

**The Corporation of the
Township of Joly**

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

December 31, 2025

The Corporation of the Township of Joly

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 Township of Joly (the "Township") are the responsibility of the Township'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 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 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 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.

Official signing completed by Dan Truchon

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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Township of Joly

Opinion

We have audited the consolidated financial statements of The Corporation of the Township of Joly, 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 Township of Joly 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 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.

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 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 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 Township'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 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 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
July 20, 2026

Baker Tilly SNT LLP
CHARTERED PROFESSIONAL ACCOUNTANTS,
LICENSED PUBLIC ACCOUNTANTS

Official signing completed by Baker Tilly SNT LLP

The Corporation of the Township of Joly
Consolidated Statement of Financial Position
December 31, 2025

	<u>2025</u>	<u>2024</u>
Financial Assets		
Cash	\$ 334,217	\$ 1,084,936
Other investments (note 3)	105,767	104,955
Taxes receivable (note 4)	294,209	171,985
Accounts receivable (note 5)	<u>189,107</u>	<u>202,606</u>
	<u>923,300</u>	<u>1,564,482</u>
Liabilities		
Accounts payable and accrued liabilities (note 6)	158,775	187,572
Deferred revenues - other (note 7)	13,689	252,800
Deferred revenues - obligatory reserve funds (note 8)	24,820	54,119
Municipal debt (note 9)	290,622	431,401
Employee future benefits payable (note 10)	19,596	21,472
Asset retirement obligations (note 11)	<u>4,882</u>	<u>4,550</u>
	<u>512,384</u>	<u>951,914</u>
Net Financial Assets	<u>410,916</u>	<u>612,568</u>
Non-Financial Assets		
Tangible capital assets (note 12)	4,312,880	3,643,652
Prepaid expenses	39,400	34,145
Inventories of supplies	<u>40,424</u>	<u>57,143</u>
	<u>4,392,704</u>	<u>3,734,940</u>
Accumulated Surplus (note 13)	<u>\$ 4,803,620</u>	<u>\$ 4,347,508</u>
Contingencies (note 14)		

Official signing completed by
Brian McCabe, Mayor

Official signing completed by
Dan Truchon, Municipal Administrator

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

	2025		2024
	Budget	Actual	Actual
	(Unaudited)		
Revenues			
Net taxation	\$ 943,338	\$ 994,818	\$ 883,285
User charges	14,684	16,297	19,380
Government grants and transfers - Provincial	365,171	353,423	306,651
Government grants and transfers - Federal	-	-	6,688
Government grants and transfers - Municipal	1,412	851	1,122
Other	100,679	19,560	112,752
Total revenues	1,425,284	1,384,949	1,329,878
Expenses			
General government	382,293	376,801	350,003
Protection services	202,796	171,322	153,974
Transportation services	616,654	581,237	617,238
Environmental services	26,000	25,592	25,509
Health services	136,603	136,068	105,522
Social and family services	52,934	53,635	51,546
Recreation and cultural services	63,287	56,999	69,450
Planning and development	27,607	22,541	28,454
Total expenses	1,508,174	1,424,195	1,401,696
Annual deficit before other	(82,890)	(39,246)	(71,818)
Other			
Government grants and transfers related to capital - Provincial	389,262	452,133	114,538
Government grants and transfers related to capital - Federal	71,191	43,225	98,863
Annual surplus	377,563	456,112	141,583
Accumulated surplus, beginning of year	4,347,508	4,347,508	4,205,925
Accumulated surplus, end of year	\$ 4,725,071	\$ 4,803,620	\$ 4,347,508

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

The Corporation of the Township of Joly
Consolidated Statement of Cash Flows
For The Year Ended December 31, 2025

	<u>2025</u>	<u>2024</u>
Operating transactions		
Annual surplus	\$ 456,112	\$ 141,583
Cash provided by (applied to)		
Non-cash items:		
Accretion expense and remeasurement adjustment	332	192
Amortization of tangible capital assets	239,386	223,163
Loss on disposal of tangible capital assets	137,691	1,899
Change in non-cash working capital balances		
Decrease (increase) in taxes receivable	(122,224)	18,738
Decrease (increase) in accounts receivable	13,498	(129,714)
Increase (decrease) in accounts payable and accrued liabilities	(28,797)	50,273
Increase (decrease) in deferred revenues - other	(239,111)	60,660
Decrease in deferred revenues - obligatory reserve funds	(29,299)	(47,300)
Decrease in employee future benefits payable	(1,876)	(2,913)
Increase in prepaid expenses	(5,255)	(11,702)
Decrease (increase) in inventories of supplies	16,719	(18,286)
Cash provided by operating transactions	<u>437,176</u>	<u>286,593</u>
Capital transactions		
Acquisition of tangible capital assets	(1,057,389)	(247,728)
Proceeds on disposal of tangible capital assets	11,084	988
Cash applied to capital transactions	<u>(1,046,305)</u>	<u>(246,740)</u>
Investing transactions		
Acquisition of other investments	(812)	(1,402)
Cash applied to investing transactions	<u>(812)</u>	<u>(1,402)</u>
Financing transactions		
Municipal debt repaid	(140,778)	(136,256)
Cash applied to financing transactions	<u>(140,778)</u>	<u>(136,256)</u>
Decrease in cash	(750,719)	(97,805)
Cash, beginning of year	<u>1,084,936</u>	<u>1,182,741</u>
Cash, end of year	<u><u>\$ 334,217</u></u>	<u><u>\$ 1,084,936</u></u>

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

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

	<u>2025</u> Budget (Unaudited)	<u>2025</u> Actual	<u>2024</u> Actual
Annual surplus	\$ 377,563	\$ 456,112	\$ 141,583
Amortization of tangible capital assets	239,386	239,386	223,163
Loss on disposal of tangible capital assets	-	137,691	1,899
Proceeds on disposal of tangible capital assets	-	11,084	988
Acquisition of tangible capital assets	(480,348)	(1,057,389)	(247,728)
Change in prepaid expenses	-	(5,255)	(11,702)
Change in inventories of supplies	-	16,719	(18,286)
Increase (decrease) in net financial assets	136,601	(201,652)	89,917
Net financial assets, beginning of year	<u>612,568</u>	<u>612,568</u>	<u>522,651</u>
Net financial assets, end of year	<u><u>\$ 749,169</u></u>	<u><u>\$ 410,916</u></u>	<u><u>\$ 612,568</u></u>

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

The Corporation of the Township of Joly

Notes to the Consolidated Financial Statements

December 31, 2025

1. Significant Accounting Policies

These consolidated financial statements of the Township 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 Township and include the activities of all committees of Council, the Sundridge and District Medical Centre, the Sundridge-Strong-Joly Arena and Hall, the Sundridge-Strong-Joly Recreation Committee, the Burk's Falls, Joly, Machar, Ryerson, South River, Strong and Sundridge Joint Building Committee, and the Almaguin Community Economic Development.

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 (East) Home for the Aged
North Bay Parry Sound District Health Unit

(iii) Accounting for School Board Transactions

The Township is required to collect and remit education support levies in respect of residential and other properties on behalf of the area school boards. The Township 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.

(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.

The Corporation of the Township of Joly

Notes to the Consolidated Financial Statements

December 31, 2025

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(ii) Cash

The Township's policy is to disclose bank balances under cash, 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 Township 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 Township makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS) which is a multi-employer contributory defined benefit program with contributions expensed as incurred. Obligations for sick leave and employee retirement gratuities are accrued as the eligible employees render the services necessary to earn the benefits.

(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.

The Corporation of the Township of Joly
Notes to the Consolidated Financial Statements
December 31, 2025

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(vi) Asset Retirement Obligations (Continued)

Asset retirement obligations are only recognized when there is a legal obligation for the Township 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 Township 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.

(vii) Segmented Information

The Township 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 Township:

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.

The Corporation of the Township of Joly
Notes to the Consolidated Financial Statements
December 31, 2025

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(vii) Segmented Information (Continued)

Transportation Services

Transportation services are responsible for roadway systems, airport, and winter control.

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, and libraries.

Planning and Development

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

(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.

The Corporation of the Township of Joly
Notes to the Consolidated Financial Statements
December 31, 2025

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(viii) Non-Financial Assets (Continued)

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	20 years
Buildings	20 to 50 years
Machinery, equipment and furniture	5 to 20 years
Vehicles	8 to 23 years
Roads	8 to 75 years
Bridges	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.

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

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.

The Corporation of the Township of Joly

Notes to the Consolidated Financial Statements

December 31, 2025

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(ix) Taxation and Other Revenues

Property tax billings are prepared by the Township 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 Township 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 Township 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 Township 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 revenues are recognized as revenue when earned.

(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.

The Corporation of the Township of Joly

Notes to the Consolidated Financial Statements

December 31, 2025

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(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, 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 Township'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 amounts recorded for sick leave and retirement allowances are based on estimates of retirement ages of employees.

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.

The Corporation of the Township of Joly
Notes to the Consolidated Financial Statements
December 31, 2025

3. Other Investments

	<u>2025</u>	<u>2024</u>
Guaranteed Investment Certificates maturing between July 5, 2026 and July 9, 2027 bearing interest at rates between 2.7 % and 4.9%	<u>\$ 105,767</u>	<u>\$ 104,955</u>

4. Taxes Receivable

	<u>2025</u>	<u>2024</u>
Current year	\$ 185,629	\$ 103,003
Previous year	57,711	44,959
Prior years	28,699	10,935
Penalties and interest	<u>22,170</u>	<u>13,088</u>
	<u>\$ 294,209</u>	<u>\$ 171,985</u>

5. Accounts Receivable

	<u>2025</u>	<u>2024</u>
Federal government	\$ 113,632	\$ 129,396
Province of Ontario	60,996	18,668
Other municipalities	9,735	38,540
Other	<u>4,744</u>	<u>16,002</u>
	<u>\$ 189,107</u>	<u>\$ 202,606</u>

6. Accounts Payable and Accrued Liabilities

	<u>2025</u>	<u>2024</u>
Federal government	\$ 3,439	\$ 4,125
Interest payable	918	959
Other	26,754	43,858
Other municipalities	26,330	17,932
Province of Ontario	16,534	25,643
School Boards	3,753	929
Trade payables	<u>81,047</u>	<u>94,126</u>
	<u>\$ 158,775</u>	<u>\$ 187,572</u>

The Corporation of the Township of Joly

Notes to the Consolidated Financial Statements

December 31, 2025

7. 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
Sundridge-Strong-Joly Arena and Hall	\$ -	\$ 5,480	\$ 2,700	\$ 2,780
Sundridge and District Medical Centre	1,808	32,902	34,568	142
Northern Ontario Resource Development Support Fund	226,232	55,050	281,282	-
Ontario Cannabis Legalization Implementation Fund	10,767	-	-	10,767
Ontario Community Infrastructure Fund	13,993	101,042	115,035	-
Total Deferred Revenues - Other	\$ 252,800	\$ 194,474	\$ 433,585	\$ 13,689

8. 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 Township 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
Recreational land (the Planning Act)	\$ 7,198	\$ 1,772	\$ -	\$ 8,970
Building Code Act	23,353	-	7,503	15,850
Canada Community - Building Fund	23,568	19,656	43,224	-
Total Deferred Revenues - Obligatory Reserve Funds	\$ 54,119	\$ 21,428	\$ 50,727	\$ 24,820

The Corporation of the Township of Joly
Notes to the Consolidated Financial Statements
December 31, 2025

9. Municipal Debt

	<u>2025</u>	<u>2024</u>
Term loan, repayable in monthly instalments of \$4,442, including interest at the fixed rate of 2.60%, maturing July 23, 2026	\$ 30,882	\$ 82,653
Term loan, repayable in monthly instalments of \$6,981, including interest at the fixed rate of 3.72%, maturing March 24, 2027	102,228	180,603
Debenture loan, repayable in monthly instalments of \$7,329, including interest at the fixed rate of 3.79%, maturing September 1, 2027	14,868	22,933
Debenture loan, repayable in semi-annual instalments of \$47,103, including interest at the fixed rate of 4.74%, maturing November 3, 2052	<u>142,644</u>	<u>145,212</u>
	<u>\$ 290,622</u>	<u>\$ 431,401</u>

Principal instalments required to be paid over the next five years are as follows:

2026	\$ 123,290
2027	30,198
2028	2,955
2029	3,096
2030	3,245
Thereafter	<u>127,838</u>
Total	<u>\$ 290,622</u>

The Corporation of the Township of Joly

Notes to the Consolidated Financial Statements

December 31, 2025

10. Employee Future Benefits Payable

Under the sick leave benefits policy, unused sick leave can accumulate to a prescribed maximum and qualifying employees may become entitled to a cash payment when they leave the Township's employment. The sick leave liability estimates the use of accumulated sick leave prior to retirement, as well as any lump sum payments upon retirement, and assumes that both the appropriate discount rate and future salary and wage levels will increase by 2% per annum.

Under the retirement gratuity policy, qualifying employees are entitled to a payout, upon retirement, based on length of service and rate of pay. The retirement gratuity liability estimates the lump-sum payments upon retirement, and assumes that both the appropriate discount rate and future salary and wage levels will increase by 2% per annum.

	<u>2025</u>	<u>2024</u>
Sick leave	\$ 19,111	\$ 20,190
Retirement allowance	<u>485</u>	<u>1,282</u>
	<u>\$ 19,596</u>	<u>\$ 21,472</u>

11. Asset Retirement Obligations

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 4,550	\$ 4,358
Remeasurement adjustment	132	-
Accretion expense	<u>200</u>	<u>192</u>
Balance, end of year	<u>\$ 4,882</u>	<u>\$ 4,550</u>

The asset retirement obligation is as follows:

	<u>2025</u>	<u>2024</u>
Asbestos removal	<u>\$ 4,882</u>	<u>\$ 4,550</u>

The Township owns buildings which contain asbestos, and therefore, the Township 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. A discount rate of 4.4% (2024 - 4.4%) and inflation rate of 2.6% (2024 - 2.6%) has been used in the calculation.

The Corporation of the Township of Joly
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	Amortization	Transfers / Disposals	December 31, 2025	December 31 2024
Land and land improvements	\$ 81,067	\$ 165	\$ 65	\$ 81,297	\$ 3,242	\$ 21	\$ 71,744	\$ 74,777
Buildings	554,447	4,176	(117)	558,506	10,439	(105)	341,288	347,563
Machinery, equipment and furniture	278,411	16,427	(15,953)	278,885	52,105	(1,055)	32,127	82,703
Vehicles	844,961	-	(637)	844,324	10,776	(40)	548,969	560,342
Roads and bridges	4,379,912	1,033,921	(235,378)	5,178,455	162,824	(114,379)	3,315,710	2,565,612
Work in progress	12,655	2,700	(12,313)	3,042	-	-	3,042	12,655
	<u>\$ 6,151,453</u>	<u>\$ 1,057,389</u>	<u>\$ (264,333)</u>	<u>\$ 6,944,509</u>	<u>\$ 239,386</u>	<u>\$ (115,558)</u>	<u>\$ 4,312,880</u>	<u>\$ 3,643,652</u>

The Corporation of the Township of Joly

Notes to the Consolidated Financial Statements

December 31, 2025

13. Accumulated Surplus

	<u>2025</u>	<u>2024</u>
Surplus		
Invested in tangible capital assets	\$ 4,312,880	\$ 3,643,652
General (see note (a) below)	19,249	19,765
Sundridge and District Medical Centre	4,581	1,578
Sundridge-Strong-Joly Arena & Hall	7,482	9,114
Almaguin Community Economic Development	2,851	1,650
Unfunded liabilities		
Municipal debt	(290,622)	(431,401)
Employee future benefits payable	(19,596)	(21,472)
Asset retirement obligations	(4,882)	(4,550)
Total surplus	<u>4,031,943</u>	<u>3,218,336</u>
Reserves		
Airport proceeds	136,396	136,396
Arena	3,639	3,439
Capital	374,264	735,941
Election	7,500	-
Hospital	7,150	3,492
Medical Centre	62,210	74,386
Working funds	180,518	175,518
Total reserves	<u>771,677</u>	<u>1,129,172</u>
Accumulated Surplus	<u>\$ 4,803,620</u>	<u>\$ 4,347,508</u>

(a) General Surplus:

The general surplus of \$19,249 (2024 - \$19,765) at the end of the year is comprised of the following:

	<u>2025</u>	<u>2024</u>
Opening balance	\$ 19,765	\$ 23,573
Annual surplus	456,112	141,583
Transfer from reserves	357,495	8,343
Net change in tangible capital assets	(669,228)	(21,678)
Decrease in unfunded liabilities	(142,323)	(138,977)
Net change in Sundridge and District Medical Centre	(3,003)	5,822
Net change in Sundridge-Strong-Joly Arena & Hall	1,632	953
Net change in Almaguin Community Economic Development	(1,201)	146
Closing balance	<u>\$ 19,249</u>	<u>\$ 19,765</u>

The Corporation of the Township of Joly
Notes to the Consolidated Financial Statements
December 31, 2025

14. Contingencies

Legal Matters

The Township is involved in certain legal matters, 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 Township's consolidated financial position.

15. 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>\$ 106,379</u>	<u>\$ 98,751</u>
Total amounts received or receivable	<u>106,379</u>	<u>98,751</u>
Requisitions	<u>106,379</u>	<u>98,751</u>
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

16. Contributions to Unconsolidated Joint Local Boards

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

	<u>2025</u>	<u>2024</u>
District of Parry Sound Social Services Administration Board	<u>\$ 30,560</u>	<u>\$ 29,220</u>
District of Parry Sound (East) Home for the Aged	<u>22,827</u>	<u>22,126</u>
North Bay Parry Sound District Health Unit	<u>9,888</u>	<u>9,453</u>
	<u><u>\$ 63,275</u></u>	<u><u>\$ 60,799</u></u>

The Corporation of the Township of Joly

Notes to the Consolidated Financial Statements

December 31, 2025

17. Pension Agreements

The Township 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 Township does not recognize any share of the OMERS pension surplus or deficit.

The amount contributed by the Township to OMERS for 2025 was \$23,429 (2024 - \$25,179) 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.

The Corporation of the Township of Joly

Notes to the Consolidated Financial Statements

December 31, 2025

18. Financial Instruments

Risks arising from financial instruments and risk management

The Township 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 Township is exposed to credit risk to the extent that accounts receivable are not collected in a timely manner. The Township's financial assets consisting of cash, 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 Township at the date of the consolidated statement of financial position. The Township does not believe it is subject to significant credit risk.

Liquidity risk

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

Market risk

Market risk is the risk of changes in the fair value of financial instruments resulting from fluctuations in the market. The Township 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 Township's financial instruments consisting of cash, other investments, accounts receivable, accounts payable and accrued liabilities, and municipal debt are subject to market risk. The Township does not believe it is subject to significant market risk.

The Corporation of the Township of Joly

Notes to the Consolidated Financial Statements

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19. 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	480,348	432,902
Municipal debt repaid	139,815	135,260
Contributions to reserves	-	4,481
Less: Amortization of tangible capital assets	(239,386)	(223,163)
Contributions from reserves	2,658	(18,500)
Decrease in general surplus	-	(26,000)
Decrease in local board general surplus	<u>(5,872)</u>	<u>(15,523)</u>
 Budget surplus per consolidated statement of operations and accumulated surplus	 <u>\$ 377,563</u>	 <u>\$ 289,457</u>

20. Related Party Transactions

During the normal course of operations, the Township purchased goods in the amount of \$475,048 (2024 - \$191,857) from a company owned by a Councillor. These transactions are recorded at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

21. 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 Township of Joly
Notes to the Consolidated Financial Statements
December 31, 2025

22. Segmented Information

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Unallocated Amounts	2025 Total
Revenues										
Net taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 994,818	\$ 994,818
User charges	2,725	7,579	-	-	-	-	5,256	737	-	16,297
Government grants and transfers - Provincial	-	523	-	-	53,668	-	2,700	4,132	292,400	353,423
Government grants and transfers - Federal	-	-	-	-	-	-	-	-	-	-
Government grants and transfers - Municipal	-	-	-	-	-	-	851	-	-	851
Other	64,399	881	(130,233)	-	12,972	-	9,546	277	61,718	19,560
Total revenues	67,124	8,983	(130,233)	-	66,640	-	18,353	5,146	1,348,936	1,384,949
Expenses										
Salary, wages and employee benefits	235,816	6,749	143,633	-	15,189	-	17,695	10,616	-	429,698
Interest on municipal debt	-	-	6,927	-	6,837	-	705	-	-	14,469
Materials	82,333	1,875	178,378	-	25,772	-	18,427	982	-	307,767
Contracted services	50,382	160,249	35,361	25,592	31,047	-	9,689	10,871	-	323,191
Rents, financial expenses and accretion expense	4,360	192	-	-	6,919	-	468	-	-	11,939
External transfers	217	-	-	-	43,893	-	-	-	-	97,745
Amortization of tangible capital assets	3,693	2,257	216,938	-	6,411	-	10,015	72	-	239,386
Total expenses	376,801	171,322	581,237	25,592	136,068	53,635	56,999	22,541	-	1,424,195
Annual surplus (deficit) before other	(309,677)	(162,339)	(711,470)	(25,592)	(69,428)	(53,635)	(38,646)	(17,395)	1,348,936	(39,246)
Other										
Government grants and transfers related to capital - Provincial	-	-	453,921	-	-	-	(1,788)	-	-	452,133
Government grants and transfers related to capital - Federal	-	-	43,225	-	-	-	-	-	-	43,225
Annual surplus (deficit)	\$ (309,677)	\$ (162,339)	\$ (214,324)	\$ (25,592)	\$ (69,428)	\$ (53,635)	\$ (40,434)	\$ (17,395)	\$ 1,348,936	\$ 456,112

The Corporation of the Township of Joly
Notes to the Consolidated Financial Statements
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22. 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 Amounts	2024 Total
Revenues										
Net taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 883,285	\$ 883,285
User charges	2,895	10,853	-	-	-	-	5,232	400	-	19,380
Government grants and transfers - Provincial	-	400	-	-	39,598	-	-	1,853	264,800	306,651
Government grants and transfers - Federal	-	-	-	-	-	-	-	6,688	-	6,688
Government grants and transfers - Municipal	-	271	-	-	-	-	851	-	-	1,122
Other	11,676	1,828	4,740	-	18,743	-	10,143	284	65,338	112,752
Total revenues	14,571	13,352	4,740	-	58,341	-	16,226	9,225	1,213,423	1,329,878
Expenses										
Salary, wages and employee benefits	227,293	9,053	159,160	-	15,109	-	19,360	13,550	-	443,525
Interest on municipal debt	-	-	11,032	-	6,956	-	1,005	-	-	18,993
Materials	63,535	1,698	217,285	-	9,546	-	17,468	2,793	-	312,325
Contracted services	47,564	141,697	25,293	25,509	24,801	-	23,561	12,038	-	300,463
Rents, financial expenses and accretion expense	7,853	272	-	-	6,930	-	287	-	-	15,342
External transfers	65	-	-	-	36,274	51,546	-	-	-	87,885
Amortization of tangible capital assets	3,693	1,254	204,468	-	5,906	-	7,769	73	-	223,163
Total expenses	350,003	153,974	617,238	25,509	105,522	51,546	69,450	28,454	-	1,401,696
Annual surplus (deficit) before other	(335,432)	(140,622)	(612,498)	(25,509)	(47,181)	(51,546)	(53,224)	(19,229)	1,213,423	(71,818)
Other										
Government grants and transfers related to capital - Provincial	-	8,233	87,799	-	-	-	18,506	-	-	114,538
Government grants and transfers related to capital - Federal	-	-	29,238	-	-	-	69,625	-	-	98,863
Annual surplus (deficit)	\$ (335,432)	\$ (132,389)	\$ (495,461)	\$ (25,509)	\$ (47,181)	\$ (51,546)	\$ 34,907	\$ (19,229)	\$ 1,213,423	\$ 141,583