The Corporation of the Municipality of French River

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 French River (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.

Chief Administrative Officer	Treasurer
May 20, 2026	May 20, 2026

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of The Corporation of the Municipality of French River, which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations and accumulated surplus, cash flows and change in net financial assets (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 French River 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.

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.

Independent Auditor's Report (Continued)

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

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.

- 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.

Independent Auditor's Report (Continued)

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

- 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

Sudbury, Ontario
May 20, 2026

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

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

	2025	2024
Financial Assets		
Cash	**$ 4,436,692**	$ 585,732
Taxes receivable (note 3)	**785,224**	798,366
Accounts receivable - Federal	**376,732**	850,396
- Provincial	**53,174**	347,049
- Other	**415,558**	643,937
Term deposits, fixed interest of 3.10% maturing April 2026	**209,161**	3,677,564
Notes receivable (note 4)	**6,013**	12,101
Inventory held for resale	**28,415**	34,605
Asset to be transferred - Seniors complex (note 5)	**9,450,000**	5,008,618
	15,760,969	11,958,368
Liabilities		
Accounts payable and accrued liabilities - Operations	**1,349,984**	1,093,464
Accounts payable and accrued liabilities - Seniors complex	**-**	874,069
Advances on construction loan - Seniors complex (note 5)	**9,450,000**	4,134,549
Other current liabilities	**7,664**	6,409
Deferred revenues (note 6)	**223,464**	263,405
Deferred revenues - Obligatory reserve funds (note 7)	**770,165**	1,318,363
Accrued interest	**11,472**	12,171
Municipal debt (note 8)	**2,585,306**	2,733,465
Asset retirement obligations (note 9)	**1,577,343**	1,506,956
	15,975,398	11,942,851
Net Financial Assets (Net Debt)	**(214,429)**	15,517
Non-Financial Assets		
Tangible capital assets (note 10)	**24,027,394**	22,920,371
Prepaid expenses	**41,806**	75,331
Inventory	**62,834**	32,565
	24,132,034	23,028,267
Accumulated Surplus (note 11)	**$ 23,917,605**	$ 23,043,784

Commitment (note 12)

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

The Corporation of the Municipality of French River

Consolidated Statement of Operations and Accumulated Surplus

For The Year Ended December 31, 2025

	2025 Budget (Unaudited)	2025 Actual	2024 Actual
Revenues			
Net taxation	**$ 6,116,468**	**$ 6,169,552**	$ 5,892,035
Government transfers	**2,673,001**	**2,698,154**	2,512,646
User charges	**1,596,679**	**1,745,892**	1,484,361
Other	**670,509**	**561,764**	657,398
	11,056,657	**11,175,362**	10,546,440
Expenses			
General government	**2,131,372**	**2,177,810**	2,051,954
Protection services	**1,877,759**	**2,008,355**	1,719,969
Transportation services	**2,756,288**	**2,958,274**	2,941,278
Environmental services	**1,367,819**	**1,363,162**	1,315,005
Health services	**1,062,421**	**1,095,955**	1,021,046
Social and family services	**485,076**	**493,018**	464,881
Recreation and cultural services	**1,121,472**	**1,046,030**	935,029
Planning and development	**156,408**	**64,008**	89,985
	10,958,615	**11,206,612**	10,539,147
Annual Surplus (Deficit) before Other	**98,042**	**(31,250)**	7,293
Other			
Government transfers related to capital	**1,105,977**	**905,071**	800,758
Annual Surplus	**1,204,019**	**873,821**	808,051
Accumulated Surplus, Beginning of Year	**23,043,784**	**23,043,784**	22,235,733
Accumulated Surplus, End of Year	**$ 24,247,803**	**$ 23,917,605**	$ 23,043,784

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

The Corporation of the Municipality of French River

Consolidated Statement of Cash Flows
For The Year Ended December 31, 2025

	2025	2024
Net Inflow (Outflow) of Cash Related to the following Activities:		
Operating		
Annual surplus	**$ 873,821**	$ 808,051
Non-cash charges to operations:		
Amortization of tangible capital assets	**1,415,245**	1,311,581
Gain on sale of tangible capital assets	**(6,595)**	(20,480)
Accretion expense	**70,387**	67,063
Change in non-cash working capital balances related to operations	**(4,621,920)**	(5,170,439)
Cash applied to operating transactions	**(2,269,062)**	(3,004,224)
Capital		
Acquisition of tangible capital assets	**(2,522,268)**	(3,223,431)
Proceeds on disposal of tangible capital assets	**6,595**	95,000
Cash applied to capital transactions	**(2,515,673)**	(3,128,431)
Financing		
Municipal debt repaid	**(148,159)**	(141,349)
Advances on construction loan	**5,315,451**	4,134,549
Cash provided by financing transactions	**5,167,292**	3,993,200
Investing		
Term deposits issued	**(209,161)**	(301,038)
Redemption of term deposits	**3,677,564**	-
Cash provided by (applied to) investing transactions	**3,468,403**	(301,038)
Increase (Decrease) in Cash	**3,850,960**	(2,440,493)
Cash, Beginning of Year	**585,732**	3,026,225
Cash, End of Year	**$ 4,436,692**	$ 585,732

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

The Corporation of the Municipality of French River
Consolidated Statement of Change in Net Financial Assets (Net Debt)
For The Year Ended December 31, 2025

	2025 Budget (Unaudited)	2025 Actual	2024 Actual
Annual surplus	**$ 1,204,019**	**$ 873,821**	$ 808,051
Amortization of tangible capital assets	**1,428,979**	**1,415,245**	1,311,581
Proceeds on disposal of tangible capital assets	**-**	**6,595**	95,000
Change in inventory and prepaid expenses	**-**	**3,256**	32,099
Gain on sale of tangible capital assets	**-**	**(6,595)**	(20,480)
Acquisition of tangible capital assets	**(3,556,323)**	**(2,522,268)**	(3,223,431)
Decrease in Net Financial Assets	**(923,325)**	**(229,946)**	(997,180)
Net Financial Assets, Beginning of Year	**15,517**	**15,517**	1,012,697
Net Financial Assets (Net Debt), End of Year	**$ (907,808)**	**$ (214,429)**	$ 15,517

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

1. Significant Accounting Policies

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

(a) Basis of Consolidation

(i) Consolidated Entities

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 and of The Corporation of the Municipality of French River Public Library Board.

All inter-fund assets and liabilities and revenues and expenses have been eliminated.

(ii) Non-Consolidated Entities

The following joint local boards are not consolidated:

Sudbury and District Health Unit
Manitoulin - Sudbury District Services Board
Sudbury East Planning Board

(iii) 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.

(iv) Cemetery Care and Maintenance Fund

The Cemetery Care and Maintenance Fund and its related operations administered by the Municipality are not consolidated, but are reported separately on the Cemetery Care and Maintenance Fund Statement of Continuity and Statement of Financial Position.

1. Significant Accounting Policies (Continued)

(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

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

(iii) Inventory Held for Resale

Inventory held for resale consisting of surplus land, cemetery plots and columbarium niches, is recorded at the lower of cost and net realizable value.

(iv) Reserves

Certain amounts, as approved by municipal council, are set aside in reserves for future operating and capital purposes. Transfers to and/or from reserves are an adjustment to the respective fund when approved.

(v) Deferred Revenues

Deferred revenues represent government transfers, contributions and other amounts that are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets are acquired.

(vi) Deferred Revenue - Obligatory Reserve Funds

The Municipality receives certain government grants, transfers, sub-divider contributions 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 revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

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

(b) Basis of Accounting (Continued)

(vii) 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.

(viii) 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)

(ix) 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, traffic, signs signals 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 and cemetery services.

Social and Family Services

Social and family services include social assistance, long-term care, paramedic services, 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)

(x) Non-Financial Assets

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

(a) Tangible Capital Assets

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

Buildings	40 years
Roads	10, 20 and 40 years
Bridges	20 years
Streetlights	20 years
Vehicles	7 and 20 years
Equipment	3, 5, 10 and 20 years
Parks and wharfs	20 years
Water and sewer	40 years
Landfill	40 years
Parking lot	20 years

Assets under construction are not amortized until the asset is available for productive use.

Buildings include water filtration systems amortized over a period of 10 years.

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

(b) Inventory

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost, which represents the best available measure of net realizable value.

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

(b) Basis of Accounting (Continued)

(xi) 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.

(xii) Government Transfers

Government 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. If a liability is created, the satisfaction of the transfer stipulations by the recipient government determines the timing of the recognition of the transfer as revenue.

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(xiii) Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the Municipality may undertake in the future.

(c) Financial instruments

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

Financial instruments classified at amortized cost include cash, accounts receivable, term deposits, notes receivable, accounts payable and accrued liabilities, other current liabilities, accrued interest 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.
- The amount recorded for the allowance for doubtful taxes receivable are based on estimates of recoverability for taxes in arrears.

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. Taxes Receivable

	2025	2024
Current taxes	**$ 477,348**	$ 484,101
Tax arrears	**185,263**	181,030
Payments in lieu	**38,634**	59,302
Interest and penalties	**83,979**	73,933
	$ 785,224	$ 798,366

4. Notes Receivable

Notes receivable consist of term loans for garbage bins, Prevost Road local improvement charges and French River Rapids loan per agreements passed by Council. These notes bear interest at rates of 0% to 6.75% and are amortized over a period of 5 to 10 years.

The principal instalments required over the next five years are as follows:

2026	$ 1,124
2027	1,162
2028	1,201
2029	1,242
2030	1,284
	$ 6,013

5. Asset to be transferred - Seniors complex

In January 2024, the Municipality signed an agreement with Descon Construction Ltd. for the construction of a seniors complex. Under the agreement, the total cost of the contract was estimated to be $9,801,350 plus HST, subject to adjustments.

On April 17, 2024, the Municipality entered into an interim construction facility agreement to finance the construction project of the seniors complex. During the construction period, the Municipality is required to make monthly interest payments only calculated on the outstanding principal amount of the loan as funds are advanced by the lender. At December 31, 2025, advances totalled $9,450,000 (2024 - $4,134,549) bearing interest at the bank's prime lending rate plus 0.5% per annum. The loan is secured by land registered to the Municipality and assignment of rents and insurance proceeds.

On February 19, 2026, the Municipality transferred legal title of the asset as well as the long-term loan obligation totalling $9,477,213 to French River Non-Profit Senior Housing Corporation that will be responsible for managing the complex.

6. Deferred Revenues

	Balance as at December 31, 2024	**Amounts received during the year**	**Recognized as revenues during the year**	**Balance as at December 31, 2025**
Ministry of Municipal Affairs and Housing - Modernization	$ 118,997	**$ -**	**$ 56,196**	**$ 62,801**
Other	144,408	**151,622**	**135,367**	**160,663**
Total Deferred Revenues - Other	$ 263,405	**$ 151,622**	**$ 191,563**	**$ 223,464**

7. 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 revenue. 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 balance 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**
Parkland	$ 107,158	**$ 8,721**	**$ 22,491**	**$ 93,388**
Safe Restart	178,161	**-**	**66,553**	**111,608**
Covid Recovery for Municipalities	78,535	**-**	**-**	**78,535**
Canada Community - Building Fund	-	**185,235**	**185,235**	**-**
Ontario Community Infrastructure Fund	388,494	**154,115**	**55,975**	**486,634**
Northern Ontario Resource Development Support Fund	543,737	**120,544**	**664,281**	**-**
Sudbury East Building and By-law Services	22,278	**657,364**	**679,642**	**-**
Total Deferred Revenues - Obligatory Reserve Funds	$ 1,318,363	**$ 1,125,979**	**$ 1,674,177**	**$ 770,165**

8. Municipal Debt

	2025	2024
Debenture, payable in bi-annual instalments of $24,876 including interest at a rate of 3.68%, final instalment due May 3, 2032	**$ 285,308**	$ 323,504
Debenture, payable in bi-annual instalments of $116,220 including interest at a rate of 5.14%, final instalment due December 1, 2039	**2,299,998**	2,409,961
	$ 2,585,306	$ 2,733,465

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

2026	$ 155,302
2027	162,796
2028	170,658
2029	178,906
2030	187,561
Thereafter	1,730,083
	$ 2,585,306

9. Asset Retirement Obligations

	2025	2024
Balance, beginning of year	**$ 1,506,956**	$ 1,439,893
Accretion expense	**70,387**	67,063
Balance, end of year	**$ 1,577,343**	$ 1,506,956

The asset retirement obligation at year-end is as follows:

	2025	2024
Landfill	**$ 1,490,343**	$ 1,419,956
Drinking water well	**87,000**	87,000
Balance, end of year	**$ 1,577,343**	$ 1,506,956

9. Asset Retirement Obligations (Continued)

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 will involve covering the site with topsoil and vegetation, drainage control, and installing groundwater monitoring wells. Post-closure costs include regular inspection of the cover layer and annual groundwater and surface water monitoring.

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 Municipality's environmental engineers, in their document to council dated April 2025, have planned a capacity expansion at the Noëlville landfill site. This expansion, through approval of phase two and three, has the potential to allow for an additional 32 years of landfilling capacity, with an estimated closure date of 2068.

	Estimated Remaining Capacity	Estimated Remaining Life	Post-Closure Care Activities	Inflation Rate	Discount Rate
2025					
French River	**19.6% (41,889 m^3)**	**11 years**	**25 years**	**3.58%**	**4.96%**
2024					
French River	21.4% (45,697 m^3)	12 years	25 years	3.58%	4.96%

Drinking water wells

The Municipality owns drinking water 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.

10. Tangible Capital Assets

	Cost				Accumulated Amortization				Net Book Value of Tangible Capital Assets	
	Balance, beginning of year	**Additions**	**Disposals**	**Balance, end of year**	**Balance, beginning of year**	**Amortization**	**Disposals**	**Balance, end of year**	**December 31, 2025**	December 31, 2024
Land	$ 617,032	$ -	$ -	$ 617,032	$ -	$ -	$ -	$ -	**$ 617,032**	$ 617,032
Buildings	10,220,182	594,077	-	10,814,259	3,848,040	258,179	-	4,106,219	**6,708,040**	6,372,142
Roads	19,716,829	931,839	-	20,648,668	11,974,577	410,723	-	12,385,300	**8,263,368**	7,742,252
Bridges	779,287	154,869	-	934,156	682,275	20,337	-	702,612	**231,544**	97,012
Streetlights	332,117	-	-	332,117	239,010	9,884	-	248,894	**83,223**	93,107
Vehicles	3,301,262	366,439	(94,566)	3,573,135	1,838,262	208,594	(94,566)	1,952,290	**1,620,845**	1,463,000
Equipment	5,177,785	383,067	-	5,560,852	2,410,789	278,810	-	2,689,599	**2,871,253**	2,766,996
Parks and wharfs	845,502	43,129	-	888,631	365,093	36,814	-	401,907	**486,724**	480,409
Water and sewer	2,730,030	48,848	-	2,778,878	2,230,995	31,883	-	2,262,878	**516,000**	499,035
Landfill	3,648,182	-	-	3,648,182	1,012,724	143,672	-	1,156,396	**2,491,786**	2,635,458
Parking lot	326,966	-	-	326,966	173,038	16,349	-	189,387	**137,579**	153,928
	$ 47,695,174	$ 2,522,268	$ (94,566)	$ 50,122,876	$ 24,774,803	$ 1,415,245	$ (94,566)	$ 26,095,482	**$ 24,027,394**	$ 22,920,371

11. Accumulated Surplus

	2025	2024
Surplus		
Invested in tangible capital assets	**$ 24,027,394**	$ 22,920,371
French River Public Library Board	**154,799**	139,651
General surplus (deficit)	**(16,455)**	7,806
Unfunded		
Municipal debt	**(2,585,306)**	(2,733,465)
Asset retirement obligations	**(1,577,343)**	(1,506,956)
	20,003,089	18,827,407
Reserves set aside for specific purposes		
Operating	**366,564**	557,324
Library	**126,581**	121,957
Buildings	**104,557**	431,794
Equipment	**48,713**	-
Landfill- site closure	**727,899**	645,796
Roads	**974,440**	908,187
Bridges	**234,546**	219,622
Sanitary sewers	**711,596**	677,199
Storm sewers	**229,902**	255,732
Parks and wharfs	**136,136**	113,060
Vehicles	**-**	68,024
Streetlights	**72,240**	60,395
Parking lot	**181,342**	157,287
Total Reserves	**3,914,516**	4,216,377
	$ 23,917,605	$ 23,043,784

12. Commitment

Under the terms of an operating lease for contractual services related to water and waste water facilities expiring in December 2030, the Municipality is committed to make minimum payments as follows:

2026	$ 67,800
2027	69,100
2028	70,500
2029	71,900
2030	73,300
	$ 352,600

13. Pension Agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer pension plan, on behalf of all permanent, full-time and qualifying part-time 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 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 more than 665,000 active and retired members and approximately 1,000 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the "Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. On December 31, 2025, the estimated accrued pension obligation for all members of the Plan was $149,575 million (2024 - $140,766 million). The Plan had an actuarial value of net assets at that date of $148,253 million (2024 - $137,853 million) indicating an actuarial deficit of $1,322 million (2024 - $2,913 million). Because OMERS is a multi-employer plan, 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 to OMERS in 2025 was $234,199 (2024 - $203,813) 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 the amount up to the yearly maximum pension earnings stated above and at a rate of 14.6% (2024 - 14.6%) for the amount above the yearly maximum pension earnings.

14. Cemetery Care and Maintenance Fund

The Cemetery Care and Maintenance Fund administered by the Municipality amounting to $175,669 (2024 - $167,978) has not been included in the Consolidated Statement of Financial Position nor has its operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

15. 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.

15. Financial Instruments (Continued)

Credit 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 and notes receivable are not collected in a timely manner. The Municipality's financial assets consisting of cash, term deposits, accounts receivable and notes 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, other current liabilities, accrued interest 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, term deposits, taxes receivable, accounts receivable, notes receivable, accounts payable and accrued liabilities, other current liabilities accrued interest and municipal debt are subject to market risk. The Municipality does not believe it is subject to significant market risk.

16. 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. The budget figures are unaudited.

17. Comparative Figures

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

The Corporation of the Municipality of French River
Notes to the Consolidated Financial Statements
December 31, 2025

18. Segmented Information

	General Government	Protection services	Transportation services	Environmental services	Health services	Social and family services	Recreation and culture services	Planning and development	Other	2025 Total
Revenues										
Net taxation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,169,552	$ 6,169,552
Government transfers										
Federal	-	-	2,408	2,408	-	-	200,428	-	-	205,244
Provincial	69,713	121,361	702,281	119,081	16,823	-	43,260	-	2,260,700	3,333,219
Other	57,059	6,637	-	-	-	-	1,066	-	-	64,762
	126,772	127,998	704,689	121,489	16,823	-	244,754	-	2,260,700	3,603,225
User charges	20,694	1,305,072	65,195	227,359	32,317	-	95,255	-	-	1,745,892
Other	394,156	-	-	-	-	-	46,584	15,000	106,024	561,764
	541,622	1,433,070	769,884	348,848	49,140	-	386,593	15,000	8,536,276	12,080,433
Expenses										
Salaries, wages and benefits	1,032,775	741,548	952,798	363,411	14,072	-	535,064	-	-	3,639,668
Long-term debt charges (interest)	121,778	-	-	11,557	-	-	-	-	-	133,335
Materials, contracted services, rents and financial expenses	839,751	1,074,847	1,393,685	684,865	1,081,438	493,018	386,751	64,008	-	6,018,363
Amortization	183,506	191,960	611,791	303,329	445	-	124,215	-	-	1,415,246
	2,177,810	2,008,355	2,958,274	1,363,162	1,095,955	493,018	1,046,030	64,008	-	11,206,612
Annual Surplus (Deficit)	$ (1,636,188)	$ (575,285)	$ (2,188,390)	$ (1,014,314)	$ (1,046,815)	$ (493,018)	$ (659,437)	$ (49,008)	$ 8,536,276	$ 873,821

The Corporation of the Municipality of French River
Notes to the Consolidated Financial Statements
December 31, 2025

18. Segmented Information (Continued)

	General Government	Protection services	Transportation services	Environmental services	Health services	Social and family services	Recreation and culture services	Planning and development	Other	2024 Total
Revenues										
Net taxation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,892,035	$ 5,892,035
Government transfers										
Federal	-	-	2,323	722,101	-	-	58,707	-	-	783,131
Provincial	68,430	74,337	-	245,012	-	-	57,577	-	2,041,200	2,486,556
Other	34,988	5,767	-	-	-	-	2,962	-	-	43,717
	103,418	80,104	2,323	967,113	-	-	119,246	-	2,041,200	3,313,404
User charges	31,139	1,100,013	47,984	207,172	26,569	-	71,484	-	-	1,484,361
Other	447,207	-	-	-	-	-	115,773	-	94,418	657,398
	581,764	1,180,117	50,307	1,174,285	26,569	-	306,503	-	8,027,653	11,347,198
Expenses										
Salaries, wages and benefits	946,507	583,500	929,141	357,950	11,109	-	486,677	-	-	3,314,884
Long-term debt charges (interest)	127,250	-	-	12,924	-	-	-	-	-	140,174
Materials, contracted services, rents and financial expenses	805,191	1,001,871	1,413,228	654,004	1,009,492	464,881	333,857	89,985	-	5,772,509
Amortization	173,006	134,598	598,909	290,127	445	-	114,495	-	-	1,311,580
	2,051,954	1,719,969	2,941,278	1,315,005	1,021,046	464,881	935,029	89,985	-	10,539,147
Annual Surplus (Deficit)	$ (1,470,190)	$ (539,852)	$ (2,890,971)	$ (140,720)	$ (994,477)	$ (464,881)	$ (628,526)	$ (89,985)	$ 8,027,653	$ 808,051

Independent Auditor's Report

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

Opinion

We have audited the financial statements of the Cemetery Care and Maintenance Fund of The Corporation of the Municipality of French River, which comprise the statement of financial position as at December 31, 2025, and the statement of continuity for the year then ended, and note to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Cemetery Care and Maintenance Fund of The Corporation of the Municipality of French River as at December 31, 2025, and the continuity of the Cemetery Care and Maintenance Fund 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 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 financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

Independent Auditor's Report (Continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements (Continued)

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

Independent Auditor's Report (Continued)

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

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

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

Baker Tilly SNT LLP

Sudbury, Ontario
May 20, 2026

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

The Corporation of the Municipality of French River
Cemetery Care and Maintenance Fund - Statement of Continuity
For The Year Ended December 31, 2025

	2025	2024
Balance, beginning of year	**$ 167,978**	$ 162,327
Investment income	**4,156**	2,967
Sale of plots and marker installations	**7,405**	5,481
	179,539	170,775
Expenses	**3,870**	2,797
Balance, end of year	**$ 175,669**	$ 167,978

The accompanying note is an integral part of these financial statements.

The Corporation of the Municipality of French River
Cemetery Care and Maintenance Fund - Statement of Financial Position
December 31, 2025

	2025	2024
Financial Assets		
Cash and term deposits	**$ 175,654**	$ 167,978
Liabilities	**(15)**	-
Net Financial Assets	**175,669**	167,978
Non-Financial Assets	**-**	-
Accumulated Surplus	**$ 175,669**	$ 167,978

The accompanying note is an integral part of these financial statements.

The Corporation of the Municipality of French River

Cemetery Care and Maintenance Fund - Note to the Financial Statements
December 31, 2025

1. Significant Accounting Policies

Basis of Accounting

Capital receipts and income are reported on the cash basis of accounting.

Expenses are reported on the cash basis of accounting with the exception of administrative expenses and capital expenses which are reported on the accrual basis of accounting, which recognizes expenses as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.