The Corporation of the Municipality of Powassan

Independent Auditor's Report and Financial Report

December 31, 2025

The Corporation of the Municipality of Powassan

Financial Report

December 31, 2025

Management's Responsibility for the Consolidated Financial Statements

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

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

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

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

A. Quinn

Municipal Clerk
August 11, 2026

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of The Corporation of the Municipality of Powassan, which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations and accumulated surplus, cash flows, and change in net debt for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of the Municipality of Powassan as at December 31, 2025, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report (continued)

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.

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

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

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

Baker Tilly SNT LLP

North Bay, Ontario
August 11, 2026

CHARTERED PROFESSIONAL ACCOUNTANTS,
LICENSED PUBLIC ACCOUNTANTS

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

	2025	2024
Financial Assets		
Cash and cash equivalents (note 3)	**$ 3,228,358**	$ 2,262,740
Taxes receivable	**504,644**	408,818
Accounts receivable (note 4)	**625,746**	595,450
	4,358,748	3,267,008
Liabilities		
Accounts payable and accrued liabilities (note 6)	**379,209**	462,629
Deferred revenues - other (note 7)	**10,780**	164,794
Deferred revenues - obligatory reserve funds (note 8)	**352,688**	243,781
Municipal debt (note 9)	**4,655,294**	5,189,830
Employee future benefits payable (note 10)	**170,418**	139,703
Asset retirement obligations (note 11)	**2,283,209**	2,196,371
Contractual obligations (note 12)	**37,359**	74,718
	7,888,957	8,471,826
Net Debt	**(3,530,209)**	(5,204,818)
Non-Financial Assets		
Tangible capital assets (note 13)	**20,199,992**	20,351,864
Prepaid expenses	**139,274**	119,723
Inventories	**178,957**	153,754
	20,518,223	20,625,341
Accumulated Surplus (note 14)	**$ 16,988,014**	$ 15,420,523

Contingencies (note 15)

Commitments (note 16)

Approved by:

Peter McIsaac, Mayor

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

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

	2025 Budget (Unaudited)	2025 Actual	2024 Actual
Revenues			
Net taxation	**$ 4,760,971**	**$ 4,810,539**	$ 4,483,755
User charges	**1,668,284**	**1,840,970**	1,748,186
Government grants and transfers - Provincial	**1,476,939**	**1,380,467**	1,154,839
Government grants and transfers - Federal	**29,669**	**70,414**	7,124
Other	**225,652**	**311,999**	108,256
Total revenues	**8,161,515**	**8,414,389**	7,502,160
Expenses			
General government	**1,258,540**	**1,262,102**	1,250,955
Protection services	**1,210,747**	**1,172,375**	1,164,921
Transportation services	**1,988,942**	**2,083,628**	2,151,395
Environmental services	**1,095,944**	**956,055**	1,001,788
Health services	**254,332**	**248,072**	245,432
Social and family services	**294,662**	**294,662**	285,353
Recreation and cultural services	**1,484,720**	**1,264,363**	1,320,581
Planning and development	**116,121**	**111,957**	109,605
Total expenses	**7,704,008**	**7,393,214**	7,530,030
Annual surplus (deficit) before other	**457,507**	**1,021,175**	(27,870)
Other			
Government grants and transfers related to capital - Provincial	**429,120**	**304,278**	529,771
Government grants and transfers related to capital - Federal	**382,000**	**242,038**	131,302
	811,120	**546,316**	661,073
Annual surplus	**1,268,627**	**1,567,491**	633,203
Accumulated surplus, beginning of year	**15,420,523**	**15,420,523**	14,787,320
Accumulated surplus, end of year	**$ 16,689,150**	**$ 16,988,014**	$ 15,420,523

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

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

	2025	2024
Operating transactions		
Annual surplus	**$ 1,567,491**	$ 633,203
Cash and cash equivalents provided by (applied to)		
Non-cash items:		
Amortization of tangible capital assets	**1,119,716**	1,077,513
Loss on disposal of tangible capital assets	**-**	146,921
Accretion expense	**86,838**	83,255
Change in non-cash working capital balances		
(Increase) decrease in taxes receivable	**(95,826)**	88,973
Increase in accounts receivable	**(30,296)**	(154,902)
Decrease in accounts payable and accrued liabilities	**(83,420)**	(89,077)
(Decrease) increase in deferred revenues - other	**(154,014)**	104,751
Increase (decrease) in deferred revenues - obligatory reserve funds	**108,907**	(80,375)
Increase in employee future benefits payable	**30,715**	793
Increase in prepaid expenses	**(19,551)**	(12,925)
Increase in inventories	**(25,203)**	(25,674)
Cash and cash equivalents provided by operating transactions	**2,505,357**	1,772,456
Investing transactions		
Capital transactions		
Acquisition of tangible capital assets	**(967,844)**	(806,224)
Proceeds on disposal of tangible capital assets	**-**	650
Cash and cash equivalents applied to capital transactions	**(967,844)**	(805,574)
Financing transactions		
Municipal debt repaid	**(534,536)**	(549,710)
Contractual obligations repaid	**(37,359)**	(37,359)
Cash and cash equivalents applied to financing transactions	**(571,895)**	(587,069)
Increase in cash and cash equivalents	**965,618**	379,813
Cash and cash equivalents, beginning of year	**2,262,740**	1,882,927
Cash and cash equivalents, end of year	**$ 3,228,358**	$ 2,262,740
Cash and cash equivalents is comprised of the following:		
Unrestricted cash	**$ 1,824,065**	$ 934,486
Internally restricted cash	**1,404,293**	1,328,254
	$ 3,228,358	$ 2,262,740

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

The Corporation of the Municipality of Powassan

Consolidated Statement of Change in Net Debt
For The Year Ended December 31, 2025

	2025 Budget (Unaudited)	2025 Actual	2024 Actual
Annual surplus	$ 1,268,627	$ 1,567,491	$ 633,203
Amortization of tangible capital assets	1,119,716	1,119,716	1,077,513
Proceeds on disposal of tangible capital assets		-	650
Loss on disposal of tangible capital assets	-	-	146,921
Acquisition of tangible capital assets	(1,501,941)	(967,844)	(806,224)
Change in prepaid expenses	-	(19,551)	(12,925)
Change in inventories	-	(25,203)	(25,674)
Decrease in net debt	886,402	1,674,609	1,013,464
Net debt, beginning of year	(5,204,818)	(5,204,818)	(6,218,282)
Net debt, end of year	$ (4,318,416)	$ (3,530,209)	$ (5,204,818)

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

1. Significant Accounting Policies

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

(a) Basis of Consolidation

Consolidated Entities

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

Joint Local Boards

(ii) Activities in joint local boards are accounted for using the proportionate consolidation method. Under this method, the Municipality's proportionate share of joint local board revenues, expenses, assets and liabilities are included in the accounts. The following joint local boards are proportionately consolidated:

Powassan and District Union Library (64%)

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

(iii) Non-Consolidated Entities

The following joint local boards are not consolidated:

North Bay Parry Sound District Health Unit
District of Parry Sound Services Administration Board
Eastholme Home for the Aged

1. Significant Accounting Policies (Continued)

(a) Basis of Consolidation (Continued)

(iv) Accounting for School Board Transactions

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

(b) Basis of Accounting

(i) Accrual Basis

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

(ii) Cash and Cash Equivalents

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

(iii) Deferred Revenues

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

(iv) Deferred Revenues - Obligatory Reserve Funds

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

(v) Employee Future Benefits

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

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(vi) Asset Retirement Obligations

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

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

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

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

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(vii) Segmented Information

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

General Government

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

Protection Services

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

Transportation Services

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

Environmental Services

Environmental services include water supply and distribution, wastewater treatment, waste and recycling services.

Health Services

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

Social and Family Services

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

Recreation and Cultural Services

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

Planning and Development

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

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(viii) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the Consolidated Change in Net Debt for the year.

i) Tangible Capital Assets

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

Land improvements	10 years and landfill capacity
Buildings	10 to 50 years
Automotive equipment	5 to 15 years
Equipment	10 to 25 years
Computer hardware and software	3 to 10 years
Roads and bridges	10 to 50 years
Water and sewer	15 to 100 years

In the year of purchase or disposal the asset amortization is prorated by month. Assets under construction are not amortized until the asset is available for productive use.

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

1. **Significant Accounting Policies** (Continued)

(b) Basis of Accounting (Continued)

(viii) Non-Financial Assets (Continued)

ii) Inventories

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

iii) Prepaid Expenses

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

(ix) Taxation and Other Revenues

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

A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time tax billings are issued.

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

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

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

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

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(x) Government Grants and Transfers

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

(xi) Estimates

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

(xii) Financial Instruments

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

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

2. Measurement Uncertainty

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

- The amounts recorded for asset retirement obligations are based on the estimated amount required to ultimately remediate the liability and depend on estimates of usage, remaining life, inflation rates and discount rates.

- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates.

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

3. Cash and Cash Equivalents

	2025	2024
Cash and cash equivalents	**$ 3,834,670**	$ 3,355,164
Outstanding cheques	**(606,312)**	(1,092,424)
	$ 3,228,358	$ 2,262,740

4. Accounts Receivable

	2025	2024
Federal government	**$ 103,437**	$ 98,024
Province of Ontario	**128,781**	74,730
User charges	**111,182**	154,851
Other	**282,346**	267,845
	$ 625,746	$ 595,450

5. Temporary Borrowing

The Municipality has authorized credit facilities totalling $600,000, which is unsecured. As at December 31, 2025, the Municipality has utilized $0 (2024 - $0). The interest is calculated at the bank's prime lending rate.

6. Accounts Payable and Accrued Liabilities

	2025	2024
Federal government	**$ 11,793**	$ 10,794
Province of Ontario	**6,281**	2,414
Trade payables and accrued liabilities	**317,606**	404,246
Accrued interest	**43,529**	45,175
	$ 379,209	$ 462,629

7. Deferred Revenues - Other

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

	Balance as at December 31, 2024	Amounts received during the year	Recognized as revenues during the year	**Balance as at December 31, 2025**
Northern Ontario Resource Development Support Fund	$ 55,259	$ 102,903	$ 158,162	**$ -**
Ontario Trillium Foundation	83,500	1,800	85,300	**-**
Other	26,035	23,314	38,569	**10,780**
Total Deferred Revenues - Other	$ 164,794	$ 128,017	$ 282,031	**$ 10,780**

8. Deferred Revenues - Obligatory Reserve Funds

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

	Balance as at December 31, 2024	Amounts received during the year	Recognized as revenues during the year	**Balance as at December 31, 2025**
Canada Community - Building Fund	$ 228,184	$ 222,333	$ 242,038	**$ 208,479**
Ontario Community Infrastructure Fund	15,597	128,612	-	**144,209**
Total Deferred Revenues - Obligatory Reserve Funds	$ 243,781	$ 350,945	$ 242,038	**$ 352,688**

9. Municipal Debt

	2025	2024
Term loan, repayable in monthly instalments of $1,647, plus interest at the bank's prime lending rate plus 1.00%, maturing May 6, 2026	**$ 8,234**	$ 27,995
Term loan, repayable in monthly instalments of $2,500, plus interest at the bank's prime lending rate plus 1.00%, maturing July 8, 2026	**17,500**	47,500
Term loan, repayable in monthly instalments of $5,952, plus interest at the bank's prime lending rate plus 0.50%, maturing September 30, 2026	**202,400**	273,824
Term loan, repayable in monthly instalments of $1,746, plus interest at the bank's prime lending rate plus 0.5%, maturing September 30, 2027	**267,202**	288,154
Term loan, repayable in monthly instalments of $5,459, plus interest at the bank's prime lending rate plus 1.00%, maturing September 1, 2029	**246,874**	303,621
Debenture loan, repayable in semi-annual instalments of $58,400, including interest at the fixed rate of 2.21%, maturing August 16, 2036	**1,135,019**	1,225,236
Debenture loan, repayable in semi-annual instalments of $89,409 including interest at the fixed rate of 3.61%, maturing September 4, 2048	**2,778,065**	2,854,518
Term loan repaid during the year	**-**	168,982
	$ 4,655,294	$ 5,189,830

The Municipality has an authorized revolving credit facility totalling $1,000,000 to finance the purchase of long-term assets. As at December 31, 2025, the Municipality has utilized $272,608 (2024 - $379,116). The interest is calculated at the bank's prime lending rate plus 1.00% or a fixed rate for the balance of the term. Withdrawals are included in the above municipal debt.

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

2026	$ 486,054
2027	488,154
2028	246,991
2029	237,074
2030	192,126
Thereafter	3,004,895
Total	$ 4,655,294

10. Employee Future Benefits Payable

The Municipality provides certain employee benefits which will require funding in future periods, as follows:

	2025	2024
Accumulated sick leave entitlements	**$ 80,847**	$ 78,974
Vacation payable	**89,571**	60,729
	$ 170,418	$ 139,703

11. Asset Retirement Obligations

	2025	2024
Balance, beginning of year	**$ 2,196,371**	$ 2,113,116
Accretion expense	**86,838**	83,255
Balance, end of year	**$ 2,283,209**	$ 2,196,371

The asset retirement obligations are as follows:

	2025	2024
Landfill	**$ 2,104,479**	$ 2,017,641
Asbestos removal	**67,999**	67,999
Septic system	**32,481**	32,481
Drinking water well and monitoring wells	**78,250**	78,250
Balance, end of year	**$ 2,283,209**	$ 2,196,371

Landfill

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

The reported liability is based on estimates and assumptions with respect to events extending over the estimated remaining useful life using the best information available to management. Future events may result in significant changes to the estimated total expense, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable. The most recent waste capacity study for the landfill site was performed in a report dated November 30, 2017.

11. Asset Retirement Obligations (Continued)

	Estimated Remaining Capacity	Estimated Remaining Life	Post-Closure Care Activities	Inflation Rate	Discount Rate
2025					
Powassan	**92.1% (707,400 m^3)**	**137 years**	**25 years**	**3.58%**	**4.30%**
2024					
Powassan	92.8% (712,400 m^3)	138 years	25 years	3.58%	4.30%

Asbestos removal

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

Septic systems, drinking water wells and monitoring wells

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

12. Contractual Obligations

During 2006, the Municipality passed a resolution committing to pay $37,359 per year for 20 years for the North Bay Regional Health Centre Hospital capital project. A formal agreement has been executed and payments commenced in 2007. The remaining balance of this commitment as at December 31, 2025 is $37,359 (2024 - $74,718).

13. Tangible Capital Assets

	Cost				Accumulated Amortization				Net Book Value	
	Balance, beginning of year	**Additions**	**Transfers / Disposals**	**Balance, end of year**	**Balance, beginning of year**	**Amortization**	**Disposals**	**Balance, end of year**	**December 31, 2025**	December 31, 2024
Land	$ 443,247	$ -	$ -	$ 443,247	$ -	$ -	$ -	$ -	**$ 443,247**	$ 443,247
Land improvements	2,751,788	5,186	-	2,756,974	198,009	44,341	-	242,350	**2,514,624**	2,553,779
Buildings	10,273,447	225,932	-	10,499,379	3,460,298	241,521	-	3,701,819	**6,797,560**	6,813,149
Automotive equipment	2,143,906	81,408	-	2,225,314	1,567,731	81,654	-	1,649,385	**575,929**	576,175
Equipment	2,433,943	240,479	9,269	2,683,691	1,470,549	135,255	(14,403)	1,591,401	**1,092,290**	963,394
Computer hardware and software	99,257	11,580	-	110,837	95,228	5,187	-	100,415	**10,422**	4,029
Roads and bridges	14,504,791	403,259	(8,659)	14,899,391	8,717,560	473,994	(8,659)	9,182,895	**5,716,496**	5,787,231
Water and sewer	5,979,730	-	-	5,979,730	2,871,854	137,764	-	3,009,618	**2,970,112**	3,107,876
Assets under construction	102,984	-	(23,672)	79,312	-	-	-	-	**79,312**	102,984
	$ 38,733,093	$ 967,844	$ (23,062)	$ 39,677,875	$ 18,381,229	$ 1,119,716	$ (23,062)	$ 19,477,883	**$ 20,199,992**	$ 20,351,864

14. Accumulated Surplus

	2025	2024
Surplus		
Invested in tangible capital assets	**$ 20,199,992**	$ 20,351,864
General (see note (a) below)	**436,279**	(5,995)
Unfunded Liabilities		
Municipal debt	**(4,655,294)**	(5,189,830)
Employee future benefits payable	**(170,418)**	(139,703)
Asset retirement obligations	**(2,283,209)**	(2,196,371)
Contractual obligations	**(37,359)**	(74,718)
Total surplus	**13,489,991**	12,745,247
Reserves		
Special purpose reserves		
Water and sewer systems	**848,387**	753,276
Office, recreation and other	**828,081**	541,032
Public works equipment and infrastructure	**1,203,864**	856,001
Garbage and landfill	**293,896**	210,641
Eides principal	**50,000**	50,000
Gravel pit closure	**65,716**	64,427
Water contingency	**142,438**	142,438
Library	**65,641**	57,461
Total reserves	**3,498,023**	2,675,276
Accumulated Surplus	**$ 16,988,014**	$ 15,420,523

(a) General Surplus (Deficit):

The general surplus (deficit) of $436,279 (2024 - $(5,995)) at the end of the year is comprised of the following:

	2025	2024
Opening balance	**$ (5,995)**	$ (8,319)
Annual surplus	**1,567,491**	633,203
Transfer to reserves	**(822,747)**	(546,718)
Net change in tangible capital assets	**151,872**	418,860
Decrease in unfunded liabilities	**(454,342)**	(503,021)
Closing balance	**$ 436,279**	$ (5,995)

15. Contingencies

Legal Matters

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

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

16. Commitments

The Municipality entered into a ten-year contractual agreement with Ontario Clean Water Agency (OCWA) from January 1, 2018 to December 31, 2027 for management, operation and maintenance of the municipal water system. The minimum commitment for OCWA services is $183,560 per year.

The Municipality entered into a ten-year agreement with Powassan Town Square Inc. from March 1, 2018 to February 29, 2028 to rent space for the Powassan & Area Family Health Team. The minimum commitment for the space is $60,366 per year.

17. Operations of School Boards

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

	2025	2024
Taxation and user charges	**$ 781,807**	$ 777,536
Total amounts received or receivable	**781,807**	777,536
Requisitions	**781,807**	777,536
	$ -	$ -

18. Contributions to Unconsolidated Joint Local Boards

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

	2025	2024
District of Parry Sound Social Services Administration Board	$ 163,330	$ 158,252
District of Parry Sound Land Ambulance	124,238	121,359
District of Parry Sound (East) Home for the Aged	131,332	127,101
North Bay Parry Sound District Health Unit	116,465	110,919
	$ 535,365	$ 517,631

19. Pension Agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of all qualifying members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The OMERS Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to approximately 640,000 active and retired members and approximately 1,000 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (‘the Plan’) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. On December 31, 2025, the estimated accrued pension obligation for all members of the Plan was $149,575 million (2024 - $140,766 million). The Plan had an actuarial value of net assets at that date of $148,253 million (2024 - $137,853 million) indicating an actuarial deficit of $1,322 million (2024 - $2,913 million). The Plan is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit.

The amount contributed by the Municipality to OMERS for 2025 was $130,978 (2024 - $130,273) for current services and is included as an expense on the Consolidated Statement of Operations and Accumulated Surplus.

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

20. Financial Instruments

Risks arising from financial instruments and risk management

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

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

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

Liquidity risk

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

Market risk

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

21. Budget Figures

Budget figures have been provided for comparison purposes and have been derived from the budget approved by Council. The budget approved by Council is developed in accordance with the provincially mandated funding model for municipalities and is used to manage program spending within the guidelines of the funding model. Given differences between the funding model and generally accepted accounting principles for local governments established by the Public Sector Accounting Board, the budget figures presented have been adjusted to conform with the basis of accounting that is used to prepare the consolidated financial statements. The budget figures are unaudited.

	2025	2024
Budget By-law surplus for the year	**$ -**	$ -
Add: Acquisition of tangible capital assets	**1,501,941**	1,817,475
Municipal debt repaid	**534,497**	549,932
Contractual obligations repaid	**37,359**	37,359
Contributions to reserves	**356,696**	162,532
Less: Amortization of tangible capital assets	**(1,119,716)**	(1,077,513)
Contributions from reserves	**(42,150)**	(265,639)
Budget surplus per consolidated statement of operations and accumulated surplus	**$ 1,268,627**	$ 1,224,146

22. Comparative Figures

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

23. Segmented Information

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Unallocated	2025 Total
Revenues										
Net taxation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,810,539	$ 4,810,539
User charges	17,443	122,774	-	854,883	44,405	-	789,685	11,780	-	1,840,970
Government grants and transfers - Provincial	-	-	38,000	59,108	-	-	74,607	-	1,208,752	1,380,467
Government grants and transfers - Federal	4,816	-	-	-	-	-	65,598	-	-	70,414
Other	189,735	17,423	34,827	-	-	-	64	-	69,950	311,999
Total revenues	211,994	140,197	72,827	913,991	44,405	-	929,954	11,780	6,089,241	8,414,389
Expenses										
Salary, wages and employee benefits	656,338	344,744	756,583	129,495	-	-	571,234	-	-	2,458,394
Materials, contracted services, rents, and financial expenses	428,098	203,295	716,642	657,663	5,040	-	487,840	111,957	-	2,610,535
Interest on municipal debt	109,987	47,579	17,185	6,020	-	-	-	-	-	180,771
Transfers to other governments and the public	-	488,433	-	-	240,703	294,662	-	-	-	1,023,798
Amortization of tangible capital assets	67,679	88,324	593,218	162,877	2,329	-	205,289	-	-	1,119,716
Total expenses	1,262,102	1,172,375	2,083,628	956,055	248,072	294,662	1,264,363	111,957	-	7,393,214
Annual surplus (deficit) before other	(1,050,108)	(1,032,178)	(2,010,801)	(42,064)	(203,667)	(294,662)	(334,409)	(100,177)	6,089,241	1,021,175
Other										
Government grants and transfers related to capital - Provincial	-	-	158,162	-	-	-	146,116	-		304,278
Government grants and transfers related to capital - Federal	-	-	242,038	-	-	-	-	-	-	242,038
Annual surplus (deficit)	$ (1,050,108)	$ (1,032,178)	$ (1,610,601)	$ (42,064)	$ (203,667)	$ (294,662)	$ (188,293)	$ (100,177)	$ 6,089,241	$ 1,567,491

The Corporation of the Municipality of Powassan

Notes to the Consolidated Financial Statements
December 31, 2025

23. Segmented Information (Continued)

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Unallocated	2024 Total
Revenues										
Net taxation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,483,755	$ 4,483,755
User charges	20,823	126,134	-	878,381	46,932	-	668,516	7,400	-	1,748,186
Government grants and transfers - Provincial	-	-	-	65,102	-	-	5,784	-	1,083,953	1,154,839
Government grants and transfers - Federal	7,124	-	-	-	-	-	-	-	-	7,124
Other	145,711	600	(101,960)	-	-	-	61	-	63,844	108,256
Total revenues	173,658	126,734	(101,960)	943,483	46,932	-	674,361	7,400	5,631,552	7,502,160
Expenses										
Salary, wages and employee benefits	633,804	338,793	737,700	62,603	-	-	353,772	-	-	2,126,672
Materials, contracted services, rents, and financial expenses	421,759	213,718	782,053	763,440	9,325	-	822,020	109,605	-	3,121,920
Interest on municipal debt	128,674	53,023	20,742	12,954	-	-	550	-	-	215,943
Transfers to other governments and the public	-	470,351	-	-	232,278	285,353	-	-	-	987,982
Amortization of tangible capital assets	66,718	89,036	610,900	162,791	3,829	-	144,239	-	-	1,077,513
Total expenses	1,250,955	1,164,921	2,151,395	1,001,788	245,432	285,353	1,320,581	109,605	-	7,530,030
Annual surplus (deficit) before other	(1,077,297)	(1,038,187)	(2,253,355)	(58,305)	(198,500)	(285,353)	(646,220)	(102,205)	5,631,552	(27,870)
Other										
Government grants and transfers related to capital - Provincial	-	-	373,650	41,456	-	-	114,665	-	-	529,771
Government grants and transfers related to capital - Federal	-	-	131,302	-	-	-	-	-	-	131,302
Annual surplus (deficit)	$ (1,077,297)	$ (1,038,187)	$ (1,748,403)	$ (16,849)	$ (198,500)	$ (285,353)	$ (531,555)	$ (102,205)	$ 5,631,552	$ 633,203