THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Village of South River

Opinion
We have audited the consolidated financial statements of The Corporation of the Village of South River (the "Municipality"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations and accumulated surplus, remeasurement gains and losses, the consolidated change in its net financial assets (debt) and its consolidated cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Village of South River as at December 31, 2025, and the results of its operations and its 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 those 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 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 relating 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 Responsibility 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

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exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

Pahapill and Associates

Huntsville, Ontario
August 11, 2026

Pahapill and Associates Professional Corporation
Chartered Professional Accountants
Authorized to practise public accounting by
The Chartered Professional Accountants of Ontario

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2025

	2025	2024
FINANCIAL ASSETS		
Cash and cash equivalents *(Note 4)*	$ 2,485,402	$ 1,400,575
Investments *(Note 5)*	7,152	20,829
Taxes receivable *(Note 6)*	177,614	219,610
Accounts receivable	171,379	1,025,783
Investment in South River Power Generation Corporation (*Note 7)*	1,929,679	1,845,489
Inventories held for resale	1,081,507	1,105,886
	5,852,733	**5,618,172**
LIABILITIES		
Accounts payable and accrued liabilities	665,768	640,772
Deferred revenue-general *(Note 8)*	49,381	35,854
Deferred revenue-obligatory reserve funds *(Note 9)*	371,462	568,446
Long-term debt *(Note 10)*	1,977,794	2,141,133
Employee benefits payable *(Note 11)*	26,371	29,239
Asset retirement obligations *(Note 12)*	23,498	-
	3,114,274	**3,415,444**
NET FINANCIAL ASSETS	**2,738,459**	**2,202,728**
NON-FINANCIAL ASSETS		
Tangible capital assets - net *(Note 15)*	13,833,642	13,815,398
Inventories of supplies	36,108	25,813
Prepaid expenses	169,042	334,640
	14,038,792	**14,175,851**
ACCUMULATED SURPLUS *(Note 16)*	**$ 16,777,251**	**$ 16,378,579**

ACCUMULATED SURPLUS IS COMPRISED OF:		
Accumulated operating surplus	$ 16,785,275	$ 16,378,941
Accumulated remeasurement losses	(8,024)	(362)
	$ 16,777,251	**$ 16,378,579**

Contingencies *(see Notes 2 and 7)*
Contractual Obligations *(see Note 13)*

APPROVED ON BEHALF OF COUNCIL:

_______________________________ Mayor

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2025

	Budget 2025 *(see Note 20)*	Actual 2025	Actual 2024
REVENUE			
Property taxes	$ 1,543,820	$ 1,555,402	$ 1,441,219
User charges	654,628	675,813	674,725
Government transfers	1,629,270	1,560,755	1,858,015
South River Power Generation Corporation - annual operating surplus, net of dividends *(Note 7)*	87,405	91,852	305,127
Loss on disposal of tangible capital assets	-	(7,145)	(795,234)
Restructuring net expense *(Note 18)*	-	(5,580)	(1,578)
Other	263,495	340,893	333,690
TOTAL REVENUE	**4,178,618**	**4,211,990**	**3,815,964**
EXPENSES			
General government	730,217	718,693	594,357
Protection to persons and property	635,697	622,429	598,689
Transportation services	739,974	607,022	551,905
Environmental services	949,817	950,302	986,837
Health services	243,635	270,753	242,512
Social and family services	65,649	65,649	63,346
Recreation and cultural services	444,167	406,178	520,897
Planning and development	141,552	164,630	177,731
TOTAL EXPENSES	**3,950,708**	**3,805,656**	**3,736,274**
ANNUAL OPERATING SURPLUS *(Note 16)*	**227,910**	**406,334**	**79,690**
ACCUMULATED OPERATING SURPLUS, BEGINNING OF YEAR	**16,378,941**	**16,378,941**	**16,299,251**
ACCUMULATED OPERATING SURPLUS, END OF YEAR	**$ 16,606,851**	**$ 16,785,275**	**$ 16,378,941**

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES

FOR THE YEAR ENDED DECEMBER 31, 2025

	2025	2024
Accumulated remeasurement losses, beginning of year	$ (362)	$ (32,551)
South River Power Generation Corporation - unrealized gain (loss) on fair value of derivative *(Note 7)*	(7,662)	32,189
ACCUMULATED REMEASUREMENT LOSSES, END OF YEAR	**$ (8,024)**	**$ (362)**

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2025

	Budget 2025 *(see Note 20)*	Actual 2025	Actual 2024
Annual operating surplus	$ 227,910	$ 406,334	$ 79,690
Unrealized gain (loss)	-	(7,662)	32,189
Acquisition of tangible capital assets	(834,846)	(690,257)	(1,178,586)
Contributed tangible capital assets - net	-	5,837	317
Revaluation of tangible capital assets - ARO	-	(23,498)	-
Amortization of tangible capital assets	682,529	682,529	661,099
Loss on disposal of tangible capital assets	-	7,145	795,234
Proceeds from disposal of tangible capital assets	-	-	1,082,299
Change in supplies inventories	-	(10,295)	(6,615)
Change in prepaid expenses	-	165,598	38,282
Increase in net financial assets	75,593	535,731	1,503,909
Net financial assets, beginning of year	2,202,728	2,202,728	698,819
Net financial assets, end of year	**$ 2,278,321**	**$ 2,738,459**	**$ 2,202,728**

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2025

	2025	2024
Operating transactions		
Annual operating surplus	$ 406,334	$ 79,690
Non-cash charges to operations:		
Amortization of tangible capital assets	682,529	661,099
Contributed tangible capital assets - net	5,837	317
Loss on disposal of tangible capital assets	7,145	795,234
Change in employee benefits payable	(2,868)	2,860
Revaluation of tangible capital assets - ARO	(23,498)	-
Change in ARO liability excluding settlements	23,498	-
South River Power Generation Corporation - annual operating surplus, net of dividends	(91,852)	(305,127)
	1,007,125	1,234,073
Changes in non-cash items:		
Taxes receivable	41,996	(9,177)
Accounts receivable	854,404	95,825
Inventories held for resale	24,379	(1,104,303)
Accounts payable and accrued liabilities	24,996	(704,259)
Deferred revenue-general	13,527	(143,473)
Deferred revenue-obligatory reserve funds	(196,984)	9,382
Inventories of supplies	(10,295)	(6,615)
Prepaid expenses	165,598	38,282
	917,621	(1,824,338)
Cash provided by (applied to) operating transactions	1,924,746	(590,265)
Capital transactions		
Acquisition of tangible capital assets	(690,257)	(1,178,586)
Proceeds from disposal of tangible capital assets	-	1,082,299
Cash applied to capital transactions	(690,257)	(96,287)
Investing transactions		
Change in investments	13,677	(13,377)
Cash provided by (applied to) investing transactions	13,677	(13,377)
Financing transactions		
Change in temporary borrowing	-	(800,000)
Proceeds from municipal debt	-	800,000
Debt principal repayments	(163,339)	(129,922)
Tangible capital lease repayments	-	(20,305)
Cash applied to financing transactions	(163,339)	(150,227)
Net change in cash and cash equivalents	**1,084,827**	**(850,156)**
Cash and cash equivalents, beginning of year	**1,400,575**	**2,250,731**
Cash and cash equivalents, end of year	**$ 2,485,402**	**$ 1,400,575**
Cash flow supplementary information:		
Cash paid for interest	$ 84,538	$ 112,791

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2025

MANAGEMENT RESPONSIBILITY

The consolidated financial statements of the Corporation of the Village of South River (the "Municipality") are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of significant accounting policies is provided in Note 1. 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.

Management maintains a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Reporting Entity

These consolidated statements reflect the assets, liabilities, revenue, expenses and accumulated surplus of the reporting entity. The reporting entity is comprised of all committees of Council and the boards, joint boards and municipal enterprises for which Council is politically accountable as follows:

(i) Consolidated and proportionally consolidated entities

The following local board is consolidated:

- Cemetery

The following joint boards, committees and enterprises are proportionally consolidated:

- Fire
- Building
- Medical Centre
- Community Centre
- Library
- Ambulance Building

The Municipality withdrew from the Almaguin Community Economic Development Committee effective December 31, 2025. Current-year transactions have been proportionally consolidated for the year ending December 31, 2025.

Inter-organizational transactions and balances between these organizations are eliminated.

(ii) Modified equity accounting

Government business enterprises are accounted for by the modified equity method. Under this method the business enterprises' accounting principles are not adjusted to conform with those of the Municipality and inter-organizational transactions and balances are not eliminated. The following government business enterprise is included in these financial statements: South River Power Generation Corporation.

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(iii) Non-consolidated entities
The following joint boards are not consolidated:
North Bay Parry Sound District Health Unit
District of Parry Sound Social Services Administration Board
District of Parry Sound (East) Home for the Aged

(iv) Accounting for school board transactions
The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these consolidated financial statements.

(v) Trust funds
Trust funds administered by the Municipality are not included in these consolidated financial statements, but are reported separately on the trust funds financial statements.

(b) Basis of Accounting

(i) Accrual basis of accounting
Revenue and expenses are reported on the accrual basis of accounting. Revenue from transactions with performance obligations is recognized when (or as) the performance obligation is satisfied by providing the promised goods or services to the payer. Performance obligations are defined as enforceable promises to provide specific goods or services to a specific payer. Revenue from transactions with no performance obligations is recognized when the Municipality has the authority to claim or retain the revenue and identifies a past transaction or event that gives rise to an asset. 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
Cash and cash equivalents include cash on hand, balances with financial institutions and short-term deposits with original maturities of three months or less.

(iii) Inventories held for resale
Inventories held for resale are recorded at the lower of cost and net realizable value.

(iv) Non-financial assets
Non-financial assets are not available to discharge existing liabilities but are held for use in the provision of municipal services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset, as well as any asset retirement obligations related to the asset. Tangible capital assets received as donations are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements - 20 years
Buildings and leasehold improvements - 10 to 50 years
Machinery, equipment and furniture - 5 to 20 years
Vehicles - 2 to 20 years
Roads - 10 to 75 years
Bridges - 60 years
Water plants and networks - 30 to 50 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Works of art and historical treasures owned by the Municipality are not included in the tangible capital assets reported in these financial statements. The Municipality owns a number of paintings and other pieces of artwork that are prominently displayed in municipal buildings.

Interest related to the acquisition of capital assets is not capitalized, but is expensed in the year incurred.

(b) Inventories of supplies

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

(v) Reserves and reserve funds

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Balances related to these funds are included in the accumulated surplus of the Consolidated Statement of Financial Position.

(vi) Government transfers

Government transfers are recognized in the financial statements as revenue when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the Consolidated Statement of Operations as the stipulation liabilities are settled.

(vii) Deferred revenue

Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the Consolidated Statement of Financial Position. The revenue is reported on the Consolidated Statement of Operations in the year in which it is used for the specified purpose.

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(viii) Taxation and related revenue

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. Property tax billings are prepared by the Municipality based on assessment rolls, supplementary assessment rolls and other assessment adjustments issued by the Municipal Property Assessment Corporation ("MPAC"). Taxation revenue is initially recorded at the time assessment information is received from MPAC and is subsequently adjusted based on management's best estimate of the amount of tax revenue resulting from assessment adjustments that have not yet been received from MPAC. The Municipality is entitled to collect interest and penalties on overdue taxes. This revenue is recorded in the period the interest and penalties are levied.

(ix) Pensions and employee benefits

The Municipality accounts for its participation in the Ontario Municipal Employee Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. Obligations for sick leave and employee retirement gratuities under employee benefits payable are accrued as the employees render the services necessary to earn the benefits.

(x) Financial instruments

Financial instruments are classified as either fair value, amortized cost or cost.

Financial instruments classified as fair value are initially recognized at cost and subsequently carried at fair value. Financing fees and transaction costs on financial instruments measured at fair value are expensed as incurred. Unrealized gains and losses on financial assets are recognized in the Consolidated Statement of Remeasurement Gains and Losses. Once realized, remeasurement gains and losses are transferred to the Consolidated Statement of Operations.

Financial instruments classified as amortized cost are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. The effective interest rate method allocates interest income or interest expense over the relevant period, based on the effective interest rate. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement, provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in the Consolidated Statement of Operations.

Financial liabilities (or part of a financial liability) are removed from the Consolidated Statement of Financial Position when, and only when, they are discharged, cancelled or expire.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The Municipality's financial instruments are measured according to the following methods:

Financial instrument	Measurement method
Cash and cash equivalents	Amortized cost
Investments	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost

(xi) Asset retirement obligations

A liability for an asset retirement obligation is recognized when, at the financial reporting date, all of the following criteria are met:
- there is a legal obligation to incur retirement costs in relation to a capital asset;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability is recorded at an amount that is the best estimate of the expenditure required to retire a capital asset at the financial statement date. The liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. When an asset retirement obligation is initially recognized, a corresponding asset retirement cost is added to the carrying value of the related capital asset when it is still in productive use. This cost is amortized over the useful life of the capital asset. If the related capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

(xii) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Municipality may undertake in the future. Significant accounting estimates include valuation allowances for taxes and accounts receivable, inventories held for resale, employee benefits payable, estimated costs and timing of asset retirement obligations, estimated useful lives of tangible capital assets and supplementary taxes. Actual results could differ from these estimates.

There is a measurement uncertainty surrounding the estimation of liabilities for asset retirement obligations of $23,498. These estimates are subject to uncertainty because of several factors including, but not limited to estimated settlement dates, estimated costs and change in the discount rate. These estimates are reviewed annually and, as adjustments become necessary, they are recorded in the period in which they become known.

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2025

2. CONTRIBUTIONS TO UNCONSOLIDATED JOINT 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	$	34,777	$	33,523
North Bay Parry Sound District Health Unit		36,913		35,155
District of Parry Sound (East) Home for the Aged		28,032		27,048
	$	**99,722**	**$**	**95,726**

The Municipality is contingently liable for its share, if any, of the accumulated deficits as at the end of the year for these boards. The Municipality's share of the accumulated surpluses (or deficits) of these boards has not been determined at this time.

The Municipality is also contingently liable for its share, if any, of the long-term liabilities issued by other municipalities for these boards. The Municipality's share of these long-term liabilities has not been determined at this time.

3. TRANSACTIONS ON BEHALF OF OTHERS

(a) During the year, $180,798 of taxation was levied on behalf of school boards (2024 - $170,343).

(b) Trust funds administered by the Municipality totaling $190,243 (2024 - $187,143) are not included in these consolidated financial statements, as they are being held in trust for the benefit of others. Trusts under administration include:

(i) Fire Department Fund
This trust fund was established in 2010 for the purposes of purchasing fire equipment. These funds are invested and earnings derived therefrom are applied to the cost of capital expenditures for the South River-Machar Volunteer Fire Department. The balance of the trust is $100,000 (2024 - $100,000).

(ii) Care and Maintenance
This trust fund is funded by the sale of cemetery interment rights and markers. These funds are invested and earnings derived therefrom are used to perform maintenance at the Municipality's cemetery. The balance of the trust is $90,243 (2024 - $87,143).

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2025

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents is comprised of:

		2025		2024
Unrestricted cash	$	2,113,940	$	832,129
Restricted cash		371,462		568,446
	$	**2,485,402**	**$**	**1,400,575**

Federal and Provincial legislation restricts how restricted cash related to obligatory reserve funds, reported in Note 9, may be used.

5. INVESTMENTS

Investments are comprised of guaranteed investment certificates, bearing interest rates ranging from 3.76% to 4.9% and maturing between July 5, 2026 and July 9, 2027.

6. TAXES RECEIVABLE

Taxes receivable are comprised of the following:

		2025		2024
Taxes and amounts added for collection purposes	$	171,158	$	208,876
Penalties and interest		6,456		10,734
Valuation allowance		-		
	$	**177,614**	**$**	**219,610**

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2025

7. INVESTMENT IN SOUTH RIVER POWER GENERATION CORPORATION

South River Power Generation Corporation ("the Corporation") is a wholly owned government business enterprise of the Municipality that is engaged in the business of generating hydroelectric power from its plant in South River, Ontario. Condensed financial information in respect to the Corporation is provided below.

	2025	2024
Statement of Financial Position		
Financial assets	$ 668,882	$ 735,797
Liabilities		
Payables and accruals	54,607	97,591
Term loan	1,756,211	1,992,193
Derivative	8,024	362
Future income tax liability	731,040	687,107
	2,549,882	2,777,253
Net debt	(1,881,000)	(2,041,456)
Non-financial assets		
Tangible capital assets	3,810,102	3,886,945
Prepaid expenses	577	-
	3,810,679	3,886,945
Accumulated surplus		
Accumulated operating surplus	1,937,703	1,845,851
Accumulated remeasurement losses	(8,024)	(362)
	$ 1,929,679	**$ 1,845,489**
Statement of Operations		
Revenue	$ 617,342	$ 944,128
Expenses	451,557	446,157
Future payments in lieu of income taxes	43,933	162,844
Annual surplus	**121,852**	**335,127**
Dividends	**(30,000)**	**(30,000)**
Annual operating surplus, net of dividends	**$ 91,852**	**$ 305,127**
Statement of Remeasurement Gains and Losses		
Accumulated remeasurement losses, beginning of year	$ (362)	$ (32,551)
Unrealized gain (loss) on fair value of derivative	(7,662)	32,189
Accumulated remeasurement losses, end of year	**$ (8,024)**	**$ (362)**

During the previous year, the Corporation recognized one-time insurance recovery revenue of $373,867. This amount represents the loss of gross profit suffered as a result of a mechanical breakdown at the South River hydroelectric generating station in 2023.

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2025

7. INVESTMENT IN SOUTH RIVER POWER GENERATION CORPORATION *(Continued)*

The Corporation has a $1,756,211 (2024 - $1,992,193) term loan with a chartered bank. The loan has been guaranteed by the Municipality.

The Corporation has entered into a long-term waterpower lease agreement with the Ministry of Natural Resources and Forestry ("MNRF") until 2052 (with option to extend in 10-year increments thereafter). Upon expiration or earlier termination of the lease (other than by MNRF simply for its convenience), the Corporation's assets that are physically on MNRF-owned property shall automatically become the property of the MNRF without compensation to the Corporation. However, if the MNRF rejects acceptance of such assets then the Corporation would become responsible for removing certain assets at its own cost. Since it is not the Corporation's intention to terminate the lease and since the decision to accept of reject assets upon decommissioning rests with the MNRF, no asset retirement obligation has been recorded at December 31, 2025 in connection with this contingent liability.

8. DEFERRED REVENUE-GENERAL

Details of the deferred revenue reported on the Consolidated Statement of Financial Position are as follows:

	2025	2024
Balance, beginning of year:		
Rural and Northern Physicians Group Agreement	$ 32,996	$ 31,407
Trillium Foundation	-	135,000
Dedicated donations	-	12,040
Other	2,858	880
	35,854	179,327
Received during the year:		
Rural and Northern Physicians Group Agreement	127,295	116,029
Northern Ontario Resource Development Support (NORDS)	69,187	69,187
Other	7,538	2,108
	204,020	187,324
Recognized in revenue during the year	(190,493)	(330,797)
Balance, end of year	**$ 49,381**	**$ 35,854**
Rural and Northern Physicians Group Agreement	$ 41,093	$ 32,996
Other	8,288	2,858
Balance, end of year	**$ 49,381**	**$ 35,854**

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2025

9. DEFERRED REVENUE-OBLIGATORY RESERVE FUNDS

The Municipality receives payments in lieu of parkland under the Planning Act, building permit revenue under the Building Code Act, development charges under the Development Charges Act, Canada Community-Building funding (previously gas tax) under an agreement with the Association of Municipalities of Ontario and Ontario Community Infrastructure Fund funding under an agreement with the Ministry of Infrastructure. Legislation restricts how these funds may be used, and under certain circumstances, how these funds may be refunded.

In the case of payments in lieu of parkland and building permit revenue, revenue recognition occurs when the Municipality has approved eligible expenditures for public recreation and Joint Building Committee purposes. Development charges are recognized in revenue when the subdivision agreement conditions are met. Community-Building and Ontario Community Infrastructure Fund revenue recognition occurs when the Municipality has approved the expenditures for eligible operating and capital works.

Details of the deferred revenue-obligatory reserve funds reported on the Consolidated Statement of Financial Position are as follows:

	2025	2024
Balance, beginning of year:		
Building Code Act	$ 67,247	$ 48,808
Canada Community-Building	491,209	510,256
Ontario Community Infrastructure Fund	9,990	-
	568,446	559,064
Received during the year:		
Recreational land (the Planning Act)	2,200	-
Building Code Act	-	18,439
Canada Community-Building	72,116	70,332
Development Charges Act	5,000	-
Ontario Community Infrastructure Fund	100,000	100,000
Interest earned	13,708	29,685
	193,024	218,456
Recognized in revenue during the year	(390,008)	(209,074)
Balance, end of year	**$ 371,462**	**$ 568,446**
Recreational land (the Planning Act)	$ 2,211	$ -
Building Code Act	20,047	67,247
Canada Community-Building	299,131	491,209
Development Charges Act	5,024	-
Ontario Community Infrastructure Fund	45,049	9,990
Balance, end of year	**$ 371,462**	**$ 568,446**

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2025

10. LONG-TERM DEBT

(a) The balance of long-term debt reported on the Consolidated Statement of Financial Position is made up of the following:

		2025		2024
50% share of South River-Machar Fire Department debt -				
Ontario Infrastructure and Lands Corporation debenture, due April 2031, repayable in semi-annual payments of $10,045 including interest calculated at 2.84%, secured by future Provincial funding	$	50,817	$	59,239
TD Commercial Banking term loan, due February 2028, repayable in monthly payments of $4,601 including interest calculated at 2.99%		55,694		81,219
Ontario Infrastructure and Lands Corporation debenture, due October 2031, repayable in monthly payments of $1,896 including interest calculated at 2.57%, secured by future Provincial funding		123,129		142,447
TD Commercial Banking term loan, due May 2037, repayable in monthly payments of $1,946 including interest calculated at 3.03%		225,213		241,473
TD Commercial Banking term loan, due May 2029, repayable in monthly payments of $1,399 including interest calculated at 2.91%		54,552		69,511
Ontario Infrastructure and Lands Corporation debenture, due November 2039, repayable in monthly payments of $6,018 including interest calculated at 4.25%, secured by future Provincial funding		710,684		796,815
Ontario Infrastructure and Lands Corporation debenture, due August 2038, repayable in monthly payments of $6,260 including interest calculated at 4.83%, secured by future Provincial funding		757,705		750,429
	$	**1,977,794**	**$**	**2,141,133**

(b) Future estimated principal and interest payments on long-term debt are as follows:

		Principal		Interest
2026	$	169,456	$	78,420
2027		175,814		72,062
2028		156,786		65,788
2029		150,701		59,810
2030		149,506		53,980
2031 onwards		1,175,531		218,280
	$	**1,977,794**	**$**	**548,340**

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2025

10. LONG-TERM DEBT *(Continued)*

(c) Total charges for the year for long-term debt which are reported in the financial statements are as follows:

	2025	2024
Principal payments	$ 163,339	$ 129,922
Interest	84,258	59,925
	$ 247,597	**$ 189,847**

11. EMPLOYEE BENEFITS PAYABLE

(a) Under the sick leave benefits plan, unused sick leave can accumulate to a prescribed maximum and qualifying employees may become entitled to a cash payment when they leave the Municipality's employment. The sick leave benefit liability estimates the use of accumulated sick leave prior to retirement, as well as any lump-sum payments upon retirement, and assumes that both the appropriate discount rate and future salary and wage levels will increase by 2% per annum. The liability for these accumulated days amounted to $25,697 (2024 - $27,263) at the end of the year.

(b) Under the retirement gratuity policy of the Joint Building Committee, qualifying employees are entitled to a payout, upon retirement, based on length of service and rate of pay. The retirement gratuity liability estimates the lump-sum payments upon retirement, and assumes that both the appropriate discount rate and future salary and wage levels will increase by 2% per annum. The Municipality's share of the retirement gratuity is estimated at $674 (2024 - $1,976) at the end of the year.

12. ASSET RETIREMENT OBLIGATIONS

The Municipality has recorded an asset retirement obligation ("ARO") with respect to the removal and disposal of asbestos in the South River Machar Community Center. The liability is initially recorded at the estimated present value of future cash flows for the removal and disposal of the asbestos, and subsequently adjusted as the result of revisions to the estimated cost of the obligation (arising from a change in cost, timing, inflation, discount rate, or change in the legal obligation), for accretion of the discounted liability and for activities that occurred to settle all or part of the obligation. When initially recording this obligation, the estimated present value of future cash flows for removal and disposal costs for assets in use are capitalized to the carrying amount of the associated assets, and amortized in the same manner as the underlying asset. Subsequent revisions to the estimated cost are also capitalized and amortized as part of the asset. Accretion of the discounted liability due to the passage of time is recorded as an in-year expense.

The liability is estimated at $23,498 (2024 - NIL), which represents the Municipality's share of the total discounted future cash flows for removal and disposal using an estimated long-term borrowing rate of 4.85% and inflation rate of 2.7%.

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2025

13. CONTRACTUAL OBLIGATIONS

In 2016, the Municipality entered into an agreement with the Ontario Clean Water Agency (OCWA) for the provision of management, operation and maintenance services related to the municipal water treatment facilities. The agreement is effective for an initial term of ten years, commencing January 1, 2016. In 2019, the Municipality entered into an amending agreement with OCWA as it relates to annual pricing. For years 2020 onward, the annual base price is $206,207 plus the greater of the CPI adjustment or 1.0%, plus an adjustment for maintaining the insurance, if necessary, which is renewed annually by OCWA, plus the total chemical estimate as outlined in Schedule 1 of the agreement. The annual CPI adjustment or 1.0% shall be added to the $206,207 on a cumulative basis. In 2025 a new agreement was entered into, effective January 1, 2026 for a period of five years with an annual base price of $266,511 in the first year plus a CPI adjustment annually.

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2025

14. FINANCIAL INSTRUMENTS

Risks arising from financial instruments and risk management
The Municipality is exposed to various risks through its financial instruments.

Credit risk
Credit risk is the risk of financial loss to the Municipality if a debtor fails to honour its contractual obligations. The Municipality is exposed to this risk as a result of its cash and cash equivalents, investments and accounts receivable. The carrying amounts of these financial assets on the Consolidated Statement of Financial Position represent the maximum credit risk of the Municipality as at the reporting date.

The Municipality holds its cash and investments with a federally regulated chartered bank and a provincially regulated credit union who are insured, respectively, by the Canadian Deposit Insurance Corporation ("CDIC") and the Financial Services Regulatory Authority of Ontario ("FSRA"). The CDIC insurance is up to $100,000 per deposit account and the FSRA insurance is up to $250,000 in aggregate.

Accounts receivable are primarily due from other levels of government and water users. Credit risk is mitigated by the financial solvency of the governments, the highly diversified nature of the water user population and the potential for the Municipality to transfer unpaid water receivables to taxes receivable. The amounts outstanding at year-end were as follows:

2025	Current	Past Due	Indeterminate Due Date	TOTAL
Federal	$ 12,192	$ 9,740	$ -	$ 21,932
Provincial	19,007	1,426	-	20,433
Other municipalities	13,615	-	-	13,615
Water users	69,382	9,963	-	79,345
South River Power Generation Corporation	4,847	-	-	4,847
Other	24,945	3,286	2,976	31,207
Valuation allowance	-	-	-	-
Net receivables	**$ 143,988**	**$ 24,415**	**$ 2,976**	**$ 171,379**

2024	Current	Past Due	Indeterminate Due Date	TOTAL
Federal	$ 437,816	$ -	$ -	$ 437,816
Provincial	416,776	5,319	-	422,095
Other municipalities	2,338	4,104	4,745	11,187
Water users	56,291	7,647	-	63,938
South River Power Generation Corporation	64,087	-	-	64,087
Other	19,312	7,118	230	26,660
Valuation allowance	-	-	-	-
Net receivables	**$ 996,620**	**$ 24,188**	**$ 4,975**	**$ 1,025,783**

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

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2025

14. FINANCIAL INSTRUMENTS *(Continued)*

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 is exposed to this risk with respect to its accounts payable and accrued liabilities and long-term debt. The Municipality mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and by maintaining significant cash balances.

The table below sets out the payable dates of the Municipality's accounts payable and accrued liabilities. This includes balances owed to municipal boards in relation to reserves held by the Municipality on their behalf, which have an indeterminate payable date. The long-term debt repayment schedule is disclosed in Note 10.

2025	Within 6 months	6 months to 1 year	1 to 5 years	Indeterminate payable date	TOTAL
Accounts payable and accrued liabilities	$ 297,282	$ 38,922	$ -	$ 329,564	$ 665,768

2024	Within 6 months	6 months to 1 year	1 to 5 years	Indeterminate payable date	TOTAL
Accounts payable and accrued liabilities	$ 398,256	$ 32,696	$ -	$ 209,820	$ 640,772

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

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk. The Municipality is not exposed to significant currency or equity risk. It is primarily exposed to interest rate risk.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Municipality is exposed to interest rate risk on its interest-bearing investments and long-term debt. Fixed-rate instruments subject the Municipality to a fair value risk while floating-rate instruments subject it to a cash flow risk.

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

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2025

15. TANGIBLE CAPITAL ASSETS

The tangible capital assets of the Municipality by major asset class are outlined below.

2025

	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Vehicles	Roads and Bridges	Water Plants and Networks	Assets Under Construction	TOTAL
COST								
Balance, beginning of year	$ 2,145,139	$ 2,801,550	$ 1,866,159	$ 796,707	$ 4,472,483	$ 10,499,695	$ 64,345	$ 22,646,078
Additions and betterments	3,642	420,979	242,796	-	1,941	10,825	10,074	690,257
Revaluation of tangible capital assets - ARO	-	23,498	-	-	-	-	-	23,498
Contributed assets	(3,069)	-	(409)	(3,851)	-	-	-	(7,329)
Disposals and writedowns	(5,098)	(82,672)	(40,462)	-	(53,362)	-	-	(181,594)
Transfer between classes	-	10,345	-	-	-	-	(10,345)	-
BALANCE, END OF YEAR	2,140,614	3,173,700	2,068,084	792,856	4,421,062	10,510,520	64,074	23,170,910
ACCUMULATED AMORTIZATION								
Balance, beginning of year	413,776	1,155,459	887,022	368,458	1,800,977	4,204,988	-	8,830,680
Annual amortization	64,415	61,897	140,740	48,742	76,983	289,752	-	682,529
Accumulated amortization - contributed assets	(1,170)	-	(82)	(240)	-	-	-	(1,492)
Amortization disposals	(3,569)	(79,364)	(38,154)	-	(53,362)	-	-	(174,449)
BALANCE, END OF YEAR	473,452	1,137,992	989,526	416,960	1,824,598	4,494,740	-	9,337,268
TANGIBLE CAPITAL ASSETS-NET	$ 1,667,162	$ 2,035,708	$ 1,078,558	$ 375,896	$ 2,596,464	$ 6,015,780	$ 64,074	$ 13,833,642

2024

	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Vehicles	Roads and Bridges	Water Plants and Networks	Assets Under Construction	TOTAL
COST								
Balance, beginning of year	$ 2,282,920	$ 4,194,113	$ 1,635,850	$ 785,116	$ 4,318,420	$ 10,365,843	$ 233,447	$ 23,815,709
Additions and betterments	205,887	406,019	198,894	13,965	155,623	133,852	64,346	1,178,586
Contributed assets	(683)	-	177	-	-	-	-	(506)
Disposals and writedowns	(367,316)	(1,798,582)	(177,879)	(2,374)	(1,560)	-	-	(2,347,711)
Transfer between classes	24,331	-	209,117	-	-	-	(233,448)	-
BALANCE, END OF YEAR	2,145,139	2,801,550	1,866,159	796,707	4,472,483	10,499,695	64,345	22,646,078
ACCUMULATED AMORTIZATION								
Balance, beginning of year	430,464	1,372,659	870,912	321,659	1,727,089	3,917,165	-	8,639,948
Annual amortization	64,392	72,557	112,833	48,046	75,448	287,823	-	661,099
Accumulated amortization - contributed assets	(200)	-	11	-	-	-	-	(189)
Amortization disposals	(80,880)	(289,757)	(96,734)	(1,247)	(1,560)	-	-	(470,178)
BALANCE, END OF YEAR	413,776	1,155,459	887,022	368,458	1,800,977	4,204,988	-	8,830,680
TANGIBLE CAPITAL ASSETS-NET	$ 1,731,363	$ 1,646,091	$ 979,137	$ 428,249	$ 2,671,506	$ 6,294,707	$ 64,345	$ 13,815,398

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2025

16. ACCUMULATED SURPLUS

The 2025 continuity of accumulated surplus reported on the Consolidated Statement of Financial Position is as follows:

	Balance Beginning of Year	Annual Surplus (Deficit)	Balance End of Year
Reserves and reserve funds			
General municipal	$ 665,620	$ 42,601	$ 708,221
Sick leave	7,566	-	7,566
Election	2,300	-	2,300
Fire	327,812	(99,240)	228,572
Roads	33,268	45,000	78,268
Water	52,076	89,745	141,821
Cemetery	26,000	4,000	30,000
Medical Centre	134,515	19,025	153,540
Ambulance	38,802	3,906	42,708
Community centre	56,060	72,383	128,443
Library	1,000	-	1,000
Saleable inventory	-	1,105,000	1,105,000
Economic development	126,300	-	126,300
Happy Landing Commercial Court	165,500	(32,267)	133,233
	1,636,819	**1,250,153**	**2,886,972**
Other			
Consolidated tangible capital assets	13,815,398	18,244	13,833,642
General operating surplus (deficit) -			
Municipality	1,158,242	(1,089,063)	69,179
Medical Centre	24,683	(6,807)	17,876
Helipad	13,295	(2,202)	11,093
Cemetery	48,940	(712)	48,228
Library	2,404	5,841	8,245
Almaguin Community Economic Development	3,681	(3,681)	-
Accumulated operating surplus of South River Power Generation Corporation	1,845,851	91,852	1,937,703
Unfunded liabilities -			
Long-term debt	(2,141,133)	163,339	(1,977,794)
Employee benefits	(29,239)	2,868	(26,371)
Asset retirement obligations	-	(23,498)	(23,498)
Operating surplus	**16,378,941**	**406,334**	**16,785,275**
Accumulated remeasurement gains and losses	**(362)**	**(7,662)**	**(8,024)**
ACCUMULATED SURPLUS	**$ 16,378,579**	**$ 398,672**	**$ 16,777,251**

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2025

17. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT

The Municipality and its Boards and Committees provide a wide range of services to its citizens. The schedule of segment disclosure provides a breakdown of the annual surplus (deficit) reported on the Consolidated Statement of Operations by major reporting segment. The segments correspond to the major functional categories used in the Municipality's Financial Information Return, which include the following activities:

General Government
This segment includes Council, Clerk's Department, and Treasury. This area supports the operating departments in implementing priorities of Council and provides strategic leadership on issues relating to governance, strategic planning and service delivery.

Protection to Persons and Property
This segment includes fire, police, building inspection, conservation authority, emergency measures and bylaw enforcement. Police services are provided by the Ontario Provincial Police under contract.

Transportation Services
Transportation services include roadway systems and winter control.

Environmental Services
This segment includes waterworks and solid waste management.

Health Services
This segment includes the medical centre, cemetery, ambulance, helipad and payments to the district health unit.

Social and Family Services
This segment consists primarily of payments made to the district social services administration board and home for the aged for the provision of social services such as childcare, social housing, general assistance and assistance to the elderly.

Recreation and Culture
This segment includes parks, recreation programs, recreation facilities, library services and cultural services.

Planning and Development
This segment includes activities related to planning, zoning and economic development.

Unallocated Amounts
Items are recorded as unallocated amounts when there is no reasonable basis for allocating them to a segment. Major items included in this category are property taxation and related penalty and interest charges, and unconditional grants such as the Municipality's annual Ontario Municipal Partnership Fund grant.

In the preparation of segmented financial information, some allocation of expenses is made. This generally includes charges of machinery and administrative time to specific segments.

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2025

17. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT *(Continued)*

FOR THE YEAR ENDED DECEMBER 31, 2025

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Unallocated Amounts	Consolidated
REVENUE										
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,555,402	$ 1,555,402
User charges	3,699	3,993	30,486	518,164	9,313	-	102,278	7,880	-	675,813
Government transfers -										
Canada	4,167	-	2,408	-	-	-	276,189	9,009	-	291,773
Ontario	-	58,125	6,040	129,767	124,198	-	221,381	30,134	680,500	1,250,145
Other municipalities	-	14,880	-	-	-	-	3,957	-	-	18,837
South Rive Power Generation Corporation - annual operating surplus net of dividends	-	-	-	-	-	-	-	-	91,852	91,852
Loss on disposal of capital assets	-	-	-	-	-	-	(5,616)	(1,529)	-	(7,145)
Restructuring net expense	-	-	-	-	-	-	-	(5,580)	-	(5,580)
Other	44,661	13,610	-	25,570	72,404	-	21,738	9,949	152,961	340,893
TOTAL REVENUE	52,527	90,608	38,934	673,501	205,915	-	619,927	49,863	2,480,715	4,211,990
EXPENSES										
Salaries, wages and benefits	448,399	161,174	259,532	57,793	76,903	-	181,118	81,595	-	1,266,514
Long-term debt charges (interest)	-	3,608	22,057	48,096	-	-	-	10,497	-	84,258
Materials	147,153	85,883	236,626	66,825	39,211	-	110,784	31,509	-	717,991
Contracted services	87,558	287,287	13,169	430,404	63,334	-	14,034	501	-	896,287
Rents and financial expenses	4,460	3,119	-	-	36,702	-	1,134	4,777	-	50,192
External transfers	-	-	-	-	36,913	65,649	-	5,323	-	107,885
Interfunctional adjustments	(29,384)	9,412	(95,235)	55,704	7,226	-	27,906	24,371	-	-
Amortization	60,507	71,946	170,873	291,480	10,464	-	71,202	6,057	-	682,529
TOTAL EXPENSES	718,693	622,429	607,022	950,302	270,753	65,649	406,178	164,630	-	3,805,656
ANNUAL OPERATING SURPLUS (DEFICIT)	$ (666,166)	$ (531,821)	$ (568,088)	$ (276,801)	$ (64,838)	$ (65,649)	$ 213,749	$ (114,767)	$ 2,480,715	$ 406,334

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2025

17. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT *(Continued)*

FOR THE YEAR ENDED DECEMBER 31, 2024

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Unallocated Amounts	Consolidated
REVENUE										
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,441,219	$ 1,441,219
User charges	5,938	250	25,013	435,873	5,750	-	200,901	1,000	-	674,725
Government transfers -										
Canada	5,573	-	95,091	114,395	-	-	176,382	15,056	-	406,497
Ontario	-	66,351	84,805	173,502	119,439	-	369,357	4,192	618,700	1,436,346
Other municipalities	-	14,896	-	-	-	-	276	-	-	15,172
South Rive Power Generation Corporation - annual operating surplus net of dividends	-	-	-	-	-	-	-	-	305,127	305,127
Gain (loss) on disposal of capital assets	-	1,172	-	-	-	-	(912)	(795,494)	-	(795,234)
Restructuring net expense	-	-	-	-	-	-	-	(1,578)	-	(1,578)
Other	32,636	37,189	-	9,268	75,631	-	28,149	6,154	144,663	333,690
TOTAL REVENUE	44,147	119,858	204,909	733,038	200,820	-	774,153	(770,670)	2,509,709	3,815,964
EXPENSES										
Salaries, wages and benefits	420,909	174,722	229,924	44,590	72,711	-	214,032	44,399	-	1,201,287
Long-term debt charges (interest)	-	4,705	20,908	22,810	-	-	-	11,502	-	59,925
Materials	50,299	79,409	203,212	77,098	40,044	-	150,155	29,615	-	629,832
Contracted services	111,262	266,708	5,333	450,808	46,996	-	74,783	21,483	-	977,373
Rents and financial expenses	3,849	3,194	4,725	49,397	35,850	-	349	-	-	97,364
External transfers	-	-	-	-	32,655	63,346	-	13,393	-	109,394
Interfunctional adjustments	(30,794)	6,627	(80,135)	50,781	3,870	-	24,602	25,049	-	-
Amortization	38,832	63,324	167,938	291,353	10,386	-	56,976	32,290	-	661,099
TOTAL EXPENSES	594,357	598,689	551,905	986,837	242,512	63,346	520,897	177,731	-	3,736,274
ANNUAL OPERATING SURPLUS (DEFICIT)	$ (550,210)	$ (478,831)	$ (346,996)	$ (253,799)	$ (41,692)	$ (63,346)	$ 253,256	$ (948,401)	$ 2,509,709	$ 79,690

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2025

18. RESTRUCTURING NET REVENUE

In 2019 the Municipality entered into a joint services agreement between a group of local municipalities and the Almaguin Highlands Chamber of Commerce to provide economic development services under the name of Almaguin Community Economic Development ("ACED"). The Municipality withdrew from ACED effective December 31, 2025. The assets, liabilities and surplus at the time of membership changes are retained by ACED.

In the prior year, the Municipality recorded net expense of $1,578 as a result of membership changes and in 2025, recorded net expense of $5,580 as a result of its withdrawal from the agreement. The value of the tangible assets foregone is recorded as a contributed asset in Note 15.

19. RELATED PARTY TRANSACTIONS

During the normal course of operations, the Municipality sold administrative services of $34,668 (2024 - $10,038), provided operating and maintenance services of $27,182 (2024 - $25,210) and in the prior year, rented office space for $6,144 to South River Power Generation Corporation, a wholly owned government business enterprise. All related party transactions are recorded at the exchange value (the amount of consideration established and agreed to by the related parties) which approximates the arm's length equivalent value.

At the end of the year, $4,847 (2024 - $64,087) was due to the Municipality by South River Power Generation Corporation related to payables and accruals. This is included in accounts receivable on the Consolidated Statement of Financial Position.

20. BUDGET FIGURES

The budget adopted for the current year was prepared on a modified accrual basis and has been restated to conform with the accounting and reporting standards applicable to the actual results. The budget for amortization, which is excluded from the adopted budget, has been set equal to the actual 2025 amount. A reconciliation of the adopted and reported budgets is presented below.

	Budget
ADOPTED BUDGET:	
Decrease in general municipal operating surplus	$ (1,156,142)
Increase in reserves	981,547
Increase in South River Power Generation operating surplus	87,405
Decrease in library general operating surplus	(558)
ADJUSTMENTS:	
Acquisition of tangible capital assets	834,846
Amortization of tangible capital assets	(682,529)
Decrease in municipal debt	163,341
ANNUAL SURPLUS	**$ 227,910**

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2025

21. PENSION AGREEMENTS

The Municipality makes contributions to the Ontario Municipal Employee Retirement Fund (OMERS), which is a multi-employer plan, on behalf of certain 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. 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. The most recent actuarial valuation of the Plan was conducted at December 31, 2025. The results of this valuation disclosed total actuarial liabilities of $151,365 million with respect to benefits accrued for service with actuarial assets at that date of $150,043 million indicating an actuarial deficit of $1,322 million. Because OMERS is a multi-employer plan, any 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 Plan surplus or deficit.

The amount contributed to OMERS for 2025 was $74,215 (2024 - $68,188) for current service and is included as an expense on the Consolidated Statement of Operations.