

CONSOLIDATED FINANCIAL REPORT

**THE CORPORATION OF THE
CITY OF TEMISKAMING SHORES**

DISTRICT OF TIMISKAMING

DECEMBER 31, 2025

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THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

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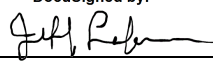
MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of The Corporation of the City of Temiskaming Shores are the responsibility of the City of Temiskaming Shores' 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.

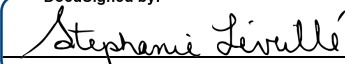
The City of Temiskaming Shores' management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is 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 City of Temiskaming Shores. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the City of Temiskaming Shores' financial statements.

DocuSigned by:


Mayor
F288EE0EE2C4C5...
Jeff Laferriere

DocuSigned by:


Treasurer
C13927942B...
Stephanie Leveille

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the City of Temiskaming Shores:

Opinion

We have audited the consolidated financial statements of the Corporation of the City of Temiskaming Shores, 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 City of Temiskaming Shores 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 City of Temiskaming Shores 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 City of Temiskaming Shores' 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 City of Temiskaming Shores 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 City of Temiskaming Shores' 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 City of Temiskaming Shores' 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 City of Temiskaming Shores' 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 City of Temiskaming Shores 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

New Liskeard, Ontario
September 15, 2026

Kemp Elliott & Blair LLP
Chartered Professional Accountants
Licensed Public Accountants

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

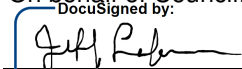
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2025

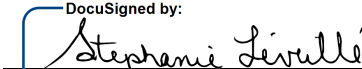
	2025	2024
FINANCIAL ASSETS		
Cash	\$ 4,041,881	\$ 2,963,230
Taxes receivable	1,964,408	2,205,937
Accounts receivable	4,747,637	2,723,489
Inventories for resale	1,828,865	1,965,081
	<u>12,582,791</u>	<u>9,857,737</u>
LIABILITIES		
Accounts payable and accrued liabilities	3,957,464	3,185,695
Deferred revenue - other - note 7	873,619	554,344
Deferred revenue - obligatory reserve funds - note 8	132,477	-
Asset retirement obligations - note 9	8,320,720	8,148,315
Municipal debt - note 10	10,951,082	12,775,440
	<u>24,235,362</u>	<u>24,663,794</u>
Contingencies and commitments - note 12		
NET DEBT	(11,652,571)	(14,806,057)
NON-FINANCIAL ASSETS		
Tangible capital assets - note 15	92,819,046	93,320,006
Inventories of supplies	111,751	111,226
Prepaid expenses	1,051,578	1,117,817
	<u>93,982,375</u>	<u>94,549,049</u>
ACCUMULATED SURPLUS - note 11	\$ 82,329,804	\$ 79,742,992

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

On behalf of Council:

DocuSigned by:

 Mayor

DocuSigned by:


 Treasurer

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2025

	(Note 13) Budget 2025	Actual 2025	Actual 2024
REVENUES			
Municipal taxation	\$ 15,555,926	\$ 16,093,485	\$ 15,280,939
Water, sewer and waste diversion fees	5,765,324	5,872,435	5,804,906
Taxation from other governments	298,784	291,111	379,685
Provincial grants - operating	5,053,408	4,082,108	5,129,668
Provincial grants - capital	1,637,973	2,148,608	334,666
Federal grants - operating	949,500	1,406,425	806,545
Federal grants - capital	225,200	234,569	64,307
Canada Community-Building Fund	631,029	498,892	617,786
Charges to other municipalities	321,541	325,192	363,862
User charges	2,544,970	3,400,777	3,104,570
Investment income	191,915	217,359	221,287
Penalties and interest on taxes	215,000	336,964	285,253
Provincial Offences Act revenues	830,783	978,714	849,755
Other	864,720	1,665,719	902,929
Sale of land	(10,000)	110,243	32,885
Gain on disposal of tangible capital assets	-	69,282	30,135
Total revenues	35,076,073	37,731,883	34,209,178
EXPENDITURES			
General government	3,524,167	3,702,430	3,230,919
Protection to persons and property	4,051,323	4,592,804	4,341,818
Transportation services	8,070,060	8,561,998	8,420,992
Environmental services	7,463,546	7,964,007	8,538,008
Health services	2,275,366	2,293,602	2,006,949
Social and family services	1,142,483	1,142,483	991,901
Recreation and cultural services	4,115,044	4,287,859	4,343,325
Planning and development	2,590,006	2,599,888	2,377,383
Total expenditures	33,231,995	35,145,071	34,251,295
ANNUAL SURPLUS (DEFICIT)	1,844,078	2,586,812	(42,117)
Accumulated surplus, beginning of year	79,742,992	79,742,992	79,785,109
ACCUMULATED SURPLUS, END OF YEAR - note 11	\$ 81,587,070	\$ 82,329,804	\$ 79,742,992

The accompanying notes form an integral part of these financial statements

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

FOR THE YEAR ENDED DECEMBER 31, 2025

	(Note 13) Budget 2025	Actual 2025	Actual 2024
ANNUAL SURPLUS (DEFICIT)	\$ 1,844,078	\$ 2,586,812	\$ (42,117)
Acquisition of tangible capital assets	(3,846,214)	(4,609,956)	(4,453,052)
Amortization of tangible capital assets	4,552,891	5,110,916	4,935,349
Gain on disposal of tangible capital assets	-	(69,282)	(30,135)
Proceeds on sale of tangible capital assets	-	69,282	107,704
	<u>706,677</u>	<u>500,960</u>	<u>559,866</u>
Consumption (acquisition) of supplies inventories	-	(525)	2,776
Consumption (acquisition) of prepaid expenses	-	66,239	(282,482)
	<u>-</u>	<u>65,714</u>	<u>(279,706)</u>
Decrease in net debt	2,550,755	3,153,486	238,043
Net debt, beginning of year	<u>(14,806,057)</u>	<u>(14,806,057)</u>	<u>(15,044,100)</u>
NET DEBT, END OF YEAR	<u>\$(12,255,302)</u>	<u>\$(11,652,571)</u>	<u>\$(14,806,057)</u>

The accompanying notes form an integral part of these financial statements

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2025

	2025	2024
Operating activities		
Annual surplus (deficit)	\$ 2,586,812	\$ (42,117)
Charges not affecting cash -		
Amortization	5,110,916	4,935,349
Gain on disposal of tangible capital assets	(69,282)	(30,135)
Accretion expense (net of reclamation costs)	172,405	(408,505)
	<u>7,800,851</u>	<u>4,863,097</u>
Net change in non-cash working capital items -		
Taxes receivable	241,529	(599,093)
Accounts receivable	(2,024,148)	(764,717)
Inventories for resale	136,216	77,037
Inventories of supplies	(525)	2,776
Prepaid expenses	66,239	(282,482)
Accounts payable and accrued liabilities	771,769	(579,287)
Deferred revenue - other	319,275	(251,505)
Deferred revenue - obligatory reserve funds	132,477	-
	<u>(357,168)</u>	<u>(2,805,776)</u>
Cash provided by operating activities	<u>7,443,683</u>	<u>2,057,321</u>
Capital activities		
Acquisition of tangible capital assets	(4,609,956)	(4,453,052)
Proceeds on sale of tangible capital assets	69,282	107,704
Cash used for capital activities	<u>(4,540,674)</u>	<u>(4,345,348)</u>
Financing activities		
New debt issued	-	3,743,590
Debt repayments	(1,824,358)	(1,728,456)
Cash provided by (used for) financing activities	<u>(1,824,358)</u>	<u>2,015,134</u>
Increase (decrease) in cash and cash equivalents	<u>1,078,651</u>	<u>(272,893)</u>
Cash and cash equivalents, beginning of year	<u>2,963,230</u>	<u>3,236,123</u>
Cash and cash equivalents, end of year	<u>\$ 4,041,881</u>	<u>\$ 2,963,230</u>
Represented by		
Cash	\$ 4,041,881	\$ 2,963,230
Supplemental cash flow information		
Interest paid	\$ 394,684	\$ 332,949

The accompanying notes form an integral part of these financial statements

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

The Corporation of the City of Temiskaming Shores is a City in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act 2001, Provincial Offences Act and other related legislation.

1. Accounting Policies

The consolidated financial statements of the Corporation of the City of Temiskaming Shores are the representation of management and council prepared in accordance with generally accepted accounting principles for local government 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 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 Council:

Police Services Board
Cemetery Committee
Business Improvement Area

Provincial Offences Act Office – Temiskaming Shores
Public Library Board
Temiskaming Shores Development Corporation

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

(ii) Other Entities

Non-Consolidated

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

District of Timiskaming Social Services Administration Board Northeastern Public Health

Although these are joint local boards they run autonomously to provide those services mandated by the Province. The City 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 City in its statements (note 3).

Consolidated

Tri Town Transit System

This joint local board is a cooperative effort by two municipalities to jointly provide public transit services. The City recognizes the full cost of the operations as an expenditure and the other municipality's contribution as a revenue.

(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.

(iv) Trust Funds

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

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

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 City 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 City 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 City 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 City 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

(iii) **Inventories**

Inventory held for resale, consisting of surplus land, is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Inventories held for consumption are recorded at the lower of cost or replacement cost.

(iv) **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:

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

1. Accounting Policies - continued

(iv) Tangible capital assets - continued

Land improvements	20 to 30 years
Buildings	20 to 50 years
Machinery and equipment	10 to 30 years
Vehicles	5 to 15 years
Roads and sidewalks	15 to 30 years
Bridges and culverts	30 to 40 years
Water and sewer systems	30 to 50 years

Amortization is charged beginning in the month 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 City has no capitalization threshold for land, a capitalization threshold of \$50,000 for appropriate pooled assets and \$5,000 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.

(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.

(vi) Deferred revenue - other

The City 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.

(vi) Deferred revenue - obligatory reserve funds

The City receives Gas Tax funding under the authority of Federal and Provincial 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.

(vii) Employee benefit plans

The contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due. The contributions for post-employment benefits are expensed when contributions are due.

(viii) Use of estimates

Management has made estimates and assumptions that affect the amounts reported in preparing these 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 post-closure costs.

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

2. Financial Instruments

The City, as part of its operations, carries a number of financial instruments. It is management's opinion that the City 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 City 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 City has a significant number of customers and ratepayers which minimizes concentration of credit risk. Further, the City 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 risk

Interest 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 City manages exposure through its normal operating and financing activities. The City is exposed to interest rate risk primarily through its fixed rate loans and debentures.

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 City 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 City manages the liquidity risk resulting from its accounts payable by maintaining cash and investing in other liquid assets.

3. Operations of School Boards

Further to note 1(a) (iii), net municipal taxation and taxation from governments levied in 2025 on behalf of and payable to school boards totalled \$2,970,511 (2024 \$2,996,244).

4. Contributions to Joint Boards

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

	2025	2024
Unconsolidated		
District of Timiskaming Social Services Administration Board	\$ 2,574,258	\$ 2,117,270
Northeastern Public Health	568,485	546,600
	<u>3,142,743</u>	<u>2,663,870</u>
Consolidated		
Tri-Town Transit System	570,922	507,039
	<u>\$ 3,713,665</u>	<u>\$ 3,170,909</u>

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

5. Trust Funds

Trust funds administered by the City amounting to \$639,955 (2024 \$604,285) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

6. Short term debt

The City has an operating line loan agreement with its financial institution. There is a \$4,000,000 Operating line credit limit with interest at Prime minus 0.75%; a \$2,000,000 Revolving line of credit for equipment financing at Prime plus a spread to be determined by the term and amortization of each advance; and a Visa Business Card authorized up to \$750,000. The operating line is utilized from time to time to cover temporary cash shortfalls that may occur during the year.

As at December 31, 2025, the outstanding balance of the operating line was \$nil (2024 \$nil).

7. 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
Ontario Community Infrastructure Fund - Formula-based Component	\$ 5,586	\$ 617,907	\$ 563,407	\$ 60,086
Employment and Social Development Canada - Northern Ontario Resource Development Support Fund	81,575	-	-	81,575
FedNor - New Liskeard Arena Project	284,054	214,868	498,922	-
	9,691	-	-	9,691
Ontario Municipal Housing Infrastructure Program - Housing-Enabling Core Servicing Stream	-	546,875	42,353	504,522
Canada Public Transit Fund - Rural Transit Solutions Fund	-	50,000	42,381	7,619
PDAC pre-registrations	162,810	199,380	162,810	199,380
Other	10,628	1,480	1,362	10,746
	<u>\$ 554,344</u>	<u>\$ 1,630,510</u>	<u>\$ 1,311,235</u>	<u>\$ 873,619</u>

Ontario Community Infrastructure Funds - Formula-based Component includes \$616,399 of funding plus \$1,708 interest. Funding was used this year for repayment of Roads Program Long-Term Debt and current year Roads project costs.

Northern Ontario Resource Development Support Fund includes \$211,740 of funding plus \$3,128 interest. Funding this year was used for Roads project costs.

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

8. 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	\$ -	\$ 631,369	\$ 498,892	\$ 132,477
Provincial Gas Tax	-	153,617	153,617	-
	<u>\$ -</u>	<u>\$ 784,986</u>	<u>\$ 652,509</u>	<u>\$ 132,477</u>

Canada Community-Building Fund funding received includes \$631,029 received from AMO plus \$340 interest. Funding was used this year towards Roads project costs.

Provincial Gas Tax funding was used this year towards Transit capital and operations.

9. Asset retirement obligations

	2025	2024
Balance, beginning of period	\$ 8,148,315	\$ 8,556,820
Current year reclamation costs	(54,228)	(630,442)
Accretion expense	226,633	221,937
Balance, end of year	<u>\$ 8,320,720</u>	<u>\$ 8,148,315</u>

The asset retirement obligation at year end is as follows:

	2025	2024
Landfill	\$ 3,300,215	\$ 3,264,553
Hazardous material removal	4,553,192	4,429,176
Gravel pit	250,366	243,547
Water well and pumphouse	216,947	211,039
	<u>\$ 8,320,720</u>	<u>\$ 8,148,315</u>

The discount rate used to present value future cash outputs is 2.8% (2024 2.8%).

The total expected undiscounted cash flows required to settle the obligations for the landfill site, gravel pit and certain water and sewer assets is \$6,215,916 but cannot be determined for the properties requiring asbestos removal and certain water and sewer assets since the settlement date is unknown.

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 CORPORATION OF THE CITY OF TEMISKAMING SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

9. Asset retirement obligations - continued

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

The City has two landfill sites, one of which is closed and requires continued post-closure monitoring activities for the next 23 years. The total capacity of the active site is 247,000 cubic metres, is expected to reach capacity in 2048, and currently has an estimated remaining capacity of 224,770 cubic metres. Post-closure care is estimated to be required for 25 years from the date of site closure.

Hazardous material removal

The City owns buildings which contain hazardous materials, and therefore, the City 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 hazardous materials in order to estimate when the costs of rehabilitation would be incurred.

Gravel pit

The City owns a gravel pit for which the City 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 pit in order to estimate when the costs of rehabilitation would be incurred.

Water well and pumphouse

The City owns water wells and pumphouses which represent 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.

10. Municipal debt

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

	2025	2024
<u>Loans and debentures</u>		
Canada Mortgage and Housing Corporation (CMHC) debenture for roads and sewer work, repayable in annual payments of \$87,381.73 including interest at 3.59%, matured December 2025.	\$ -	\$ 84,354
Canada Mortgage and Housing Corporation (CMHC) debenture for water and sewer work, repayable in annual payments of \$28,748.50 including interest at 3.42%, matured September 2025.	-	27,798
Ontario Infrastructure and Lands Corporation (OILC) debenture for the purchase of fire, roads and water vehicles and equipment, repayable in monthly payments of \$8,791.67 principal plus interest at 2.46%, maturing December 2026.	105,500	211,000

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

10. Municipal debt - continued

Ontario Infrastructure and Lands Corporation (OILC) debenture for the purchase of 2 plow trucks, repayable in quarterly payments of \$13,545.15 principal plus interest at 2.95%, maturing October 2027.	108,361	162,542
Ontario Infrastructure and Lands Corporation (OILC) debenture for the purchase of 2 Transit buses, repayable in semi-annual payments of \$38,565.31 principal plus interest at 2.44%, matured April 2025.	-	38,565
Ontario Infrastructure and Lands Corporation (OILC) debenture for work on a sewer lift station, repayable in quarterly payments of \$54,551.85 principal plus interest at 3.43%, maturing November 2037.	2,618,489	2,836,696
Ontario Infrastructure and Lands Corporation (OILC) debenture for a water project, repayable in quarterly payments of \$10,484.92 principal plus interest at 2.97%, maturing November 2027.	83,879	125,819
Ontario Infrastructure and Lands Corporation (OILC) debenture for a water project, repayable in semi-annual payments of \$27,450.00 principal plus interest at 3.04%, maturing April 2028.	137,250	192,150
Ontario Infrastructure and Lands Corporation (OILC) debenture for the purchase of roads vehicles and equipment, repayable in semi-annual payments of \$29,163.51 principal plus interest at 3.03%, maturing August 2028.	174,981	233,308
Ontario Infrastructure and Lands Corporation (OILC) debenture for the purchase of a fire pumper tanker, repayable in quarterly payments of \$10,550.00 principal plus interest at 2.98%, maturing February 2029.	137,150	179,350
Ontario Infrastructure and Lands Corporation (OILC) debenture for the purchase of a plow truck and grader, repayable in quarterly payments of \$12,313.03 principal plus interest at 2.17%, maturing September 2029.	184,695	233,947
Ontario Infrastructure and Lands Corporation (OILC) debenture for library renovations, repayable in quarterly payments of \$21,187.50 principal plus interest at 2.02%, maturing December 2040.	1,271,250	1,356,000
Ontario Infrastructure and Lands Corporation (OILC) debenture for roads projects, repayable in quarterly payments of \$92,800.67 principal plus interest at 2.00%, maturing May 2031.	2,041,615	2,412,818
Ontario Infrastructure and Lands Corporation (OILC) debenture for the purchase of a loader, repayable in quarterly payments of \$5,747.51 principal plus interest at 2.16%, maturing November 2031.	137,940	160,930

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

10. Municipal debt - continued

Ontario Infrastructure and Lands Corporation (OILC) debenture for the purchase of a fire rescue truck and a dump truck, repayable in quarterly payments of \$29,817.12 principal plus interest at 4.62%, maturing November 2027.	238,537	357,805
Ontario Infrastructure and Lands Corporation (OILC) debenture for roadwork and for the purchase of a loader, repayable in quarterly payments of \$31,787.84 principal plus interest at 4.72%, maturing December 2028.	381,454	508,605
Ontario Infrastructure and Lands Corporation (OILC) debenture for the water meter program, repayable in quarterly payments of \$13,065.79 principal plus interest at 4.35%, maturing April 2034.	444,237	496,500
Ontario Infrastructure and Lands Corporation (OILC) debenture for landfill closure costs, repayable in quarterly payments of \$15,341.78 principal plus interest at 4.48%, maturing April 2039.	828,456	889,823
Ontario Infrastructure and Lands Corporation (OILC) debenture for the purchase of 2 snowblower attachments, repayable in quarterly payments of \$16,510.76 principal plus interest at 4.36%, maturing April 2029.	231,151	297,194
Ontario Infrastructure and Lands Corporation (OILC) debenture for road, water and sewer work, repayable in quarterly payments of \$17,395.45 principal plus interest at 4.21%, maturing November 2039.	974,145	1,043,727
Ontario Infrastructure and Lands Corporation (OILC) debenture for the fire station, repayable in quarterly payments of \$9,066.82 principal plus interest at 4.21%, maturing November 2039.	507,742	544,009
Ontario Infrastructure and Lands Corporation (OILC) debenture for roadwork, repayable in quarterly payments of \$9,562.56 principal plus interest at 3.9%, maturing November 2034.	344,250	382,500
Total loans and debentures and total municipal debt	<u>\$ 10,951,082</u>	<u>\$ 12,775,440</u>

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

10. **Municipal debt - continued**

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

	From General Municipal Revenues
2026	\$ 1,673,642
2027	1,568,142
2028	1,325,303
2029	1,035,390
2030	954,880
Thereafter	<u>4,393,725</u>
	<u>\$ 10,951,082</u>

The long term liabilities were approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs.

In 2025, interest expense of \$394,684 (2024 \$332,949) has been reflected in the Consolidated Statement of Operations.

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

11. Accumulated surplus

The accumulated surplus is made up of the following:

	2025	2024
Reserves, surpluses and deficits		
Working capital reserve - general	\$ 5,112,885	\$ 4,681,028
Working capital reserve - environmental	301,672	137,161
Working capital reserve - business improvement area	33,508	36,386
Election expenses reserve	22,500	15,000
Fire equipment reserve	19,107	26,359
SWDF reserve	62,550	70,770
Doctor recruitment reserve	104,824	92,838
Medical centre reserve	37,859	26,653
Accessibility reserve	27,844	27,844
Transit reserve	4,936	29,936
PDAC reserve	145,260	110,012
Economic development reserve	391,634	314,400
Community development reserve	254,093	255,232
MAT Tax reserves	242,140	-
Solid waste landfill reserve fund	858,218	293,879
General municipal surplus	200	200
	<u>7,619,230</u>	<u>6,117,698</u>
Amounts to be recovered		
Unfinanced asset retirement obligations	(8,320,720)	(8,148,315)
Unfinanced municipal debt	(10,951,082)	(12,775,440)
	<u>(19,271,802)</u>	<u>(20,923,755)</u>
Non-financial assets		
Tangible capital assets	92,819,046	93,320,006
Inventories of supplies	111,751	111,226
Prepaid expenses	1,051,578	1,117,817
	<u>93,982,375</u>	<u>94,549,049</u>
	<u>\$ 82,329,803</u>	<u>\$ 79,742,992</u>

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 Financial Assets (Net Debt) for the year.

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

12. Contingent liabilities and commitments

Non-Consolidated Entities

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

Ontario Municipal Employees Retirement Fund

All permanent, full-time employees of the City 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 City's contributions equal the employee contributions to the plan. During the year ended December 31, 2025, the City contributed \$472,318 (2024 \$445,538) to the plan. As this is a multi-employer pension plan, the contributions by the City are recognized as an expenditure. No pension liability for this type of plan is recognized in the City's financial statements. As of December 31, 2025, OMERS had a funding deficit of \$1.3 billion (2024 \$2.9 billion) and Net Assets Available for Benefits of \$145.5 billion (2024 \$138.4 billion).

Post-Employment Benefits

City employees retiring do not receive any retirement allowance that either vests or accrues over the period of employment. Sick benefits, other than amounts that were carried over on amalgamation, do not accrue and are not vested. The City recognizes the expense for sick time when the event obliges the City to pay. No other post employment benefits are payable by the City.

Loan Guarantee

The City has guaranteed a loan of \$2,305,959 with TD Bank for Temiskaming Shores Seniors Housing Corporation (TSSHC). As of December 31, 2025, the outstanding balance on the loan was \$2,072,804 (2024 \$2,120,773).

Legal contingencies

The City is subject to various litigation and claims arising in the normal course of its operations. The final outcome of the outstanding claims cannot be determined at this time. However, management believes that the ultimate disposition of these matters will not materially exceed the amounts recorded in the accounts and would be covered by their insurance, less any deductible. Any amendments to amounts accrued will be recorded once new information becomes available.

13. Budgeting

The City 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 City reconciles this tax levy budget to the budget in accordance with Public Sector Accounting Standards.

	<u>2025</u>
Tax levy budget surplus for the year - as below	\$ 726,397
Add: Capital expenditures	3,846,214
Debt repayments	1,824,358
Less: Amortization	<u>(4,552,891)</u>
Budget surplus per Consolidated Statement of Operations - page 5	<u>\$ 1,844,078</u>

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

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	\$ 15,555,926	\$ 16,093,485	\$ 15,280,939
Water, sewer and waste diversion fees	5,765,324	5,872,435	5,804,906
Taxation from other governments	298,784	291,111	379,685
Provincial grants	5,053,408	4,082,108	5,129,668
Federal grants	949,500	1,406,425	806,545
Canada Community-Building Fund	-	-	9,802
Charges to other municipalities	321,541	325,192	363,862
User charges	2,544,970	3,400,777	3,104,570
Investment income	191,915	217,359	221,287
Penalties and interest on taxes	215,000	336,964	285,253
Provincial Offences Act revenues	830,783	978,714	849,755
Other	772,820	1,169,801	861,279
Sale of land	(10,000)	110,243	32,885
Proceeds on disposal of tangible capital assets	-	69,282	107,704
	<u>32,489,971</u>	<u>34,353,896</u>	<u>33,238,140</u>
Capital			
Provincial grants	1,637,973	2,148,608	334,666
Federal grants	225,200	234,569	64,307
Canada Community-Building Fund	631,029	498,892	607,984
Other	91,900	495,918	41,650
	<u>2,586,102</u>	<u>3,377,987</u>	<u>1,048,607</u>
New debt issued	-	-	3,743,590
Total revenues	<u>35,076,073</u>	<u>37,731,883</u>	<u>38,030,337</u>
EXPENDITURES			
Operating			
General government	3,380,397	3,522,328	3,372,349
Protection to persons and property	3,841,922	4,340,092	4,102,897
Transportation services	6,040,312	6,235,946	6,230,093
Environmental services	5,985,208	6,203,533	6,943,864
Health services	2,264,039	2,264,262	1,995,663
Social and family services	1,142,483	1,142,483	991,901
Recreation and cultural services	3,434,737	3,433,276	3,581,502
Planning and development	2,590,006	2,599,888	2,377,383
	<u>28,679,104</u>	<u>29,741,808</u>	<u>29,595,652</u>
Capital expenditures	3,846,214	4,609,956	4,453,052
Long term debt repayments	1,824,358	1,824,358	1,728,456
Total expenditures	<u>34,349,676</u>	<u>36,176,122</u>	<u>35,777,160</u>
Surplus (deficit), tax levy budget base	<u>\$ 726,397</u>	<u>\$ 1,555,761</u>	<u>\$ 2,253,177</u>
Financed by			
Transfer from (to) reserves	\$ (726,397)	\$ (1,728,165)	\$ 1,901,666
Deficit (surplus)	(1,824,358)	(1,651,954)	(2,139,709)
Net debt repayments (proceeds)	1,824,358	1,824,358	(2,015,134)
	<u>\$ (726,397)</u>	<u>\$ (1,555,761)</u>	<u>\$ (2,253,177)</u>

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

14. Segmented information

The Corporation of the City of Temiskaming Shores 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 City 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 City also enforces By-laws and offers dog control and property standards enforcement.

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.

Environmental Services

The environmental services include water and sewer services as well as waste disposal and waste diversion services. Water and sewer services include the operation and distribution of water and networking sewer mains, storm sewers and pump stations.

The waste disposal and waste diversion services group are responsible for the delivery of municipal services including waste collection and disposal and waste diversion.

Health Services

The City 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 City also provides cemetery services.

Social and Family Services

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

Recreation and Cultural Services

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

Planning and Development

The Planning and Development Department is responsible for preparing land use plans, bylaws and policies for sustainable development of the City and for reviewing and approving new development, as well as maintaining drainage systems.

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

14. 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	Total 2025	Total 2024
REVENUES										
Municipal taxation	\$ 16,093,485	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,093,485	\$ 15,280,939
Water, sewer and waste diversion fees	-	-	-	5,872,435	-	-	-	-	5,872,435	5,804,906
Taxation from other governments	291,111	-	-	-	-	-	-	-	291,111	379,685
Provincial grants - operating	3,803,100	407,686	541,769	(716,680)	-	-	25,773	20,460	4,082,108	5,129,668
Provincial grants - capital	35,234	25,053	911,986	906,897	-	-	269,438	-	2,148,608	334,666
Federal grants - operating	-	-	42,381	-	-	-	-	1,364,044	1,406,425	806,545
Federal grants - capital	-	-	234,569	-	-	-	-	-	234,569	64,307
Canada Community-Building Fund	-	-	498,892	-	-	-	-	-	498,892	617,786
Charges to other municipalities	14,388	60,669	89,246	106,069	-	-	42,320	12,500	325,192	363,862
User charges	157,362	206,665	442,558	1,087,586	216,606	-	1,149,136	140,864	3,400,777	3,104,570
Investment income	205,919	-	-	-	11,440	-	-	-	217,359	221,287
Penalties and interest on taxes	336,964	-	-	-	-	-	-	-	336,964	285,253
Provincial Offences Act revenues	-	978,714	-	-	-	-	-	-	978,714	849,755
Other	7,544	307,924	-	601,900	310	-	369,515	378,526	1,665,719	902,929
Sale of land	-	-	-	-	-	-	-	110,243	110,243	32,885
Gain (loss) on disposal of tangible capital assets	1,432	15,250	16,100	7,000	-	-	29,500	-	69,282	30,135
Total revenues	20,946,539	2,001,961	2,777,501	7,865,207	228,356	-	1,885,682	2,026,637	37,731,883	34,209,178
EXPENDITURES										
Wages and benefits	1,712,725	842,224	1,765,182	735,834	91,118	-	2,109,419	176,102	7,432,604	7,199,104
Long term interest	-	37,824	141,913	188,199	-	-	26,748	-	394,684	332,949
Materials	1,269,985	241,970	2,683,977	2,804,567	87,079	-	1,127,413	1,976,325	10,191,316	10,216,529
Contracted services	578,240	2,971,490	1,356,802	2,472,663	85,805	-	142,876	447,461	8,055,337	8,263,932
Rents and financial expenses	27,617	27,907	313,083	104,254	14,017	-	110,088	-	596,966	446,007
External transfers	-	220,505	-	-	2,000,260	1,142,483	-	-	3,363,248	2,857,425
Amortization	113,863	250,884	2,301,041	1,658,490	15,323	-	771,315	-	5,110,916	4,935,349
Total expenditures	3,702,430	4,592,804	8,561,998	7,964,007	2,293,602	1,142,483	4,287,859	2,599,888	35,145,071	34,251,295
Annual surplus (deficit)	\$ 17,244,109	\$ (2,590,843)	\$ (5,784,497)	\$ (98,800)	\$ (2,065,246)	\$ (1,142,483)	\$ (2,402,177)	\$ (573,251)	\$ 2,586,812	\$ (42,117)

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

15. 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 Dec 31, 2025
General									
Land	\$ 1,246,316	\$ -	\$ -	\$ 1,246,316	\$ -	\$ -	\$ -	\$ -	\$ 1,246,316
Land improvements	14,539,922	549,604	-	15,089,526	6,839,260	460,697	-	7,299,957	7,789,569
Buildings	28,167,183	269,860	-	28,437,043	10,696,898	572,323	-	11,269,221	17,167,822
Machinery and equipment	7,110,894	1,193,587	-	8,304,481	3,955,910	421,253	-	4,377,163	3,927,318
Vehicles	8,546,174	592,058	197,000	8,941,232	5,685,171	577,369	197,000	6,065,540	2,875,692
Construction in progress	129,871	80,050	-	209,921	-	-	-	-	209,921
Infrastructure									
Roads and sidewalks	37,374,799	1,012,418	131,170	38,256,047	22,642,727	1,497,346	131,170	24,008,903	14,247,144
Bridges and culverts	9,475,135	-	-	9,475,135	7,073,197	110,077	-	7,183,274	2,291,861
Water and sewer systems	70,335,376	248,460	-	70,583,836	27,526,991	1,471,851	-	28,998,842	41,584,994
Construction in progress	814,490	1,331,917	667,998	1,478,409	-	-	-	-	1,478,409
Total	\$177,740,160	\$ 5,277,954	\$ 996,168	\$182,021,946	\$ 84,420,154	\$ 5,110,916	\$ 328,170	\$ 89,202,900	\$ 92,819,046

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

15. Schedule of tangible capital assets - continued

	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 Dec 31, 2024
General									
Land	\$ 1,253,817	\$ -	\$ 7,501	\$ 1,246,316	\$ -	\$ -	\$ -	\$ -	\$ 1,246,316
Land improvements	14,190,584	349,338	-	14,539,922	6,399,949	439,311	-	6,839,260	7,700,662
Buildings	27,960,442	222,288	15,547	28,167,183	10,143,751	568,694	15,547	10,696,898	17,470,285
Machinery and equipment	6,806,022	370,565	65,693	7,110,894	3,599,602	422,001	65,693	3,955,910	3,154,984
Vehicles	8,563,674	491,028	508,528	8,546,174	5,458,078	665,553	438,460	5,685,171	2,861,003
Construction in progress	58,769	71,102	-	129,871	-	-	-	-	129,871
Infrastructure									
Roads and sidewalks	34,050,216	3,527,915	203,332	37,374,799	21,528,252	1,317,807	203,332	22,642,727	14,732,072
Bridges and culverts	9,275,308	199,827	-	9,475,135	6,967,700	105,497	-	7,073,197	2,401,938
Water and sewer systems	67,205,885	3,129,491	-	70,335,376	26,110,505	1,416,486	-	27,526,991	42,808,385
Construction in progress	4,722,992	45,790	3,954,292	814,490	-	-	-	-	814,490
Total	\$174,087,709	\$ 8,407,344	\$ 4,754,893	\$177,740,160	\$ 80,207,837	\$ 4,935,349	\$ 723,032	\$ 84,420,154	\$ 93,320,006

Compilation Engagement Report

To the Members of Council, Inhabitants
and Ratepayers of the Corporation
of the CITY OF TEMISKAMING SHORES:

On the basis of information provided by management, we have compiled the Statement of Financial Position of the Trust Funds of the Corporation of the City of Temiskaming Shores as at December 31, 2025 and the Statement of Continuity for the year then ended and note 1, which describes the basis of accounting applied in the preparation of the compiled financial information ("financial information").

Management is responsible for the accompanying financial information, including the accuracy and completeness of the underlying information used to compile it and the selection of the basis of accounting.

We performed this engagement in accordance with Canadian Standard on Related Services (CSRS) 4200, Compilation Engagements, which requires us to comply with relevant ethical requirements. Our responsibility is to assist management in the preparation of the financial information.

We did not perform an audit engagement or a review engagement, nor were we required to perform procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an audit opinion or a review conclusion, or provide any form of assurance on the financial information.

Readers are cautioned that the financial information may not be appropriate for their purposes.

Kemp Elliott & Blair LLP

New Liskeard, Ontario
September 15, 2026

Kemp Elliott & Blair LLP
Chartered Professional Accountants
Licensed Public Accountants

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

TRUST FUNDS

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2025

	Cemetery Care and Maintenance	Library May Ball	2025 Total	2024 Total
FINANCIAL ASSETS				
Cash	\$ -	\$ 7,181	\$ 7,181	\$ 5,160
Investments - note 2	338,577	290,377	628,954	610,167
Due from City	3,820	-	3,820	-
	<u>\$ 342,397</u>	<u>\$ 297,558</u>	<u>\$ 639,955</u>	<u>\$ 615,327</u>
LIABILITIES AND FUND EQUITY				
Due to City	\$ -	\$ -	\$ -	\$ 10,502
Trust balance	<u>342,397</u>	<u>297,558</u>	<u>639,955</u>	<u>604,825</u>
Trust balance	<u>\$ 342,397</u>	<u>\$ 297,558</u>	<u>\$ 639,955</u>	<u>\$ 615,327</u>

STATEMENT OF CONTINUITY

FOR THE YEAR ENDED DECEMBER 31, 2025

Trust balance, beginning of year	\$ 330,713	\$ 274,112	\$ 604,825	\$ 576,362
Revenues				
Sale of plots	11,684	-	11,684	5,294
Donations	-	510	510	490
Interest earned	-	34,726	34,726	34,179
	<u>11,684</u>	<u>35,236</u>	<u>46,920</u>	<u>39,963</u>
Expenditures				
Transfer to own funds	-	11,790	11,790	11,500
Trust balance, end of year	<u>\$ 342,397</u>	<u>\$ 297,558</u>	<u>\$ 639,955</u>	<u>\$ 604,825</u>

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

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

TRUST FUNDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

1. **Accounting policy**

Trust fund activities are recorded on the cash basis of accounting with the exception of amounts due to or from the City

2. **Investments**

The total investments of \$628,954 (2024 \$610,167) reported on the trust statement of financial position at cost, have a market value of \$628,954 (2024 \$610,167).

3. Interest earned by the Cemetery Care and Maintenance fund is transferred directly to the City and is not reflected on these statements.

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants
and Ratepayers of the Corporation
of the City of Temiskaming Shores:

Opinion

We have audited the financial statements of Temiskaming Shores Public Library Board, which comprise the statement of financial position as at December 31, 2025, and the 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 financial statements present fairly, in all material respects, the financial position of Temiskaming Shores Public Library Board 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 Financial Statements* section of our report. We are independent of Temiskaming Shores Public Library Board 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 Financial Statements

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

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

Those charged with governance are responsible for overseeing Temiskaming Shores Public Library Board's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Temiskaming Shores Public Library Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Temiskaming Shores Public Library Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Temiskaming Shores Public Library Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

New Liskeard, Ontario
September 15, 2026

Kemp Elliott & Blair LLP
Chartered Professional Accountants
Licensed Public Accountants

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

TEMISKAMING SHORES PUBLIC LIBRARY BOARD

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2025

	2025	2024
FINANCIAL ASSETS		
Petty cash	\$ 200	\$ 200
LIABILITIES		
Municipal debt - note 2	1,271,250	1,356,000
NET DEBT	(1,271,050)	(1,355,800)
NON-FINANCIAL ASSETS		
Tangible capital assets - note 4	1,528,642	1,567,720
ACCUMULATED SURPLUS - note 3	\$ 257,592	\$ 211,920

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

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

TEMISKAMING SHORES PUBLIC LIBRARY BOARD

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2025

	Budget 2025	Actual 2025	Actual 2024
REVENUES			
Provincial grants	\$ 25,715	\$ 25,773	\$ 25,722
Own municipal grant	578,862	582,383	585,471
Other municipal grants	9,520	9,520	9,520
Fees and fines	14,000	12,973	13,744
Other	14,500	18,972	21,526
Total revenues	642,597	649,621	655,983
EXPENDITURES			
Salaries and benefits	462,122	417,596	424,432
Interest on long-term debt	26,747	26,747	28,539
Collection development and maintenance	40,200	38,591	39,879
Utilities	21,300	20,961	21,820
Repairs and maintenance	1,250	-	1,038
Office and supplies	14,900	22,690	15,866
Telephone	10,500	9,773	10,754
Miscellaneous	22,300	21,785	21,740
Training and travel	4,200	6,728	7,165
Amortization	39,078	39,078	39,078
Total expenditures	642,597	603,949	610,311
ANNUAL SURPLUS	-	45,672	45,672
Accumulated surplus, beginning of year	211,920	211,920	166,248
ACCUMULATED SURPLUS, END OF YEAR - note 3	\$ 211,920	\$ 257,592	\$ 211,920

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

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

TEMISKAMING SHORES PUBLIC LIBRARY BOARD

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2025

	Budget 2025	Actual 2025	Actual 2024
ANNUAL SURPLUS	\$ -	\$ 45,672	\$ 45,672
Amortization of tangible capital assets	39,078	39,078	39,078
Decrease in net debt	39,078	84,750	84,750
Net debt, beginning of year	(1,355,800)	(1,355,800)	(1,440,550)
NET DEBT, END OF YEAR	\$ (1,316,722)	\$ (1,271,050)	\$ (1,355,800)

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

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

TEMISKAMING SHORES PUBLIC LIBRARY BOARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2025

	2025	2024
Operating activities		
Annual surplus	\$ 45,672	\$ 45,672
Charges not affecting cash - Amortization	39,078	39,078
	<u>84,750</u>	<u>84,750</u>
Cash provided by operating activities	<u>84,750</u>	<u>84,750</u>
Financing activities		
Debt repayments	<u>(84,750)</u>	<u>(84,750)</u>
Cash used for financing activities	<u>(84,750)</u>	<u>(84,750)</u>
Increase in cash	-	-
Cash, beginning of year	<u>200</u>	<u>200</u>
Cash, end of year	<u>\$ 200</u>	<u>\$ 200</u>
Represented by		
Petty cash	\$ 200	\$ 200

The accompanying notes form an integral part of these financial statements

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

TEMISKAMING SHORES PUBLIC LIBRARY BOARD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

1. Significant accounting policies

(a) Revenue recognition

Revenues are recognized as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) 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:

Buildings	50 years
Equipment	10 years

Amortization is charged on a monthly basis beginning in the month of acquisition. Assets under construction are not amortized until the asset is in productive use.

2. Municipal debt

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

	2025	2024
<u>Loans and debentures</u>		
Ontario Infrastructure and Lands Corporation (OILC) debenture for library renovations, repayable in quarterly payments of \$21,187.50 principal plus interest at 2.02%, maturing December 2040.	\$ 1,271,250	\$ 1,356,000

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

2026	\$ 84,750
2027	84,750
2028	84,750
2029	84,750
2030	84,750
Thereafter	847,500
	<u>\$ 1,271,250</u>

In 2025, interest expense of \$26,747 (2024 \$28,539) has been reflected in the Statement of Operations.

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

TEMISKAMING SHORES PUBLIC LIBRARY BOARD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

3. Accumulated surplus

The accumulated surplus is made up of the following:

	2025	2024
Operational surplus	\$ 200	\$ 200
Amounts to be recovered - unfinanced municipal debt	(1,271,250)	(1,356,000)
	<u>(1,271,050)</u>	<u>(1,355,800)</u>
Non-financial assets		
Tangible capital assets	1,528,642	1,567,720
	<u>\$ 257,592</u>	<u>\$ 211,920</u>

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 expenses, provides the Change in Net Financial Assets for the year.

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

TEMISKAMING SHORES PUBLIC LIBRARY BOARD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

4. 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 Dec 31, 2025
Land	\$ 29,300	\$ -	\$ -	\$ 29,300	\$ -	\$ -	\$ -	\$ -	\$ 29,300
Buildings	1,909,501	-	-	1,909,501	376,038	38,190	-	414,228	1,495,273
Machinery and equipment	8,879	-	-	8,879	3,922	888	-	4,810	4,069
Total	\$ 1,947,680	\$ -	\$ -	\$ 1,947,680	\$ 379,960	\$ 39,078	\$ -	\$ 419,038	\$ 1,528,642

	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 Dec 31, 2024
Land	\$ 29,300	\$ -	\$ -	\$ 29,300	\$ -	\$ -	\$ -	\$ -	\$ 29,300
Buildings	1,909,501	-	-	1,909,501	337,848	38,190	-	376,038	1,533,463
Machinery and equipment	8,879	-	-	8,879	3,034	888	-	3,922	4,957
Total	\$ 1,947,680	\$ -	\$ -	\$ 1,947,680	\$ 340,882	\$ 39,078	\$ -	\$ 379,960	\$ 1,567,720

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants
and Ratepayers of the Corporation
of the City of Temiskaming Shores:

Opinion

We have audited the financial statements of the Corporation of the City Temiskaming Shores Business Improvement Area, which comprise the statement of financial position as at December 31, 2025, and the statement of operations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation of the City Temiskaming Shores Business Improvement Area as at December 31, 2025, and the results of its operations 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 Financial Statements* section of our report. We are independent of the Corporation of the City Temiskaming Shores Business Improvement Area 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 Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Corporation of the City Temiskaming Shores Business Improvement Area'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 City Temiskaming Shores Business Improvement Area 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 City Temiskaming Shores Business Improvement Area's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 City Temiskaming Shores Business Improvement Area'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 City Temiskaming Shores Business Improvement Area'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 City Temiskaming Shores Business Improvement Area 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

New Liskeard, Ontario
September 15, 2026

Kemp Elliott & Blair LLP
Chartered Professional Accountants
Licensed Public Accountants

THE CORPORATION OF THE CITY OF TEMISKAMING SHORES

BUSINESS IMPROVEMENT AREA

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2025

	2025		2024	
FINANCIAL ASSETS				
Due from own municipality	\$	33,508	\$	36,386
NET FINANCIAL ASSETS AND ACCUMULATED SURPLUS	\$	33,508	\$	36,386

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2025

	Budget 2025		Actual 2025		Actual 2024	
REVENUES						
Taxation	\$	34,900	\$	35,089	\$	34,884
Provincial grant		-		5,988		-
Other revenue		-		18,650		1,100
		34,900		59,727		35,984
EXPENDITURES						
Salaries, wages and employee benefits		21,644		17,906		19,599
Materials, supplies and services		17,400		17,189		12,340
Advertising and promotion		13,000		27,510		21,637
Total expenditures		52,044		62,605		53,576
ANNUAL SURPLUS (DEFICIT)		(17,144)		(2,878)		(17,592)
Accumulated surplus, beginning of year		36,386		36,386		53,978
ACCUMULATED SURPLUS, END OF YEAR	\$	19,242	\$	33,508	\$	36,386

NOTES TO THE FINANCIAL STATEMENTS

1. Revenue recognition

Revenues are recognized as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

2. Cash flows and changes in net financial assets

Required cash flow information is readily available from the Statement of Operations. The Business Improvement Area has no tangible capital assets, so the Statement of Change in Net Financial Assets has not been included since the Annual Surplus reported on the Statement of Operations reflects the change in Net Financial Assets for

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the City of Temiskaming Shores:

Qualified Opinion

We have audited the financial statements of the Provincial Offences Act Office - City of Temiskaming Shores, which comprise the statement of financial position as at December 31, 2025, and the consolidated statements of operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Provincial Offences Act Office - City of Temiskaming Shores as at December 31, 2025, and its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The financial records of the City of Temiskaming Shores Court Service Area are maintained and generated by the ICON system, maintained by the Province of Ontario. The scope of our audit did not include a review over the controls of this system nor was a service auditor's report made available to us.

Included in the revenue for the year ended December 31, 2025 are revenues of \$54,353 received on behalf of the City of Temiskaming Shores Court Service Area by other courts located throughout the Province of Ontario. The scope of our audit did not include a review of the systems or controls over cash collections and deposits at these other court locations.

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 Financial Statements* section of our report. We are independent of the Provincial Offences Act Office - City of Temiskaming Shores 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 Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Provincial Offences Act Office - City of Temiskaming Shores' 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 Provincial Offences Act Office - City of Temiskaming Shores or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Provincial Offences Act Office - City of Temiskaming Shores' financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Provincial Offences Act Office - City of Temiskaming Shores' 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 Provincial Offences Act Office - City of Temiskaming Shores' 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 Provincial Offences Act Office - City of Temiskaming Shores 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

New Liskeard, Ontario
September 15, 2026

Kemp Elliott & Blair LLP
Chartered Professional Accountants
Licensed Public Accountants

PROVINCIAL OFFENCES ACT OFFICE - CITY OF TEMISKAMING SHORES

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2025

	2025	2024
FINANCIAL ASSETS		
Cash	\$ 170,077	\$ 78,967
Accounts receivable	37,957	33,285
Municipal allocations receivable	-	12,885
	<u>\$ 208,034</u>	<u>\$ 125,137</u>
LIABILITIES		
Victim surcharge payable - Province of Ontario	\$ 24,753	\$ 24,178
Accounts payable - other provincial offences act offices	6,612	8,702
- other payables and accrued liabilities	141,422	92,257
Municipal allocations payable	35,247	-
	<u>\$ 208,034</u>	<u>\$ 125,137</u>

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

PROVINCIAL OFFENCES ACT OFFICE - CITY OF TEMISKAMING SHORES

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2025

	Budget 2025	Actual 2025	Actual 2024
REVENUES			
Fines, costs and fees			
Home court			
Highway traffic	\$ 466,303	\$ 550,874	\$ 515,855
Liquor license	1,625	265	620
Provincial offences	168,434	211,536	106,772
Municipal by-law fines	4,887	4,344	3,958
Dedicated fines	35,212	44,770	45,716
Victim fine surcharge	125,846	146,437	122,380
Other provincial offences act offices	28,476	54,353	53,571
	830,783	1,012,579	848,872
Investment and other income	6,149	3,693	7,369
Provincial grant	-	-	883
Transfer from municipalities	17,152	-	12,002
Total revenues	854,084	1,016,272	869,126
EXPENDITURES			
Salaries, wages and employee benefits	188,833	188,582	184,264
Materials			
Materials and supplies	6,158	9,638	8,075
Travel and conference	5,000	1,904	5,790
	11,158	11,542	13,865
Services			
Professional fees	236,363	294,706	233,895
Telephone and computer services	6,374	7,387	9,491
Collection fees	14,869	30,384	18,319
Provincial government cost recovery	80,974	77,756	84,169
	338,580	410,233	345,874
Rent and financial expenses			
Rent and administrative fees	120,222	123,330	118,405
Bank charges	11,992	14,832	13,164
	132,214	138,162	131,569
External transfers			
Fines collected on behalf of others			
Dedicated fines	35,212	44,695	45,716
Victim fine surcharge	125,846	146,437	122,380
Municipal by-law fines	4,785	6,301	4,937
Other provincial offences act offices	17,341	23,071	20,521
Transfer to municipalities	-	47,249	-
	183,184	267,753	193,554
Total expenditures	853,969	1,016,272	869,126
Annual surplus	\$ 115	\$ -	\$ -

The accompanying notes form an integral part of these financial statements

PROVINCIAL OFFENCES ACT OFFICE - CITY OF TEMISKAMING SHORES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2025

	2025	2024
Operating activities		
Net change in non-cash working capital items -		
Accounts receivable	\$ 8,213	\$ (28,635)
Accounts payable and accrued liabilities	82,897	(76,401)
Deferred revenue	-	(5,972)
Cash provided by (used for) operating activities and net change for the year	91,110	(111,008)
Cash, beginning of year	78,967	189,975
Cash, end of year	\$ 170,077	\$ 78,967
Represented by		
Cash	\$ 170,077	\$ 78,967

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. The City of Temiskaming Shores serves as the lead municipality in administering the Provincial Offences Act Office - City of Temiskaming Shores. In 2022, the Provincial Offences Act Office – City of Temiskaming Shores took part in a Part III offences pilot project. There was a backlog of inherited files as part of this project which resulted in additional unexpected costs for that year, with very little recoveries. While recoveries were good in 2023 and again in 2025, for 2024 there were insufficient recoveries to offset prosecution costs.
2. The activities of the Provincial Offences Act Office - City of Temiskaming Shores are reported on the accrual basis of accounting.
3. A Statement of Changes in Net Financial Assets has not been included since the annual surplus reported on the Statement of Operations reflects the change in Net Financial Assets for the year.