

Township of Bonnechere Valley

Financial Statements

For the year ended 31 December 2025

MACKILLICAN & ASSOCIATES

CHARTERED PROFESSIONAL ACCOUNTANTS

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Township of Bonnechere Valley (the "Township") are the responsibility of the Township's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of the significant accounting policies is contained 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 Township's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, 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.

The Council meets with management and the external auditors 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 MacKillican & Associates, independent external auditors appointed by the Township. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Township's consolidated financial statements.



Annette Gilchrist
CAO

Township of Bonnechere Valley
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For the year ended 31 December 2025

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council,
Inhabitants and Ratepayers of the
Corporation of the Township of Bonnechere Valley.

Opinion

We have audited the consolidated financial statements of the Township of Bonnechere Valley (the Township), which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of operations and accumulated surplus, consolidated statement of changes in net financial assets (liabilities) and consolidated statement of 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 financial position of the Township as at 31 December 2025, and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

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 Township 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 Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PSAS, 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 Township'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 Township or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the 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.

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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 Township'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 Township'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 Township 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 Township 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.

MacKillicon & Associates

RENFREW, Ontario.
5 May 2026.

Chartered Professional Accountants,
Licensed Public Accountants.

Township of Bonnechere Valley
Consolidated Statement of Financial Position
 As at 31 December 2025
 (with 2024 figures for comparison)

	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash	\$ 1,450,129	\$ 3,357,871
Taxes receivable	868,776	806,374
Accounts receivable	2,539,607	451,793
Other assets	2,889	4,308
Notes receivable (Note 3)	1,019,193	971,946
Investment in Eganville Generation Corporation (Note 4)	<u>916,652</u>	<u>914,865</u>
	<u>\$ 6,797,246</u>	<u>\$ 6,507,157</u>
Liabilities:		
Accounts payable and accrued liabilities	\$ 590,165	\$ 716,926
Deferred revenue - obligatory reserve funds (Note 6 (a))	745,963	521,584
Deferred revenue (Note 6 (b))	69,250	525
Net long term liabilities (Note 11)	2,419,542	2,741,963
Asset retirement obligation (Note 7)	3,436,404	3,514,219
Employee future benefits	<u>126,757</u>	<u>106,516</u>
	<u>\$ 7,388,081</u>	<u>\$ 7,601,733</u>
Net financial assets (liabilities)	<u>\$ (590,835)</u>	<u>\$ (1,094,576)</u>
Non-financial assets:		
Tangible capital assets (net) (Note 10)	\$ 37,709,290	\$ 35,879,637
Inventory of supplies	158,762	193,760
Prepaid expenses	<u>143,435</u>	<u>146,698</u>
	<u>\$ 38,011,487</u>	<u>\$ 36,220,095</u>
Accumulated surplus	<u>\$ 37,420,652</u>	<u>\$ 35,125,519</u>
Accumulated surplus comprised of:		
Equity in tangible capital assets (Note 13)	\$ 35,122,499	\$ 33,123,499
Reserves	4,858,664	4,646,167
Equity in government business enterprise	916,652	914,865
Bonnechere Union Public Library Board	85,998	61,723
Unfunded - employee future benefit costs (Note 2)	(126,757)	(106,516)
Unfunded - asset retirement obligation (Note 2)	<u>(3,436,404)</u>	<u>(3,514,219)</u>
Total accumulated surplus	<u>\$ 37,420,652</u>	<u>\$ 35,125,519</u>

(See accompanying notes)

Township of Bonnechere Valley
Consolidated Statement of Operations and Accumulated Surplus
For the year ended 31 December 2025
(with 2025 budget and 2024 actual figures for comparison)

	<u>2025</u> <u>Budget</u>	<u>2025</u> <u>Actual</u>	<u>2024</u> <u>Actual</u>
Revenue:			
Taxation and user charges	\$ 5,624,638	\$ 5,630,007	\$ 5,273,042
Government transfers:			
Ontario	3,927,673	4,006,056	2,630,774
Canada	466,799	95,014	82,494
Other municipalities	115,062	114,463	114,755
Other	817,787	1,782,273	991,915
Loss on disposal of tangible capital assets	<u> </u>	<u>(3,053)</u>	<u> </u>
	<u>\$ 10,951,959</u>	<u>\$ 11,624,760</u>	<u>\$ 9,092,980</u>
Expenses:			
General government	\$ 1,108,943	\$ 1,120,704	\$ 1,036,660
Protection to persons and property	1,352,211	1,330,691	1,296,377
Transportation services	3,755,053	3,619,069	3,336,334
Environmental services	1,980,735	1,999,698	2,432,845
Recreation and cultural services	1,360,633	1,240,389	1,220,359
Planning and development	<u>24,980</u>	<u>19,076</u>	<u>17,659</u>
	<u>\$ 9,582,555</u>	<u>\$ 9,329,627</u>	<u>\$ 9,340,234</u>
Excess (shortfall) of revenue over expenses	\$ 1,369,404	\$ 2,295,133	\$ (247,254)
Accumulated surplus at the beginning of the year	<u>35,125,519</u>	<u>35,125,519</u>	<u>35,372,773</u>
Accumulated surplus at the end of the year	<u>\$ 36,494,923</u>	<u>\$ 37,420,652</u>	<u>\$ 35,125,519</u>

(See accompanying notes)

Township of Bonnechere Valley
Consolidated Statement of Changes in Net Financial Assets (Liabilities)
For the year ended 31 December 2025
(with 2024 budget and 2024 actual figures for comparison)

	<u>2025</u> <u>Budget</u>	<u>2025</u> <u>Actual</u>	<u>2024</u> <u>Actual</u>
Excess (shortfall) of revenue over expenses	\$ 1,369,404	\$ 2,295,133	\$ (247,254)
Amortization of tangible capital assets	1,982,467	1,982,467	1,958,402
Acquisition of tangible capital assets	(3,689,678)	(3,815,173)	(1,218,876)
Loss on disposal of tangible capital assets		3,053	
Use of (acquisition of) prepaid expenses		3,263	(29,690)
Use of (acquisition of) inventory of supplies	<u> </u>	<u>34,998</u>	<u>(46,359)</u>
Increase (decrease) in net financial assets	\$ (337,807)	\$ 503,741	\$ 416,223
Net financial assets (liabilities), beginning of year	<u>(1,094,576)</u>	<u>(1,094,576)</u>	<u>(1,510,799)</u>
Net financial assets (liabilities), end of year	<u>\$ (1,432,383)</u>	<u>\$ (590,835)</u>	<u>\$ (1,094,576)</u>

(See accompanying notes)

Township of Bonnechere Valley
Consolidated Statement of Cash Flows
For the year ended 31 December 2025
(with 2024 figures for comparison)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Excess (shortfall) of revenue over expenses	\$ 2,295,133	\$ (247,254)
Add (deduct) items which do not involve cash:		
- amortization	1,982,467	1,958,402
- loss on disposal of tangible capital assets	3,053	
- deferred revenue	293,104	(342,755)
- asset retirement obligation	(77,815)	269,319
- employee future benefits	20,241	15,033
	<u>\$ 4,516,183</u>	<u>\$ 1,652,745</u>
Net change in non cash working capital balances related to operations:		
- decrease (increase) in taxes receivable	\$ (62,402)	\$ (174,119)
- decrease (increase) in other assets	1,419	(1,812)
- decrease (increase) in notes receivable	(47,247)	(48,019)
- decrease (increase) in prepaid expenses	3,263	(29,690)
- decrease (increase) in accounts receivable	(2,087,814)	(79,222)
- decrease (increase) in inventory of supplies	34,998	(46,359)
- increase (decrease) in accounts payable and accrued liabilities	(126,761)	443,322
	<u>\$ (2,284,544)</u>	<u>\$ 64,101</u>
Cash flows from operating activities	<u>\$ 2,231,639</u>	<u>\$ 1,716,846</u>
Cash flows from financing activities:		
Decrease in net long term liabilities	\$ (522,421)	\$ (559,534)
Proceeds from bank loan	200,000	
Cash flows used for financing activities	<u>\$ (322,421)</u>	<u>\$ (559,534)</u>
Cash flows used for capital activities:		
Additions to tangible capital assets:		
General government	\$ (108,491)	
Protection services	(675,025)	\$ (17,077)
Transportation services	(2,432,406)	(1,026,059)
Environmental services	(556,818)	(72,050)
Recreation and cultural services	(42,433)	(103,690)
Change in investment in Eganville Generation Corporation	(1,787)	(61,568)
Cash flows used for capital activities	<u>\$ (3,816,960)</u>	<u>\$ (1,280,444)</u>
Decrease in cash and cash equivalents during the year	\$ (1,907,742)	\$ (123,132)
Cash and cash equivalents at the beginning of the year	<u>3,357,871</u>	<u>3,481,003</u>
Cash and cash equivalents at the end of the year	<u>\$ 1,450,129</u>	<u>\$ 3,357,871</u>
Comprised of:		
Cash	<u>\$ 1,450,129</u>	<u>\$ 3,357,871</u>

(See accompanying notes)

Township of Bonnechere Valley
Notes to the Consolidated Financial Statements
For the year ended 31 December 2025

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Township of Bonnechere Valley are the representation of management prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

The focus of PSAB financial statements is on the financial position of the Township and changes thereto. The Consolidated Statement of Financial Position reports financial assets and liabilities. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position of the Township and is the difference between financial assets and liabilities. This information explains the Township's overall future revenue requirements and its ability to finance activities and meet its obligations.

(a) Reporting Entity

- (i) The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves, reserve funds, and changes in investment in tangible capital assets of the Township. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Township and which are owned or controlled by the Township. Interdepartmental and organizational transactions and balances between these organizations are eliminated.

These consolidated financial statements include:

- Bonnechere Union Public Library Board

- (ii) Accounting for County and School Board Transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the county and school boards are not reflected in the municipal fund balances of these financial statements.

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenue; expenses are recognized in the period goods or services are acquired and a liability is incurred or transfers are due.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as a deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed.

(c) 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 excess of revenue over expenses, provides the change in net financial assets for the year.

Township of Bonnechere Valley
Notes to the Consolidated Financial Statements
For the year ended 31 December 2025

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Tangible Capital Assets

- (i) Tangible capital assets (TCAs) are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Where the cost was not readily determinable, the assets were valued at their current fair market value and then discounted back to their in-service date using the Non-Residential Building Construction Price Index (NRBCPI) for infrastructure, storm sewers and sanitary sewers and using the Consumer Price Index (CPI) for all other assets. Land for road segments is valued at \$ 1.00 per segment. All other land is valued at cost. Where cost was not readily determinable, the land was given a value of \$ 1.00 per segment. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	20 - 50 years
Buildings	15 - 50 years
Machinery and equipment	5 - 25 years
Vehicles	7 - 20 years
Linear assets	10 - 60 years

Amortization is calculated commencing the first month of the year following acquisition using the above rates. In the year of disposal, a full year of amortization will be charged against the asset. Capital work in progress is not amortized until it is put into service.

The Township has a capitalization threshold of \$ 5,000, so that individual TCAs of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons.

(ii) Contribution of Tangible Capital Assets

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. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the assets as of the date of transfer.

(iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(iv) Inventories

Inventories held for consumption are recorded at cost.

(e) Investment Income

Short term and long term investments are recorded at cost plus accrual interest. If the market value of the investments become lower than cost and decline in value is considered to be other than temporary, the investments are written down to market value.

Investment income earned on current funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on externally restricted funds is added to the fund balance and forms part of the respective deferred revenue balance.

Township of Bonnechere Valley
Notes to the Consolidated Financial Statements
For the year ended 31 December 2025

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Government Transfers

Government transfers are the transfers of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or are the result of direct financial return.

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

(g) Deferred Revenue

Certain amounts are received pursuant to regulations or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

(h) Deferred Revenue - Obligatory Reserve Funds

The Township receives restricted contributions under the authority of provincial and federal legislation and Township by-laws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenditures are recorded as revenue in the fiscal period they are expended.

(i) Use of Estimates

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates. Significant estimates include the allowance for doubtful taxes, landfill closure and post closure costs, employee future benefits and amortization.

(j) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on hand and in bank and investments due no greater than three months from the date of acquisition or that are cashable on demand.

(k) Revenue Recognition

Taxation revenue consists of non-exchange transactions. It is recognized in the period to which the assessment relates and reasonable estimates of amounts can be made. Annual revenue also includes adjustments related to reassessments or appeals related to prior years. Fees and user charges relate to utility charges [water, wastewater, and solid waste] licensing fees, fees for use of various programming, and fees imposed based on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

(l) Financial Instruments

Financial instruments include cash, accounts receivable, other assets, notes receivable, investment in Eganville Generation Corporation, accounts payable and accrued liabilities and net long term liabilities. Unless otherwise noted, it is management's opinion that the Township is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The carrying amounts reported on the statement of financial position for cash, accounts receivable, other assets, notes receivable, investment in Eganville Generation Corporation and accounts payable and accrued liabilities, approximates their fair values, due to the immediate and short term maturities of these financial instruments.

The fair value of net long term liabilities, including the current portion, is based on rates currently available to the Township with similar terms and maturities and approximates its carrying amounts as disclosed on the statement of financial position.

Township of Bonnechere Valley
Notes to the Consolidated Financial Statements
For the year ended 31 December 2025

2. AMOUNTS TO BE RECOVERED

Amounts to be recovered represent the requirement of the Township to raise funds in subsequent periods to finance unfunded liabilities, comprised of the asset retirement obligation and employee future benefit costs.

3. NOTES RECEIVABLE

Due from Eganville Generation Corporation - \$ 1,019,193 (2024 - \$ 971,946):
The former Eganville Public Utilities Commission distribution system was sold to Hydro One in 2001. The Eganville Generation Corporation was formed and the proceeds from the sale were used to finance the generation system upgrade. The note receivable is offset by reserves held by the Township. The interest rates charged in 2025 were at 7.25% and a variable rate. The note has no fixed repayment terms and is unsecured.

4. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISE

Eganville Generation Corporation (EGC) is a government business enterprise that the Township owns a 100% interest in and is accounted for on a modified equity basis in these financial statements.

	<u>2025</u>	<u>2024</u>
Financial position:		
Current assets	\$ 509,910	\$ 396,456
Capital assets	<u>1,734,926</u>	<u>1,807,432</u>
	<u>\$ 2,244,836</u>	<u>\$ 2,203,888</u>
Current liabilities	\$ 91,660	\$ 66,879
Long term debt	<u>1,236,524</u>	<u>1,222,144</u>
	<u>\$ 1,328,184</u>	<u>\$ 1,289,023</u>
Net assets	<u>\$ 916,652</u>	<u>\$ 914,865</u>
Results of operations:		
Revenues	\$ 417,063	\$ 434,430
Operating expenses	<u>375,276</u>	<u>357,862</u>
Net income and comprehensive income for the year	<u>\$ 41,787</u>	<u>\$ 76,568</u>
Dividends declared	<u>\$ 40,000</u>	<u>\$ 15,000</u>

5. OPERATIONS OF SCHOOL BOARDS AND COUNTY OF RENFREW

Requisitions were made by the School Boards and County of Renfrew requiring the Township to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are as follows:

	<u>School Boards</u>	<u>County</u>
Property taxes	\$ 930,829	\$ 2,413,889
Payments in lieu	<u>304</u>	<u>27,215</u>
	<u>\$ 931,133</u>	<u>\$ 2,441,104</u>

Township of Bonnechere Valley
Notes to the Consolidated Financial Statements
For the year ended 31 December 2025

6. DEFERRED REVENUE

a) Obligatory Reserve Funds:

A requirement of the public sector accounting principles of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as deferred revenue. This requirement is in place because federal, provincial and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the Township are summarized below:

- (i) The balance of deferred revenue - obligatory reserve funds on the "Consolidated Statement of Financial Position" at the end of the year is comprised of the following externally restricted reserve funds:

	<u>2025</u>	<u>2024</u>
Ontario Community Infrastructure Fund	\$ 468,158	\$ 191,058
Canada Community-Building Fund	<u>277,805</u>	<u>330,526</u>
	<u>\$ 745,963</u>	<u>\$ 521,584</u>

- (ii) Transactions during the year in the deferred revenue - obligatory reserve funds are as follows:

	<u>2025</u>	<u>2024</u>
Balance at the beginning of the year	\$ 521,584	\$ 864,543
Canada Community-Building Fund revenue received	127,660	124,369
Ontario Community Infrastructure Fund revenue received	490,411	576,954
Interest earned	18,298	33,216
Used for purchases	<u>(411,990)</u>	<u>(1,077,498)</u>
Balance at the end of the year	<u>\$ 745,963</u>	<u>\$ 521,584</u>

b) Other Deferred Revenue:

Other deferred revenue consists of miscellaneous advances to be used in 2026.

7. ASSET RETIREMENT OBLIGATION

Asset retirement obligation at year end is as follows:

	<u>2025</u>	<u>2024</u>
Landfill closure and post closure costs	\$ 3,514,219	\$ 3,244,900
Accretion expense (recovery)	<u>(77,815)</u>	<u>269,319</u>
	<u>\$ 3,436,404</u>	<u>\$ 3,514,219</u>

Township of Bonnechere Valley
Notes to the Consolidated Financial Statements
For the year ended 31 December 2025

7. ASSET RETIREMENT OBLIGATION (Continued)

Landfill

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

Landfill closure and post closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. Some closure costs are incurred on an ongoing basis and are included in the yearly fiscal operating budget. All remaining expected closure and post closure costs have been discounted at the Township's average long term borrowing rate, net of estimated inflation. There is currently \$ 71,455 in reserves set aside for either closure or post closure activities.

The reported liability is based on estimates and assumptions with respect to events extending over the useful life and estimated post closure care period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Eganville Site (Snowdrifters)

This landfill is expected to reach its capacity in 5 years, and the estimated remaining capacity is 4,410 cubic meters, which is 3% of the site's total capacity. The total undiscounted future expenditures for closure and post closure care are \$ 1,479,325 (2024 - \$ 1,440,756). The estimated length of time for post closure care is 25 years.

Ruby Road Site

The landfill is expected to reach its capacity in 28 years, and the estimated remaining capacity is 99,272 cubic meters, which is 68% of the site's total capacity. The total undiscounted future expenditures for closure and post closure care are \$ 1,694,587 (2024 - \$ 1,689,849). The estimated length of time for post closure care is 25 years.

Sand Road Site

The landfill has reached its total capacity. The total undiscounted future expenditures for closure and post closure care are \$ 242,131 (2024 - \$ 349,935). The estimated length of time for post closure care is 25 years.

Lake Clear Site

The landfill has reached its total capacity. The total undiscounted future expenditures for closure and post closure care are \$ 19,340 (2024 - \$ 38,679). The estimated length of time for post closure care is 25 years.

Highway 41 Site

The landfill has reached its total capacity. The total undiscounted future expenditures for closure and post closure care are \$ 1,020 (2024 - \$ 1,000). The estimated length of time for post closure care is 25 years.

Township of Bonnechere Valley
Notes to the Consolidated Financial Statements
For the year ended 31 December 2025

8. CONTINGENT LIABILITIES

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. The final outcome with respect to claims and legal proceedings pending 31 December 2025 cannot be predicted with certainty.

9. BUDGET FIGURES

The operating budget approved by the Township of Bonnechere Valley for 2025 is reflected on the Consolidated Statement of Operations and Accumulated Surplus. The budget established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. As well, the Township does not budget activity within reserves and reserve funds, with the exception being those transactions which affect either operations or capital investments. Budget figures have been reclassified for the purpose of these financial statements to comply with PSAB reporting requirements.

10. TANGIBLE CAPITAL ASSETS

The Schedule of Tangible Capital Assets provides information on the tangible capital assets of the Township by major asset class and by function, as well as for accumulated amortization of the assets controlled. The reader should be aware of the following information relating to tangible capital assets:

(i) Contributed Tangible Capital Assets

The Township records all tangible capital assets contributed by an external party at fair value on the earlier of the date received or of the transfer of risk and responsibility. Typical examples are roadways, water and sewer lines installed by a developer as part of a subdivision agreement. Tangible capital assets contributed during year were \$ Nil (2024 - \$ Nil).

(ii) Tangible Capital Assets Recognized at Nominal Value

Certain assets have been assigned a nominal value of one dollar, because of the difficulty of determining a tenable valuation. The most significant such assets are the Township's road allowances.

11. NET LONG TERM LIABILITIES

- (a) The balance of net long term liabilities of \$ 2,419,542 (2024 - \$ 2,741,963) reported on the "Consolidated Statement of Financial Position" is made up of long term liabilities incurred by the Township and includes those incurred on behalf of municipal enterprises.

Township of Bonnechere Valley
Notes to the Consolidated Financial Statements
For the year ended 31 December 2025

11. NET LONG TERM LIABILITIES (Continued)

	<u>2025</u>	<u>2024</u>
(b) Bank of Montreal loan payable, interest at 3.65%, \$ 5,449 blended payment, payable monthly, maturing January 2026. \$	300,359	\$ 353,733
Bank of Montreal loan payable, interest at 7.77%, \$ 5,806 principal payment plus interest, payable monthly, refinanced December 2025.		272,924
Bank of Montreal loan payable, interest at prime, \$ 5,446 principal payment plus interest, payable monthly, maturing July 2027.	98,025	163,375
Bank of Montreal loan payable, interest at 4.40%, \$ 6,112 blended payment, payable monthly, maturing October 2028.	199,907	
Bank of Montreal loan payable, interest at 4.58%, \$ 3,807 blended payment, payable monthly, maturing October 2030.	200,308	
Bank of Montreal loan payable, interest at 3.65%, \$ 2,042 blended payment, payable monthly, maturing January 2026.	1,318	25,298
Bank of Montreal loan payable, interest at 7.86%, \$ 3,411 principal payment plus interest, payable monthly, refinanced December 2025.		242,161
Bank of Montreal loan payable, interest at 5.99%, \$ 10,173 blended payment, payable monthly, maturing September 2027.	211,454	317,397
Bank of Montreal loan payable, interest at 3.59%, \$ 1,986 blended payment, payable monthly, maturing December 2035	200,000	
Bank of Montreal loan payable, interest at 6.16%, \$ 6,053 blended payment, payable monthly, maturing January 2033.	411,389	457,167
Bank of Montreal loan payable, interest at 6.16%, \$ 5,670 blended payment, payable monthly, maturing January 2038.	575,223	606,795
Bank of Montreal loan payable, interest at prime, \$ 795 blended payment, payable monthly, matured December 2025.		8,610
Bank of Montreal loan payable, interest at 6.52%, \$ 4,484 blended payment, payable monthly, maturing March 2030.	199,297	238,715
Bank of Montreal loan payable, interest at prime, \$ 4,704 blended payment, payable monthly, matured April 2025.		18,816
Bank of Montreal loan payable, interest at 5.53%, \$ 1,365 blended payment, payable monthly, maturing May 2027.	<u>22,262</u>	<u>36,972</u>
Net long term liabilities at the end of the year	<u>\$ 2,419,542</u>	<u>\$ 2,741,963</u>

Township of Bonnechere Valley
Notes to the Consolidated Financial Statements
For the year ended 31 December 2025

11. NET LONG TERM LIABILITIES (Continued)

(c) Principal payments required on the long term liabilities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 736,389	\$ 104,816	\$ 841,205
2027	1,216,069	83,236	1,299,305
2028	236,599	18,145	254,744
2029	61,613	7,899	69,512
2030	59,934	5,201	65,135
2031 - 2035	<u>108,938</u>	<u>10,232</u>	<u>119,170</u>
	<u>\$ 2,419,542</u>	<u>\$ 229,529</u>	<u>\$ 2,649,071</u>

12. CHARGES FOR NET LONG TERM LIABILITIES

(a) Total charges for the year for net long term liabilities are as follows:

	<u>2025</u>	<u>2024</u>
Principal	\$ 522,421	\$ 559,534
Interest	<u>146,700</u>	<u>190,377</u>
	<u>\$ 669,121</u>	<u>\$ 749,911</u>

These payments are within the annual debt repayment limit as prescribed by the Ministry of Municipal Affairs and Housing under Ontario Regulation 403/02.

(b) The interest charges shown in (a) above are reported on the Consolidated Statement of Operations and Accumulated Surplus under the appropriate functional expenditure heading.

13. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2025</u>	<u>2024</u>
Tangible capital assets - net	\$ 37,709,290	\$ 35,879,637
Net long term liabilities (Note 11)	(2,419,542)	(2,741,963)
Amounts to be funded in future years	<u>(167,249)</u>	<u>(14,175)</u>
Equity in tangible capital assets	<u>\$ 35,122,499</u>	<u>\$ 33,123,499</u>

14. PENSION CONTRIBUTIONS

The Township makes contributions to the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. During the year ended 31 December 2025, the Municipality contributed \$ 195,918 (2024 - \$ 180,524) to the plan and is included as an expense in the Consolidated Statement of Operations and Accumulated Surplus. The Township does not recognize in its consolidated financial statements any share of the pension plan deficit as this is a joint responsibility of all Ontario municipalities and their employees. The pension plan deficit for 2025 is \$ (6,127,000,000) (the deficit for 2024 was \$ (4,319,000,000)) based on the fair market value of the Plan's assets.

Township of Bonnechere Valley
Notes to the Consolidated Financial Statements
For the year ended 31 December 2025

15. MUNICIPALITIES BENEFIT COMMITTEE

The Township of Bonnechere Valley is a member of the Municipalities Benefit Committee (MBC) which is an employee group benefits plan arranged through Manulife to share in the financial risk of extended health and dental benefits. In the event that a deficit position is incurred, the Township must repay their pro-rata share of the deficit through a lump sum deposit or an increase in future annual premiums collected through the monthly billed rates. In the case of a surplus position, upon full funding of the claims fluctuation reserve (CFR), the surplus is transferred into a deposit account held by Manulife on the MBC's behalf. The surplus funds in the deposit account are to be used to fund premium requirements, enhancements to the benefit plan or fund future deficits. If the Township of Bonnechere Valley leaves the MBC, the Township forfeits its right to any surplus.

16. CONTRACTUAL OBLIGATIONS

In 2023, the Township entered into a contract with the Ontario Provincial Police for the provision of policing services. The contract runs from 2023 to 2026. Annual charges are determined based on a level of service and are reconciled to actual cost in the following year. The contract for 2025 was \$ 762,128 (2024 - \$ 727,301).

17. SEGMENTED INFORMATION

- (a) The Township is responsible for providing a wide range of services to its citizens. The Township reports on functional areas and programs in its consolidated financial statements. A brief description of each segment follows:
- i) General government is comprised of Council and administration and is responsible for the overall governance and management of the Municipality.
 - ii) Protection is comprised of police, fire, and other protective services.
 - iii) Transportation is comprised of roads including parking, signs and signals, streetlights and the maintenance of roads of the Township.
 - iv) Environmental services include water supply and distribution, wastewater treatment, and solid waste and recycling services.
 - v) Recreation and cultural services include parks, recreation and libraries.
 - vi) Planning and development services are comprised of managing development for residential and business interests, as well as infrastructure and parks.

Township of Bonnechere Valley
Notes to the Consolidated Financial Statements
For the year ended 31 December 2025

17. SEGMENTED INFORMATION (Continued)

(b) For each functional area, expenditures represent both amounts that are directly attributable to the functional area and amounts that are allocated on a reasonable basis. The expenditures for 31 December 2025 are as follows:

	<u>Salaries and benefits</u>	<u>Interest on long term debt</u>	<u>Materials and contracted services</u>	<u>Rent and external transfers</u>	<u>Amortization</u>	<u>Total</u>
General government	\$ 706,985		\$ 393,147		\$ 20,572	\$ 1,120,704
Protection services	274,559	\$ 1,379	982,920	\$ 3,082	68,751	1,330,691
Transportation services	1,017,996	73,482	1,321,728		1,205,863	3,619,069
Environmental services	668,262	35,268	846,087	(77,815)	527,896	1,999,698
Recreation	559,139	36,571	485,294		159,385	1,240,389
Planning and development	<u>11,641</u>		<u>7,435</u>			<u>19,076</u>
	<u>\$ 3,238,582</u>	<u>\$ 146,700</u>	<u>\$ 4,036,611</u>	<u>\$ (74,733)</u>	<u>\$ 1,982,467</u>	<u>\$ 9,329,627</u>

(c) The expenditures for 31 December 2024 are as follows:

	<u>Salaries and benefits</u>	<u>Interest on long term debt</u>	<u>Materials and contracted services</u>	<u>Rent and external transfers</u>	<u>Amortization</u>	<u>Total</u>
General government	\$ 680,177		\$ 335,912		\$ 20,571	\$ 1,036,660
Protection services	258,169	\$ 1,904	967,940	\$ 1,320	67,044	1,296,377
Transportation services	920,286	103,681	1,155,845		1,156,522	3,336,334
Environmental services	620,745	45,044	1,208,891		558,165	2,432,845
Recreation	533,050	39,748	488,871	2,590	156,100	1,220,359
Planning and development	<u>12,719</u>		<u>4,940</u>			<u>17,659</u>
	<u>\$ 3,025,146</u>	<u>\$ 190,377</u>	<u>\$ 4,162,399</u>	<u>\$ 3,910</u>	<u>\$ 1,958,402</u>	<u>\$ 9,340,234</u>

(d) For each functional area, revenues represent both amounts that are directly attributable to the functional area and amounts that are allocated on a reasonable basis. The revenues for 31 December 2025 are as follows:

	<u>Taxes</u>	<u>User charges and other revenues</u>	<u>Government transfers - Ontario</u>	<u>Government transfers - Canada</u>	<u>Total</u>
General government	\$ 4,368,716	\$ 439,134	\$ 1,609,200	\$ 86,672	\$ 6,503,722
Protection services		669,960	47,395		717,355
Transportation services		159,987	2,122,697		2,282,684
Environmental services		1,502,299	184,737		1,687,036
Recreation services		365,764	39,705	10,664	416,133
Planning and development		<u>17,830</u>			<u>17,830</u>
	<u>\$ 4,368,716</u>	<u>\$ 3,154,974</u>	<u>\$ 4,003,734</u>	<u>\$ 97,336</u>	<u>\$ 11,624,760</u>

Township of Bonnechere Valley
Notes to the Consolidated Financial Statements
For the year ended 31 December 2025

17. SEGMENTED INFORMATION (Continued)

(e) The revenues for 31 December 2024 are as follows:

	<u>Taxes</u>	<u>User charges and other revenues</u>	<u>Government transfers - Ontario</u>	<u>Government transfers - Canada</u>	<u>Total</u>
General government	\$ 4,112,527	\$ 500,705	\$ 1,507,985		\$ 6,121,217
Protection services		18,776	4,503		23,279
Transportation services		53,164	1,003,163		1,056,327
Environmental services		1,350,607	94,918	\$ 74,335	1,519,860
Recreation services		327,183	20,205	8,159	355,547
Planning and development		16,750			16,750
	<u>\$ 4,112,527</u>	<u>\$ 2,267,185</u>	<u>\$ 2,630,774</u>	<u>\$ 82,494</u>	<u>\$ 9,092,980</u>

Township of Bonnechere Valley
Schedule of General Operations
For the year ended 31 December 2025
(with 2025 budget and 2024 actual figures for comparison)

	<u>2025</u> <u>Budget</u>	<u>2025</u> <u>Actual</u>	<u>2024</u> <u>Actual</u>
Revenue:			
Net municipal taxation	\$ 5,624,638	\$ 5,630,007	\$ 5,273,042
Government transfers:			
Ontario	3,907,368	3,965,866	2,610,475
Canada	464,299	92,692	82,494
Other municipalities	28,200	27,601	31,959
Other	<u>790,500</u>	<u>1,732,185</u>	<u>890,648</u>
	<u>\$ 10,815,005</u>	<u>\$ 11,448,351</u>	<u>\$ 8,888,618</u>
Expenses:			
General government	\$ 1,104,736	\$ 1,116,497	\$ 1,034,056
Protection to persons and property	1,350,443	1,328,923	1,295,724
Transportation services	3,745,905	3,609,921	3,328,094
Environmental services	2,058,446	2,077,409	2,162,402
Recreation and cultural services	1,216,652	1,077,814	1,057,201
Planning and development	<u>24,980</u>	<u>19,076</u>	<u>17,659</u>
	<u>\$ 9,501,162</u>	<u>\$ 9,229,640</u>	<u>\$ 8,895,136</u>
Excess (shortfall) of revenue over expenses	<u>\$ 1,313,843</u>	<u>\$ 2,218,711</u>	<u>\$ (6,518)</u>
Transfers:			
Transfer from (to) reserves	\$ 423,500	\$ (212,497)	\$ (174,149)
Transfer from (to) equity in tangible capital assets	<u>(1,737,343)</u>	<u>(2,006,214)</u>	<u>180,667</u>
Net transfers	<u>\$ (1,313,843)</u>	<u>\$ (2,218,711)</u>	<u>\$ 6,518</u>
Change in general surplus (deficit) for the year	\$ -	\$ -	\$ -
General surplus at the beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>
General surplus at the end of the year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

(See accompanying notes)

Township of Bonnechere Valley
Schedule of Reserves and Reserve Funds
For the year ended 31 December 2025
(with 2024 figures for comparison)

	<u>2025</u>	2024
Contributions:		
From operations	\$ 712,096	\$ 418,926
Transfers:		
To operations	(76,452)	(87,727)
To tangible capital asset acquisitions	<u>(423,147)</u>	<u>(157,050)</u>
Change in reserves and reserve funds balance	\$ 212,497	\$ 174,149
Reserves and reserve funds at the beginning of the year	<u>4,646,167</u>	<u>4,472,018</u>
Reserves and reserve funds at the end of the year	<u>\$ 4,858,664</u>	<u>\$ 4,646,167</u>
Reserves:		
Working funds	\$ 2,685,474	\$ 2,319,374
Protection services	55,632	55,632
Roadways	64,657	64,657
Administration	10,000	10,000
Water and sewage system	531,824	685,427
Recreation	19,046	19,046
Hydro generation	1,420,576	1,420,576
Landfill	<u>71,455</u>	<u>71,455</u>
Total reserves	<u>\$ 4,858,664</u>	<u>\$ 4,646,167</u>

(See accompanying notes)

Township of Bonnechere Valley
Schedule of Tangible Capital Assets
For the year ended 31 December 2025
(with 2024 figures for comparison)

Segmented by asset class:	Balance at		Disposals,		Balance at
<u>Cost</u>	31 December	<u>Additions</u>	write-offs and	<u>adjustments</u>	31 December
	<u>2024</u>		<u>adjustments</u>		<u>2025</u>
Land	\$ 795,812				\$ 795,812
Land improvements	2,584,053				2,584,053
Buildings	11,584,471				11,584,471
Machinery and equipment	7,516,766	\$ 80,725	\$ (8,996)		7,588,495
Vehicles	3,270,689	1,148,374	(236,651)		4,182,412
Linear assets	54,837,217	691,504	58,745		55,587,466
Capital work in progress	<u>61,798</u>	<u>1,894,570</u>	<u>(61,798)</u>		<u>1,894,570</u>
Total	<u>\$ 80,650,806</u>	<u>\$ 3,815,173</u>	<u>\$ (248,700)</u>		<u>\$ 84,217,279</u>

<u>Accumulated amortization</u>	Balance at		Disposals,		Balance at
	31 December	<u>Amortization</u>	write-offs and	<u>adjustments</u>	31 December
	<u>2024</u>		<u>adjustments</u>		<u>2025</u>
Land	\$ 68,708				\$ 68,708
Land improvements	1,345,026	\$ 140,112			1,485,138
Buildings	6,613,048	226,723			6,839,771
Machinery and equipment	4,867,218	293,122	\$ (8,996)		5,151,344
Vehicles	2,146,880	193,396	(236,651)		2,103,625
Linear assets	<u>29,730,289</u>	<u>1,129,114</u>			<u>30,859,403</u>
Total	<u>\$ 44,771,169</u>	<u>\$ 1,982,467</u>	<u>\$ (245,647)</u>		<u>\$ 46,507,989</u>

<u>Net book values</u>	Balance at	Balance at
	31 December	31 December
	<u>2024</u>	<u>2025</u>
Land	\$ 727,104	\$ 727,104
Land improvements	1,239,027	1,098,915
Buildings	4,971,423	4,744,700
Machinery and equipment	2,649,548	2,437,151
Vehicles	1,123,809	2,078,787
Linear assets	25,106,928	24,728,063
Capital work in progress	<u>61,798</u>	<u>1,894,570</u>
Total	<u>\$ 35,879,637</u>	<u>\$ 37,709,290</u>

(See accompanying notes)

Township of Bonnechere Valley
Schedule of Tangible Capital Assets
For the year ended 31 December 2025
(with 2024 figures for comparison)

Segmented by function: <u>Cost</u>	Balance at 31 December <u>2024</u>	<u>Additions</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2025</u>
General government	\$ 993,876	\$ 108,491	\$ (8,996)	\$ 1,093,371
Protection services - fire department	2,235,672	675,025	(188,401)	2,722,296
Protection services - by-law	2,700			2,700
Protection services - animal shelter	42,656			42,656
Transportation services	51,101,793	2,432,406	(51,303)	53,482,896
Environmental services	2,655,077	260,506		2,915,583
Water and sewer - sewer treatment plant	8,069,220	19,146		8,088,366
Water and sewer - water treatment plant	9,279,499	277,166		9,556,665
Recreation and culture - administration and other	3,342,469	42,433		3,384,902
Recreation and culture - arena	2,818,410			2,818,410
Planning and development	<u>109,434</u>			<u>109,434</u>
Total	<u>\$ 80,650,806</u>	<u>\$ 3,815,173</u>	<u>\$ (248,700)</u>	<u>\$ 84,217,279</u>

<u>Accumulated amortization</u>	Balance at 31 December <u>2024</u>	<u>Amortization</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2025</u>
General government	\$ 717,197	\$ 20,572	\$ (8,996)	\$ 728,773
Protection services - fire department	1,607,898	67,902	(185,348)	1,490,452
Protection services - by-law	2,700			2,700
Protection services - animal shelter	14,626	849		15,475
Transportation services	26,931,675	1,205,864	(51,303)	28,086,236
Environmental services	971,926	155,258		1,127,184
Water and sewer - sewer treatment plant	5,422,415	151,447		5,573,862
Water and sewer - water treatment plant	5,526,256	221,191		5,747,447
Recreation and culture - administration and other	2,408,735	90,388		2,499,123
Recreation and culture - arena	<u>1,167,741</u>	<u>68,996</u>		<u>1,236,737</u>
Total	<u>\$ 44,771,169</u>	<u>\$ 1,982,467</u>	<u>\$ (245,647)</u>	<u>\$ 46,507,989</u>

(See accompanying notes)

Township of Bonnechere Valley
Schedule of Tangible Capital Assets
For the year ended 31 December 2025
(with 2024 figures for comparison)

<u>Net book values</u>	Balance at 31 December <u>2024</u>	Balance at 31 December <u>2025</u>
General government	\$ 276,679	\$ 364,598
Protection services - fire department	627,774	1,231,844
Protection services - animal shelter	28,030	27,181
Transportation services	24,170,118	25,396,660
Environmental services	1,683,151	1,788,399
Water and sewer - sewer treatment plant	2,646,805	2,514,504
Water and sewer - water treatment plant	3,753,243	3,809,218
Recreation and culture - administration and other	933,734	885,779
Recreation and culture - arena	1,650,669	1,581,673
Planning and development	<u>109,434</u>	<u>109,434</u>
Total	<u>\$ 35,879,637</u>	<u>\$ 37,709,290</u>

(See accompanying notes)

Bonnechere Union Public Library Board

Financial Statements

For the year ended 31 December 2025

MACKILLICAN & ASSOCIATES

CHARTERED PROFESSIONAL ACCOUNTANTS



INDEPENDENT AUDITOR'S REPORT

To the Board Members,
Bonnechere Union Public Library Board,
EGANVILLE, Ontario.

Opinion

We have audited the financial statements of the Bonnechere Union Public Library Board (the Library Board), which comprise the statement of financial position as at 31 December 2025, the statement of operations and accumulated surplus, the statement of changes in net financial assets (liabilities), the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Library Board as at 31 December 2025, and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

Basis for Qualified 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 Library Board 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. In common with many such organizations, the Library Board derives revenue from donations, client fees and fundraising activities, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Library Board and we were not able to determine whether any adjustments might be necessary to revenues, assets and net assets.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, 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 Library Board'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 Library Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Library Board'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 Library Board'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 Library Board'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 Library Board 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Library Board to express an opinion on the 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.

MacKillicon & Associates

RENFREW, Ontario.
12 May 2026.

Chartered Professional Accountants,
Licensed Public Accountants.

Bonnechere Union Public Library Board

Statement of Financial Position

As at 31 December 2025

(with 2024 figures for comparison)

	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash in bank - general funds	\$ 83,931	\$ 72,422
Cash in bank - capital improvement funds	9,687	18,365
Due from Canada	5,035	4,638
Prepaid expenses	<u>938</u>	<u>1,737</u>
	<u>\$ 99,591</u>	<u>\$ 97,162</u>
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 13,593</u>	<u>\$ 35,439</u>
Net financial assets	<u>\$ 85,998</u>	<u>\$ 61,723</u>
Non-financial assets:		
Tangible capital assets (Note 4)	<u>\$ 141,568</u>	<u>\$ 148,782</u>
Accumulated surplus	<u><u>\$ 227,566</u></u>	<u><u>\$ 210,505</u></u>
Accumulated surplus comprised of:		
Equity in tangible capital assets	\$ 141,568	\$ 148,782
General	<u>85,998</u>	<u>61,723</u>
Total accumulated surplus	<u><u>\$ 227,566</u></u>	<u><u>\$ 210,505</u></u>

(See accompanying notes)

Bonnechere Union Public Library Board
Statement of Changes in Net Financial Assets (Liabilities)
 For the year ended 31 December 2025
 (with 2025 budget and 2024 actual figures for comparison)

	<u>2025</u> <u>Budget</u>	<u>2025</u> <u>Actual</u>	<u>2024</u> <u>Actual</u>
Excess (shortfall) of revenue over expenses	\$ (3,800)	\$ 17,061	\$ (17,950)
Amortization of tangible capital assets	12,000	30,132	30,819
Acquisition of tangible capital assets	<u>(22,918)</u>	<u>(22,918)</u>	<u>(17,320)</u>
Increase (decrease) in net financial assets	\$ (14,718)	\$ 24,275	\$ (4,451)
Net financial assets at the beginning of the year	<u>61,723</u>	<u>61,723</u>	<u>66,174</u>
Net financial assets at the end of the year	<u>\$ 47,005</u>	<u>\$ 85,998</u>	<u>\$ 61,723</u>

(See accompanying notes)

Bonnechere Union Public Library Board

Statement of Cash Flows

For the year ended 31 December 2025

(with 2024 figures for comparison)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Excess (shortfall) of revenue over expenses	\$ 17,061	\$ (17,950)
Add amortization which does not involve cash	<u>30,132</u>	<u>30,819</u>
	<u>\$ 47,193</u>	<u>\$ 12,869</u>
Net change in non cash working capital balances related to operations:		
- decrease (increase) in due from Canada	\$ (397)	\$ 835
- increase (decrease) in accounts payable and accrued liabilities	(21,846)	(4,297)
- decrease (increase) in prepaid expenses	<u>799</u>	<u>(1,737)</u>
	<u>\$ (21,444)</u>	<u>\$ (5,199)</u>
Cash flows from operating activities	<u>\$ 25,749</u>	<u>\$ 7,670</u>
Cash flows used for investing activities:		
Acquisition of tangible capital assets	<u>\$ (22,918)</u>	<u>\$ (17,320)</u>
Increase (decrease) in cash and cash equivalents during the year	\$ 2,831	\$ (9,650)
Cash and cash equivalents at the beginning of the year	<u>90,787</u>	<u>100,437</u>
Cash and cash equivalents at the end of the year	<u>\$ 93,618</u>	<u>\$ 90,787</u>

(See accompanying notes)

Bonnechere Union Public Library Board

Notes to the Financial Statements

For the year ended 31 December 2025

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Bonnechere Union Public Library Board are the representation of management prepared 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.

(a) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenue; expenses are recognized in the period goods or services are acquired and a liability is incurred or transfers are due.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(b) 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 excess of revenue over expenses, provides the change in net financial assets for the year.

(c) Tangible Capital Assets

(i) Tangible capital assets (TCAs) 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 straight-line basis over their estimated useful lives as follows:

Equipment and books	5 - 20 years
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Amortization is calculated commencing the first month of the year following acquisition using the above rates. In the year of disposal, a full year of amortization will be charged against the asset. Capital work in progress is not amortized until it is put into service.

The Library Board has a capitalization threshold of \$ 5,000, so that individual TCAs of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons.

(ii) Contribution of Tangible Capital Assets

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. Similarly, transfers of assets to third parties are recorded as an expenditure equal to the net book value of the assets as of the date of transfer.

Bonnechere Union Public Library Board

Notes to the Financial Statements

For the year ended 31 December 2025

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

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

(e) Use of Estimates

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates. Significant estimates include amortization on capital assets.

(f) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on hand and in bank and investments due no greater than three months from the date of acquisition or that are cashable on demand.

(g) Deferred Revenue

Certain amounts are received pursuant to regulations or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year related expenditures are incurred or services performed.

2. FINANCIAL INSTRUMENTS

Financial instruments include cash in bank, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Library Board is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The carrying amounts reported on the statement of financial position for cash in bank, and accounts payable and accrued liabilities, approximates their fair values, due to the immediate and short term maturities of these financial instruments.

3. PROVINCIAL LIBRARY GRANTS

	<u>2025</u>		<u>2024</u>	
	<u>Amount Received</u>	<u>Transferred to Other Library Boards</u>	<u>Net Grants</u>	<u>Net Grants</u>
Bonnechere Valley	\$ <u>17,014</u>	\$ <u>2,508</u>	\$ <u>14,506</u>	\$ <u>14,506</u>

4. TANGIBLE CAPITAL ASSETS

	<u>2025</u>		<u>2024</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Equipment and books	\$ <u>608,077</u>	\$ <u>466,509</u>	\$ <u>141,568</u>	\$ <u>148,782</u>

Bonnechere Union Public Library BoardNotes to the Financial StatementsFor the year ended 31 December 2025

5. CONTINGENT LIABILITIES

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. The final outcome with respect to claims and legal proceedings pending 31 December 2025 cannot be predicted with certainty.

6. PENSION CONTRIBUTIONS

The Library Board makes contributions to the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. During the year ended 31 December 2025, the Library Board contributed \$ 31,868 (2024 - \$ 31,298) to the plan and is included as an expense in the Statement of Operations and Accumulated Surplus. The Library Board does not recognize in its financial statements any share of the pension plan deficit as this is a joint responsibility of all Ontario municipalities and their employees. The pension plan deficit for 2025 was \$ (6,127,000,000) (the deficit for 2024 was \$ (4,319,000,000)) based on the fair market value of the Plan's assets.