

**CORPORATION OF THE MUNICIPALITY OF
HASTINGS HIGHLANDS**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

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Beautiful By Nature

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Mayor

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CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

For The Year Ended December 31, 2025

MANAGEMENT REPORT

The accompanying consolidated financial statements of the Corporation of the Municipality of Hastings Highlands are the responsibility of management and have been approved by Council.

The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Municipality maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Municipality's assets are appropriately accounted for and adequately safeguarded.

The Municipality's Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving financial statements.

Council reviews and approves the Municipality's financial statements for issuance to the members of Council, inhabitants and ratepayers of the Corporation of the Municipality of Hastings Highlands. Council meets periodically with management, as well as the external auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities and to review the financial statements and the independent auditor's report.

The consolidated financial statements have been audited by Baker Tilly KDN LLP in accordance with Canadian generally accepted auditing standards on behalf of the Municipality. Baker Tilly KDN LLP has full and free access to Council.



Mayor



Treasurer

April 15, 2026

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Municipality of Hastings Highlands

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2025, and the results of its consolidated 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 the consolidated financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters 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.
- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario

April 17, 2026



CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2025

	2025	2024
	\$	\$
FINANCIAL ASSETS		
Cash	5,613,253	5,687,667
Accounts receivable	363,762	359,039
Taxes receivable	957,812	1,087,162
TOTAL FINANCIAL ASSETS	6,934,827	7,133,868
LIABILITIES		
Accounts payable and accrued liabilities	1,289,010	1,539,315
Deferred revenue - other (note 3)	170,190	212,024
Deferred revenue - obligatory reserve funds (note 2)	80,451	118,495
Long term debt (note 4)	106,192	306,567
Asset retirement obligation (note 14)	6,437,986	6,274,086
TOTAL LIABILITIES	8,083,829	8,450,487
NET DEBT	(1,149,002)	(1,316,619)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 7)	29,960,973	28,843,683
Prepaid expenses	92,107	86,275
TOTAL NON-FINANCIAL ASSETS	30,053,080	28,929,958
ACCUMULATED SURPLUS (note 9)	28,904,078	27,613,339

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the Year Ended December 31, 2025

	Budget 2025 \$ (note 16)	Actual 2025 \$	Actual 2024 \$
REVENUES			
Property taxation	9,492,658	9,605,650	9,064,179
User charges	688,750	728,467	570,785
Government of Canada	36,380	36,379	38,621
Province of Ontario	2,352,385	2,393,745	2,128,342
Penalties and interest on taxes	120,000	146,716	123,727
Investment income	270,000	177,347	319,133
Contributed tangible capital assets	-	124,000	-
Waste diversion funding	445,000	469,657	519,562
Other revenue	-	108,218	-
Parkland fees earned (note 2)	25,000	-	1,425
Canada Community-Building Fund earned (note 2)	325,000	324,968	366,081
Gain on disposal of tangible capital assets	-	180,116	-
TOTAL REVENUES	13,755,173	14,295,263	13,131,855
EXPENSES			
General government	1,698,854	1,587,552	1,623,076
Protection services	2,541,960	2,489,869	2,452,938
Transportation services	6,480,795	6,477,436	5,871,219
Environmental services	1,705,778	1,198,811	3,008,801
Health services	12,000	35,448	31,825
Recreation and cultural services	539,509	615,968	578,965
Planning and development	415,985	360,065	290,631
Library services	255,999	239,375	240,769
TOTAL EXPENSES	13,650,880	13,004,524	14,098,224
ANNUAL SURPLUS/(DEFICIT)	104,293	1,290,739	(966,369)
ACCUMULATED SURPLUS - beginning of year		27,613,339	28,636,908
ADJUSTMENT ON ADOPTION OF THE REVENUE RECOGNITION STANDARD		-	(57,200)
ACCUMULATED SURPLUS - beginning of year, as restated		27,613,339	28,579,708
ACCUMULATED SURPLUS - end of year		28,904,078	27,613,339

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended December 31, 2025

	Budget 2025 \$ (note 16)	Actual 2025 \$	Actual 2024 \$
ANNUAL SURPLUS/(DEFICIT)	104,293	1,290,739	(966,369)
Amortization of tangible capital assets	2,545,850	2,240,414	2,545,850
Purchase of tangible capital assets	(3,785,000)	(3,216,607)	(3,686,250)
Loss/(gain) on disposal of tangible capital assets	-	(180,116)	185,587
Proceeds on sale of tangible capital assets	-	185,019	30,261
Asset retirement obligation costs capitalized	-	(22,000)	(2,200,813)
Contributed tangible capital assets	-	(124,000)	-
Change in prepaid expenses	-	(5,832)	(611)
CHANGE IN NET FINANCIAL ASSETS/(NET DEBT)	(1,134,857)	167,617	(4,092,345)
NET FINANCIAL ASSETS/(NET DEBT) - beginning of year	(1,316,619)	(1,316,619)	2,832,926
ADJUSTMENT ON ADOPTION OF THE REVENUE RECOGNITION STANDARD	-	-	(57,200)
NET FINANCIAL ASSETS/(NET DEBT) - beginning of year, as restated	(1,316,619)	(1,316,619)	2,775,726
NET DEBT - end of year	(2,451,476)	(1,149,002)	(1,316,619)

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2025

	2025	2024
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus/(deficit)	1,290,739	(966,369)
Items not involving cash		
Amortization of tangible capital assets	2,240,414	2,545,850
Loss/(gain) on disposal of tangible capital assets	(180,116)	185,587
Contributed tangible capital assets	(124,000)	-
Accretion expense	160,600	102,392
Asset retirement obligation expense for closed landfill sites	-	1,255,800
Change in non-cash assets and liabilities		
Accounts receivable	(4,723)	(88,162)
Taxes receivable	129,350	(341,931)
Prepaid expenses	(5,832)	(611)
Accounts payable and accrued liabilities	(250,305)	442,030
Deferred revenue - other	(41,834)	62,592
Deferred revenue - obligatory reserve funds	(38,044)	(84,205)
Asset retirement obligations - remediation costs incurred	(18,700)	(90,749)
Net change in cash from operating activities	3,157,549	3,022,224
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(3,216,607)	(3,686,250)
Proceeds on disposal of tangible capital assets	185,019	30,261
Net change in cash from capital activities	(3,031,588)	(3,655,989)
FINANCING ACTIVITIES		
Debt principal repayments	(200,375)	(193,317)
NET CHANGE IN CASH	(74,414)	(827,082)
CASH - beginning of year	5,687,667	6,514,749
CASH - end of year	5,613,253	5,687,667

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

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

The Municipality of Hastings Highlands is a lower tier municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook. Significant aspects of the accounting policies are as follows:

(a) Reporting entity

These consolidated financial statements reflect the assets, liabilities, revenues and expenses and accumulated surplus of the reporting entity.

The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are owned and controlled by the Municipality. These consolidated financial statements include:

- Hastings Highlands Public Library Board
- Hastings Highlands Cemetery Board

All interfund assets and liabilities and revenues and expenses are eliminated.

(b) Trust funds

Trust funds and their related operations administered by the Municipality are not included in these consolidated financial statements but are reported on separately on the Trust Funds Statement of Continuity and Statement of Financial Position.

(c) 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, as well as legally or contractually required retirement activities. When historical cost records were not available, other methods were used to estimate costs. The cost, less residual value, if any, is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

Land improvements	20 years
Land improvements - landfill	1 - 110 years
Buildings	40 - 50 years
Buildings - ARO	10 - 20 years
Building improvements	20 - 30 years
Machinery	10 - 20 years
Vehicles	8 - 10 years
Furniture and office equipment	3 - 20 years
Roads and bridges	15 - 40 years

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

Tangible capital assets categorized as assets under construction are not amortized until they are put into service.

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Non-financial assets

Tangible capital and other non-financial assets are accounted for as assets by the Municipality because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Municipality unless they are sold.

(e) Recognition of revenues and expenses

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

Property taxation

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. The Municipality's Council establishes the tax rates annually, incorporating amounts to be raised for local services, and amounts the Municipality is required to collect on behalf of the County and School Boards. From time to time property assessments are adjusted by MPAC through the reconsideration process or by the Assessment Review Board through the appeal process. Additional assessments, referred to as supplementary and omitted assessment can also be issued by MPAC in accordance with the Assessment Act. These adjustments and additional assessments are reported in the financial statements when amounts can be reasonably determined.

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.

Government funding

Government funding is recognized in the financial statements as revenues in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Other revenue

User charges are recognized as revenue in the year the goods and services are provided.

Investment income and waste diversion funding are recorded in the year in which it is earned.

Canada Community-Building Fund and parkland fees are recognized in the period in which the related expenditures are recorded.

(f) Reserves

Certain amounts, as approved by 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.

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(g) Deferred revenue

Deferred revenue represents grants, user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(h) Asset retirement obligation

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The liability for closure of operational sites and post-closure care relating to landfill sites has been recognized based on estimated future expenses. An additional liability for the remediation of gravel pits and disposal of fuel tanks has also been recognized based on estimated future expenses for remediation or disposal. The liability for landfills is discounted using a present value calculation, and adjusted yearly for accretion expense and any amounts paid.

The recognition of the liability resulted in an accompanying increase to the respective tangible capital assets. The increase to the tangible capital assets is being amortized in accordance with the accounting policies outlined in (c).

(i) Use of estimates

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. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements or changes in such estimates in future periods could be significant. The Municipality's significant estimates include:

- The amount recorded for asset retirement obligation is based on estimates of the assets with potential contaminants and management's estimate of the costs to retire those assets - See Note 1(h) and related costs added to tangible capital assets - See Note 1(c)
- Amortization of tangible capital assets is based on estimated useful life and residual value - See Note 1(c)

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

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

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(j) Financial instruments

Financial instruments are classified as either fair value or amortized cost. The following chart shows the measurement method for each type of financial instrument.

Financial Instrument	Measurement Method
Cash	Amortized Cost
Accounts receivable	Amortized Cost
Taxes receivable	Amortized Cost
Accounts payable and accrued liabilities	Amortized Cost
Long term debt	Amortized Cost

Fair value category: The Municipality manages and reports performance for groups of financial assets on a fair-value basis. Investments traded in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Consolidated Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Consolidated Statement of Operations and Accumulated Surplus and related balances reversed from the Consolidated Statement of Remeasurement Gains and Losses.

Amortized cost category: Amounts are measured at the initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument asset or financial instrument liability.

The following hierarchy provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

As there are no unrealized gains or losses on financial instruments to report, the Consolidated Statement of Remeasurement Gains and Losses has not been presented in these financial statements.



CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025

2. DEFERRED REVENUE - 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 balances in the obligatory reserve funds of the Municipality are summarized below:

	2025	2024
	\$	\$
Canada Community-Building Fund	36,682	79,929
Parkland	43,769	38,566
	80,451	118,495

The continuity of deferred revenue - obligatory reserve funds is as follows:

	2025	2024
	\$	\$
Balance - beginning of year	118,495	202,700
Add amounts received:		
Canada Community-Building Fund received from the County of Hastings	137,865	134,167
Canada Community-Building Fund received from AMO	143,609	139,880
Parkland fees received	5,202	8,666
Interest	248	588
	286,924	283,301
Less transfer to operations:		
Canada Community-Building Fund earned	324,968	366,081
Parkland fees earned	-	1,425
	324,968	367,506
Balance - end of year	80,451	118,495

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025

3. DEFERRED REVENUE - OTHER

Included in deferred revenue - other are the following amounts:

	2025	2024
	\$	\$
Cannabis funding	6,053	6,053
Ontario community infrastructure fund	17,717	36,321
Building permit fees	146,420	169,650
	170,190	212,024

The continuity of deferred revenue - other is as follows:

	2025	2024
	\$	\$
Balance - beginning of year	212,024	92,232
Adjustment to opening balance	-	57,200
Ontario community infrastructure fund	192,190	226,191
Building permit fees	361,782	258,418
	553,972	484,609
Ontario community infrastructure fund	210,794	270,582
Seniors grant - lawn bowling	-	5,467
Building permit fees	385,012	145,968
	595,806	422,017
Balance - end of year	170,190	212,024

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025

4. LONG TERM DEBT

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

	2025	2024
	\$	\$
Ontario Infrastructure Projects Corporation due August 18, 2025, repayable in blended semi annual instalments of \$21,713 and bearing interest at 4.19% per annum.	-	42,098
Ontario Infrastructure and Lands Corporation due October 10, 2025, repayable in blended semi annual instalments of \$27,959 and bearing interest at 2.65% per annum.	-	56,128
Ontario Infrastructure Projects Corporation due July 15, 2026, repayable in blended semi annual instalments of \$54,662 and bearing interest at 3.92% per annum.	106,192	208,341
	106,192	306,567

- (b) The long term debt in (a) issued in the name of the Municipality have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
- (c) Interest paid during the year on long term debt amounted to \$9,621 (2024 - \$16,679).
- (d) The long term debt is secured by a chattel mortgage on the assets acquired.
- (e) The long term debt reported in (a) of this note is repayable as follows:

	Principal	Interest	Total
	\$	\$	\$
2026	106,192	3,132	109,324
	106,192	3,132	109,324

5. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$71,676 (2024 - \$71,276) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus. As such balances are held in trust by the Municipality for the benefit of others, they are not presented as part of the Municipality's financial position or operations.

6. CONTINGENT LIABILITIES

The Municipality, in the course of its operations, is often named in lawsuits the outcomes of which are indeterminable at this time. No amounts in connection with these items have been reflected in these financial statements.

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025

7. TANGIBLE CAPITAL ASSETS

The net book value of the Municipality's tangible capital assets are:

	2025	2024
	\$	\$
General		
Land and land improvements	4,677,000	4,848,185
Buildings and building improvements	3,722,060	3,790,302
Machinery and vehicles	4,157,214	3,389,565
Furniture and office equipment	91,817	93,760
Infrastructure		
Roads and bridges	17,073,607	16,710,641
	29,721,698	28,832,453
Assets under construction	239,275	11,230
	29,960,973	28,843,683

For additional information, see the Consolidated Schedule of Tangible Capital Assets.

During the year there were no write-downs of assets (2024 - \$Nil), no interest capitalized (2024 - \$Nil).

Contributed tangible capital assets of \$124,000 in 2025 consist of the assumed St. Paul's United Church Cemetery land, \$34,000, and building, \$90,000. During 2024 there were no contributed assets.

Tangible capital assets allocated by segment are as follows:

	2025	2024
	\$	\$
General government	2,823,550	2,930,018
Protection services	887,663	706,483
Transportation services	22,488,882	21,403,549
Environmental services	2,541,803	2,686,121
Health services	134,800	-
Recreation and cultural services	1,084,275	1,117,512
	29,960,973	28,843,683

8. CREDIT FACILITY AGREEMENT

The Municipality has a revolving credit facility agreement with its main financial institution. The amount available at any time is limited to \$1,000,000 via an operating line of credit. Any balance borrowed will accrue interest at the bank's prime lending rate. Council authorized the temporary borrowing limit by By-law 2025-002. At December 31, 2025 there was no balance outstanding (2024 - \$Nil).

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025

9. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2025	2024
	\$	\$
Surplus/(Deficit)		
Cemetery Board	5,188	5,188
Invested In Capital Assets		
Tangible capital assets - net book value	29,960,973	28,843,683
Asset retirement obligations	(6,437,986)	(6,274,086)
Long term debt	(106,192)	(306,567)
Unfunded capital - roads	(75,732)	-
	23,341,063	22,263,030
Surplus	23,346,251	22,268,218
Reserves		
Working funds	2,524,091	2,591,218
Equipment replacement	360,270	429,778
Insurance	30,065	30,065
General administration	534,326	393,716
Fire	827,664	736,977
Health services	10,000	10,000
Recreation capital	32,500	32,500
Election	82,469	67,469
Economic development	4,333	49,333
Paving and construction	185,046	62,236
Waste disposal	911,522	901,885
Library Board projects	55,541	39,944
Total Reserves	5,557,827	5,345,121
	28,904,078	27,613,339

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

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

10. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF HASTINGS

During 2025, requisitions were made by the County of Hastings and School Boards requiring the Municipality to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are as follows:

	School Boards \$	County \$
Amounts requisitioned and remitted	1,794,053	3,713,185

These amounts have not been included in the Consolidated Statement of Operations and Accumulated Surplus.

11. EXPENSES BY OBJECT

The expenses for the year reported on the Consolidated Statement of Operations and Accumulated Surplus by object are as follows:

	Budget 2025 \$ (note 16)	Actual 2025 \$	Actual 2024 \$
Salaries and benefits	4,981,590	4,666,379	4,395,986
Interest charges	9,620	9,621	16,679
Materials	3,283,655	3,587,132	2,891,966
Contracted services	2,775,890	2,282,208	3,881,200
Rents and financial	41,275	207,307	149,938
External transfers	13,000	11,463	31,018
Amortization	2,545,850	2,240,414	2,545,850
Loss on disposal of tangible capital assets	-	-	185,587
	13,650,880	13,004,524	14,098,224

12. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in the Municipality assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

The Municipality is exposed to the following risks in respect of certain of the financial instruments held:

(a) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss.

In the opinion of management, the Municipality is not exposed to any significant currency, liquidity, market or interest rate risks.

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025

13. SEGMENTED INFORMATION

The Municipality of Hastings Highlands is a municipal government organization that provides a range of services to its residents. Municipality services are reported by function and their activities are separately disclosed in the segmented information.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation, payments-in-lieu of taxes and certain unconditional government transfers are apportioned based on each segment's net requirements.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. For additional information see the Consolidated Schedule of Segment Disclosure.

General Government

General government consists of the activities of Council and general financial and administrative management of the Municipality and its programs and services.

Protection Services

Protection services include police, fire and protective inspection and control.

Transportation Services

The activities of the transportation function include construction and maintenance of the Municipality's roads and bridges, winter control and street lighting.

Environmental Services

The environmental function is responsible for providing waste disposal and recycling services to ratepayers.

Health Services

The health services function consists of external transfers to the local medical centre and cemetery operations.

Recreation Services

The recreation services function provides indoor and outdoor recreational facilities and programs.

Planning and Development

The planning and development services function manages commercial, industrial and residential development within the Municipality.

Library Services

The library services function provides informational needs to residents within the Municipality.

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025

14. ASSET RETIREMENT OBLIGATION

The Municipality's asset retirement obligation consists of the following:

(a) Landfill obligation

The Municipality owns and operates nine landfill sites. The liability for the remaining closure costs of operational sites as well as the post-closure costs for all sites has been recognized under PS 3280 – Asset Retirement Obligations. The costs have been estimated based upon the presently known obligations that will exist at the estimated year of closure of the sites and for 25 years after the closure date using a discount rate of 4.5% and an inflation rate of 3%. For the three closed sites, there are between 17 and 25 years of remaining monitoring costs; however, the 25 year estimate could be extended based on the results of the monitoring. For the six operational sites, the sites are projected to close between 2026 and 2128.

(b) Asbestos obligation

The Municipality owns and operates one building that is known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. Under PS 3280 – Asset Retirement Obligations, the Municipality recognized an obligation relating to the removal of the asbestos in this building.

(c) Other

The Municipality owns and operates underground tanks and gravel pits. The liability for the closure of these sites and the costs to return the property to its original state has been recognized under PS 3280 – Asset Retirement Obligations. The costs were based on presently known obligations that will exist at the estimated year of retirement of these tangible capital assets.

Changes to the asset retirement obligation in the year are as follows:

	Landfill closure and post- closure \$	Asbestos removal \$	Other \$	Total 2025 \$	Total 2024 \$
Asset Retirement Obligation					
Opening balance	5,230,100	-	1,043,986	6,274,086	2,805,830
Asset addition	-	22,000	-	22,000	-
Remediation costs incurred	(18,700)	-	-	(18,700)	(90,749)
Revaluation of liability for revised estimates:					
Asset addition	-	-	-	-	2,200,813
Closed sites	-	-	-	-	1,255,800
Accretion expense	160,600	-	-	160,600	102,392
Closing balance	5,372,000	22,000	1,043,986	6,437,986	6,274,086

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

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

15. PENSION AGREEMENTS

Certain employees of the Municipality are eligible members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan.

The Actuarial Opinion contained in the 2025 Annual Report disclosed total actuarial liabilities of \$151,365 million in respect of benefits accrued for service with actuarial assets of \$150,043 million indicating an actuarial deficit of \$1,322 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 Municipality's total contributions to OMERS in 2025 were \$604,272 (2024 - \$533,736) of which \$302,136 (2024 - \$266,868) was contributed by employees.

16. BUDGET FIGURES

The budget, approved by the Municipality differs from the budget reflected on the Consolidated Statement of Operations and Accumulated Surplus as the approved budget has been adjusted to comply with PSA reporting requirements.

The following is a reconciliation of Council's approved budget to the annual surplus/(deficit):

	2025 \$
Council approved budgeted surplus	-
Tangible capital asset additions	3,785,000
Amortization of tangible capital assets	(2,545,850)
Principal repayment of long term debt	200,375
Transfers to/(from) reserves	(1,335,232)
Annual surplus/(deficit) reported on the Consolidated Statement of Operations	104,293

17. COMPARATIVE FIGURES

Certain comparative figures were restated, where required, to conform with the current year presentation. The restatement did not effect the prior year annual surplus.

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the Year Ended December 31, 2025

	General				Infrastructure	Assets Under Construction	Totals
	Land and Land Improvements	Buildings and Building Improvements	Machinery and Vehicles	Furniture and Office Equipment	Roads and Bridges		
	\$	\$	\$	\$	\$	\$	\$
COST							
Balance, beginning of year	5,969,012	6,567,994	8,388,792	339,987	50,364,534	11,230	71,641,549
Add: additions during the year	34,000	90,000	1,153,936	15,461	1,819,165	228,045	3,340,607
Less: disposals during the year	424	-	394,094	94,020	500,900	-	989,438
Asset retirement obligation	-	22,000	-	-	-	-	22,000
Balance, end of year	6,002,588	6,679,994	9,148,634	261,428	51,682,799	239,275	74,014,718
ACCUMULATED AMORTIZATION							
Balance, beginning of year	1,120,827	2,777,692	4,999,227	246,227	33,653,893	-	42,797,866
Add: additions during the year	204,761	180,242	381,808	17,404	1,456,199	-	2,240,414
Less: disposals during the year	-	-	389,615	94,020	500,900	-	984,535
Balance, end of year	1,325,588	2,957,934	4,991,420	169,611	34,609,192	-	44,053,745
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	4,677,000	3,722,060	4,157,214	91,817	17,073,607	239,275	29,960,973

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE For the Year Ended December 31, 2025

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation and Cultural Services \$	Planning and Development \$	Library Services \$	Consolidated \$
Revenues									
Property taxation	3,190,342	237,175	4,648,755	557,220	7,950	433,223	311,985	219,000	9,605,650
User charges	61,703	399,716	54,147	137,449	1,250	12,292	46,121	15,789	728,467
Government transfers - operating	-	2,126,711	38,000	-	-	36,379	-	18,240	2,219,330
Government transfers - capital	-	-	210,794	-	-	-	-	-	210,794
Penalties and interest on taxes	146,716	-	-	-	-	-	-	-	146,716
Investment income	177,347	-	-	-	-	-	-	-	177,347
Contributed tangible capital assets	-	-	-	-	124,000	-	-	-	124,000
Waste diversion funding	-	-	-	469,657	-	-	-	-	469,657
Other revenue	108,218	-	-	-	-	-	-	-	108,218
Canada Community-Building Fund earned	-	-	324,968	-	-	-	-	-	324,968
Gain on disposal of tangible capital assets	143,321	11,285	25,510	-	-	-	-	-	180,116
Total revenues	3,827,647	2,774,887	5,302,174	1,164,326	133,200	481,894	358,106	253,029	14,295,263
Expenses									
Salaries and benefits	1,105,736	698,150	2,088,987	291,387	-	34,944	247,119	200,056	4,666,379
Interest charges	7,176	-	2,445	-	-	-	-	-	9,621
Materials	163,261	417,854	2,326,872	49,031	24,248	502,656	84,451	18,759	3,587,132
Contracted services	158,703	1,240,500	250,880	553,475	-	47,074	28,495	3,081	2,282,208
Rents and financial	46,632	-	-	160,600	-	-	-	75	207,307
External transfers	-	11,463	-	-	-	-	-	-	11,463
Amortization	106,044	121,902	1,808,252	144,318	11,200	31,294	-	17,404	2,240,414
Total expenses	1,587,552	2,489,869	6,477,436	1,198,811	35,448	615,968	360,065	239,375	13,004,524
Net surplus/(deficit)	2,240,095	285,018	(1,175,262)	(34,485)	97,752	(134,074)	(1,959)	13,654	1,290,739

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the Year Ended December 31, 2024

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation and Cultural Services \$	Planning and Development \$	Library Services \$	Consolidated \$
Revenues									
Property taxation	3,161,394	503,326	3,935,664	423,165	28,900	572,185	234,545	205,000	9,064,179
User charges	92,539	182,724	71,832	136,119	5,202	14,094	49,600	18,675	570,785
Government transfers - operating	-	1,821,801	-	-	-	56,400	-	18,180	1,896,381
Government transfers - capital	-	-	270,582	-	-	-	-	-	270,582
Penalties and interest on taxes	123,727	-	-	-	-	-	-	-	123,727
Investment income	319,133	-	-	-	-	-	-	-	319,133
Waste diversion funding	-	-	-	519,562	-	-	-	-	519,562
Parkland fees earned	-	-	-	-	-	1,425	-	-	1,425
Canada Community-Building Fund earned	-	-	366,081	-	-	-	-	-	366,081
Total revenues	3,696,793	2,507,851	4,644,159	1,078,846	34,102	644,104	284,145	241,855	13,131,855
Expenses									
Salaries and benefits	1,076,834	692,636	1,905,941	284,539	-	31,017	205,217	199,802	4,395,986
Interest charges	11,065	-	5,614	-	-	-	-	-	16,679
Materials	150,076	431,859	1,763,412	45,698	11,825	407,301	62,422	19,373	2,891,966
Contracted services	219,453	1,164,270	424,874	1,942,432	-	103,879	22,992	3,300	3,881,200
Rents and financial	46,419	(1,013)	(5,129)	110,700	-	(1,114)	-	75	149,938
External transfers	-	11,018	-	-	20,000	-	-	-	31,018
Amortization	119,229	133,180	1,707,040	536,558	-	31,624	-	18,219	2,545,850
Loss on disposal of tangible capital assets	-	20,988	69,467	88,874	-	6,258	-	-	185,587
Total expenses	1,623,076	2,452,938	5,871,219	3,008,801	31,825	578,965	290,631	240,769	14,098,224
Net surplus/(deficit)	2,073,717	54,913	(1,227,060)	(1,929,955)	2,277	65,139	(6,486)	1,086	(966,369)

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Municipality of Hastings Highlands

Opinion

We have audited the financial statements of the Trust Funds of the Corporation of the Municipality of Hastings Highlands (the Trust Funds), which comprise the statement of financial position as at December 31, 2025, the statement of continuity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust Funds as at December 31, 2025, and the continuity of the Trust Funds 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 Trust Funds in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Trust Funds' 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 Trust Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust Funds' 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 Trust Funds' 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 Trust Funds' 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 Trust Funds 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 KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
April 17, 2026

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

TRUST FUNDS STATEMENT OF FINANCIAL POSITION At December 31, 2025

	Papineau Cemetery Care and Maintenance \$	Zion Cemetery Care and Maintenance \$	Grace Cemetery Care and Maintenance \$	Purdy Cemetery Care and Maintenance \$	St. Paul Cemetery Care and Maintenance \$	2025 Total \$	2024 Total \$
FINANCIAL ASSETS							
Cash	16,258	5,029	25,123	200	25,066	71,676	71,276
FUND BALANCES							
Capital	15,653	5,029	25,123	200	25,066	71,071	70,671
Income	605	-	-	-	-	605	605
	16,258	5,029	25,123	200	25,066	71,676	71,276

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

TRUST FUNDS STATEMENT OF CONTINUITY For the Year Ended December 31, 2025

	Papineau Cemetery Care and Maintenance \$	Zion Cemetery Care and Maintenance \$	Grace Cemetery Care and Maintenance \$	Purdy Cemetery Care and Maintenance \$	St. Paul Cemetery Care and Maintenance \$	2025 Total \$	2024 Total \$
BALANCES - beginning of year	16,258	5,029	25,023	200	24,766	71,276	70,505
RECEIPTS							
Perpetual care	-	-	100	-	300	400	2,190
Interest earned	221	68	341	3	341	974	1,851
St. Paul's United Church Cemetery contribution	-	-	-	-	-	-	24,346
	221	68	441	3	641	1,374	28,387
EXPENSES							
Transfer to Municipality	221	68	341	3	341	974	1,851
Transfer to cemetery operator	-	-	-	-	-	-	25,765
	221	68	341	3	341	974	27,616
BALANCES - end of year	16,258	5,029	25,123	200	25,066	71,676	71,276

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

TRUST FUNDS NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook.

(a) Basis of Accounting

Revenue and expenses are reported on the accrual basis of accounting which 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.

(b) Financial Instruments

The Trust Funds financial instruments consist of cash. It is management's opinion that the fair value of the financial instruments are not materially different from their carrying value unless otherwise noted. The Trust Funds do not have any significant concentration of credit, liquidity, currency, market or interest rate risks.

(c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period and are based on the Municipality's best information and judgment. Actual results could differ from these estimates.

2. CARE AND MAINTENANCE FUNDS

Care and Maintenance Funds are administered by the Municipality and are required to be invested in accordance with the Funeral Burial and Cremation Services Act for the long-term upkeep of the Cemetery. The Act requires that a specified portion of each in-ground grave (cemetery lot) be invested into the Care and Maintenance Fund. The Act also requires that a specified amount be set aside into the Care and Maintenance funds for the installation of markers and monuments of a prescribed size installed at a Municipal Cemetery. These funds are invested, and the earnings derived from them are permitted (under the Act) to be used to fund the regular operations and maintenance of the cemetery.

**CORPORATION OF THE MUNICIPALITY OF
HASTINGS HIGHLANDS**

HASTINGS HIGHLANDS PUBLIC LIBRARY BOARD

FINANCIAL STATEMENTS

DECEMBER 31, 2025

INDEPENDENT AUDITOR'S REPORT**To the Members of the Hastings Highlands Public Library Board, the Members of Council, Inhabitants and Ratepayers of the Corporation of the Municipality of Hastings Highlands***Qualified Opinion*

We have audited the financial statements of the Hastings Highlands Public Library Board of the Corporation of the Municipality of Hastings Highlands (the Board), which comprise the statement of financial position as at December 31, 2025, the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2025, and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Qualified Opinion

In common with many Public Library Boards, the Board derives revenue from fees, fundraising and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Board. Therefore, we were not able to determine whether any adjustments might be necessary to fees, fundraising and donations revenue, annual surplus/(deficit) and cash flows from operations for the years ended December 31, 2025 and 2024, and assets and accumulated surplus as at December 31, 2025 and 2024. Our opinion on the financial statements for the year ended December 31, 2024 was modified accordingly because of the possible effects of this scope limitation.

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 Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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

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

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

Those charged with governance are responsible for overseeing the Board'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 Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
April 17, 2026

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

HASTINGS HIGHLANDS PUBLIC LIBRARY BOARD STATEMENT OF FINANCIAL POSITION At December 31, 2025

	2025	2024
	\$	\$
FINANCIAL ASSETS		
Cash	84,242	172,100
LIABILITIES		
Due to Municipality of Hastings Highlands (note 4)	28,701	132,114
Accounts payable	-	42
TOTAL LIABILITIES	28,701	132,156
NET FINANCIAL ASSETS	55,541	39,944
NON-FINANCIAL ASSETS		
Tangible capital assets (note 2)	47,076	49,019
ACCUMULATED SURPLUS (note 3)	102,617	88,963

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

HASTINGS HIGHLANDS PUBLIC LIBRARY BOARD STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS For the Year Ended December 31, 2025

	Budget 2025 \$ (note 5)	Actual 2025 \$	Actual 2024 \$
REVENUES			
Municipal contribution (note 4)	219,000	219,000	205,000
Province of Ontario	17,280	18,240	18,180
Fees, fundraising and donations	16,500	15,789	18,675
TOTAL REVENUES	252,780	253,029	241,855
EXPENSES			
Salaries and benefits	216,025	200,056	199,802
Supplies and postage	1,780	1,652	1,394
Materials	6,300	7,815	7,166
Programs	2,000	1,519	6,165
Advertising	200	-	50
Office administration	4,075	3,977	3,869
Professional development	2,600	3,871	329
Contracted services	3,300	3,081	3,300
Memberships	500	-	475
IT maintenance	1,000	-	-
Amortization	18,219	17,404	18,219
TOTAL EXPENSES	255,999	239,375	240,769
ANNUAL SURPLUS/(DEFICIT)	<u>(3,219)</u>	13,654	1,086
ACCUMULATED SURPLUS - beginning of year		88,963	87,877
ACCUMULATED SURPLUS - end of year		102,617	88,963

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

HASTINGS HIGHLANDS PUBLIC LIBRARY BOARD STATEMENT OF CHANGE IN NET FINANCIAL ASSETS For the Year Ended December 31, 2025

	Budget 2025 \$ (note 5)	Actual 2025 \$	Actual 2024 \$
ANNUAL SURPLUS/(DEFICIT)	(3,219)	13,654	1,086
Amortization of tangible capital assets	18,219	17,404	18,219
Acquisition of tangible capital assets	(15,000)	(15,461)	(14,042)
INCREASE IN NET FINANCIAL ASSETS	-	15,597	5,263
NET FINANCIAL ASSETS - beginning of year	39,944	39,944	34,681
NET FINANCIAL ASSETS - end of year	39,944	55,541	39,944

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

HASTINGS HIGHLANDS PUBLIC LIBRARY BOARD

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2025

	2025	2024
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	13,654	1,086
Items not involving cash		
Amortization of tangible capital assets	17,404	18,219
Change in non-cash assets and liabilities		
Due to Municipality of Hastings Highlands	(103,413)	21,207
Accounts payable	(42)	(2,563)
Net change in cash from operating activities	(72,397)	37,949
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(15,461)	(14,042)
NET CHANGE IN CASH	(87,858)	23,907
CASH - beginning of year	172,100	148,193
CASH - end of year	84,242	172,100

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

HASTINGS HIGHLANDS PUBLIC LIBRARY BOARD NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook. Significant aspects of the accounting policies adopted by the Board are as follows:

(a) Recognition of Revenue and Expenses

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the period in which the transactions of events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

Government funding and other grants are recognized in the financial statements as revenues in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Fees, fundraising and donations revenue is recognized when the amounts are received.

(b) Use of Estimates

Certain items recognized in the financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Board's best information and judgment. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. The Board's significant estimates include:

- Amortization of tangible capital assets is based on estimated useful life and residual value - See Note 1(d)

(c) Non-Financial Assets

Tangible capital assets and other non-financial assets are accounted for as assets by the Board because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Board unless they are sold.

(d) 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, as well as legally or contractually required retirement activities. When historical cost records were not available, other methods were used to estimate costs. The cost, less residual value, if any, is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

Books	7 years
Furniture and equipment	5 years

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

Tangible capital assets are not amortized until they are put into service.

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

**HASTINGS HIGHLANDS PUBLIC LIBRARY BOARD
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended December 31, 2025**

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) Financial Instruments

Financial instruments are classified as either fair value or amortized cost. The following chart shows the measurement method for each type of financial instrument.

Financial Instrument	Measurement Method
Cash	Amortized Cost
Due to Municipality of Hastings Highlands	Amortized Cost
Accounts payable	Amortized Cost

Fair value category: The Board manages and reports performance for groups of financial assets on a fair-value basis. Investments traded in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses.

Amortized cost category: Amounts are measured at the initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument asset or financial instrument liability.

The following hierarchy provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

As there are no unrealized gains or losses on financial instruments to report, the Statement of Remeasurement Gains and Losses has not been presented in these financial statements.



CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

**HASTINGS HIGHLANDS PUBLIC LIBRARY BOARD
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended December 31, 2025**

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(f) Reserves

Certain amounts, as approved by the Board, 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.

(g) Inter-Entity Transactions

The Hastings Highlands Public Library Board is a Board of the Municipality of Hastings Highlands and is consolidated with the Municipality's financial statements.

Allocated costs and recovery of costs are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Unallocated costs are measured at the carrying amount, which is the amount recorded in the records of the Municipality.

2. TANGIBLE CAPITAL ASSETS

The net book value of the Board's tangible capital assets are:

	Books \$	Furniture and Equipment \$	2025 Totals \$	2024 Totals \$
COST				
Balance, beginning of year	99,315	73,010	172,325	170,223
Add: additions during the year	15,461	-	15,461	14,042
Less: disposals during the year	9,938	5,676	15,614	11,940
Balance, end of year	104,838	67,334	172,172	172,325
ACCUMULATED AMORTIZATION				
Balance, beginning of year	54,757	68,549	123,306	117,027
Add: additions during the year	14,977	2,427	17,404	18,219
Less: disposals during the year	9,938	5,676	15,614	11,940
Balance, end of year	59,796	65,300	125,096	123,306
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	45,042	2,034	47,076	49,019



CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

**HASTINGS HIGHLANDS PUBLIC LIBRARY BOARD
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended December 31, 2025**

3. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2025	2024
	\$	\$
Invested In Capital Assets		
Tangible capital assets - net book value	47,076	49,019
Surplus	47,076	49,019
Reserve		
Projects	55,541	39,944
	<u>102,617</u>	<u>88,963</u>

4. INTER-ENTITY TRANSACTIONS

During the year, the Board entered into transactions with the Municipality of Hastings Highlands. As part of the budgeting process, the Municipality approves a contribution to the Board which is identified on the Statement of Operations and Accumulated Surplus. In addition, the following services are provided to the Board by the Municipality at no cost:

- Accounting and administrative services
- Rental of buildings
- Buildings and grounds maintenance
- Other occupancy costs

All balances with the Municipality of Hastings Highlands have been identified on the Statement of Financial Position. Due from (to) balances are unsecured, without interest and have no terms of repayment.

5. BUDGET FIGURES

The budget, approved by the Board differs from the budget reflected on the Statement of Operations and Accumulated Surplus as the approved budget has been adjusted to comply with PSA reporting requirements.

The following is a reconciliation of Board's approved budget to the annual surplus/(deficit):

	2025
	\$
Board approved budgeted surplus	-
Tangible capital asset additions	15,000
Amortization of tangible capital assets	(18,219)
Annual surplus/(deficit) reported on the Statement of Operations	(3,219)



CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

HASTINGS HIGHLANDS PUBLIC LIBRARY BOARD

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2025

6. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in the Board assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

In the opinion of management, the Board is not exposed to any significant interest rate, credit, market, liquidity or currency risk.