CONSOLIDATED FINANCIAL REPORT

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

DISTRICT OF TIMISKAMING

YEAR ENDED DECEMBER 31, 2025

INDEX

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

	Page Number
Management's Responsibility for the Financial Statements	1
Auditors' Report	2 - 3
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Change in Net Debt	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 25

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of The Corporation of the Township of McGarry are the responsibility of the Corporation of the Township of McGarry's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is described in Note 1 to the financial statements. The preparation of 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 Corporation of the Township of McGarry'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 financial statements. These systems are monitored and evaluated by Management.

Council meets with Management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by Kemp Elliott & Blair LLP, independent external auditors appointed by the Corporation of the Township of McGarry. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Corporation of the Township of McGarry's financial statements.

Deputy Mayor
~~Annie Keft~~
Elaine Fic

Clerk-Treasurer
Karine Pelletier

Kemp Elliott & Blair L.L.P.

STEVEN ACLAND, CPA, CA
DANIELLE GIRARD, CPA, CA
LOUISE LABONTE, MBA, CPA, CA
ASHLEY PROCTOR, CPA, CA
NICK SEED, CPA

CHARTERED PROFESSIONAL ACCOUNTANTS

3-883317 HWY 65E
NEW LISKEARD, ON P0J 1P0

TEL. 705-647-8174
FAX 705-647-7644
www.kebnl.ca
admin@kebnl.ca

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Township of McGarry:

Opinion

We have audited the consolidated financial statements of the Corporation of the Township of McGarry, which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and notes to the 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 Corporation of the Township of McGarry as at December 31, 2025, and the results of its operations, change in net debt and 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Corporation of the Township of McGarry in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of 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 Corporation of the Township of McGarry'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 Corporation of the Township of McGarry or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated 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 auditors' 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 Corporation of the Township of McGarry'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 Corporation of the Township of McGarry's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Corporation of the Township of McGarry to cease to continue as a going concern.

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

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

Kemp Elliott & Blair LLP

Kemp Elliott & Blair LLP
Chartered Professional Accountants
Licensed Public Accountants

New Liskeard, Ontario
July 14, 2026

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2025

	2025	2024
FINANCIAL ASSETS		
Cash	$ 1,158,051	$ 787,742
Taxes receivable	433,128	848,937
Accounts receivable	152,436	1,624,675
Inventories held for resale	230,028	360,707
	1,973,643	3,622,061
LIABILITIES		
Demand Loan - note 5	-	2,008,608
Accounts payable and accrued liabilities	121,820	208,017
Deferred revenue - other - note 6	102,031	127,235
Deferred revenue - obligatory reserve funds - note 7	192,815	201,824
Asset retirement obligation - note 8	2,584,695	2,514,297
Municipal debt - note 9	938,806	511,389
	3,940,167	5,571,370
Contingent liabilities and commitments - note 11 & 12		
NET DEBT	(1,966,524)	(1,949,309)
NON-FINANCIAL ASSETS		
Tangible capital assets - note 16	11,313,103	11,170,224
Inventories of supplies	19,168	20,134
	11,332,271	11,190,358
ACCUMULATED SURPLUS - note 10	$ 9,365,747	$ 9,241,049

The accompanying notes form an integral part of these consolidated financial statements

On behalf of Council:

Deputy Mayor

Clerk-Treasurer

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2025

	(Note 13) 2025 Budget	2025 Actual	2024 Actual
REVENUES			
Operating revenues			
Municipal taxation	$ 1,014,454	$ 972,906	$ 951,087
User charges	599,500	607,350	566,672
Provincial grants	884,520	758,035	709,370
Federal grants	4,484	4,484	1,560
Canada Community-Building Fund	36,408	15,838	85,743
Investment income	20,000	11,559	16,194
Penalties and interest on taxes	170,000	116,048	184,685
Sale of inventory	-	70,350	-
Other	14,600	103,960	64,044
Loss on disposal of tangible capital assets	-	(12,687)	(11,325)
Gain from Government Business Partnership	-	-	983,602
	2,743,966	2,647,843	3,551,632
Capital revenues			
Provincial grants	325,000	439,496	1,135,292
Federal grants	211,052	203,771	713,461
Canada Community-Building Fund	33,000	32,601	-
	569,052	675,868	1,848,753
Total revenues	3,313,018	3,323,711	5,400,385
EXPENDITURES			
General government	865,797	1,060,509	802,728
Protection to persons and property	251,108	238,276	244,494
Transportation services	641,092	650,774	485,717
Environmental services	900,001	792,149	805,363
Health services	148,713	146,234	135,565
Social and family services	70,144	64,125	55,703
Recreation and cultural services	191,864	246,946	230,488
Planning and development	9,000	-	23,736
Total expenditures	3,077,719	3,199,013	2,783,794
ANNUAL SURPLUS	235,299	124,698	2,616,591
Accumulated surplus, beginning of year	9,241,049	9,241,049	6,624,458
ACCUMULATED SURPLUS, END OF YEAR - note 10	$ 9,476,348	$ 9,365,747	$ 9,241,049

The accompanying notes form an integral part of these consolidated financial statements

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

FOR THE YEAR ENDED DECEMBER 31, 2025

	(Note 13) 2025 Budget	2025 Actual	2024 Actual
ANNUAL SURPLUS	$ 235,299	$ 124,698	$ 2,616,591
Acquisition of tangible capital assets	(569,052)	(599,009)	(1,947,706)
Amortization of tangible capital assets	443,443	443,443	379,931
Loss on disposal of tangible capital assets	-	12,687	11,325
Proceeds on sale of tangible capital assets	-	-	2,848
	(125,609)	(142,879)	(1,553,602)
Consumption of inventories of supplies	-	966	2,241
Decrease (increase) in net debt	109,690	(17,215)	1,065,230
Net debt, beginning of year	(1,949,309)	(1,949,309)	(3,014,539)
NET DEBT, END OF YEAR	$ (1,839,619)	$ (1,966,524)	$ (1,949,309)

The accompanying notes form an integral part of these consolidated financial statements

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2025

	2025	2024
Operating activities		
Annual surplus	$ 124,698	$ 2,616,591
Charges not affecting cash -		
Amortization of tangible capital assets	443,443	379,931
Loss on disposal of tangible capital assets	12,687	11,325
Accretion expense	70,398	68,481
Share of loss of Solaire McGarry Solar	-	(983,602)
	651,226	2,024,245
Net change in non-cash working capital items -		
Taxes receivable	415,809	353,267
Accounts receivable	1,472,239	(1,494,143)
Inventories held for resale	130,679	(360,707)
Inventories of supplies	966	2,241
Accounts payable and accrued liabilities	(86,197)	72,967
Deferred revenue - other	(25,204)	(338,013)
Deferred revenue - obligatory reserve funds	(9,009)	(47,241)
	1,899,283	(1,743,148)
Cash provided by operating activities	2,550,509	281,097
Capital activities		
Acquisition of tangible capital assets	(599,009)	(1,947,706)
Proceeds from sale of tangible capital assets	-	2,848
Cash used for capital activities	(599,009)	(1,944,858)
Financing activities		
Demand loan received (repaid)	(2,008,608)	2,008,608
New debt issued	1,017,847	-
Debt repayments	(590,430)	(176,883)
Cash used for financing activities	(1,581,191)	1,831,725
Increase in cash	370,309	167,964
Cash and cash equivalents, beginning of year	787,742	619,778
Cash and cash equivalents, end of year	$ 1,158,051	$ 787,742
Represented by		
Cash	$ 1,158,051	$ 787,742
Supplemental cash flow information		
Interest paid	$ 36,527	$ 32,608

The accompanying notes form an integral part of these consolidated financial statements

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

The Corporation of the Township of McGarry ("the Township") is a single tier township situated in Northeastern Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act 2001, Municipal Affairs Act, Provincial Offences Act and other related legislation.

1. **Accounting Policies**

The consolidated financial statements of the Township are the representation of management and council prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada as prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing.

(a) (i) **Basis of Consolidation**

These consolidated financial statements reflect the financial assets, liabilities, revenues and expenditures, reserves, reserve funds and changes in investment in tangible capital assets and includes the activities of all committees of Council and the following boards, municipal enterprises and utilities which are under the control of the Council:

Public Library Board
Waterworks System

All interfund assets and liabilities and sources of financing and expenditures have been eliminated.

(ii) **Non-Consolidated**

The following local boards, joint local boards, municipal enterprises and utilities are not consolidated:

Northeastern Public Health
District of Timiskaming Social Services Administration Board

Although these are joint local boards they run autonomously to provide those services mandated by the Province. The Township has no control over these programs or their financing. These joint local boards are not proportionately consolidated. The yearly requisitions of these boards are expensed by the Township in its statements (note 3).

Temiskaming Municipal Services Association

The Temiskaming Municipal Services Association provides the services of a Chief Building Officer to 21 Municipalities. The operations of this organization are not proportionately consolidated into these statements because the Township does not have control. Building Permit revenues are transferred to this organization.

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

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

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

1. **Accounting Policies - continued**

(b) (i) **Revenue recognition**

Government transfers (provincial and federal grants)
Government transfers are transfers from senior levels of government that are not the result of an exchange transaction and are not expected to be repaid in the future. Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized. A transfer with eligibility criteria is recognized as revenue when the transfer is authorized and all eligibility criteria have been met. A transfer with or without eligibility criteria but with stipulation is recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except where and to the extent that the transfer gives rise to an obligation that meets the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

Taxation and related revenues
Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC") with the authority established under the Municipal Act, 2001, the Assessment Act, the Education Act, and other legislation. 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 when they meet the definition of an asset, the tax is authorized and the taxable event has occurred. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the results of the appeal process are known.

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.

Fees, service charges and other revenue
Fees, service charges and other revenue are recognized when earned.

(ii) **Cash and cash equivalents**
Cash consists of balances held at financial institutions and all cash equivalents consist of highly liquid financial instruments.

(iii) **Inventories held for resale**
Inventories held for consumption are recorded at lower of cost or replacement cost. Inventories held for resale are recorded at the lower of cost and consists of land for resale.

(iv) **Inventories of supplies**
Inventories held for consumption are recorded at lower of cost or replacement cost.

(v) **Leases**
Leases are classified as operating or capital leases. Leases that transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases and are recorded as a tangible capital asset and a liability. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

1. **Accounting Policies - continued**

(vi) **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. 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	10 to 50	years
Buildings	25 to 50	years
Machinery and equipment	10 to 25	years
Office furniture and equipment	4 to 10	years
Vehicles	5 to 20	years
Roads and culverts	10 to 50	years
Water and sewer systems	15 to 100	years

A full year of amortization is charged in the year of acquisition and no amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is in productive use.

The Township has no capitalization threshold for land and buildings, a capitalization threshold of $10,000 for infrastructure systems and $2,500 for all other assets. Individual assets of lesser value may be capitalized if they are pooled, or because, collectively, they have significant value, or for operational purposes.

(vii) **Deferred revenue - other**

The Township receives certain amounts pursuant to funding agreements that may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recorded as deferred revenue and are recognized as revenue in the fiscal year the eligibility criteria has been met except when stipulations are present and to the extent that the transfer gives rise to an obligation that meets the definition of a liability.

(viii) **Deferred revenue - obligatory reserve funds**

The Township receives Canada Community-Building Fund funding under the authority of Federal legislation. These funds, by their nature, are restricted in their use and until applied to specific expenses, are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

(ix) **Asset retirement obligations**

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

The liability associated with an asset retirement obligation is measured with reference to the best estimate of the amount required to ultimately remediate the liability at the consolidated financial statement date to the extent that all recognition criteria are met. Asset retirement obligations are only recognized when there is a legal obligation for the 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.

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

1. **Accounting Policies - continued**

(ix) **Asset retirement obligations - continued**

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.

(x) **Reserves and reserve funds**

Certain amounts, as approved by Municipal Council, are set aside in reserves and reserve funds for future, current and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

(x) **Use of estimates**

Management has made estimates and assumptions that affect the amounts reported in preparing these consolidated financial statements. Significant areas requiring the use of management estimates relate to the determination of allowance for uncollectable taxes, tangible capital assets historical cost, estimated useful life and related amortization and landfill closure and post-closure costs.

(xii) **Financial instruments**

The Township recognizes its financial instruments when the municipality becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section PS 3420 Inter-entity Transactions.

At initial recognition, the municipality may irrevocably elect to subsequently measure any financial instrument at fair value. The Township has not made such an election during the year.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

2. **Operations of School Boards**

Further to note 1(a) (iv), net municipal taxation and taxation from governments levied on behalf of and payable to school boards was:

	2025	2024
	$ 59,789	$ 59,401

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

3. **Contributions to Unconsolidated Joint Boards**
Further to note 1(a) (iii), the following contributions were made by the Township to these boards:

	2025	2024
Northeastern Public Health	$ 36,583	$ 32,231
District of Timiskaming Social Services Administration Board	$ 128,339	$ 116,368

4. **Short-term investments**
The short-term investments of $nil (2024 $nil) are classified as held for trading due to their short-term nature and are recorded at market value.

5. **Short-term debt**
The Township has arranged a line of credit with its financial institution not to exceed from January 1 to September 30, 50% of the total estimated revenue as set out in the budget adopted for the current year, and from October 1 to December 31, 25% of the total estimated revenue as set out in the budget adopted for the current year or $250,000, whichever is less. The line of credit, authorized by By-Law 2025-02, bears interest at prime plus 0.25%. As at December 31, 2025, the outstanding balance of the line of credit was $nil (2024 $nil).

The Township has arranged a revolving loan facility with its financial institution to finance the water upgrade project. During the revolving period, the Borrower may borrow, repay and reborrow up to the amount of this facility of $2,356,033, provided an event of default shall not have occurred. The revolving loan, authorized by By-Law 2024-24, bears interest at prime minus 0.50%. As at December 31, 2025, the outstanding balance of the line of credit was $nil (2024 $2,008,608).

6. **Deferred revenue - other**
Deferred revenue, set aside for specific purposes by legislation, regulation or agreement as at December 31st is comprised of:

	December 31 2024	Funds Received	Revenue Earned	December 31 2025
Provincial grant - OCIF	$ 119,987	$ 117,200	$ 135,156	$ 102,031
Provincial grant - NORDS	9,734	65,004	74,738	-
	$ 129,721	$ 182,204	$ 209,894	$ 102,031

Ontario Community Infrastructure Funds – Formula-based Component includes $116,134 of funding plus $1,066 interest.
Northern Ontario Resouce Development Support – Project based for Water & Sewer project includes $64,424 of funding and $579 of interest.

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

7. **Deferred revenue - obligatory reserve funds**

Deferred revenue – obligatory reserve funds consist of the following:

	December 31 2024	Funds Received	Revenue Earned	December 31 2025
Canada Community-Building Fund	$ 201,824	$ 39,430	$ 48,439	$ 192,815

Canada Community-Building Fund includes $37,925 received from AMO plus $1,224 interest.

8. **Asset retirement obligations**

	2025	2024
Balance, beginning of year	$ 2,514,297	$ 2,445,816
Accretion expense	70,398	68,481
Balance, end of year	$ 2,584,695	$ 2,514,297

The asset retirement obligation at year end is as follows:

	2025	2024
Landfill	$ 210,537	$ 204,803
Asbestos removal	2,240,330	2,179,310
Gravel Pit	57,323	55,762
Water well and pumphouse	68,243	66,385
Fuel tank removal	8,262	8,037
	$ 2,584,695	$ 2,514,297

The discount rate used to present value future cash outputs is 2.80% (2024 2.80%).

Landfill

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

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

The landfill site was established in 1980. The total capacity of the site is 811,656 cubic meters. The approximate area that has been landfilled is 243,499 cubic meters, leaving an estimated remaining capacity of 568,157 cubic meters. The estimated life of the landfill site is 70 years and post-closure care is estimated to be required for 25 years from the date of site closure.

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

8. **Asset retirement obligations - continued**

Asbestos removal

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. Assumptions were made regarding the remaining useful life of the building that contains materials with asbestos in order to estimate when the costs of rehabilitation would be incurred.

Gravel Pits

The Township owns two gravel pits for which the Township has a legal obligation under the Aggregate Resources Act to perform rehabilitation activities upon the gravel pit site when it is no longer in productive use. Assumptions were made regarding the remaining useful life of the gravel pits in order to estimate when the costs of rehabilitation would be incurred.

Water well

The Township owns a water well and pumphouse which represents an environmental hazard upon removal and decommissioning and there are legal obligations regarding how they must be removed. Assumptions were used to quantify unit time for the summation of service costs.

Fuel tank removal

The Township owns an above ground fuel tank which represents an environmental hazard upon removal and there are legal obligations regarding how they must be removed. Assumptions were used to quantify unit time for the summation of service costs.

9. **Municipal debt**

The balance of the municipal debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2025	2024
Loans and debentures		
Ontario Strategic Infrastructure Financing Authority (OSIFA) debenture to assist with sewage treatment infrastructure, repayable in blended semi-annual payments of $24,243 including interest at 4.78%, secured by equipment, maturing January 2026.	$ 23,677	$ 69,386
Ontario Strategic Infrastructure Financing Authority (OSIFA) debenture to assist with sewage treatment infrastructure, repayable in blended semi-annual payments of $30,425 including interest at 4.77%, secured by future Province of Ontario funding, maturing	219,223	267,868
Scotiabank Loan for 2022 Chevy Silverado truck, repayable in blended monthly payments of $772 including interest at 4.08%, secured by the vehicle with a carrying value of $40,149, maturing July 2029.	28,870	36,928
Mitsubishi HC Capital Canada Loan for 2012 Freightliner truck, repayable in blended monthly payments of $1,691 including interest at 12.462%, secured by the vehicle with a carrying value of $72,454, maturing November 2026.	17,490	34,435

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

9. **Municipal debt - continued**

	2025	2024
RBC Loan for cash flow purposes, repayable in blended monthly payments of $12,257 including interest at a variable rate of 3.95%, secured by future Province of Ontario funding, maturing June 2030.	599,169	-
Total loans and debentures	888,429	408,617
Long-term capital lease John Deere Canada ULC capital lease to purchase a 2018 grader, repayable in blended monthly payments of $4,695 including interest at 4.99%, secured by the grader with a carrying value of $233,554, maturing November 2026.	50,377	102,772
Total municipal debt	$ 938,806	$ 511,389

Principal repayments due in the next five years are as follows:

2026	$ 276,202
2027	192,238
2028	200,041
2029	204,891
2030	65,434
Thereafter	-
	$ 938,806

In 2025, interest expense of $36,527 (2024 $32,608) has been reflected in the Consolidated Statement of Operations.

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

10. **Accumulated surplus**

The accumulated surplus is made up of the following:

	2025	2024
Reserves, surpluses and deficits		
Roads capital projects reserve	$ 4,335	$ 4,335
Safe restart reserve	8,470	8,470
Working funds reserve	383,071	109,707
Equipment replacement reserve	280,850	280,850
Waste site reserve	104,694	104,694
General fund	521,412	216,714
Sanitary sewer system	552,449	428,927
Water supply system	(312,797)	(457,380)
Library surplus	14,493	11,672
	1,556,977	707,989
Reserve funds		
Recreation programs and facilities	-	217,383
Fire department	-	28,722
Future development	-	11,749
Library	-	2,738
Waterworks capital projects	-	95,025
Community events	-	12,771
	-	368,388
Amounts to be recovered		
Unfinanced asset retirement obligations	(2,584,695)	(2,514,297)
Unfinanced municipal debt	(938,806)	(511,389)
	(3,523,501)	(3,025,686)
Net debt	(1,966,524)	(1,949,309)
Non-financial assets		
Tangible capital assets	11,313,103	11,170,224
Inventories of supplies	19,168	20,134
	11,332,271	11,190,358
	$ 9,365,747	$ 9,241,049

Reserves represent an appropriation of surplus for a specific purpose, determined by council, are non-statutory and subject to change by council at any time.

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 revenues over expenditures, provides the Change in Net Debt for the year.

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

11. **Contingent liabilities**

Non-Consolidated Entities

The Township is contingently liable for the deficits and long-term debt of the non-consolidated entities.

Funding agreements

Under the terms of various funding agreements, the Township could have provincial and federal grants become repayable if it is determined that funding was applied towards ineligible costs or if other terms of the agreements were not met. At year end, management is of the opinion that all conditions have been met and funding was applied towards eligible costs.

Ontario Municipal Employees Retirement Fund

All permanent, full-time employees of the Township are eligible to be members of 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. The Township's contributions are equal to the employee contributions to the plan. During the year ended December 31, 2025, the Township contributed $44,046 (2024 $35,320) to the plan. As this is a multi-employer pension plan, the contributions by the Township are recognized as an expenditure. No pension liability for this type of plan is recognized in the Township's financial statements. As of December 31, 2025, OMERS has a funding deficit of $1.3 billion (2024 $2.9 billion) and reported Net Assets Available for Benefits of $145.5 billion (2024 $138.4 billion).

12. **Contractual obligations and commitments**

(a) Contracts for capital projects:

The balance of capital works uncompleted under contracts in progress at December 31, 2025 amounts to approximately $nil (2024 $599,000). The proposed financing of these obligations is $nil (2024 $nil) from surplus funds and $nil (2024 $599,000) from external sources.

(b) Contracts for services:

The township has entered into contracts with third parties to provide services. The minimum anticipated payments under these contracts are as follows:

2026	$ 202,692
2027	203,137
2028	182,397
2029	182,397
2030	182,397

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

13. **Budgeting**

The Township budgets to determine an appropriate tax rate based on all budgeted revenues, including proceeds on long-term debt, and all expenditures, including debt principal payments and the acquisition of tangible capital assets, but does not include amortization or accretion expenses. The Township reconciles this tax levy budget to the budget in accordance with Public Sector Accounting Standards.

	2025
Tax levy budget deficit for the year - as below	$ -
Add: Capital expenditures	569,052
Debt repayments	180,088
Less: Estimated amortization	(443,443)
Accretion expense	(70,398)
Budget surplus per Consolidated Statement of Operations - page 5	$ 235,299

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

13. **Budgeting - continued**

	Budget 2025	Actual 2025	Actual 2024
REVENUES			
Operating			
Municipal taxation	$ 1,014,454	$ 972,906	$ 951,087
User charges	599,500	607,350	566,672
Provincial grants	884,520	758,035	709,370
Federal grants	4,484	4,484	1,560
Federal gas tax	36,408	15,838	85,743
Investment income	20,000	11,559	16,194
Penalties and interest on taxes	170,000	116,048	184,685
Proceeds on sale of tangible capital assets	-	-	2,848
Loss from Government Business Partnership	-	-	983,602
Sale of inventory	-	70,350	-
Other	14,600	103,960	64,044
	2,743,966	2,660,530	3,565,805
Capital			
Provincial grants	325,000	439,496	1,135,292
Federal grants	211,052	203,771	713,461
Canada Community-Building Fund	33,000	32,601	-
	569,052	675,868	1,848,753
New debt issued	-	1,017,847	-
Total revenues	3,313,018	4,354,245	5,414,558
EXPENDITURES			
Operating			
General government	841,099	1,035,811	778,364
Protection to persons and property	239,097	226,265	233,919
Transportation services	488,122	497,804	375,387
Environmental services	620,377	512,525	545,760
Health services	133,005	130,526	120,118
Social and family services	70,144	64,125	55,703
Recreation and cultural services	163,034	218,116	202,395
Planning and Development services	9,000	-	23,736
	2,563,878	2,685,172	2,335,382
Capital expenditures	569,052	599,009	1,947,706
Long term debt repayments	180,088	590,430	176,883
Total expenditures	3,313,018	3,874,611	4,459,971
Surplus (deficit), tax levy budget base	$ -	$ 479,634	$ 954,587

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

14. **Financial instruments**

The Township, as part of its operations, carries a number of financial instruments. It is management's opinion that the Township is not exposed to significant interest, currency, liquidity, market, price or credit risks arising from these financial instruments except as otherwise disclosed.

Credit risk

Credit risk is the risk of financial loss because of a counter party to a financial instrument fails to discharge its contractual obligations. The Municipality manages its credit risk by establishing an allowance for doubtful accounts based on factors surrounding the credit risk of specific accounts, historical trends and other information. The Municipality has a significant number of customers and ratepayers which minimizes concentration of credit risk. Further, the Municipality has available to it a tax registration process to recover unpaid municipal taxes by way of forced transfer of properties with multi-year arrears.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Municipality manages exposure through its normal operating and financing activities. The Municipality is exposed to interest rate risk primarily through its floating and fixed rate loans.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Municipality is exposed to this risk mainly in respect of its receipt of funds from its customers and ratepayers, and other related sources, and accounts payable. The municipality manages the liquidity risk resulting from its accounts payable by maintaining cash and investing in other liquid assets.

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

15. **Segmented information**

The Township is a diversified municipal government institution that provides a wide range of services to its citizens, including General Government Services, Protection Services, Transportation Services, Environmental Services, Health Services, Social and Family Services, Recreational and Cultural Services and Planning and Development Services. Service areas were created for the purpose of recording specific activities to attain certain objectives in accordance with regulations, restrictions or limitations.

Municipal services are provided by departments and their activities are reported in these service areas. Departments disclosed in the segmented information, along with the services they provide, are as follows:

General Government Services

The Departments within General Government Services are responsible for adopting bylaws; adopting administrative policy; levying taxes; acquiring, disposing and managing Municipal assets; ensuring effective financial management; monitoring performance and ensuring that high quality Municipal Service standards are met.

Protection Services

Police services, including the enforcement of laws, prevention of crime and maintenance of peace, order, and security, are provided to the Township by agreement with the Ontario Provincial Police. Fire protection services are provided by way of a volunteer Fire Department, which provides fire suppression, fire prevention and education programs to residents. The Township also enforces By-laws and offers dog control and property standards enforcement under contract.

Transportation Services

The Public Works department is responsible for the delivery of municipal public works services related to planning, design, construction, cleaning, repair, snow removal and signage of roadway systems, as well as maintaining all Municipal vehicles and equipment, and providing some building maintenance services to Municipal facilities.

Environmental Services

The Public Works department is also responsible for the water supply and distribution system and the wastewater collection and treatment facilities. This service is provided under contract with the Ontario Clean Water Agency who oversee both operations. The Public Works department is responsible for the maintenance of the system, which includes repair of water and sewer mains and fire hydrants, service connections and manholes. The Public Works department also operates the solid waste collection and manages the Township's waste disposal site.

Health Services

The Township funds a range of public health services through the Health Unit and provides ambulance services through the District of Timiskaming Social Services Administration Board. The Township also provides cemetery services through the Town of Kirkland Lake.

Social and Family Services

The services are provided indirectly by the Township through the District Social Services Administration Board and includes general assistance, childcare and social housing services.

Recreation and Cultural Services

The Township is responsible for providing, facilitating the development of, and maintaining parks and recreational facilities, and cultural services, including library services.

Planning and Development

The Township is responsible for preparing land use plans, by-laws and policies for sustainable development of the Township and for reviewing and approving new development.

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

15. **Segmented information - continued**

	General Government Services	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development Services	Total 2025	Total 2024
REVENUES										
Operating revenues										
Municipal taxation	$ 972,906	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 972,906	$ 951,087
User charges	8,640	6,211	-	553,972	9,950	-	28,577	-	607,350	566,672
Provincial grants	635,000	18,592	66,018	23,580	-	-	14,845	-	758,035	709,370
Federal grants	-	-	2,064	-	-	-	2,420	-	4,484	1,560
Canada Community-Building Fund	-	-	-	15,838	-	-	-	-	15,838	85,743
Investment income	11,559	-	-	-	-	-	-	-	11,559	16,194
Penalties and interest on taxes	116,048	-	-	-	-	-	-	-	116,048	184,685
Loss on disposal of tangible capital assets	-	-	(12,687)	-	-	-	-	-	(12,687)	(11,325)
Gain from Government Business Partnership	-	-	-	-	-	-	-	-	-	983,602
Sale of inventory	70,350								70,350	-
Other	66,310	-	6,562	-	-	-	31,088	-	103,960	64,044
	1,880,813	24,803	61,957	593,390	9,950	-	76,930	-	2,647,843	3,551,632
Capital revenues										
Provincial grants	-	-	211,844	227,652	-	-	-	-	439,496	1,135,292
Federal grants	-	-	67,856	135,915	-	-	-	-	203,771	713,461
Canada Community-Building Fund	-	-	-	32,601	-	-	-	-	32,601	-
Total revenues	1,880,813	24,803	341,657	989,558	9,950	-	76,930	-	3,323,711	5,400,385
EXPENDITURES										
Wages and benefits	396,601	35,689	311,612	94,772	571	-	45,204	-	884,449	794,333
Long-term debt interest	-	-	21,546	14,981	-	-	-	-	36,527	32,608
Materials	548,524	46,343	146,161	124,584	13,724	-	147,534	-	1,026,870	764,035
Contracted services	61,617	144,233	18,485	278,188	13,234	-	25,378	-	541,135	587,774
Rents and financial expenses	41,352	-	32,495	7,592	9,563	-	8,465	-	99,467	81,596
External transfers	-	-	-	-	102,997	64,125	-	-	167,122	143,517
Amortization	12,415	12,011	120,475	272,032	6,145	-	20,365	-	443,443	379,931
Total expenditures	1,060,509	238,276	650,774	792,149	146,234	64,125	246,946	-	3,199,013	2,783,794
Annual surplus (deficit)	$ 820,304	$ (213,473)	$ (309,117)	$ 197,409	$ (136,284)	$ (64,125)	$ (170,016)	$ -	$ 124,698	$ 2,616,591

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

16. **Schedule of tangible capital assets**

	Opening Cost Dec. 31, 2024	Additions	Disposals	Ending Cost Dec. 31, 2025	Opening Accumulated Amortization Dec. 31, 2024	Current Amortization	Disposals	Ending Accumulated Amortization Dec. 31, 2025	Net Assets Dec. 31, 2025
General									
Land	$ 90,106	$ -	$ -	$ 90,106	$ -	$ -	$ -	$ -	$ 90,106
Land improvements	99,706	-	-	99,706	51,267	1,714	-	52,981	46,725
Buildings	9,495,158	-	125,347	9,369,811	5,425,377	207,713	125,347	5,507,743	3,862,068
Equipment	1,491,105	81,166	7,585	1,564,686	1,139,830	45,894	6,333	1,179,391	385,295
Vehicles	701,417	-	111,298	590,119	447,845	28,113	99,863	376,095	214,024
Leased vehicles	333,650	-	-	333,650	100,096	16,683	-	116,779	216,871
Infrastructure									
Roads, Bridges and Culverts	1,588,137	869,450	-	2,457,587	1,420,598	54,480	-	1,475,078	982,509
Underground networks	5,607,901	1,494,000	-	7,101,901	1,497,550	88,846	-	1,586,396	5,515,505
Construction in progress	1,845,607	-	1,845,607	-	-		-	-	-
Total	$ 21,252,787	$ 2,444,616	$ 2,089,837	$ 21,607,566	$ 10,082,563	$ 443,443	$ 231,543	$ 10,294,463	$ 11,313,103

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

16. **Schedule of tangible capital assets**

	Opening Cost Dec. 31, 2023	Additions	Disposals	Ending Cost Dec. 31, 2024	Opening Accumulated Amortization Dec. 31, 2023	Current Amortization	Disposals	Ending Accumulated Amortization Dec. 31, 2024	Net Assets Dec. 31, 2024
General									
Land	90,106	-	-	90,106	-	-	-	-	90,106
Land improvements	99,706	-	-	99,706	49,553	1,714	-	51,267	48,439
Buildings	9,495,158	-	-	9,495,158	5,217,664	207,713	-	5,425,377	4,069,781
Equipment	1,454,944	36,161	-	1,491,105	1,099,501	40,329	-	1,139,830	351,275
Vehicles	750,007	-	48,590	701,417	452,717	29,545	34,417	447,845	253,572
Leased vehicles	333,650	-	-	333,650	83,413	16,683	-	100,096	233,554
Infrastructure									
Roads, Bridges and Culverts	1,489,536	98,601	-	1,588,137	1,409,461	11,137	-	1,420,598	167,539
Underground networks	5,607,901	-	-	5,607,901	1,424,740	72,810	-	1,497,550	4,110,351
Construction in progress	32,663	1,812,944	-	1,845,607	-	-	-	-	1,845,607
Total	19,353,671	1,947,706	48,590	21,252,787	9,737,049	379,931	34,417	10,082,563	11,170,224

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

17. **Public Library Board**

Financial position

	2025	2024
Financial assets		
Cash and cash equivalents	$ 14,412	$ 12,812
Accounts receivable	554	1,598
	14,966	14,410
Liabilities		
Due to/from Township of McGarry	199	-
Accounts payable and accrued liabilities	274	-
	473	-
Net financial assets and accumulated surplus	$ 14,493	$ 14,410

Schedule of Operations

	2025	2024
Revenue		
Grants - municipal	$ 21,002	$ 32,715
Grants - provincial	6,976	7,415
Other	12,743	2,519
Total revenue	40,721	42,649
Expenditures		
Salaries and benefits	14,554	21,883
Professional fees	2,000	2,000
Materials	19,002	18,968
Office	5,082	5,776
	40,638	48,627
Annual surplus	83	(5,978)
Accumulated surplus, beginning of year	14,410	20,388
Accumulated surplus, end of year	$ 14,493	$ 14,410

Accumulated surplus is made up of:	2025	2024
Operating surplus	$ 14,493	$ 11,672
Reserve fund	-	2,738
	$ 14,493	$ 14,410