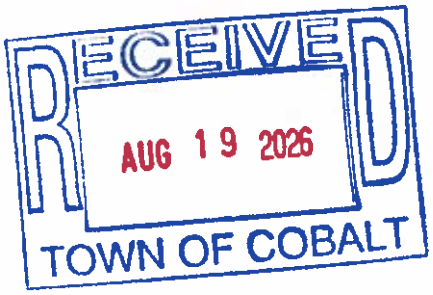

CONSOLIDATED FINANCIAL REPORT

THE CORPORATION OF THE TOWN OF COBALT

DISTRICT OF TIMISKAMING

YEAR ENDED DECEMBER 31, 2025

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THE CORPORATION OF THE TOWN OF COBALT

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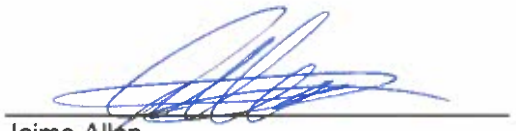
MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of The Corporation of the Town of Cobalt are the responsibility of the Corporation of the Town of Cobalt's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Corporation of the Town of Cobalt's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by Management.

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

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



Jaime Allen
Interim Clerk-Treasurer

Kemp Elliott & Blair L.L.P.

STEVEN ACLAND, CPA, CA
DANIELLE GIRARD, CPA, CA
LOUISE LABONTE, MBA, CPA, CA
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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Town of Cobalt:

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Town of Cobalt as at December 31, 2025, and the results of its operations, change in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

Kemp Elliott & Blair LLP

Kemp Elliott & Blair LLP

Licensed Public Accountants
New Liskeard, Ontario
August 18, 2026

Chartered Professional Accountants

THE CORPORATION OF THE TOWN OF COBALT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2025

	2025	2024
FINANCIAL ASSETS		
Cash	$ 607,260	$ 377,679
Taxes receivable	309,141	299,469
Accounts receivable	26,210	109,473
	942,611	786,621
LIABILITIES		
Accounts payable and accrued liabilities	325,676	227,332
Deferred revenue – other – note 5	437,377	236,295
Deferred revenue – obligatory reserve funds – note 6	80,432	125,490
Asset retirement obligations – note 7	664,082	650,420
Municipal debt – note 8	1,462,300	1,562,160
	2,969,867	2,801,697
NET DEBT	(2,027,256)	(2,015,076)
NON-FINANCIAL ASSETS		
Inventories of supplies	95,659	100,635
Prepaid expenses	62,017	53,728
Tangible capital assets – note 16	14,992,228	15,579,098
	15,149,904	15,733,461
ACCUMULATED SURPLUS – note 13	$ 13,122,648	$ 13,718,385

Contingent liabilities – note 11
Contractual obligations and commitments – note 9

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

On behalf of Council:

Deputy Mayor

Interim Clerk-Treasurer

THE CORPORATION OF THE TOWN OF COBALT

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2025

REVENUES	2025 Budget (Note 14)	2025 Actual	2024 Actual
Operating revenues			
Municipal taxation	$ 881,929	$ 877,856	$ 819,006
Water and sewer user fees	609,312	611,476	575,020
Policing fees	449,920	417,173	381,564
User charges	202,274	203,451	194,594
Provincial grants	1,017,970	1,081,898	1,169,858
Federal grants	68,174	113,088	77,451
Revenue from other municipalities	24,000	32,702	28,245
Investment income	19,200	8,691	22,868
Penalties and interest on taxes	43,650	50,536	56,550
Land sales	1,000	14,000	53,500
Gain (loss) on sale of tangible capital assets	-	23,026	(211,932)
Other	120,775	163,604	141,816
	3,438,204	3,597,501	3,308,540
Capital revenues			
Provincial grants	188,010	-	146,222
Federal grants	79,233	-	-
Other	-	10,300	10,000
	267,243	10,300	156,222
Total revenues	3,705,447	3,607,801	3,464,762
EXPENDITURES			
General government	711,350	776,986	801,437
Protection to persons and property	660,145	642,974	582,190
Transportation services	887,278	877,396	867,873
Environmental services	1,282,013	1,380,502	1,403,974
Health services	173,863	168,704	147,398
Social and family services	97,679	101,575	87,966
Recreation and cultural services	210,350	247,268	216,049
Planning and development	9,966	8,133	13,451
Total expenditures	4,032,644	4,203,538	4,120,338
ANNUAL DEFICIT	(327,197)	(595,737)	(655,576)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	13,718,385	13,718,385	14,373,961
ACCUMULATED SURPLUS, END OF YEAR – note 13	$ 13,391,188	$ 13,122,648	$ 13,718,385

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

THE CORPORATION OF THE TOWN OF COBALT

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

FOR THE YEAR ENDED DECEMBER 31, 2025

	2025 Budget (Note 14)	2025 Actual	2024 Actual
ANNUAL DEFICIT	$ (327,197)	$ (595,737)	$ (655,576)
Acquisition of tangible capital assets	(317,243)	(79,218)	(867,885)
Amortization of tangible capital assets	679,965	666,088	679,965
Loss (gain) on sale of tangible capital assets	-	(23,026)	211,932
Proceeds from sale of tangible capital assets	-	23,026	-
Change in prepaid expenses	-	(8,289)	(7,438)
Consumption of inventories of supplies	-	4,976	4,440
Increase (decrease) in net debt	35,525	(12,180)	(634,562)
Net debt, beginning of year	(2,015,076)	(2,015,076)	(1,380,514)
NET DEBT, END OF YEAR	$ (1,979,551)	$ (2,027,256)	$ (2,015,076)

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

THE CORPORATION OF THE TOWN OF COBALT

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2025

OPERATIONS	2025	2024
Annual deficit	$ (595,737)	$ (655,576)
Charges not affecting cash –		
Amortization of tangible capital assets	666,088	679,965
Donated land	(10,300)	-
Accretion expense	13,662	15,243
Loss (gain) on disposal of tangible capital assets	(23,026)	211,932
	50,687	251,564
Other sources (uses) of cash –		
Change in taxes receivable	(9,672)	111,444
Change in accounts receivable	83,263	(10,237)
Change in inventories of supplies	4,976	4,440
Change in prepaid expenses	(8,289)	(7,438)
Change in accounts payable and accrued liabilities	98,344	(218,038)
Change in deferred revenue – other	201,082	(63,729)
Change in deferred revenue – obligatory reserve funds	(45,058)	(3,457)
	324,646	(187,015)
Total cash provided by operations	375,333	64,549
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(68,918)	(867,885)
Proceeds from sale of tangible capital assets	23,026	-
Settlement of asset retirement obligation	-	(38,718)
Total cash used for capital transactions	(45,892)	(906,603)
FINANCING TRANSACTIONS		
Proceeds from municipal debt	-	713,201
Repayment of municipal debt	(99,860)	(71,031)
Total cash provided by (used for) financing transactions	(99,860)	642,170
INCREASE (DECREASE) IN CASH	229,581	(199,884)
Cash, beginning of year	377,679	577,563
CASH, END OF YEAR	$ 607,260	$ 377,679
REPRESENTED BY		
Cash	$ 607,260	$ 377,679

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

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

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

1. **Accounting policies**

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

Use of estimates

Management has made estimates and assumptions that affect the amounts reported in preparing these consolidated financial statements. Significant areas requiring the use of management estimates relate to the determination of tangible capital assets historical cost, estimated useful life and related amortization and usage, remaining life, inflation rates and discount rates related to asset retirement obligations.

Basis of consolidation

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

Waterworks	Cemetery Board
Library Board	Wetlands

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

The Classic Theatre, The Bunker and the Historic Cobalt Corporation (including the Cobalt Mining Museum) are separate legal entities. They are <u>not</u> part of the Corporation of the Town of Cobalt. Only the Town's donations to these entities are reflected in the consolidated financial statements.

Non-consolidated entities

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

Northeastern Public Health
District of Timiskaming Social Services Administration Board

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

Temiskaming Municipal Services Association

The Temiskaming Municipal Services Association provides the services of a Chief Building Officer and Planner to 21 municipalities. The operations of this organization are not proportionately consolidated into these statements because the Town does not have control. Fees for building inspection and planning services are transferred to this organization.

Tri Town Transit System

This joint local board is a cooperative effort by two municipalities to jointly provide public transit services. These statements reflect only the Town's contribution to this board.

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

1. **Accounting policies – continued**

Accounting for school board transactions

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

Trust funds

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

Tangible capital assets

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

Buildings	50 years
Vehicles	10 to 25 years
Equipment	10 to 25 years
Heavy equipment	25 years
Roads	15 to 30 years
Bridges	75 years
Underground networks	50 years

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

The Town has no capitalization threshold for land and buildings, a capitalization threshold of $10,000 for infrastructure systems and $5,000 for all other assets. Individual assets of lesser value may be capitalized if they are pooled, or because, collectively, they have significant value.

The Town manages and controls various works of art and historical cultural assets including buildings, artifacts, paintings and sculptures located at Town sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

Inventories of supplies

Inventories of supplies held for consumption are recorded at lower of cost or replacement cost.

Deferred revenue – other

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

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

1. **Accounting policies – continued**

Deferred revenue – obligatory reserve funds

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

Asset retirement obligations

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

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

Revenue recognition

Government transfers (provincial and federal grants)

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

Taxation and related revenues

Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Town 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.

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

1. **Accounting policies – continued**
Revenue recognition – continued
Once a supplementary assessment roll is received, the Town determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded when they meet the definition of an asset, the tax is authorized and the taxable event has occurred. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the results of the appeal process are known.

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

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

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

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

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

2. **Operations of school boards**
Further to note 1, the taxation levied on behalf of and due to the school boards is:

	2025	2024
	$ 81,708	$ 81,940

3. **Contributions to Joint Boards**
Further to note 1, the following contributions were made by the Town to these boards:

	2025	2024
Northeastern Public Health	$ 59,989	$ 57,680
District of Timiskaming Social Services Administration Board	$ 204,071	$ 169,154
Tri-Town Transit System	$ 87,324	$ 74,671

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

4. **Revolving line of credit**
The Town has a $250,000 business operating line negotiated with CIBC with a balance outstanding of $nil (2024 $nil). Interest is at bank prime plus 0.5% (currently 4.95%).

5. **Deferred revenue – other**
Deferred revenue – other consists of the following:

	December 31 2024	Funds Received	Revenue Earned	December 31 2025
Municipal taxation	$ 41,612	$ 683	$ -	$ 42,295
Provincial government - OCIF	194,683	243,247	45,962	391,968
Provincial government - NORDS	-	73,010	69,896	3,114
	$ 236,295	$ 316,940	$ 115,858	$ 437,377

6. **Deferred revenue – obligatory reserve funds**
Deferred revenue – obligatory reserve funds consist of the following:

	December 31 2024	Funds Received	Revenue Earned	December 31 2025
Canada Community Building Fund	$ 125,490	$ 66,360	$ 111,418	$ 80,432

7. **Asset retirement obligations**

	2025	2024
Balance, beginning of year	$ 650,420	$ 673,895
Settlement during the year	-	(38,718)
Accretion expense	13,662	15,243
Balance, end of year	$ 664,082	$ 650,420

The asset retirement obligation at year end is as follows:

	2025	2024
Asbestos removal	$ 658,081	$ 644,543
Fuel storage tank	6,001	5,877
Balance, end of year	$ 664,082	$ 650,420

The discount rate used to present value future cash outputs is 2.1% (2024 2.4%).

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

7. **Asset retirement obligations - continued**

Asbestos removal

The Town owns buildings and sewer segments which contain asbestos, and therefore, the Town is legally required to perform abatement activities upon renovation or demolition of these assets. Abatement activities include handling and disposing of the asbestos in a prescribed manner when it is disturbed. Assumptions were made regarding the remaining useful life of the assets that contains materials with asbestos in order to estimate when the costs of rehabilitation would be incurred.

Fuel storage tank

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

8. **Municipal debt**

The balance of the municipal debt reported on the "Consolidated Statement of Financial Position" is made up of all the long-term liabilities incurred by the Town and outstanding at the end of the year.

	2025	2024
A serial debenture with Ontario Infrastructure repayable in semi-annual (March and September) blended (principal and interest) payments of $25,466 with interest at 2.47% per annum and the debenture matures in September 2041. The loan relates to a new garage.	$ 669,788	$ 703,549
A serial debenture with Ontario Infrastructure repayable in semi-annual (March and September) blended (principal and interest) payments of $12,235 with interest at 1.43% per annum and the debenture matures in September 2030. The loan relates to the purchase of a wheel loader.	117,676	140,222
A serial debenture with Ontario Infrastructure repayable in semi-annual (March and September) blended (principal and interest) payments of $22,938 with interest at 4.41% per annum and the debenture matures in September 2044. The loan relates to the purchase of a fire truck.	586,115	605,500
A loan with Ford Credit, payable in monthly installments of $619 with interest at 0%. The final installment is due October 2026. The loan relates to the purchase of a vehicle.	6,191	13,620
A loan with Ford Credit, payable in monthly blended (principal and interest) payments of $948 with interest at 8.65% per annum. The final payment is due in November 2029. The loan relates to the purchase of a vehicle.	82,530	99,269
	$ 1,462,300	$ 1,562,160

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

8. **Municipal debt - continued**
Principal payments are due as follows:

2026	$ 102,158
2027	100,505
2028	103,728
2029	106,017
2030	86,490
2031 +	963,402
	$ 1,462,300

Total interest paid during the year on the long-term debt is $53,487 (2024 $25,069).

9. **Contractual obligations and commitments**
Contracts for services - The municipality has entered into contracts with third parties to provide services to the Town. The minimum anticipated payments under these contracts are as follows:

2026	$ 305,793
2027	303,153
2028	299,464
2029	305,744
2030	312,158
2031+	255,958

Through its normal course of operations, the Town enters into long-term contracts for the purchase of goods and services. The future value of certain long-term contracts is unknown. Annually, the Town includes estimated payments required for the upcoming year as part of its budget to ensure that sufficient funding is available for these contracts.

10. **Trust funds**
Trust funds administered by the Town amounting to $34,232 (2024 $32,082) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Operations".

11. **Contingent liabilities**
Non-consolidated entities
The Town is contingently liable for the deficits and long-term debt of the non-consolidated entities.

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

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

11. **Contingent liabilities – continued**

Ontario Municipal Employees Retirement Fund

All permanent, full-time employees of the Town are eligible to be members of the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The Town's contributions equal the employee contributions to the plan.

As this is a multi-employer pension plan, the contributions by the Town are recognized as an expenditure. No pension liability for this type of plan is recognized in the Town's consolidated financial statements. Contributions made by the Town to OMERS for 2025 were $50,221 (2024 $57,373). The plan had an actuarial deficit of $1.3 billion at the end of 2025.

Liability for vacation pay, overtime and other post-employment benefits

Employees are allowed to carry forward vacation pay and banked overtime which an employee may become entitled to if they were to leave the Town's employment. The liability for these items, to the extent that they have vested and could be taken in cash by an employee on termination, amounted to $24,562 (2024 $24,652) at the end of the year. This is reflected as a liability on the consolidated statement of financial position.

Municipal employees retiring do not receive any other retirement allowance that either vests or accrues over the period of employment. Sick benefits do not accrue and are not vested. The Town recognizes the expenses for sick time when the event obliges the Town to pay. No other post-employment benefits are payable by the Town.

Guarantee

The Town became guarantor for a Provincial Contribution Agreement between Co-Tem Pro Native Non-Profit Housing Inc. (Co-Tem) and the Province of Ontario in March 2010 for the purpose of offering affordable housing for a period of 20 years. The contribution from the Province was $1,517,500.

Contaminated and hazardous sites

The Corporation of the Town of Cobalt has many old mine sites and tailing ponds throughout its municipality. Based on past experience, the Ministry of Northern Development and Mines (MNDM) has always taken responsibility for the costs associated with the remediation of contaminated sites and resolving any issues caused by old mine sites. It is of management's opinion that all contaminated sites have been remedied by MNDM and that the Town is not responsible for future liabilities, if any, related to old mine sites or tailing ponds.

12. **Financial instruments**

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

Credit risk

Credit risk is the risk of financial loss because of a counter party to a financial instrument fails to discharge its contractual obligations.

The Town manages its credit risk by establishing an allowance for doubtful accounts based on factors surrounding the credit risk of specific accounts, historical trends and other information. The Town has a significant number of customers and ratepayers which minimizes concentration of credit risk. Further, the Town has available to it a tax registration process to recover unpaid municipal taxes by way of forced transfer of properties with multi-year arrears.

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

12. **Financial instruments - continued**

Interest rate risk

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

Liquidity risk

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

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

13. **Accumulated surplus**

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

	2025	2024
Reserves, surpluses and deficits		
Library reserve	$ 18,075	$ 18,075
General municipal deficit	(440,712)	(394,438)
Library surplus (deficit)	(1,019)	19,163
Cemetery surplus	49,090	33,036
Sewer (wetlands) surplus	561,740	521,532
Waterworks surplus (deficit)	(88,048)	136
	99,126	197,504
Amounts to be recovered		
Unfinanced municipal debt	(1,462,300)	(1,562,160)
Unfinanced asset retirement obligations	(664,082)	(650,420)
Net debt	(2,027,256)	(2,015,076)
Non-financial assets		
Inventories of supplies	95,659	100,635
Prepaid expenses	62,017	53,728
Invested in tangible capital assets	14,992,228	15,579,098
	15,149,904	15,733,461
Accumulated surplus	$ 13,122,648	$ 13,718,385

Non-financial assets

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

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

14. **Budget**

The Budget adopted by Council was not prepared on a basis consistent with that used to report actual result according to Public Sector Accounting Standards used on the Consolidated Statement of Operations on page 5. The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The actual budget is reflected in note 17. It expenses all tangible capital expenditures, does not include amortization expense, reflects proceeds of long-term debt as revenue, principal repayments of long-term debt as an expense and the full proceeds from the sale of tangible capital assets as revenue. As a result, the budget figures presented in the consolidated statements of operations and change in net financial assets represent the financial plan adopted by Council with adjustments as follows:

		2025
Actual budget deficit for the year – note 17		$ (5,000)
Add:	Repayment of long-term debt	105,768
	Investment in tangible capital assets	317,243
Less:	Estimated amortization	(679,965)
	Proceeds from long-term debt	(50,000)
	Estimated accretion expenses	(15,243)
Budget deficit per statement of operations – page 5		$ (327,197)

15. **Segmented information**

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

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

General Government Services

General government services consists of departments that are responsible for adopting bylaws; adopting administrative policy; levying taxes; acquiring, disposing and managing municipal assets; ensuring effective financial management; monitoring performance and ensuring that high quality municipal service standards are met.

Protection Services

Protection services consists of departments that are responsible for the enforcement of laws, prevention of crime, and maintenance of peace, order, and security by protecting life, property and the environment through the provision of emergency response, thus ensuring safe homes and safe communities.

Transportation Services

Transportation services consists of departments that are responsible for the delivery of municipal public works services related to planning, design, construction, cleaning, repair, snow removal and signage of roadway systems.

Environmental Services

Environmental services include water, sewer, garbage and recycling services. Water and sewer services include the operation and distribution of water and networking of sewer mains and the wetlands. The garbage and recycling services group are responsible for the delivery of municipal services including garbage collection and recycling.

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

15. **Segmented information - continued**

Health Services

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

Social and Family Services

The Town funds a range of family and social services through the District Social Services Administration Board which includes social housing, childcare and general assistance.

Recreation and Cultural Services

Recreation and cultural services consists of departments that are responsible for providing, facilitating the development of, and maintaining high quality parks, recreational facilities, and cultural services.

Planning and Development Services

Planning and development services consists of departments that are responsible for preparing land use plans, bylaws and policies for sustainable development of the Town and for reviewing and approving new development.

15. **Segmented information – continued**

Revenues	General Government Services	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development Services	Total 2025	Total 2024
Operating revenues										
Municipal taxation	$ 877,856	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 877,856	$ 819,006
Water and sewer user fees	-	-	-	611,476	-	-	-	-	611,476	575,020
Policing fees	-	417,173	-	-	-	-	-	-	417,173	381,564
User charges	180,186	5,421	623	-	12,906	-	1,624	2,691	203,451	194,594
Provincial grants	935,907	8,592	69,896	61,261	-	-	6,242	-	1,081,898	1,169,858
Federal grants	-	-	-	111,418	-	-	1,670	-	113,088	77,451
Revenue from other municipalities	-	-	-	28,030	1,750	-	2,922	-	32,702	28,245
Investment income	8,395	-	-	-	296	-	-	-	8,691	22,868
Penalties and interest on taxes	35,006	-	-	15,530	-	-	-	-	50,536	56,550
Land sales	14,000	-	-	-	-	-	-	-	14,000	53,500
Gain (loss) on sale of tangible capital assets	-	-	11,886	11,140	-	-	-	-	23,026	(211,932)
Other	113,734	654	-	-	4,290	-	44,926	-	163,604	141,816
	2,165,084	431,810	82,405	838,855	19,242	-	57,384	2,691	3,597,501	3,308,540
Capital revenues										
Provincial grants	-	-	-	-	-	-	-	-	-	146,222
Other	10,300	-	-	-	-	-	-	-	10,300	10,000
Total revenues	2,175,384	431,840	82,405	838,855	19,242	-	57,384	2,691	3,607,801	3,464,762
Expenditures										
Wages and benefits	356,498	51,663	312,381	119,965	2,738	-	73,198	-	916,443	955,046
Long-term debt interest	-	26,491	26,996	-	-	-	-	-	53,487	25,069
Materials	172,256	94,795	293,691	296,927	2,966	-	92,354	-	952,989	839,583
Contracted services	142,033	447,996	79,727	619,852	-	-	12,110	8,133	1,309,851	1,339,878
Rents and financial expenses	26,925	-	124	8,574	-	-	4,998	-	40,621	53,963
External transfers	-	-	-	-	162,484	101,575	-	-	264,059	226,834
Amortization	79,274	22,029	164,477	335,184	516	-	64,608	-	666,088	679,965
Total expenditures	776,986	642,974	877,396	1,380,502	168,704	101,575	247,268	8,133	4,203,538	4,120,338
Annual surplus (deficit)	$ 1,398,398	$ (211,134)	$ (794,991)	$ (541,647)	$ (149,462)	$ (101,575)	$ (189,884)	$ (5,442)	$ (595,737)	$ (655,576)

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

16. **Schedule of tangible capital assets**

2025

	Opening Cost Dec 31, 2024	Additions	Disposals	Ending Cost Dec 31, 2025	Opening Accumulated Amortization Dec 31, 2024	Accumulated Amortization on Disposals	Current Amortization	Ending Accumulated Amortization Dec 31, 2025	Net Assets Dec 31, 2025
General									
Land	$ -	$ 10,300	$ -	$ 10,300	$ -	$ -	$ -	$ -	$ 10,300
Land improvements	811,219	-	-	811,219	340,035	-	28,878	368,913	442,306
Buildings	16,105,995	-	-	16,105,995	6,092,458	-	314,774	6,407,232	9,698,763
Vehicles	917,701	-	15,035	902,666	280,676	15,035	36,200	301,841	600,825
Equipment	741,475	-	47,908	693,567	579,281	47,908	30,381	561,754	131,813
Heavy equipment	623,496	68,918	-	692,414	282,052	-	25,815	307,867	384,547
Infrastructure									
Roads	5,091,555	-	-	5,091,555	3,392,889	-	92,912	3,485,801	1,605,754
Bridges	311,703	-	-	311,703	88,594	-	6,234	94,828	216,875
Underground networks	7,749,107	-	-	7,749,107	5,717,168	-	130,894	5,848,062	1,901,045
Total	$ 32,352,251	$ 79,218	$ 62,943	$32,368,526	$ 16,773,153	$ 62,943	$ 666,088	$ 17,376,298	$ 14,992,228

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

16. **Schedule of tangible capital assets - continued**

2024

	Opening Cost Dec 31, 2023	Additions	Disposals/ transfers	Ending Cost Dec 31, 2024	Opening Accumulated Amortization Dec 31, 2023	Accumulated Amortization on Disposals	Current Amortization	Ending Accumulated Amortization Dec 31, 2024	Net Assets Dec 31, 2024
General									
Land improvements	$ 811,219	$ -	$ -	$ 811,219	$ 311,157	$ -	$ 28,878	$ 340,035	$ 471,184
Buildings	16,296,152	67,493	257,650	16,105,995	5,885,248	108,720	315,930	6,092,458	10,013,537
Vehicles	446,687	646,014	175,000	917,701	356,476	112,000	36,200	280,676	637,025
Equipment	735,835	5,640	-	741,475	544,745	-	34,536	579,281	162,194
Heavy equipment	717,159	-	93,663	623,496	352,657	93,663	23,058	282,052	341,444
Infrastructure									
Roads	5,091,555	-	-	5,091,555	3,299,973	-	92,916	3,392,889	1,698,666
Bridges	311,703	-	-	311,703	82,360	-	6,234	88,594	223,109
Underground networks	7,600,369	148,738	-	7,749,107	5,574,955	-	142,213	5,717,168	2,031,939
Total	$ 32,010,679	$ 867,885	$ 526,313	$32,352,251	$ 16,407,571	$ 314,383	$ 679,965	$ 16,773,153	$ 15,579,098

17. **Budgeting**

The Town budgets to determine an appropriate tax rate based on all budgeted revenues and expenditures. The consolidated statement of operations on page 5 has been modified here to exclude amortization and accretion expenses and to include tangible capital asset expenditures and the principal repayments on long-term debt.

This modified statement of operations (budget based) is consistent with the budget format used and is presented here with the 2025 budget.

	2025 Budget	2025 Actual	2024 Actual
REVENUES			
Operating revenues			
Municipal taxation	$ 881,929	$ 877,856	$ 819,006
Water and sewer user fees	609,312	611,476	575,020
Policing fees	449,920	417,173	381,564
User charges	202,274	203,451	194,594
Provincial grants	1,017,970	1,081,898	1,169,858
Federal grants	68,174	113,088	77,451
Revenue from other municipalities	24,000	32,702	28,245
Investment income	19,200	8,691	22,868
Penalties and interest on taxes	43,650	50,536	56,550
Land sales	1,000	14,000	53,500
Proceeds from sale of tangible capital assets	-	23,026	-
Other	120,775	163,604	141,816
	3,438,204	3,597,501	3,520,472
Capital revenues			
Provincial grants	188,010	-	146,222
Federal grants	79,233	-	-
Other	-	10,300	10,000
Long-term debt proceeds	50,000	-	713,201
	317,243	10,300	869,423
Total revenues	3,755,447	3,607,801	4,389,895
EXPENDITURES			
Operating expenditures			
General government	627,496	697,712	717,583
Protection to persons and property	638,116	620,945	560,161
Transportation services	724,764	708,462	701,788
Environmental services	925,939	1,036,102	1,047,031
Health services	173,347	168,188	146,882
Social and family services	97,679	101,575	87,966
Recreation and cultural services	140,129	177,696	217,000
Planning and development	9,966	8,133	13,451
	3,337,436	3,518,813	3,491,862
Capital expenditures	317,243	79,218	867,885
Long-term debt repayments	105,768	99,860	71,031
Total expenditures	3,760,447	3,697,891	4,430,778
Deficit - full budget based	$ (5,000)	$ (90,090)	$ (40,883)

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

18. **Waterworks – Schedule of Operations**

This statement is not prepared according to PSAB. It is operational. It excludes amortization, includes capital revenue and expenses, and includes proceeds and repayment of long-term debt.

	2025	2024
Revenue		
Sale of water – Cobalt residents	$ 451,504	$ 415,533
Sale of water – Coleman Township	28,030	24,496
Interest charges on collection	11,470	12,610
Provincial grants – operating	-	9,500
Federal grants – operating	111,418	58,034
Total revenue	602,422	520,173
Expenditures		
Salaries and benefits	67,095	86,998
Materials, supplies and utilities	287,864	283,967
Contracted services	335,647	199,890
Total expenditures	690,606	570,855
Annual deficit	(88,184)	(50,682)
Accumulated surplus, beginning of year	136	50,818
Accumulated surplus (deficit), end of year	$ (88,048)	$ 136

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

19. **Sewer (Wetlands) – Schedule of Operations**

This statement is not prepared according to PSAB. It is operational. It excludes amortization, includes capital revenue and expenses, and includes proceeds and repayment of long-term debt.

	2025	2024
Revenue		
Sewer (Wetlands) user fees	$ 159,972	$ 159,486
Interest charges on collection	4,060	4,840
Provincial grants – operating	45,962	81,099
Provincial grants – capital	-	146,222
Total revenue	209,994	391,647
Expenditures		
Salaries and benefits	52,870	65,921
Materials, supplies and utilities	8,422	7,754
Contracted services	108,494	156,722
Capital expenditures	-	148,768
Total expenditures	169,786	379,165
Annual surplus	40,208	12,482
Accumulated surplus, beginning of year	521,532	509,050
Accumulated surplus, end of year	$ 561,740	$ 521,532

Kemp Elliott & Blair L.L.P.

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COMPILATION ENGAGEMENT REPORT

To the Members of Council, Inhabitants
and Ratepayers of the Corporation
of the TOWN OF COBALT:

On the basis of information provided by management, we have compiled the statement of financial position of the TRUST FUNDS of the Corporation of the TOWN OF COBALT as at December 31, 2025 and the statement of continuity for the year then ended, and Note 1, which describes the basis of accounting applied in the preparation of the compiled financial information ("financial information").

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

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

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

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

Kemp Elliott & Blair LLP

Kemp Elliott & Blair LLP

Licensed Public Accountants
New Liskeard, Ontario
August 18, 2026

Chartered Professional Accountants

THE CORPORATION OF THE TOWN OF COBALT

PERPETUAL CARE CEMETERY TRUST FUNDS

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2025

	2025	2024
FINANCIAL ASSETS		
Short-term investments	$ 32,082	$ 30,959
Due from the Corporation of the Town of Cobalt	2,150	1,123
	34,232	32,082
LIABILITIES		
Due to the Corporation of the Town of Cobalt	-	-
FUND BALANCE	34,232	32,082
	$ 34,232	$ 32,082

STATEMENT OF CONTINUITY

FOR THE YEAR ENDED DECEMBER 31, 2025

	2025	2024
Fund balance, beginning of year	$ 32,082	$ 30,842
Capital receipts	2,150	1,240
Fund balance, end of year	$ 34,232	$ 32,082

NOTES TO THE FINANCIAL STATEMENTS

1. **Basis of accounting**
The accompanying compiled financial information has been prepared on the historical cost basis, reflecting cash transactions with the addition of:

   - short-term investments recorded at cost plus accrued income
   - amounts due to/from the Town of Cobalt as at the reporting date

2. **Interest**
Interest earned by the Perpetual Care Cemetery Trust Funds is recorded as revenue by the Town and is not reflected in this statement.