

**The Corporation of the
Municipality of Magnetawan**

**Independent Auditor's Report and
Financial Report**

December 31, 2025

The Corporation of the Municipality of Magnetawan

Financial Report

December 31, 2025

Management Report

Independent Auditor's Report

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of the Municipality of Magnetawan (the "Municipality") are the responsibility of the Municipality's management and have been prepared in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, as described in Note 1 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management. Council meets with management and the external auditor to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Baker Tilly SNT LLP, independent external auditor appointed by the Municipality. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.



Chief Administrative Officer
August 19, 2026



Treasurer
August 19, 2026

Baker Tilly SNT LLP / s.r.l.

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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the The Corporation of the Municipality of Magnetawan

Opinion

We have audited the consolidated financial statements of The Corporation of the Municipality of Magnetawan, which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations and accumulated surplus, cash flows, and change in net financial assets 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 Municipality of Magnetawan as at December 31, 2025, and its consolidated results of operations 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.

ACCOUNTING • TAX • ADVISORY

Baker Tilly SNT LLP is a member of Baker Tilly Canada Cooperative, which is a member of the global network of Baker Tilly International Limited. All members of Baker Tilly Canada Cooperative and Baker Tilly International Limited are separate and independent legal entities.

COMPTABILITÉ • FISCALITÉ • SERVICES-CONSEILS

Baker Tilly SNT s.r.l. est membre de la Coopérative Baker Tilly Canada, qui fait partie du réseau mondial Baker Tilly International Limited. Les membres de la Coopérative Baker Tilly Canada et de Baker Tilly International Limited sont tous des entités juridiques distinctes et indépendantes.

Independent Auditor's Report (continued)

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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.

North Bay, Ontario
August 19, 2026

Baker Tilly SNT LLP
CHARTERED PROFESSIONAL ACCOUNTANTS,
LICENSED PUBLIC ACCOUNTANTS

The Corporation of the Municipality of Magnetawan
Consolidated Statement of Financial Position
December 31, 2025

	<u>2025</u>	<u>2024</u>
Financial Assets		
Cash and cash equivalents (note 3)	\$ 2,008,841	\$ 3,312,067
Other investments (note 4)	1,669,208	1,614,390
Taxes receivable	946,521	860,891
Accounts receivable (note 5)	757,046	752,069
Investment in Lakeland Holding Ltd. (note 6)	<u>809,000</u>	<u>789,224</u>
	<u>6,190,616</u>	<u>7,328,641</u>
Liabilities		
Accounts payable and accrued liabilities (note 7)	1,741,901	417,438
Deferred revenues - other (note 8)	277,803	489,981
Deferred revenues - obligatory reserve funds (note 9)	83,352	70,468
Municipal debt (note 10)	130,000	260,000
Asset retirement obligations (note 11)	<u>3,057,374</u>	<u>2,749,760</u>
	<u>5,290,430</u>	<u>3,987,647</u>
Net Financial Assets	<u>900,186</u>	<u>3,340,994</u>
Non-Financial Assets		
Tangible capital assets (note 12)	21,145,182	18,827,171
Prepaid expenses	162,854	167,339
Inventories of supplies	<u>242,466</u>	<u>254,127</u>
	<u>21,550,502</u>	<u>19,248,637</u>
Accumulated Surplus (note 13)	<u>\$ 22,450,688</u>	<u>\$ 22,589,631</u>
Contingencies (note 14)		
Commitments (note 15)		

Approved by:




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

The Corporation of the Municipality of Magnetawan
Consolidated Statement of Operations and Accumulated Surplus
For The Year Ended December 31, 2025

	2025		2024
	Budget	Actual	Actual
	(Unaudited)		
Revenues			
Net taxation	\$ 6,358,206	\$ 6,415,200	\$ 6,060,716
User charges	22,500	22,207	23,146
Government grants and transfers - Provincial	1,513,669	1,529,689	1,353,372
Government grants and transfers - Federal	-	16,250	16,200
Lakeland Holding Ltd. income (note 6)	-	19,776	1,161
Other	469,780	1,031,722	655,063
Total revenues	8,364,155	9,034,844	8,109,658
Expenses			
General government	1,203,465	1,136,698	1,147,400
Protection services	1,372,203	1,347,545	1,247,569
Transportation services	3,458,927	4,535,670	2,782,139
Environmental services	825,936	557,367	783,867
Health services	342,095	326,639	338,661
Social and family services	628,193	625,380	606,971
Recreation and cultural services	1,037,039	1,129,740	926,568
Planning and development	160,629	195,122	114,825
Total expenses	9,028,487	9,854,161	7,948,000
Annual surplus (deficit) before other	(664,332)	(819,317)	161,658
Other			
Government grants and transfers related to capital - Provincial	2,064,092	568,020	836,380
Government grants and transfers related to capital - Federal	221,832	112,354	204,697
Annual surplus (deficit)	1,621,592	(138,943)	1,202,735
Accumulated surplus, beginning of year	22,589,631	22,589,631	21,386,896
Accumulated surplus, end of year	\$ 24,211,223	\$ 22,450,688	\$ 22,589,631

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

The Corporation of the Municipality of Magnetawan
Consolidated Statement of Cash Flows
For The Year Ended December 31, 2025

	<u>2025</u>	<u>2024</u>
Operating transactions		
Annual surplus (deficit)	\$ (138,943)	\$ 1,202,735
Cash and cash equivalents provided by (applied to)		
Non-cash items:		
Accretion expense and remeasurement adjustment	(216,044)	74,153
Amortization of tangible capital assets	1,191,954	1,059,569
Loss on disposal of tangible capital assets	-	22,798
Change in non-cash working capital balances		
Increase in taxes receivable	(85,630)	(252,741)
Increase in accounts receivable	(4,976)	(390,957)
Increase in accounts payable and accrued liabilities	1,324,463	57,137
Decrease in deferred revenues - other	(212,178)	(211,689)
Increase (decrease) in deferred revenues - obligatory reserve funds	12,884	(83,085)
Decrease (increase) in prepaid expenses	4,485	(16,297)
Decrease (increase) in inventories of supplies	11,661	(21,165)
Cash and cash equivalents provided by operating transactions	<u>1,887,676</u>	<u>1,440,458</u>
Capital transactions		
Acquisition of tangible capital assets	(2,986,308)	(1,791,393)
Proceeds on disposal of tangible capital assets	-	47,116
Cash and cash equivalents applied to capital transactions	<u>(2,986,308)</u>	<u>(1,744,277)</u>
Investing transactions		
Disposition (acquisition) of other investments	(54,818)	641,287
Increase in investment in Lakeland Holding Ltd.	(19,776)	(1,161)
Cash and equivalents provided by (applied to) investing transactions	<u>(74,594)</u>	<u>640,126</u>
Financing transactions		
Municipal debt repaid	(130,000)	(130,000)
Cash and cash equivalents applied to financing transactions	<u>(130,000)</u>	<u>(130,000)</u>
Increase (decrease) in cash and cash equivalents	(1,303,226)	206,307
Cash and cash equivalents, beginning of year	<u>3,312,067</u>	<u>3,105,760</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,008,841</u></u>	<u><u>\$ 3,312,067</u></u>

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

The Corporation of the Municipality of Magnetawan
Consolidated Statement of Change in Net Financial Assets
For The Year Ended December 31, 2025

	<u>2025</u> <u>Budget</u> (Unaudited)	<u>2025</u> <u>Actual</u>	<u>2024</u> <u>Actual</u>
Annual surplus (deficit)	\$ 1,621,592	\$ (138,943)	\$ 1,202,735
Amortization of tangible capital assets	1,159,758	1,191,954	1,059,569
Loss on disposal of tangible capital assets	-	-	22,798
Proceeds on disposal of tangible capital assets	-	-	47,116
Acquisition of tangible capital assets	(6,946,700)	(2,986,308)	(1,791,393)
Remeasurement of asset retirement obligations	-	(523,658)	-
Change in prepaid expenses	-	4,486	(16,297)
Change in inventories of supplies	-	11,661	(21,165)
Increase (decrease) in net financial assets	(4,165,350)	(2,440,808)	503,363
Net financial assets, beginning of year	<u>3,340,994</u>	<u>3,340,994</u>	<u>2,837,631</u>
Net financial assets (debt), end of year	<u><u>\$ (824,356)</u></u>	<u><u>\$ 900,186</u></u>	<u><u>\$ 3,340,994</u></u>

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

The Corporation of the Municipality of Magnetawan

Notes to the Consolidated Financial Statements

December 31, 2025

1. Significant Accounting Policies

These consolidated financial statements of the Municipality are the representation of management prepared in accordance with accounting policies recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic consolidated financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgement.

(a) Basis of Consolidation

- (i) These consolidated financial statements reflect the financial assets, liabilities, non-financial assets, accumulated surplus, revenues and expenses of the Municipality and include the activities of all committees of Council, the Heritage Board and of the Magnetawan Public Library.

All interfund assets and liabilities and revenues and expenses have been eliminated.

- (ii) **Non-Consolidated Entities**

The following joint local boards are not consolidated:

District of Parry Sound Social Services Administration Board
District of Parry Sound Land Ambulance
District of Parry Sound (East) Home for the Aged
North Bay Parry Sound District Health Unit

- (iii) **Accounting for School Board Transactions**

The Municipality is required to collect and remit education support levies in respect of residential and other properties on behalf of the area school boards. The Municipality has no jurisdiction or control over the school boards operations. Therefore, taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the accumulated surplus of these consolidated financial statements.

- (iv) **Cemetery Care and Maintenance Fund**

Cemetery Care and Maintenance Fund and their related operations administered by the Municipality are not consolidated, but are reported separately on the Cemetery Care and Maintenance Fund's Statement of Continuity and Statement of Financial Position.

The Corporation of the Municipality of Magnetawan

Notes to the Consolidated Financial Statements

December 31, 2025

1. Significant Accounting Policies (Continued)

(a) Basis of Consolidation (consolidated)

(v) Modified equity accounting

Government business enterprises are accounted for by the modified equity method. Under this method the business enterprise's accounting principles are not adjusted to conform with those of the Municipality and interorganizational transactions and balances are not eliminated. The following government business enterprise is included in these financial statements: Lakeland Holding Ltd.

(b) Basis of Accounting

(i) Accrual Basis

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

(ii) Cash and Cash Equivalents

The Municipality's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with maturities of three months from the date of acquisition or less or those that can be readily convertible to cash.

(iii) Deferred Revenues

Deferred revenues represent user charges and fees that have been collected for which the related services have yet to be performed. Revenue is recognized in the period when the services are performed.

(iv) Deferred Revenues - Obligatory Reserve Funds

The Municipality receives certain government grants, transfers and other revenues under the authority of legislation. These funds, by their nature, are restricted in their use and, until applied to specific expenses, are recorded as deferred revenues. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

(v) Employee Future Benefits

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS) which is a multi-employer contributory defined benefit program with contributions expensed as incurred.

The Corporation of the Municipality of Magnetawan
Notes to the Consolidated Financial Statements
December 31, 2025

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(vi) Asset Retirement Obligations

Asset retirement obligations represent the legal obligations associated with the retirement of a tangible capital asset that result from its acquisition, construction, development, or normal use.

The liability associated with an asset retirement obligation is measured with reference to the best estimate of the amount required to ultimately remediate the liability at the consolidated financial statement date to the extent that all recognition criteria are met. Asset retirement obligations are only recognized when there is a legal obligation for the Municipality to incur costs in relation to a specific tangible capital asset, when the past transaction or event causing the liability has already occurred, when economic benefits will need to be given up in order to remediate the liability and when a reasonable estimate of such amount can be made. The best estimate of the liability includes all costs directly attributable to the remediation of the asset retirement obligation, based on the most reliable information that is available as at the applicable reporting date. Where cash flows are expected over future periods, the liability is recognized using a present value technique.

When a liability for an asset retirement obligation is initially recognized, a corresponding adjustment to the related tangible capital asset is also recognized. Through the passage of time in subsequent reporting periods, the carrying value of the liability is adjusted to reflect accretion expenses incurred in the current period. This expense ensures that the time value of money is considered when recognizing outstanding liabilities at each reporting date. The capitalized asset retirement cost within tangible capital assets is also simultaneously depreciated on the same basis as the underlying asset to which it relates.

At remediation, the Municipality derecognizes the liability that was established. In some circumstances, gains or losses may be incurred upon settlement related to the ongoing measurement of the liability and corresponding estimates that were made and are recognized in the consolidated statement of operations and accumulated surplus.

The Corporation of the Municipality of Magnetawan

Notes to the Consolidated Financial Statements

December 31, 2025

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(vii) Segmented Information

The Municipality reports its segmented information on functional areas and programs in its consolidated financial statements similar to reporting reflected as part of the Ontario Financial Information Return. These functional areas represent segments for the Municipality:

General Government

General government is comprised of Council, administration, and Ontario Property Assessment.

Protection Services

Protection is comprised of police, fire and other protective services.

Transportation Services

Transportation services are responsible for road maintenance, culverts, bridges, winter control and streetlights.

Environmental Services

Environmental services include waste and recycling services.

Health Services

Health services include public health services, land ambulance and cemetery services.

Social and Family Services

Social and family services include social assistance, long-term care, social housing and child care services.

Recreation and Cultural Services

Recreation and cultural services include parks and recreation, recreation facilities, culture and libraries.

Planning and Development

Planning and development manages development for residential and business interests as well as services related to the Municipality's economic development programs.

The Corporation of the Municipality of Magnetawan

Notes to the Consolidated Financial Statements

December 31, 2025

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(viii) 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. The change in non-financial assets during the year, together with the annual surplus, provides the Consolidated Change in Net Financial Assets for the year.

i) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset and legally or contractually required retirement activities. The costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	40 years and landfill capacity
Buildings	40 years
Machinery and equipment	5 to 20 years
Vehicles	8 to 10 years
Roads	8 to 75 years
Bridges	30 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.

The Municipality has a capitalization threshold of \$3,000; individual tangible capital assets, or pooled assets of lesser value are expensed in the year of purchase.

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

The Corporation of the Municipality of Magnetawan

Notes to the Consolidated Financial Statements

December 31, 2025

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(viii) Non-Financial Assets (continued)

ii) Inventories of Supplies

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

iii) Prepaid Expenses

Prepaid expenses represent amounts paid in advance for a good or service not yet received. The expense is recognized once the goods have been received or the services have been performed.

(ix) Taxation and Other Revenues

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC") and in accordance with the provisions of the Municipal Act, 2001. Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Municipality is required to collect on behalf of the Province of Ontario in 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 Municipality determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time tax billings are issued.

Assessment and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known or based on management's best estimates.

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

User charges are recognized in the period in which the revenue relates.

Other income is recognized as revenue when earned. Fines and fees are recognized as revenue when collected.

The Corporation of the Municipality of Magnetawan

Notes to the Consolidated Financial Statements

December 31, 2025

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(x) Government Grants and Transfers

Government grants and transfers are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occurs, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made, except when and to the extent that stipulations associated with the transfer give rise to a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. The transfer revenue is recognized in the consolidated statement of operations and accumulated surplus as the stipulations giving rise to the liabilities are settled.

(xi) Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions. These estimates and assumptions are based on management's best information and judgment and may differ significantly from actual results.

(xii) Financial Instruments

Financial instruments are classified at either fair value or amortized cost.

Financial instruments classified at amortized cost include cash and cash equivalents, other investments, accounts receivable, accounts payable and accrued liabilities and municipal debt. They are initially recorded at their fair value and subsequently carried at amortized cost using the effective interest rate method, less impairment. Transaction costs are added to the carrying value of the instrument.

2. Measurement Uncertainty

Certain items recognized in the consolidated financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Municipality's best information and judgment.

- The amounts recorded for asset retirement obligations are based on the estimated amount required to ultimately remediate the liability and depend on estimates of usage, remaining life, inflation rates and discount rates.
- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates.

The Corporation of the Municipality of Magnetawan

Notes to the Consolidated Financial Statements

December 31, 2025

2. Measurement Uncertainty (Continued)

By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

3. Cash and Cash Equivalents

	<u>2025</u>	<u>2024</u>
Cash	<u>\$ 2,008,841</u>	<u>\$ 3,312,067</u>

The Municipality has authorized credit facilities totaling \$500,000, which is unsecured. As at December 31, 2025, the Municipality has utilized \$0 (2024 - \$0). The interest is calculated at 4.95%.

4. Other Investments

	<u>2025</u>	<u>2024</u>
Guaranteed Investment Certificates maturing between May 5, 2026 and November 9, 2026 bearing interest at rates between 2.0 % and 2.8%	<u>\$ 1,669,208</u>	<u>\$ 1,614,390</u>

5. Accounts Receivable

	<u>2025</u>	<u>2024</u>
Federal government	\$ 757,046	\$ 499,147
Province of Ontario	<u>-</u>	<u>252,922</u>
	<u>\$ 757,046</u>	<u>\$ 752,069</u>

The Corporation of the Municipality of Magnetawan

Notes to the Consolidated Financial Statements

December 31, 2025

6. Investment in Lakeland Holding Ltd.

Lakeland Holding Ltd. is a municipally owned government business enterprise. Its subsidiaries produce and distribute hydroelectric power to users in Bracebridge, Huntsville, Sundridge, Burk's Falls and Magnetawan. On July 1, 2014, Lakeland Holding Ltd. amalgamated with Parry Sound Hydro Corporation which resulted in the Municipalities' share of equity to be reduced from 1.47% to 1.24%. Condensed financial information in respect to Lakeland Holding Ltd. is provided below.

	<u>2024</u>	<u>2023</u>
Consolidated Balance Sheet:		
Assets:		
Current assets	\$ 18,180,338	\$ 20,297,535
Capital and other assets	149,973,217	145,995,233
Regulatory assets	<u>702,173</u>	<u>873,877</u>
Total Assets	<u>\$ 168,855,728</u>	<u>\$ 167,166,645</u>
Liabilities:		
Current liabilities	\$ 14,590,203	\$ 24,358,753
Long-term liabilities	<u>89,023,725</u>	<u>79,160,849</u>
Total Liabilities	<u>103,613,928</u>	<u>103,519,602</u>
Equity:		
Share capital	12,609,650	12,609,650
Retained earnings and contributed surplus	52,514,268	50,919,511
Accumulated other comprehensive loss	<u>117,882</u>	<u>117,882</u>
Total Equity	<u>65,241,800</u>	<u>63,647,043</u>
Total Liabilities and Equity	<u>\$ 168,855,728</u>	<u>\$ 167,166,645</u>
Municipality's share of equity (1.24% ownership)	<u>\$ 809,000</u>	<u>\$ 789,224</u>

The Corporation of the Municipality of Magnetawan

Notes to the Consolidated Financial Statements

December 31, 2025

6. Investment in Lakeland Holding Ltd. (Continued)

	<u>2024</u>	<u>2023</u>
Consolidated Statement of Operations, Retained Earnings and Comprehensive Income		
Total Revenues	\$ 73,478,047	\$ 69,715,950
Total Expenses	<u>68,827,018</u>	<u>63,526,964</u>
Net income	4,651,029	6,188,986
Less: dividends	(2,000,000)	(2,000,000)
Less: provision for payment in lieu of taxes	(1,189,843)	(1,675,037)
Add: net movement in regulatory deferral account balances	133,571	(123,599)
Add: other comprehensive income (loss)	<u>-</u>	<u>-</u>
Comprehensive income, net of dividends	<u>\$ 1,594,757</u>	<u>\$ 2,390,350</u>
Municipality's share of comprehensive income, net of dividends (1.24% ownership)	<u>\$ 19,776</u>	<u>\$ 1,161</u>

7. Accounts Payable and Accrued Liabilities

	<u>2025</u>	<u>2024</u>
Federal government	\$ 90,131	\$ 59,273
Province of Ontario	126,974	41,378
School Boards	11,677	14,803
Trade payables	1,303,364	92,101
Other	<u>209,755</u>	<u>209,883</u>
	<u>\$ 1,741,901</u>	<u>\$ 417,438</u>

The Corporation of the Municipality of Magnetawan

Notes to the Consolidated Financial Statements

December 31, 2025

8. Deferred Revenues - Other

Deferred revenues set-aside for specific purposes are comprised of the following:

	Balance as at December 31, 2024	Amounts received during the year	Recognized as revenues during the year	Balance as at December 31, 2025
Northern Ontario Resource Development Support Fund	\$ 126,024	\$ 124,165	\$ -	\$ 250,189
Ontario Cannabis Legalization Implementation Fund	21,647	-	21,647	-
Ontario Community Infrastructure Fund	279,062	307,815	564,706	22,171
Investing in Canada Infrastructure Program - COVID stream: local government intake	54,748	-	54,748	-
Other	8,500	5,443	8,500	5,443
Total Deferred Revenues - Other	\$ 489,981	\$ 437,423	\$ 649,601	\$ 277,803

9. Deferred Revenues - Obligatory Reserve Funds

A requirement of the Chartered Professional Accountants Canada Public Sector Accounting Handbook, is that obligatory reserve funds be reported as deferred revenues. This requirement is in place as legislation and external agreements restrict how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds of the Municipality are summarized below:

	Balance as at December 31, 2024	Amounts received during the year	Recognized as revenues during the year	Balance as at December 31, 2025
Canada Community - Building Fund	\$ 3,335	\$ 111,847	\$ 111,822	\$ 3,360
Parkland fees	67,133	12,859	-	79,992
Total Deferred Revenues - Obligatory Reserve Funds	\$ 70,468	\$ 124,706	\$ 111,822	\$ 83,352

The Corporation of the Municipality of Magnetawan

Notes to the Consolidated Financial Statements

December 31, 2025

10. Municipal Debt

	<u>2025</u>	<u>2024</u>
Debenture loan, repayable in semi-annual instalments of \$65,000, including interest at the fixed rate of 2.47%, maturing December 1, 2026	<u><u>\$ 130,000</u></u>	<u><u>\$ 260,000</u></u>

Principal instalments required to be paid over the next year is as follows:

2026	<u><u>\$ 130,000</u></u>
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11. Asset Retirement Obligations

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 2,749,760	\$ 2,675,607
Remeasurement adjustment	231,236	-
Accretion expense	76,378	74,153
Balance, end of year	<u><u>\$ 3,057,374</u></u>	<u><u>\$ 2,749,760</u></u>

The asset retirement obligation is as follows:

	<u>2025</u>	<u>2024</u>
Landfill	\$ 2,853,537	\$ 2,545,923
Asbestos removal	53,274	53,274
Fuel tanks	36,496	36,496
Septic systems	35,658	35,658
Drinking water wells and monitoring wells	78,409	78,409
	<u><u>\$ 3,057,374</u></u>	<u><u>\$ 2,749,760</u></u>

Landfill

Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. The main components of the landfill closure plan are final capping using selected specific layers of earthen materials based on an engineered cap design and implementation of a drainage management plan. The post-closure maintenance requirements will involve cap maintenance, installation of monitoring wells, groundwater monitoring, inspections and annual reports.

The Corporation of the Municipality of Magnetawan
Notes to the Consolidated Financial Statements
December 31, 2025

11. Asset Retirement Obligations (Continued)

Landfill (Continued)

The reported liability is based on estimates and assumptions with respect to events extending over the estimated remaining useful life using the best information available to management. Future events may result in significant changes to the estimated total expense, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable. The most recent waste capacity study for the landfill site was performed in a report dated April 2, 2025.

	Estimated Remaining Capacity	Estimated Remaining Life	Post-Closure Care Activities	Inflation Rate	Discount Rate
2025					
Chapman	28% (17,068 m³)	5 years	25 years	2.00%	3.00%
Croft	74% (104,296 m³)	29 years	25 years	2.00%	3.00%
2024					
Chapman	43% (24,018 m ³)	10 years	25 years	2.00%	3.00%
Croft	75% (105,849 m ³)	43 years	25 years	2.00%	3.00%

Asbestos removal

The Municipality owns buildings which contain asbestos, and therefore, the Municipality is legally required to perform abatement activities upon renovation or demolition of these assets. Abatement activities include handling and disposing of the asbestos in a prescribed manner when it is disturbed. The timing of post-closure care cannot yet be reasonably estimated, so no discounting has been applied to the liability.

Fuel tanks, septic systems, drinking water wells and monitoring wells

The Municipality owns fuel tanks, septic systems, drinking water wells and monitoring wells which represents an environmental hazard upon removal and decommissioning and there are legal obligations regarding how they must be removed. The timing of post-closure care cannot yet be reasonably estimated, so no discounting has been applied to the liability.

The Corporation of the Municipality of Magnetawan
Notes to the Consolidated Financial Statements
December 31, 2025

12. Tangible Capital Assets

	Cost				Accumulated Amortization				Net Book Value	
	Balance, beginning of year	Additions	Transfers / Disposals	Balance, end of year	Balance, beginning of year	Amortization	Transfers / Disposals	Balance, end of year	December 31, 2025	December 31 2024
Land	\$ 760,744	\$ -	\$ -	\$ 760,744	\$ -	\$ -	\$ -	\$ -	\$ 760,744	\$ 760,744
Land improvements	3,836,212	717,822	-	4,554,034	974,368	266,518	-	1,240,886	3,313,148	2,861,844
Buildings	5,151,704	12,466	-	5,164,170	1,993,325	126,720	-	2,120,045	3,044,125	3,158,379
Machinery and equipment	1,350,871	602,084	-	1,952,955	683,241	111,921	-	795,162	1,157,793	667,630
Vehicles	3,959,462	43,149	-	4,002,611	2,032,778	238,707	-	2,271,485	1,731,126	1,926,684
Roads and bridges	28,213,058	916,370	-	29,129,428	18,856,426	448,088	-	19,304,514	9,824,914	9,356,632
Work in progress	95,258	1,218,074	-	1,313,332	-	-	-	-	1,313,332	95,258
	<u><u>\$ 43,367,309</u></u>	<u><u>\$ 3,509,965</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 46,877,274</u></u>	<u><u>\$ 24,540,138</u></u>	<u><u>\$ 1,191,954</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 25,732,092</u></u>	<u><u>\$ 21,145,182</u></u>	<u><u>\$ 18,827,171</u></u>

The Corporation of the Municipality of Magnetawan

Notes to the Consolidated Financial Statements

December 31, 2025

13. Accumulated Surplus

	<u>2025</u>	<u>2024</u>
Surplus		
Invested in tangible capital assets	\$ 21,145,182	\$ 18,827,171
General (see note (a) below)	(1,225,362)	38,898
Unfunded liabilities		
Municipal debt	(130,000)	(260,000)
Asset retirement obligations	(3,057,374)	(2,749,760)
Equity in Lakeland Holding Ltd.	809,000	789,224
Total surplus	<u>17,541,446</u>	<u>16,645,533</u>
Reserves		
Special purpose reserves		
Working capital	223,711	223,711
Asset management	2,876,197	4,289,959
Waste disposal	324,618	294,619
Community enhancement	250,952	233,757
Cemetery	9,500	9,500
Election	24,000	16,000
Library	4,876	4,876
Landfill Rehabilitation	638,710	588,710
Fire Hall	350,716	181,695
Hospital	205,962	101,271
Total reserves	<u>4,909,242</u>	<u>5,944,098</u>
Accumulated Surplus	<u><u>\$ 22,450,688</u></u>	<u><u>\$ 22,589,631</u></u>

(a) General Surplus (Deficit):

The general surplus (deficit) of \$(1,225,362) (2024 - \$38,898) at the end of the year is comprised of the following:

	<u>2025</u>	<u>2024</u>
Opening balance	\$ 38,898	\$ 37,922
Annual surplus	(138,943)	1,202,735
Transfer to reserves	1,034,856	(482,841)
Net change in tangible capital assets	(2,318,011)	(661,910)
Increase in amounts to be recovered	177,614	(55,847)
Increase in equity in Lakeland Holding Ltd.	<u>(19,776)</u>	<u>(1,161)</u>
Closing balance	<u><u>\$ (1,225,362)</u></u>	<u><u>\$ 38,898</u></u>

The Corporation of the Municipality of Magnetawan

Notes to the Consolidated Financial Statements

December 31, 2025

14. Contingencies

Legal Matters

The Municipality is involved in certain legal matters and litigations, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved.

Council is of the opinion that it is unlikely that any liability, to the extent not provided by insurance or otherwise, would be material in relation to the Municipality's consolidated financial position.

15. Commitments

During the year the Municipality entered into a contract for the new Fire Hall and a bridge for approximately \$3,870,998 plus applicable taxes. At December 31, 2025, there was approximately \$2,958,700 plus applicable taxes remaining to be completed.

The Municipality entered into an agreement from January 1, 2026 to December 31, 2029 for garbage collections. The minimum commitment for garbage collection is \$89,553 per year.

16. Operations of School Boards

Further to note 1(a)(iii), the taxation, other revenues, and expenses of the school boards are comprised of the following:

	<u>2025</u>	<u>2024</u>
Taxation and user charges	<u>\$ 1,188,258</u>	<u>\$ 1,174,752</u>
Total amounts received or receivable	1,188,258	1,174,752
Requisitions	<u>1,188,258</u>	<u>1,174,752</u>
	<u>\$ -</u>	<u>\$ -</u>

The Corporation of the Municipality of Magnetawan

Notes to the Consolidated Financial Statements

December 31, 2025

17. Contributions to Unconsolidated Joint Local Boards

Further to note 1(a)(ii), the following contributions were made by the Municipality to these boards:

	<u>2025</u>	<u>2024</u>
District of Parry Sound Social Services Administration Board	\$ 340,421	\$ 328,074
District of Parry Sound Land Ambulance	256,773	249,287
District of Parry Sound (East) Home for the Aged	267,296	260,779
North Bay Parry Sound District Health Unit	<u>49,281</u>	<u>47,388</u>
	<u>\$ 913,771</u>	<u>\$ 885,528</u>

18. Cemetery Care and Maintenance Fund

Cemetery Care and Maintenance Fund administered by the Municipality amounting to \$111,243 (2024 - \$107,853) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

19. Pension Agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of all qualifying members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. 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 approximately 665,000 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. On December 31, 2025, the estimated accrued pension obligation for all members of the Plan was \$149,575 million (2024 - \$140,766 million). The Plan had an actuarial value of net assets at that date of \$148,253 million (2024 - \$137,853 million) indicating an actuarial deficit of \$1,322 million (2024 - \$2,913 million). The Plan is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit.

The Corporation of the Municipality of Magnetawan

Notes to the Consolidated Financial Statements

December 31, 2025

19. Pension Agreements (Continued)

The amount contributed by the Municipality to OMERS for 2025 was \$144,498 (2024 - \$134,706) for current services and is included as an expense on the Consolidated Statement of Operations and Accumulated Surplus.

On January 1, 2025, the yearly maximum pension earnings increased to \$71,300 from \$68,500 in 2024. The contributions are calculated at a rate of 9.0% (2024 - 9.0%) for amounts up to the yearly maximum pension earnings stated above and at a rate of 14.6% (2024 - 14.6%) for amounts above the yearly maximum pension earnings.

20. Financial Instruments

Risks arising from financial instruments and risk management

The Municipality is exposed to a variety of financial risks including credit risk, liquidity risk and market risk.

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

Credit risk

Credit risk is the risk of losses resulting from a counterparty's failure to honour its contractual obligations. The Municipality is exposed to credit risk to the extent that accounts receivable are not collected in a timely manner. The Municipality's financial assets consisting of cash and cash equivalents, other investments and accounts receivable are subject to credit risk. The carrying amounts of financial assets on the consolidated statement of financial position represent the maximum credit risk of the Municipality at the date of the consolidated statement of financial position. The Municipality does not believe it is subject to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Municipality will not be able to meet its financial obligations as they become due. The Municipality's financial liabilities include accounts payable and accrued liabilities and municipal debt. The Municipality maintains sufficient resources to meet its obligations. The Municipality does not believe it is subject to significant liquidity risk.

The Corporation of the Municipality of Magnetawan

Notes to the Consolidated Financial Statements

December 31, 2025

20. Financial Instruments (Continued)

Market risk

Market risk is the risk of changes in the fair value of financial instruments resulting from fluctuations in the market. The Municipality is exposed to currency risk, interest risk and price risk to the extent that the fair value of a financial instrument will fluctuate as a result of market factors. The Municipality's financial instruments consisting of cash and cash equivalents, other investments, accounts receivable, accounts payable and accrued liabilities and municipal debt are subject to market risk. The Municipality does not believe it is subject to significant market risk.

21. Budget Figures

Budget figures have been provided for comparison purposes and have been derived from the budget approved by Council. The budget approved by Council is based on a model used to manage departmental spending within the guidelines of the model. Given the differences between the model and generally accepted accounting principles established by the Public Sector Accounting Board, the budget figures presented have been adjusted to conform with this basis of accounting that is used to prepare the consolidated financial statements. The budget figures are unaudited.

	<u>2025</u>	<u>2024</u>
Budget By-law surplus for the year	\$ -	\$ -
Add: Acquisition of tangible capital assets	6,946,700	3,082,400
Municipal debt repaid	130,000	130,000
Less: Amortization of tangible capital assets	(1,159,758)	(1,059,569)
Municipal debt proceeds	(1,700,000)	-
Contributions from reserves	<u>(2,595,350)</u>	<u>(1,686,644)</u>
Budget surplus per statement of operations and accumulated surplus	<u>\$ 1,621,592</u>	<u>\$ 466,187</u>

22. Comparative Figures

The presentation of certain accounts of the previous year has been changed to conform with the presentation adopted for the current year.

The Corporation of the Municipality of Magnetawan

Notes to the Consolidated Financial Statements

December 31, 2025

23. Segmented Information

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Unallocated	2025 Total
Revenues										
Net taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,415,200	\$ 6,415,200
User charges	17,000	-	-	-	4,307	-	900	-	-	22,207
Government grants and transfers - Provincial	57,833	88,942	3,741	1,384	-	7,500	13,389	-	1,356,900	1,529,689
Government grants and transfers - Federal	12,000	-	-	-	-	-	4,250	-	-	16,250
Lakeland Holding Ltd. income	19,776	-	-	-	-	-	-	-	-	19,776
Other	542,791	185,977	11,678	135,772	3,870	-	19,028	7,941	124,665	1,031,722
Total Revenues	649,400	274,919	15,419	137,156	8,177	7,500	37,567	7,941	7,896,765	9,034,844
Expenses										
Salary, wages and employee benefits	610,925	506,295	602,384	245,245	13,392	2,900	576,350	60,637	-	2,618,128
Interest on municipal debt	-	-	5,617	-	-	-	-	-	-	5,617
Materials, contracted services, rents, and financial expenses	493,772	757,379	3,223,931	70,860	311,288	621,104	430,272	129,856	-	6,038,462
Amortization of tangible capital assets	32,001	83,871	703,738	241,262	1,959	1,376	123,118	4,629	-	1,191,954
Total expenses	1,136,698	1,347,545	4,535,670	557,367	326,639	625,380	1,129,740	195,122	-	9,854,161
Annual surplus (deficit) before other	(487,298)	(1,072,626)	(4,520,251)	(420,211)	(318,462)	(617,880)	(1,092,173)	(187,181)	7,896,765	(819,317)
Other										
Government grants and transfers related to capital - Provincial	(617)	-	564,706	-	-	-	3,931	-	-	568,020
Government grants and transfers related to capital - Federal	(2,468)	-	114,822	-	-	-	-	-	-	112,354
Annual surplus (deficit)	<u><u>\$ (490,383)</u></u>	<u><u>\$ (1,072,626)</u></u>	<u><u>\$ (3,840,723)</u></u>	<u><u>\$ (420,211)</u></u>	<u><u>\$ (318,462)</u></u>	<u><u>\$ (617,880)</u></u>	<u><u>\$ (1,088,242)</u></u>	<u><u>\$ (187,181)</u></u>	<u><u>\$ 7,896,765</u></u>	<u><u>\$ (138,943)</u></u>

The Corporation of the Municipality of Magnetawan

Notes to the Consolidated Financial Statements

December 31, 2025

23. Segmented Information (Continued)

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Unallocated	2024 Total
Revenues										
Net taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,060,716	\$ 6,060,716
User charges	17,000	-	-	-	5,341	-	805	-	-	23,146
Government grants and transfers - Provincial	10,000	3,193	9,897	112,930	-	25,000	10,752	-	1,181,600	1,353,372
Government grants and transfers - Federal	10,000	-	-	-	-	-	6,200	-	-	16,200
Lakeland Holding Ltd. income	1,161	-	-	-	-	-	-	-	-	1,161
Other	229,283	168,295	35,932	63,910	3,684	-	22,771	20,755	110,433	655,063
Total Revenues	267,444	171,488	45,829	176,840	9,025	25,000	40,528	20,755	7,352,749	8,109,658
Expenses										
Salary, wages and employee benefits	646,533	483,780	527,102	267,303	16,650	2,811	491,643	54,579	-	2,490,401
Interest on municipal debt	-	-	8,854	-	-	-	-	-	-	8,854
Materials, contracted services, rents, and financial expenses	461,669	681,157	1,563,219	384,095	320,066	602,784	315,940	60,246	-	4,389,176
Amortization of tangible capital assets	39,198	82,632	682,964	132,469	1,945	1,376	118,985	-	-	1,059,569
Total expenses	1,147,400	1,247,569	2,782,139	783,867	338,661	606,971	926,568	114,825	-	7,948,000
Annual surplus (deficit) before other	(879,956)	(1,076,081)	(2,736,310)	(607,027)	(329,636)	(581,971)	(886,040)	(94,070)	7,352,749	161,658
Other										
Government grants and transfers related to capital - Provincial	617	-	602,395	-	-	-	233,368	-	-	836,380
Government grants and transfers related to capital - Federal	2,468	-	202,229	-	-	-	-	-	-	204,697
Annual surplus (deficit)	\$ (876,871)	\$ (1,076,081)	\$ (1,931,686)	\$ (607,027)	\$ (329,636)	\$ (581,971)	\$ (652,672)	\$ (94,070)	\$ 7,352,749	\$ 1,202,735

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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Municipality of Magnetawan

Opinion

We have audited the financial statements of the Cemetery Care and Maintenance Fund of The Corporation of the Municipality of Magnetawan, which comprise the statement of financial position as at December 31, 2025, and the statement of continuity 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 Cemetery Care and Maintenance Fund of The Corporation of the Municipality of Magnetawan as at December 31, 2025, and the continuity of the Cemetery Care and Maintenance Fund 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 report. We are independent of the Cemetery 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.

ACCOUNTING • TAX • ADVISORY

Baker Tilly SNT LLP is a member of Baker Tilly Canada Cooperative, which is a member of the global network of Baker Tilly International Limited. All members of Baker Tilly Canada Cooperative and Baker Tilly International Limited are separate and independent legal entities.

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Independent Auditor's Report (Continued)

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 Cemetery'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 Cemetery or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Cemetery'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. 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 Cemetery's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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 Cemetery'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 Cemetery 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.

North Bay, Ontario
August 19, 2026

Baker Tilly SNT LLP

CHARTERED PROFESSIONAL ACCOUNTANTS,
LICENSED PUBLIC ACCOUNTANTS

The Corporation of the Municipality of Magnetawan
Cemetery Care and Maintenance Fund - Statement of Continuity
For The Year Ended December 31, 2025

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 107,853	\$ 102,748
Investment income	4,039	2,743
Sale of plots and marker installations	<u>3,390</u>	<u>5,105</u>
	115,282	110,596
Expenses		
Transfer to current fund of The Corporation of the Municipality of Magnetawan	<u>4,039</u>	<u>2,743</u>
Balance, end of year	<u>\$ 111,243</u>	<u>\$ 107,853</u>

**The Corporation of the Municipality of Magnetawan
Cemetery Care and Maintenance Fund - Statement of Financial Position
December 31, 2025**

	<u>2025</u>	<u>2024</u>
Financial Assets		
Cash and term deposits	\$ 121,233	\$ 112,088
Liabilities		
Accounts payable and accrued liabilities	<u>9,990</u>	<u>4,235</u>
Net Financial Assets	111,243	107,853
Non-Financial Assets	<u>-</u>	<u>-</u>
Accumulated Surplus	<u><u>\$ 111,243</u></u>	<u><u>\$ 107,853</u></u>

The Corporation of the Municipality of Magnetawan
Note to the Financial Statements
December 31, 2025

1. Accounting Policies

Basis of Accounting

Capital receipts and income are reported on the cash basis of accounting.

Expenses are reported on the cash basis of accounting with the exception of administrative expenses and capital expenses which are reported on the accrual basis of accounting, which recognizes expenses as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.