Consolidated Statement of Financial Position
As at December 31, 2025

	2025	2024
FINANCIAL ASSETS		
Cash and investments (note 4)	**$ 124,102,947**	$ 124,878,489
Taxes receivable	**4,867,298**	4,124,899
Accounts receivable	**29,198,692**	30,461,085
Long-term receivables (note 5)	**736,527**	873,743
Investment in Sarnia Power Corporation (note 6)	**84,069,205**	79,284,665
Total financial assets	**242,974,669**	239,622,881
LIABILITIES		
Accounts payable and accrued liabilities	**24,405,630**	21,623,020
Other deferred revenues	**12,250,313**	11,355,778
Deferred revenue (note 7)	**25,884,820**	27,882,365
Long-term liabilities (note 8)	**98,554**	1,043,943
Asset retirement obligation (note 22)	**2,562,441**	2,437,866
Employee future benefits (note 9)	**38,125,735**	38,557,374
Accrued tax liabilities (note 11)	**(181,732)**	71,052
Total liabilities	**103,145,761**	102,971,398
NET FINANCIAL ASSETS	**139,828,908**	136,651,483
NON-FINANCIAL ASSETS		
Tangible capital assets (note 12)	**686,421,762**	656,462,102
Inventory	**899,993**	934,251
Prepaid expenses	**1,855,137**	867,526
Land held for sale	**4,167,178**	4,331,043
Total non-financial assets	**693,344,070**	662,594,922
Accumulated Surplus (note 13)	**$ 833,172,978**	$ 799,246,405

Approved on behalf of City Council

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The accompanying notes are an integral part of this financial statement.

THE CORPORATION OF THE CITY OF SARNIA

Financial Statements
Consolidated Statement of Operations
For the year ended December 31, 2025

	2025 Budget (note 16)	2025	2024
REVENUE			
Property taxation (note 11)	$ 96,526,606	$ 97,128,786	$ 93,575,006
User fees and service charges	57,793,331	60,536,345	59,604,766
User fees and service charges - other municipalities	3,893,073	6,183,717	3,704,394
Government transfers - operating (note 17)	5,307,597	6,025,737	5,852,351
Investment income	8,819,422	8,306,297	10,594,000
Penalties and interest on taxes	450,000	814,971	727,972
Gaming and casino revenues	400,000	370,729	407,128
Other	658,075	1,779,431	2,106,733
Total revenue	173,848,104	181,146,013	176,572,350
EXPENSES			
General government	16,609,078	14,865,255	15,810,586
Protection services	70,984,043	70,683,975	64,262,171
Transportation services	28,022,130	29,030,290	27,152,029
Health services	80,000	80,000	80,000
Environmental services	39,974,561	41,293,160	39,919,737
Social and family services	466,009	635,642	496,874
Recreation and cultural services	14,476,434	17,858,949	15,186,774
Planning and development	2,217,351	2,496,554	3,643,131
Non-functionalized unfunded liabilities	(691,900)	(691,900)	(650,300)
Total expenses	172,137,706	176,251,925	165,901,002
Net revenue	1,710,398	4,894,088	10,671,348
OTHER REVENUE/(EXPENSES)			
Government transfers - capital (note 17)	-	19,366,943	13,688,158
Contributions - Developers	-	2,455,746	2,681,430
Contribution of tangible capital assets	-	3,099,834	38,201
Share of LAWSS (decrease) increase	-	(674,578)	33,367
Sarnia Power Corporation, net change in equity	-	4,784,540	2,312,251
	-	29,032,485	18,753,407
Annual Surplus	$ 1,710,398	$ 33,926,573	$ 29,424,755
Accumulated Surplus, Beginning of Year		799,246,405	769,821,650
Accumulated Surplus, End of Year		$833,172,978	$799,246,405

The accompanying notes are an integral part of this financial statement.

THE CORPORATION OF THE CITY OF SARNIA

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

	2025 Budget	2025	2024
Annual Surplus	$ 1,710,398	$ 33,926,573	$ 29,424,755
Amortization of tangible capital assets	23,819,021	23,819,021	23,850,131
Proceeds from sale of tangible capital assets	-	154,023	99,169
Loss on sale of tangible capital assets	-	994,880	977,164
Acquisition of tangible capital assets	(56,345,300)	(54,927,584)	(43,770,304)
Change in inventory	-	34,258	(33,580)
Change in prepaid expenses	-	(987,611)	2,417,622
Change in land held for sale	-	163,865	-
Increase in Net Financial Assets	(30,815,881)	3,177,425	12,964,957
Net Financial Assets, Beginning of Year	136,651,483	136,651,483	123,686,526
Net Financial Assets, End of Year	$ 105,835,602	$ 139,828,908	$ 136,651,483

The accompanying notes are an integral part of this financial statement.

THE CORPORATION OF THE CITY OF SARNIA

Financial Statements
Consolidated Statement of Cash Flows
For the year ended December 31, 2025

	2025	2024
OPERATING ACTIVITIES		
Annual Surplus	**$ 33,926,573**	$ 29,424,755
Items not involving cash:		
Amortization of tangible capital assets	**23,819,021**	23,850,131
Change in asset retirement obligation liability	**124,575**	129,175
Loss on sale of tangible capital assets	**994,880**	977,164
Change in employee future benefits	**(431,639)**	(607,499)
Change in accrued tax liabilities	**(252,784)**	(825,664)
Change in non-cash assets and liabilities		
Taxes receivable	**(742,399)**	(501,584)
Accounts receivable	**1,262,393**	(3,829,501)
Accounts payable and accrued liabilities	**2,782,610**	(5,091,556)
Other deferred revenue	**894,535**	566,483
Deferred revenue	**(1,997,545)**	2,513,650
Inventory, prepaid expenses and land held for sale	**(789,488)**	2,384,042
	59,590,732	48,989,596
CAPITAL ACTIVITIES		
Proceeds on sale of tangible capital assets	**154,023**	99,169
Acquisition of tangible capital assets	**(54,927,584)**	(43,770,304)
Net change in cash from capital activities	**(54,773,561)**	(43,671,135)
INVESTING ACTIVITIES		
Long-term receivables	**137,216**	279,225
Investment in Sarnia Power Corporation	**(4,784,540)**	(2,312,251)
Net change in cash from investing activities	**(4,647,324)**	(2,033,026)
FINANCING ACTIVITIES		
Long-term liabilities	**(945,389)**	(894,059)
Net change in cash and equivalents	**(775,542)**	2,391,376
Cash and cash equivalents, beginning of year	**124,878,489**	122,487,113
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 124,102,947**	$ 124,878,489

The accompanying notes are an integral part of this financial statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the City are the representation of management and have been prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of CPA Canada. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These estimates and approximations have been made using careful judgments. The following is a summary of the significant accounting policies followed in the preparation of these financial statements:

(a) Basis of Consolidation

(i) Consolidated Financial Statements

These consolidated financial statements reflect the assets, liabilities, reserves, surpluses/deficits, revenues and expenses of those City funds, organizations, committees, local boards and entities accountable to the City for the administration of their financial affairs and resources, and which are owned or controlled by the City.

(ii) Government Business Enterprises

Sarnia Power Corporation and its affiliates are not consolidated but are accounted for on the modified equity basis which reflects the City's investment in the enterprises and its share of net income since acquisition. Under the modified equity basis, the enterprises' accounting principles are not adjusted to conform to those of the City, and inter-organizational transactions and balances are not eliminated.

(iii) Joint Local Board

The Lambton Area Water Supply System (LAWSS) has been consolidated on a proportionate basis based upon the water flow of the City in proportion to the entire flows provided by the joint board based on the average 3 years for the 2nd to 4th previous year. Under the proportionate basis, the City's pro rata share of each of the assets, liabilities, revenues and expenditures of the board are consolidated with similar items in the City's financial statements. For 2025, the City's share of the System was 59.51% (2024 – 60.09%). Material inter-organizational transactions and balances have been eliminated.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

(iv) Accounting for School Boards and the County of Lambton

The taxation, local revenues, expenditures, assets and liabilities with respect to the operations of the local school boards and the County of Lambton are not included in the consolidated financial statements.

(v) Trust Funds

Trust funds and their related operations administered by the City are not consolidated, but are reported separately on the Trust Funds Financial Statements.

(b) Basis of Accounting

(i) Employee Future Benefits

The City provides certain benefits which will require funding in future periods. These benefits include sick leave, benefits under the Workplace Safety and Insurance Board (WSIB) Act, and life insurance, extended health and dental benefits for early retirees.

The costs of sick leave, life insurance, extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care cost trends, long-term inflation rates and discount rates.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as retirement gratuities, compensated absences and health, dental and life insurance benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group.

Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Basis of Accounting

(i) Employee Future Benefits

recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

The Municipality participates in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer plan, which is a defined benefit pension plan, however, sufficient information is not available to use defined benefit accounting. Therefore, the City accounts for the plan as if it were a defined contribution plan. The City recognizes its pension expense as contributions are due to OMERS.

(ii) Non-Financial Assets

<u>Tangible Capital Assets</u>

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

Land Improvements	5 to 50 years
Buildings	9 to 100 years
Machinery & Equipment	5 to 30 years
Vehicles	5 to 20 years
Computers	5 years
Roads	15 to 50 years
Water Distribution	15 to 60 years
Sanitary Sewer	50 to 60 years
Storm Sewer	50 to 60 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use, at which time amortization commences.

<u>Impairment</u>

Tangible capital assets are written down when conditions indicate that they no

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Basis of Accounting

(ii) Non-Financial Assets

longer contribute to the City's ability to provide goods and services, or when the value of the future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

<u>Contribution of Tangible Capital Assets</u>

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. During 2025, tangible capital assets with a value of $3,099,834 were contributed to the City (2024 - $38,201). These items are normally comprised of sanitary sewer, storm sewer, water and roads assets and are contributed by developers. In 2025 the assets were contributed through the St. Clair Region Conservation Authority as part of shoreline land improvements to groynes and armour stone wall.

<u>Interest Capitalization</u>

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

<u>Inventories</u>

Inventories held for consumption are recorded at the lower of cost or replacement cost.

(iii) Deferred Revenue - Development Charges

The City receives development charges and sub-divider contributions under the authority of provincial legislation and municipal bylaws. These funds, by their nature, are restricted in their use and, until applied to specific capital works, are recorded as deferred revenue. These amounts will be recognized as revenue in the fiscal year they are expended.

(iv) Taxation and Related Revenue

Property tax billings are prepared by the City based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC). Tax rates are established annually by City Council, incorporating amounts to be raised for local services, the requisition made by the County of Lambton in respect of County services and amounts the City is required to collect on behalf of the Province of Ontario in

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Basis of Accounting

(iv) Taxation and Related Revenue

respect of education taxes.

A normal part of the assessment process is the issue of supplementary assessment rolls, which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the City determines the taxes applicable and renders supplementary tax billings. Assessments and related property taxes are also subject to appeal. Each year, management provides a best estimate of the affect of supplementary assessments and tax appeals on taxation revenue.

The City is entitled to collect interest and penalties on overdue taxes and these revenues are recorded in the period the interest and penalties are levied.

(v) Government Transfers

Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

(vi) Revenue Recognition

User charges are recognized as revenue when the City fulfills the related performance obligations and has the right to consideration in exchange for services provided. Investment income is recognized as earned, investment income earned on deferred contributions is recorded as an increase to deferred contributions. The City recognizes revenue from users fo the water, sewer, solid waste disposal, and rentals of City property services on a straight-line basis over the period of time that the relevant performance obligations are satisfied by the City. The City recognizes revenue from administrative services, building permits, sales of goods and other licenses and permits at the point in time that the City has performed the related performance obligations and control of the related benefits has passed to the payors.

(vii) Use of Estimates

The preparation of financial statements in conformity with the Public Sector Accounting Board (PSAB) of CPA Canada requires management to make

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Basis of Accounting

(vii) Use of Estimates

estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting periods. Principle estimates include useful lives of tangible capital assets, supplementary taxes and tax appeals, employee future benefits and estimates related to asset retirement obligations. Actual results could differ from these estimates.

(viii) Contaminated Sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when an organization or the Municipality is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Basis of Accounting

(ix) Asset Retirement Obligations

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

(x) Financial Instruments

The Municipality classifies its financial instruments as either fair value or amortized cost. The Municipality's accounting policy for each category is as follows:

Fair value

Fair value investments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 - Inputs for the asset or liability that are not based on observable market date (unobervable inputs)

This category includes cash. Which is initially recognized at cost and subsequently carried at fair value. Changes in fair value are recognized in the statement of operations. The Municipality classifies this as a Level 1.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Basis of Accounting

(x) Financial Instruments

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Amortized Cost

This category includes accounts receivable, long-term receivables, GICs, bank loans, accounts payable and accrued liabilities, long-term debt and other long-term liabilities. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

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

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statemnent of operations. Impairment charges are indicative of a loss in value that reflects the expectation that the underlying economic resource has diminished in a manner that is other than temporary.

2. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF LAMBTON

Further to note 1 (a) (iv), the amounts collected for taxation, other revenues and requisitions on behalf of the local school boards and the County of Lambton are comprised of:

	School Boards	County	Total
Taxation and user charges	$ 21,022,629	$ 47,751,341	$ 68,773,970
Share of payments in lieu of taxes	35,172	595,700	630,872
	21,057,801	**48,347,041**	**69,404,842**
Share of taxes written off	76,052	107,378	183,430
Share of tax rebates	30,827	33,415	64,242
	106,879	**140,793**	**247,672**
Amounts transferred	**$ 20,950,922**	**$ 48,206,248**	**$ 69,157,170**

3. TRUST FUNDS

The City administers one trust fund in the amount of $14,810 (2024 - $14,295), which has not been included in the Consolidated Statement of Financial Position nor has its operations been included in the Consolidated Statement of Operations.

4. CASH AND INVESTMENTS

An operating line of credit is available by way of bank overdraft in the amount of $8,000,000. Amounts obtained under this credit facility are due on demand and bear interest at the bank's prime rate less 1.65%, calculated and payable monthly. No amounts have been drawn on this line as at December 31, 2025 (2024 - $NIL).

The balance of cash and investments consists of the following:

	2025	**2024**
Cash on hand	$ 17,054	$ 17,720
Cash in bank	123,485,893	124,260,769
Investments (see note 14)	600,000	600,000
	$ 124,102,947	$ 124,878,489

The cash in bank is held at a Canadian chartered bank and earns interest based on average monthly prime rate.

The investments are comprised of six GICs (2024 - six GICs), recorded at cost, with effective interest rates between 3.35% and 3.54% (2024 - 4.35% and 5.12%) maturing in 2026. The market value of these investments amounted to $600,000 (2024 - $600,000). Interest is receivable on an annual basis.

5. LONG-TERM RECEIVABLES

	2025	2024
Loan receivable - employees re Ontario Police College, at 0% interest, repayable over 2 years. No loans exist at the end of 2025.	$ -	$ 18,427
Loan receivable - Local Improvement Drain, at 4.45% - 9.20% interest, repayable in annual installments including principal and interest over 5 to 10 years	220,694	91,148
Loan receivable - Municipal Facade Improvement Program, at 1.35% interest, repayable in quarterly installments including principal and interest of $2,335 with a final payment due June 2027	10,436	19,557
Loan Receivable - Sarnia Sting, at 3.0% interest, repayable in monthly installments including principal and interest of $20,835 over 6 years with a final payment due May 2029.	782,640	1,010,845
	1,013,770	1,139,977
Accounts receivable - current portion	277,243	266,234
Total long-term receivables	**$ 736,527**	$ 873,743

6. INVESTMENT IN SARNIA POWER CORPORATION

Under the provincial government's Electricity Competition Act (Bill 35), Sarnia Power Corporation, a holding company, along with its affiliates Bluewater Power Corporation and Sarnia Hydro Energy Services were incorporated October 20, 2000 under the Ontario Business Corporations Act.

On November 1, 2000 the Hydro-Electric Commission of the City of Sarnia merged its operations with the Petrolia Public Utilities Commission, Point Edward Public Utilities Commission, Alvinston Public Utilities Commission, Warwick Hydro Electric Commission and Oil Springs Hydro Electric Commission as Bluewater Power Corporation.

As part of this electricity restructuring, the City transferred the net assets of the former Hydro-Electric Commission of the City of Sarnia to Bluewater Power Corporation. Sarnia Power Corporation, wholly owned by the City, was incorporated to hold the City of Sarnia's investment in this entity. As consideration for the transfers, the City took back an 86.05% share in the common shares of Bluewater Power Corporation and a promissory note.

The financial statements of Sarnia Power Corporation were prepared in accordance with International Financial Reporting Standards (IFRS).

The investment is composed of the following:

	2025	2024
Sarnia Power Corporation common shares	**$ 15,566,626**	$ 15,566,626
Bluewater Power Distribution Corporation, long-term notes receivable	**16,729,636**	16,729,636
Share of net income since acquisition, net of dividends received	**51,772,943**	46,988,403
	$ 84,069,205	$ 79,284,665

The notes receivable are unsecured and bear interest at the rate of 7.93%. Interest received from these notes receivable amounted to $1,312,746 (2024 - $1,319,455) and is reported in the Consolidated Statement of Operations.

Continuity of Investment

	2025	2024
Balance, beginning of year	$ 79,284,665	$ 76,972,414
Net income for the year	6,780,194	4,243,458
Dividends received during the year	(1,995,654)	(1,931,207)
Net increase in equity during the year	**4,784,540**	2,312,251
Balance, end of year	**$ 84,069,205**	$ 79,284,665

6. INVESTMENT IN SARNIA POWER CORPORATION

The following table provides condensed financial information from the consolidated financial statements of Sarnia Power Corporation for the year ended December 31:

	2025	2024
Financial Position		
Assets		
Current assets	$ 51,988,103	$ 46,452,761
Non-current assets	120,406,647	113,387,047
Total assets	**172,394,750**	159,839,808
Regulatory balances	7,196,123	5,877,024
Total assets and regulatory balances	**$179,590,873**	$165,716,832
Liabilities		
Current liabilities	$ 33,434,379	$ 27,019,759
Long-term liabilities	64,013,392	63,309,409
Total liabilities	**97,447,771**	90,329,168
Equity		
Share capital	15,566,626	15,566,626
Retained earnings	51,057,255	47,292,915
Accumulated other comprehensive income (loss)	715,688	(304,512)
Non-controlling interest	10,916,753	10,141,106
Total equity	**78,256,322**	72,696,135
Total liabilities and equity	**175,704,093**	163,025,303
Regulatory balances	3,886,780	2,691,529
Total liabilities, equity and regulatory balances	**$179,590,873**	$165,716,832
Results of Operations		
Revenues	$161,327,253	$154,212,555
Operating expenses	154,458,325	147,332,079
Income from operating activities	**6,868,928**	6,880,476
Regulatory Balances	(175,152)	(2,195,342)
Other comprehensive (loss) income	1,185,590	246,252
Total comprehensive income	**7,879,366**	4,931,386
Non-controlling interest	(1,099,172)	(687,928)
Net income	**$ 6,780,194**	$ 4,243,458

7. DEFERRED REVENUE

Provincial legislation restricts how funds relating to development charges, subdivider contributions, provincial and federal funding and building permits may be used.

	2025	2024
Development Charges Act	$ 11,802,289	$ 12,893,898
Recreational land (The Planning Act)	214,128	403,396
Canada Community Building Fund	5,444,196	3,516,875
Provincial Gasoline Tax	2,359,803	3,041,981
Building Permit (Building Code Act)	1,933,989	1,960,934
Ontario Community Infrastructure Fund Reserve	4,044,233	5,733,927
Ontario Municipal Commuter Cycling Program	-	34,530
Other Senior Government Grants	-	11,193
Ontario Building Faster Fund	86,182	285,631
Total	**$ 25,884,820**	$ 27,882,365

Total activities for the above items is summarized as follows:

	2025	2024
Balance, beginning of the year	$ 27,882,365	$ 25,368,715
Developer contributions received	1,113,362	2,316,169
Canada grants	2,973,805	8,775,659
Ontario grants	8,076,794	9,514,901
Interest earned	979,640	1,422,716
Internal borrowings for Developmental Charges Reserve	(1,375,144)	(1,375,144)
Provincial Gasoline Tax funding utilized	(2,023,298)	(1,796,142)
Funds utilized by Municipality	(11,742,704)	(16,344,509)
Net increase	**(1,997,545)**	2,513,650
Balance, end of the year	**$ 25,884,820**	$ 27,882,365

8. LONG-TERM LIABILITIES

(a) The following is an analysis of the long-term liabilities by debt instrument:

	2025	**2024**
Long-term bank loans	$ 81,304	$ 1,024,968
Capital lease	17,250	18,975
Long-term liabilities, end of year	**$ 98,554**	$ 1,043,943

The long-term bank loans are issued on a demand basis.

(b) The Bank loan from the Royal Bank of Canada (RBC) matured on January 27, 2023. City Council approved the loan extension for 3 years at an interest rate of 5.57% with a 3 year amortization period. Final payment of this loan was made in January 2026.

(c) The annual principal payments after taking into account the RBC bank loan maturity and extension at an interest rate of 5.57% with a 3 year amortization period noted above are:

2026	$ 83,029
2027	1,725
2028	1,725
2029	1,725
2030	1,725
2031 to 2035	8,625
	$ 98,554

(d) The annual principal and interest payments required to service the long-term liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

8. LONG-TERM LIABILITIES

(e) Total activity for the year for long-term liabilities which are reported on the Consolidated Statement of Operations are as follows:

	2025	2024
Balance, beginning of year	$ 1,043,943	$ 1,938,002
Principal payments	(945,389)	(894,059)
Balance, end of year	**$ 98,554**	$ 1,043,943

Actual interest payments related to long-term liabilities in the current year were $33,241 (2024 - $84,572). Interest rates on the long-term liabilities range from 0% - 5.57% (2024 - 0% - 5.57%).

9. EMPLOYEE FUTURE BENEFITS

	2025	2024
Sick leave benefit plan	$ 4,451,100	$ 4,283,200
Future payments required to WSIB	12,149,300	12,691,300
Post retirement benefits	19,733,600	20,051,400
Accrued vacation pay	1,512,606	1,311,808
Accrued overtime pay	279,129	219,666
Total	**$ 38,125,735**	$ 38,557,374

(a) Sick Leave Benefit Plan

Under the sick leave benefit plan for members of the Firefighters' Association, unused sick leave can be accumulated and employees may become entitled to a cash payment when they leave the City's employment. For all other employee groups, the sick leave benefit plan was terminated prior to 1980, at which time the unused sick leave was frozen with payout due when the employee leaves the City's employment. Information about the City's sick leave benefit plan is as follows:

	2025	2024
Accrued benefit liability, beginning of year	$ 4,283,200	$ 4,181,500
Current service cost	212,400	165,100
Interest on accrued benefit obligation	193,600	180,600
Employer contribution	(238,100)	(244,000)
Estimated benefit liability, end of year	**$4,451,100**	$ 4,283,200

Possible payments over the next five years to employees who are eligible to retire are:

2026	$ 910,279
2027	798,088
2028	-
2029	263,714
2030	669,568
Total	**$2,641,649**

9. EMPLOYEE FUTURE BENEFITS

(b) Workplace Safety and Insurance Board

The Workplace Safety and Insurance Board (WSIB) administers injured worker benefits on behalf of the Municipality as a Schedule II employer. The payments made for the year were $2,632,130 (2024 - $1,694,846). The estimate of the future benefit costs of $12,149,300 (2024 - $12,691,300) for WSIB claims was determined based on benefits currently in-force with provision for benefits not yet awarded as follows:

	2025	2024
In-force claims	$ 13,812,600	$ 5,983,400
Provision for future claims	4,753,900	2,205,000
Unamortized gains / (losses)	(6,417,200)	4,502,900
	$ 12,149,300	$ 12,691,300

An actuarial valuation was performed as at December 31, 2025 to establish the obligations that exist as at that date. A discount rate of 4.50% was used to determine the value of obligations at December 31, 2025. Inflation was assumed to be 2.50% per year. A reserve fund has been established to provide for a portion of this liability and is included in the Consolidated Statement of Financial Position. The balance at the end of the year is $4,741,619 (2024 - $4,919,264).

(c) Post-Retirement Benefits

The City provides certain health and dental benefits on behalf of retired employees up to the age of 65 if they have at least 25 years service with the City upon retirement. The City also provides a healthcare spending account for members of the Firefighters' Association from the age of 65 to age 75, members of the Police Association from the age of 65 to age 70 and members of other employee groups to age 70.

9. EMPLOYEE FUTURE BENEFITS

(c) Post-Retirement Benefits

Information about the City's health, dental and health care spending account obligations are as follows:

	2025	2024
Accrued benefit liability, beginning of year	$ 20,051,400	$ 20,255,400
Current service cost	610,100	630,600
Interest cost	683,300	734,300
Amortization of actuarial experience (gain) loss	(805,500)	(840,900)
Estimated benefits paid	(805,700)	(728,000)
Accrued benefit liability, end of year	**$19,733,600**	$ 20,051,400

The following shows the reconciliation between the benefit obligation and the accrued post-retirement benefit liability:

	2025	2024
Benefit obligation as at December 31, 2025	$ 14,994,600	$ 14,647,400
Unamortized gains	4,739,000	5,404,000
Post-retirement benefit liability as at December 31, 2025	**$19,733,600**	$ 20,051,400

An actuarial valuation was performed as at December 31, 2024 to establish the obligtations as at that date. Extrapolations during the 2025 fiscal period were based on the prior valuation as at December 31, 2024. The actuarial estimate assumes a discount rate of 4.50% and a health care trend rate of 5.50% decreasing 0.1% to an ultimate trend rate of 4.00%. The estimate includes a dental care trend rate of 4.00%. No reserve fund has been established to provide for these liabilities.

(d) Accrued Vacation Pay

The provisions of certain plans allow the accumulation of vacation credits for use in future periods. The approximate value of these credits is $1,512,606 (2024 - $1,311,808).

9. EMPLOYEE FUTURE BENEFITS

(e) Accrued Overtime Pay

The provisions of certain collective agreements between the City and its unionized staff allow for the carry-over of accumulated unpaid overtime to future periods. The approximate value of this accumulated unpaid overtime is $279,129 (2024 - $219,666).

10. PENSION AGREEMENTS

The City makes contributions to the Ontario Municipal Employees' Retirement System (OMERS), which is a multi-employer plan, on behalf of its employees. The 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. The OMERS Administration Corporation Board of Directors, 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. OMERS provides pension services to more than 600,000 active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding 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 as at December 31, 2025. The results of this valuation disclosed total actuarial liabilities of $151,365 million in respect of benefits accrued for service with actuarial vaaluation of net assets at that date of $150,043 million indicating a going concern funding deficit of $1,322 million.

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of the Ontario municipal organizations and their employees. As a result, the City does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2025 was $7,137,865 (2024 - $6,784,764) for current service. The OMERS employer and employee contribution rate was 9.00% to 15.80% depending on income level for 2025 (2024 - 9.00% to 15.80% depending on income level).

11. PROPERTY TAXATION REVENUE AND ACCRUED TAX LIABILITIES

	2025	2024
Taxation Revenue - General Levy	$ 89,832,315	$ 86,025,810
Taxation Revenue - Supplementary Tax Levy	373,766	504,972
Payment in Lieu Taxation Revenue	1,615,367	1,577,486
Taxation Revenue - Transit Levy	5,314,764	5,033,804
Taxation Revenue - Supplementary Transit Tax Levy	20,788	30,991
Subtotal of Taxation Revenue	**97,157,000**	93,173,063
Tax Write - offs	(213,515)	(353,154)
Tax Rebates and Exemptions	(67,483)	(70,567)
Change in Accrued Tax Liability	252,784	825,664
Subtotal of Tax Write - offs, Rebates and Exemptions	**28,214**	(401,943)
Total Property Taxation Revenue	**$ 97,128,786**	$ 93,575,006

Reconciliation of Assessment Appeal Provision and Accrued Tax Liability

	2025	2024
Estimate of expected appeals	$ 263,328	$ 86,417
Estimate of expected supplementary taxes	(445,060)	(15,365)
Potential Future Tax Liability	**$ (181,732)**	$ 71,052

The potential future tax liability includes an estimate of all potential changes due to the results of tax appeals and supplementary taxes as the result of Assessment Review Board Decisions, Minutes of Settlement, Post Roll Assessment notices, Supplementary and Omitted Assessments and other tax adjustments that are processed under the Municipal Act, 2001.

The actual future results will differ from these estimates as tax appeals are settled and actual assessment values are applied to supplemental properties.

12. TANGIBLE CAPITAL ASSETS

2025	Land	Land Improvements	Buildings	Machinery & Equipment	Vehicles	Computers	Roads	Water Distribution	Sanitary Sewer	Storm Sewer	Assets Under Construction	2025	2024
Cost													
Balance, Beginning of year	$122,224,564	$ 72,591,768	$155,447,467	$ 99,141,887	$43,290,006	$ 8,475,457	$290,623,745	$150,459,215	$85,576,480	$ 91,414,215	$ 13,139,253	$ 1,132,384,057	$ 1,093,538,597
Add: additions during the year	1,191,968	7,498,565	4,054,527	2,991,611	8,112,852	339,241	10,739,855	3,643,995	1,006,549	1,284,291	20,837,225	61,700,679	63,995,496
Less:disposals during the year	-	(436,468)	(107,323)	(1,167,589)	(954,338)	-	(2,257,596)	(428,596)	(58,956)	(156,962)	(6,000,284)	(11,568,112)	(25,194,999)
LAWSS Adjustment	(7,379)	(7,599)	(360,601)	(2,940)	-	-	-	(583,203)	-	-	(154,328)	(1,116,050)	44,963
Balance, end of year	123,409,153	79,646,266	159,034,070	100,962,969	50,448,520	8,814,698	299,106,004	153,091,411	86,524,073	92,541,544	27,821,866	1,181,400,574	1,132,384,057
Accumulated Amortization													
Balance, beginning of year	-	35,135,904	58,238,685	69,367,013	22,596,472	5,708,795	152,143,534	60,710,126	26,498,804	45,522,622	-	475,921,955	455,920,336
Add: amortization	-	2,249,974	3,401,195	3,224,489	2,669,039	878,975	6,204,655	2,209,223	1,429,794	1,551,677	-	23,819,021	23,850,131
Less: accumulated amortization on disposals	-	(115,358)	(96,603)	(1,140,861)	(844,396)	-	(1,742,056)	(339,223)	(53,189)	(87,240)	-	(4,418,926)	(3,865,573)
LAWSS Adjustment	-	(4,063)	(164,240)	(393)	-	-	-	(174,542)	-	-	-	(343,238)	17,061
Balance, end of year	-	37,266,457	61,379,037	71,450,248	24,421,115	6,587,770	156,606,133	62,405,584	27,875,409	46,987,059	-	494,978,812	475,921,955
Net book value of tangible capital assets	$123,409,153	$ 42,379,809	$ 97,655,033	$ 29,512,721	$26,027,405	$ 2,226,928	$142,499,871	$ 90,685,827	$58,648,664	$ 45,554,485	$ 27,821,866	$ 686,421,762	$ 656,462,102

12. TANGIBLE CAPITAL ASSETS

2024	Land	Land Improvements	Buildings	Machinery & Equipment	Vehicles	Computers	Roads	Water Distribution	Sanitary Sewer	Storm Sewer	Assets Under Construction	2024
Cost												
Balance, beginning of year	$122,163,785	$ 56,798,033	$142,067,837	$ 97,018,212	$42,034,464	$ 8,022,927	$281,507,016	$147,470,093	$84,614,109	$ 89,057,578	$ 22,784,543	$ 1,093,538,597
Add: addition during the year	60,397	16,356,750	13,423,636	2,888,076	1,933,999	452,530	10,629,443	3,840,622	1,054,263	2,748,307	10,607,473	63,995,496
Less: disposals during the year	-	(563,408)	(62,500)	(764,425)	(678,457)	-	(1,512,714)	(876,839)	(91,892)	(391,670)	(20,253,094)	(25,194,999)
LAWSS Adjustment	382	393	18,494	24	-	-	-	25,339	-	-	331	44,963
Balance, end of year	122,224,564	72,591,768	155,447,467	99,141,887	43,290,006	8,475,457	290,623,745	150,459,215	85,576,480	91,414,215	13,139,253	1,132,384,057
Accumulated Amortization												
Balance, beginning of year	-	33,965,078	54,808,858	66,042,605	20,754,429	4,835,695	147,060,198	59,073,461	25,138,370	44,241,642	-	455,920,336
Add: amortization	-	1,700,359	3,484,263	4,000,222	2,407,223	873,100	6,135,843	2,216,115	1,437,615	1,595,391	-	23,850,131
Less: accumulated amortization on disposals	-	(529,736)	(62,500)	(675,833)	(565,180)	-	(1,052,507)	(588,225)	(77,181)	(314,411)	-	(3,865,573)
LAWSS Adjustment	-	203	8,064	19	-	-	-	8,775	-	-	-	17,061
Balance, end of year	-	35,135,904	58,238,685	69,367,013	22,596,472	5,708,795	152,143,534	60,710,126	26,498,804	45,522,622	-	475,921,955
Net book value of tangible capital assets	$122,224,564	$ 37,455,864	$ 97,208,782	$ 29,774,874	$20,693,534	$ 2,766,662	$138,480,211	$ 89,749,089	$59,077,676	$ 45,891,593	$ 13,139,253	$ 656,462,102

13. ACCUMULATED SURPLUS

The accumulated surplus consists of the following balances:

	2025	2024
Surplus		
Investment in tangible capital assets	$ 686,421,762	$ 656,462,102
Capital assets financed by internal borrowings and to be funded in future year	(7,324,992)	(8,700,136)
Land held for sale	4,167,178	4,331,043
Capital fund - Drains	(1,493,532)	(894,213)
Equity in Sarnia Power Corporation	84,069,205	79,284,665
Unfunded		
Long-term liabilities	(98,554)	(1,043,943)
Accrued interest on long-term liabilities	-	(626)
Asset Retirement Obligation	(2,384,676)	(2,437,866)
Employee future benefits	(37,846,606)	(38,777,040)
Accrued tax liabilities	181,732	(71,052)
Total Surplus	**725,691,517**	688,152,934
Reserves Set Aside for Specific Purpose by Council		
Working fund	11,623	6,411,069
Replacement of equipment	5,506,741	4,929,227
Capital projects	83,180,328	82,124,554
Other programs	1,235,890	1,019,466
Total Reserves	**89,934,582**	94,484,316
Discretionary Reserve Funds Set Aside for Specific Purpose by Council		
Insurance	8,586,150	8,680,622
Airport Operator	303,193	413,235
Harbour operations	5,641,539	4,538,138
Special projects	2,135,065	2,028,118
Other programs	880,932	949,042
Total Reserve Funds	**17,546,879**	16,609,155
Total Accumulated Surplus	**$ 833,172,978**	$ 799,246,405

13. ACCUMULATED SURPLUS

The City is committed to pay the interest earned on $600,000 (2024 - $600,000) of the reserve funds to outside agencies.

Internal Borrowings

As part of the 2020 capital budget, Council approved the internal borrowing of up to $8,242,500 from Reserves to currently fund a portion of the City's sewer upgrade project that will ultimately be funded from charges collected in the future under the Development Charges Act. As part of the 2021 capital budget, Council approved the internal borrowing of up to $3,849,492 from Reserves to currently fund a portion of the City's Rapid's Parkway extension project that will ultimately be funded from charges collected in the future under the Development Charges Act. The internal borrowings net of repayments totaled $7,324,992 as at December 31, 2025.

14. JOINT LOCAL BOARD CONSOLIDATION - LAWSS

The following summarizes the financial position and operations of Lambton Area Water Supply System (LAWSS) which has been reported in these financial statements using the proportionate consolidation method.

The consolidated financial statements include the City's 59.51% (2024 - 60.09%) proportionate interest in the following:

	2025	2024
Statement of Financial Position		
Financial Assets	**$ 25,588,494**	$ 22,330,263
Liabilities		
Current liabilities	1,540,678	971,447
Asset Retirement Obligation	298,714	282,171
Total liabilities	**1,839,392**	1,253,618
Net Financial Assets	**23,749,102**	21,076,645
Non-Financial Assets		
Tangible capital assets	97,411,989	95,230,084
Accumulated Surplus	**$ 121,161,091**	$ 116,306,729
Statement of Operations		
Revenues	$ 14,585,145	$ 13,856,813
Expenses - excluding amortization	7,617,648	6,462,734
Amortization	2,113,135	2,309,050
Net revenues	**$ 4,854,362**	$ 5,085,029

15. CONTRACTUAL OBLIGATIONS

(a) Ontario Clean Water Agency

In accordance with service agreements entered into with the Ontario Clean Water Agency (OCWA), a portion of the sewage and water system is operated by the Agency. The City is obligated to meet all operating costs and repay the long-term liabilities related to these projects.

OCWA is contracted to operate the water treatment plant on behalf of LAWSS. Included in the Consolidated Statement of Operations for 2025 are charges for the operation of the water treatment plant in the amount of $3,140,437 (2024 - $2,977,132).

(b) Marcotte Disposal Inc.

At its February 10, 2025 meeting, City Council accepted the proposal from Marcotte Disposal Inc. for curbside waste collection services which includes garbage, yard waste, brush and associated fuel costs starting July 1, 2025. The total cost of the 24 month contract is $5,043,042.

(c) Bluewater Power Services Corporation

The City entered into two six year agreements with Bluewater Power Services Corporation, a subsidiary of Bluewater Power Corporation, on January 1, 2021 for the provision of water meter reading services and water meter maintenance and installation services. The cost of work to be performed under the two agreements is approximately $6,777,000 over the six-year term.

(d) Metrolinx

At its November 17, 2025 meeting, City Council approved the purchase of 5 transit buses from Metrolinx for a total of $2,000,000. An additional $2,000,000 for 7 additional transit buses from Metrolinx was approved at the March 9, 2026 City Council meeting. These buses are expected to be received in 2026 and 2027.

(e) Marcotte Disposal Inc.

At its January 19, 2026 meeting, City Council accepted the tender submitted by Marcotte Disposal for waste transfer station services for a total cost of $1,427,489. Further, at the March 9, 2026 meeting, Citty Council accepted the tender submitted by Marcotte Disposal for curbside waste collection services for a total cost of $20,600,541. Both contracts were approved for a 7 year term beginning in 2027.

15. CONTRACTUAL OBLIGATIONS

(f) Convertus Canada Ltd.

At its January 19, 2026 meeting, City Council accepted the tender submitted by Convertus Canada Ltd for organic waste processing services with a total cost of $5,159,325 for a 7 year term beginning in 2027.

(g) Progessive Auto Sales Arena Upgrades

At its January 19, 2026 meeting, City Council accepted tenders submitted by Innovative Construction Services Inc for the replacement of the HVAC roof top unit at Progressive Auto Sales Arena for a total cost of $2,170,541. City Council also accepted the tender submitted by CIMCO Refrigeration for the replacement of the refrigeration plant for a total cost of $2,597,831.

(h) Other Infrastructure Contracts

At the following meetings, City Council accepted tenders submitted to various infrastructure projects to be completed in 2026:

March 9, 2026 - Clarke Construction for College Avenue reconstruction; total cost of $1,866,482

Mach 30, 2026 - Henry Heyink Construction Ltd for Johnston & Queen Streets reconstruction; total cost of $1,502,969

March 30, 2026 - BKT Excavating Ltd for Kathleen Avenue reconstruction; total cost of $2,625,613

March 30, 2026 - Clarke Construction Ltd for Copland Road reconstruction; total cost of $1,879,609

March 30, 2026 - Birnam Excavating Ltd for Talfourd Pumping Station upgrades; total cost of $1,835,939

16. BUDGET FIGURES

Budget data presented in these consolidated financial statements are based upon the 2025 operating budget as approved by Council and adopted by the City on December 11, 2024. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting.

The chart below reconciles the approved budget with the budget figures as presented in these consolidated statements.

	2025 Budget	2024 Budget
Revenues		
Approved Operating Budget	$ 184,252,273	$ 179,558,301
Adjustments:		
Net contribution from reserve and reserve funds	(3,927,080)	(7,378,611)
Tax Reductions	(634,200)	(634,200)
Internal allocation elimination entries	(6,437,377)	(5,753,052)
LAWSS consolidated adjustment	594,488	809,127
Adjusted Operating Budget per Statement of Operations	**173,848,104**	166,601,565
Expenses		
Approved Operating Budget	184,252,273	179,558,301
Adjustments:		
Net contribution to reserve, reserve funds and capital	(27,882,980)	(30,905,627)
Tax Reductions	(634,200)	(634,200)
Debt principal repayments	(944,291)	(892,585)
Internal allocation elimination entries	(6,437,377)	(5,753,052)
Unfunded liability adjustment	2,349,534	816,789
LAWSS consolidated adjustment	(2,392,017)	(2,246,467)
Amortization - not including LAWSS	22,561,494	22,462,622
Loss on disposals of TCAs	1,148,904	1,076,333
Accretion - ARO - not including LAWSS	116,366	119,679
Adjusted Operating Budget per Statement of Operations	**172,137,706**	163,601,793
Total Net Revenue	**$ 1,710,398**	$ 2,999,772

17. GOVERNMENT TRANSFERS

	2025	2024
Operating		
Province of Ontario		
Ontario Municipal Partnership Fund	$ 3,812,100	$ 3,567,200
Program Support	713,730	426,553
Certified Site Program	16,519	-
Provincial Gas Tax	1,185,674	1,458,609
Criminal Intelligence Service Ontario	8,000	-
Encampment Response Iniative Fund	104,000	-
	5,840,023	5,452,362
Government of Canada		
Program Support	185,714	58,247
Federal Harbour	-	341,742
	185,714	399,989
Total Operating	**6,025,737**	5,852,351
Capital		
Province of Ontario		
Provincial Gas Tax	729,455	182,052
Ministry of Environment	-	84,626
Drainage Grants	531	57,690
Next Generation 911	2,406,054	-
Ontario Community Infrastructure Fund	7,926,090	3,647,598
Ontario Municipal Commuter Cycling Program	34,530	-
Investing in Canada Infrastructure Program	1,968,725	2,527,157
Ontario Building Faster Fund	726,351	-
Water Erosion Control Infrastructure	240,000	-
Other Provincial Support	128,961	-
	14,160,697	6,499,123

17. GOVERNMENT TRANSFERS

	2025	2024
Government of Canada		
Canada Community Building Fund	432,226	713,913
Disaster Mitigation and Adaptation Fund	1,743,430	3,116,135
Investing in Canada Infrastructure Program	2,416,334	3,283,987
Active Transportation Fund	-	75,000
RTSF	614,256	-
	5,206,246	7,189,035
Total Capital	**19,366,943**	13,688,158
Total Government Transfers	**$25,392,680**	$19,540,509

18. SEGMENTED REPORTING

The City of Sarnia has adopted a business approach to the various responsibilities carried out by the City and has separated the financial transactions to better reflect the true cost of each segment. The following provides a brief description of the individual segments used. Refer to Schedule A - Schedule of Segment Disclosure.

General Government

General Government is comprised of various departments including the Mayor & Council, Chief Administration Officer, Clerk and Corporate Services. These departments support and provide a variety of services to other departments within the Municipality and the public.

Protection Services

Protection Services is comprised of the Police Services, Fire Services and By-law Enforcement departments. The Sarnia Police Services' mandate is to ensure public safety within the municipality. Through patrols, detective work, education, and other efforts the police department works to deter and prevent crime. The Sarnia Fire Rescue Service serves the residents of the City of Sarnia by providing fire prevention, public education and fire suppression services. It operates out of five stations covering an area of 168 square kilometres and approximately 72,000 residents. The services provided include fire suppression and prevention, water rescue, high-angle rescue, confined space rescue, specialized vehicle extrication and industrial firefighting. The By-law Enforcement department includes parking enforcement, building permits and animal control.

Transportation Services

Transportation Services consists of road maintenance and construction as well as Sarnia Transit, winter control, and streetlighting. Sarnia Transit is responsible for providing public transportation within the transit service area of the city. The Municipality's Transit employees operate and maintain a fleet of 25 buses on the conventional transit system and 6 specialized vehicles on the Care-a-Van service. Road maintenance and construction maintains approximately 928 kilometres of roads and takes care of pothole maintenance, hot mix patching, paving, street cleaning, signage, and winter control.

Environmental Services

Environmental Services consists of sanitary sewage systems, storm sewer maintenance, waterworks system construction and maintenance, waste collection, waste disposal, recycling and compost. The sewage division constructs and maintains the Municipality's storm and sanitary sewage systems. Environmental Services also ensures the maintenance and proper operation of 49 wastewater pump stations and 8 stormwater facilities. The Municipality also operates 2 wastewater treatment plants.

18. SEGMENTED REPORTING

Health Services

Health Services consists of grants to the Physician Recruitment Taskforce and Bluewater Health Foundation.

Social and Family Services

Social and Family Services consists of Strangway Centre programming and activities. The Strangway Centre provides leisure, educational and social activities and services.

Recreation and Cultural Services

Recreation and Cultural Services provide for all of the City's parks, trees, floral displays, sports and recreation facilities, beaches, pools, arenas, special events and more. Numerous recreational programs are offered throughout the year for the enjoyment of the general public.

Planning and Development

Planning and Development's function is to assist City Council, the development community and the public in matters relating to land use planning and building construction.

19. OUTSTANDING LITIGATION

The City and/or its related boards have been named defendants in certain legal actions. The final liability, if any, of these claims is indeterminable as the City and/or its related board have established defence actions.

20. PUBLIC LIABILITY INSURANCE

In recent years, there have been substantial increases in the premiums charged by the insurance industry for public liability insurance. As a result, the City has conducted mitigation efforts to reduce the inherent risks, and has contracted out operational and property risks to private insurers. Municipal liability on inherent risks remains within the deductible of said insurance policies and the aggregate of claims in excess of policy limits ($50,000,000 on operations risks and $100,000,000 on property risks).

The City has various insurance policies to cover its operations and policies. The City self-insures for the deductible under the various policies and for single/aggregate claims that exceed policy limits of $50,000,000.

The City has established a reserve fund for self-insurance. The balance at the end of the year is $3,844,531 (2024 - $3,761,358) and is included in accumulated surplus.

20. PUBLIC LIABILITY INSURANCE

Claims settled during the year, amounting to $654,661 (2024 - $484,761), have been provided for from the reserve fund. Of the total amount of claims settled in 2025, $654,661 has accordingly been reported as an expenditure on the Consolidated Statement of Operations, and $0 has been reported as a Tangible Capital Asset on the Consolidated Statement of Financial Position.

21. INTER - ENTITY TRANSACTIONS

The City has contracted with subsidiaries of Bluewater Power Corporation to provide billing and collection services for water and sewer charges on a cost recovery basis, water meter management, repair and replacement services. Charges for the year were $3,526,319 (2024 - $3,867,034).

22. ASSET RETIREMENT OBLIGATIONS

The City applied new Section PS 3280 on January 1, 2023 using the modified retroactive method with restatement. Asset retirement obligations were recognized related to the remediation required for asbestos present in Centennial Park and four municipal buildings, along with monitoring and remediation costs at Canatara Park. As at year end, an obligation of $2,562,441 has been accrued on the statement of financial position. This amount includes 59.51% of Lambton Area Water Supply System (LAWSS) which has been reported in these financial statements using the proportionate consolidated method. The amount for the City was determined based on total undiscounted expenditures of $29,981,958 present valued at a discount rate of 5.57% as follows:

Buildings with asbestos	1-20 Years
Parks	5-100 Years

Payment to settle the asset retirement obligations will occur at the end of their life in full.

	2025	2024
Asset retirement obligation, beginning of year	$ 2,437,866	$ 2,308,691
Accretion expense	116,366	119,678
Accretion expense - LAWSS	9,845	9,417
Adjustment due to allocation change from prior year - LAWSS	(1,636)	80
Asset retirement obligation, end of year	**$ 2,562,441**	$ 2,437,866

Significant estimates and assumptions are made in determining the asset retirement costs as there are numerous factors that will affect the amount ultimately payable. Those uncertainties may result in future actual expenditures that are different than the amounts

22. ASSET RETIREMENT OBLIGATIONS

currently recorded. At each reporting date, as more information and experience is obtained as it relates to these asset retirement obligations, the estimates of the timing, the undiscounted cash flows and the discount rates may change. Adjustments to these factors are accounted for as an adjustment to the asset retirement obligation and the related tangible capital asset in the current period on a prospective basis.

23. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

Credit Risk

Credit risk is the risk of financial loss to the City if a debtor fails to make payments of interest and principal when due. The Municipality is exposed to this risk relating to its cash, debt holdings in its investment portfolio and accounts receivable. The City holds its cash accounts with a federally regulated chartered bank.

The City's investment policy operates within the constraints of the investment provisions within the Municipal Act.

Accounts receivable are primarily due from Canada Revenue Agency, federal government grants, provincial grants, other municipal governments, and residents of Sarnia. Credit risk is mitigated by the financial solvency of the provincial and upper tier governments and the highly diversified nature of the resident population.

The City measures its exposure to credit risk based on how long the amounts have been outstanding. The amounts outstanding at year end were as follows:

			Past Due		
Items	**Total**	**Current**	**31-60 days**	**61-90 days**	**>90 days**
Federal	$ 8,854,371	$ 4,332,124	$ 1,056,633	$ 953,686	$ 2,511,928
Provincial	4,190,364	2,103,418	-	-	2,086,946
Upper-tier	1,880,887	1,880,887	-	-	-
Municipal	318,300	309,414	-	790	8,096
Other	13,954,772	13,182,323	64,299	32,011	676,139
Total receivables	**$ 29,198,694**	**$21,808,166**	**$ 1,120,932**	**$ 986,487**	**$ 5,283,109**

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity Risk

Liquidity risk is the risk that the City will not be able to meet all cash outflow obligations as

23. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

Liquidity Risk
they come due. The City mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting. The following table sets out the contractual maturities as of December 31, 2025 (representing undiscounted contractual cash-flow of financial liabilities):

	Total	within 1 year	1-5 years	>5 years
Accounts payable and accrued liabilities	$ 24,405,631	$ 16,103,586	$ 8,302,045	$ -
Long-term debt	98,554	83,029	8,625	6,900
	$ 24,504,185	**$ 16,186,615**	**$ 8,310,670**	**$ 6,900**

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

24. FINANCIAL INSTRUMENTS - CLASSIFICATION

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk would be the carrying value as shown below.

	2025		2024	
	Fair Value	**Amortized Cost**	**Fair Value**	**Amortized Cost**
Cash	$123,502,947	$ -	$124,278,489	$ -
Accounts receivable	-	29,198,692	-	30,461,085
Long-term receivables	-	736,527	-	873,743
Investments	-	600,000	-	600,000
Accounts payable and accrued liabilities	-	24,405,630	-	21,623,020
Long-term debt	-	98,554	-	1,043,943
Total	**$123,502,947**	**$ 55,039,403**	$124,278,489	$ 54,601,791

25. COMPARATIVE AMOUNTS

Certain comparative amounts presented in the financial statements have been reclassified to conform with the current year's presentation.

Schedule A

Schedule of Segment Disclosure
For the Year Ended December 31, 2025

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2025 Total
REVENUES									
Property taxation	$ 91,806,712	$ -	$ 5,322,074	$ -	$ -	$ -	$ -	$ -	$ 97,128,786
User fees and service charges	1,000,357	3,351,410	3,607,529	48,043,388	-	368,630	3,725,108	2,895,673	62,992,095
Grants	4,008,970	3,086,051	13,728,609	3,623,402	-	59,420	119,000	767,228	25,392,680
Rents and financial	7,329,004	108,951	494,250	627,613	-	5,450	39,599	516,401	9,121,268
Other municipalities	1,862	2,169,901	1,424,755	1,670,569	-	-	-	916,629	6,183,716
Other	8,275,073	138,400	1,396,992	(494,053)	-	200	46,092	(2,751)	9,359,953
	112,421,978	**8,854,713**	**25,974,209**	**53,470,919**	**-**	**433,700**	**3,929,799**	**5,093,180**	**210,178,498**
EXPENSES									
Salaries, wages, employee benefits & non-functionalized unfunded liabilities	7,358,370	57,968,797	10,869,736	13,541,854	-	202,658	6,042,081	1,101,790	97,085,286
Materials	4,497,839	8,347,331	6,044,797	4,847,165	-	339,247	6,659,349	1,075,801	31,811,529
Contracted services	1,214,489	1,239,624	2,977,194	13,528,430	-	58,168	1,929,262	270,340	21,217,507
Net long-term liability interest charges	-	-	-	-	-	-	32,615	-	32,615
Amortization of tangible capital assets	1,081,063	2,430,095	8,549,934	9,124,937	-	34,862	2,535,501	43,929	23,800,321
Amortization of tangible assets - ARO	79	-	-	-	-	-	18,622	-	18,701
Accretion Expense - ARO	7,699	-	-	15,435	-	-	103,076	-	126,210
Other	136,404	684,808	535,934	206,796	80,000	-	515,614	200	2,159,756
	14,295,943	**70,670,655**	**28,977,595**	**41,264,617**	**80,000**	**634,935**	**17,836,120**	**2,492,060**	**176,251,925**
NET SURPLUS (DEFICIT)	**$ 98,126,035**	**$ (61,815,942)**	**$ (3,003,386)**	**$ 12,206,302**	**$ (80,000)**	**$ (201,235)**	**$ (13,906,321)**	**$ 2,601,120**	**$ 33,926,573**

Schedule A

Schedule of Segment Disclosure
For the Year Ended December 31, 2024

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2024 Total
REVENUES									
Property taxation	$ 88,532,806	$ -	$ 5,042,201	$ -	$ -	$ -	$ -	$ -	$ 93,575,007
User fees and service charges	947,762	3,466,979	3,516,907	45,820,025	-	368,786	3,774,287	4,391,451	62,286,197
Grants	3,637,594	344,473	10,898,222	4,459,760	(29,486)	61,812	85,000	83,134	19,540,509
Rents and financial	8,934,593	14,247	706,194	782,325	-	8,409	49,124	827,081	11,321,973
Other municipal	1,862	1,289,699	1,218,026	268,483	-	-	10,000	916,323	3,704,393
Other	2,775,912	853,663	1,081,565	145,099	-	-	10,987	30,452	4,897,678
	104,830,529	5,969,061	22,463,115	51,475,692	(29,486)	439,007	3,929,398	6,248,441	**195,325,757**
EXPENSES									
Salaries, wages, employee benefits & non-functionalized unfunded liabilities	8,465,312	52,653,169	10,334,128	12,464,399	-	155,840	5,232,930	1,057,135	90,362,913
Materials	4,263,878	7,292,393	5,352,642	3,846,392	-	283,993	5,646,161	2,064,869	28,750,328
Contracted services	1,016,190	1,413,396	2,799,667	13,038,845	-	56,661	1,963,488	458,730	20,746,977
Net long-term liabilities interest charges	-	-	-	-	-	-	84,320	-	84,320
Amortization of tangible capital assets	1,420,148	2,232,640	8,092,703	10,063,101	-	-	2,022,702	-	23,831,294
Amortization of tangible assets - ARO	79	-	-	136	-	-	18,622	-	18,837
Accretion Expense - ARO	7,293	-	-	24,164	-	-	97,637	-	129,094
Other	71,697	655,335	539,135	464,029	80,000	-	107,194	59,849	1,977,239
	15,244,597	64,246,933	27,118,275	39,901,066	80,000	496,494	15,173,054	3,640,583	**165,901,002**
NET SURPLUS (DEFICIT)	$ 89,585,932	$ (58,277,872)	$ (4,655,160)	$ 11,574,626	$ (109,486)	$ (57,487)	$ (11,243,656)	$ 2,607,858	**$ 29,424,755**

Independent Auditor's Report

To the Members of Council of the Corporation of the City of Sarnia

Opinion

We have audited the trust fund financial statements of the Corporation of the City of Sarnia (the Municipality), which comprise the statement of financial position as at December 31, 2025, and the statement of continuity of trust funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the trust funds of the Corporation of the City of Sarnia as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with the basis of accounting described in Note 1.

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 report. We are independent of the Municipality 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.

Emphasis of Matter - Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements are prepared to assist the Municipality to comply with the reporting requirements of the Bereavement Authority of Ontario. As a result, the financial statements may not be suitable for another purpose.

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

Management is responsible for the preparation and fair presentation of these 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 Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

Auditor's Responsibilities for the Audit of the 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 these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements - continued

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 Municipality's internal control.

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

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

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

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

Chartered Professional Accountants, Licensed Public Accountants
Windsor, Ontario
July 22, 2026

THE CORPORATION OF THE CITY OF SARNIA
TRUST FUND

Statement of Continuity of Trust Fund
Year ended December 31, 2025

	2025 Total	2024 Total
FUND BALANCE, BEGINNING OF YEAR	**$ 14,294**	$ 13,610
REVENUES		
Interest earned	**516**	685
FUND BALANCE, END OF YEAR	**$ 14,810**	$ 14,295

Statement of Financial Position
as at December 31, 2025

	2025 Total	2024 Total
ASSETS		
Trust funds, amounts held with the Corporation of the City of Sarnia	**$ 14,810**	$ 14,295
FUND BALANCE	**$ 14,810**	$ 14,295

The accompanying notes are an integral part of this financial statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

The Trust Fund financial statements are the representation of management and have been prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of CPA Canada. Precise determination of some assets and liabilities may be dependent upon future events and involves the use of estimates and approximations. These estimates have been based upon the information available using careful judgment and review.

(a) Basis of Accounting

i) Sources of financing and expenditures are reported on the accrual basis of accounting.

ii) The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

2. NATURE OF TRUST FUND

The Cemetery Care and Maintenance trust fund was established in accordance with the Cemeteries Act for the care and maintenance of certain cemetery grounds.

3. STATEMENT OF CHANGE IN CASH FLOWS

A statement of changes in cash flows has not been provided since the sources and uses of cash are readily apparent from the information included in the financial statements.