Consolidated Financial Statements of
Corporation of the Town of Hawkesbury

December 31, 2025

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of
Corporation of the Town of Hawkesbury

Opinion

We have audited the consolidated financial statements of Corporation of the Town of Hawkesbury (the "Municipality"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations, changes in net debt and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2025, and the results of its operations, changes in its net debt and its cash flow 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 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 based on these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

Hawkesbury ON
June 22, 2026

Chartered Professional Accountants
Licensed Public Accountants

Corporation of the Town of Hawkesbury

Consolidated statement of operations

For the year ended December 31, 2025

	Budget 2025	Actual 2025	Actual 2024
	$	$	$
Revenues			
Taxation – all classes	**21,741,933**	**21,805,390**	20,620,696
Less: amounts received for the counties and school boards (Note 3)	**(7,842,725)**	**(7,936,467)**	(7,720,051)
Net taxation for municipal purposes	**13,899,208**	**13,868,923**	12,900,645
User fees	**8,012,335**	**8,229,022**	7,843,565
Transfer payments			
Government of Canada	**267,900**	**31,825**	283,326
Province of Ontario	**7,690,623**	**5,302,845**	4,227,743
Other municipalities	**848,226**	**1,121,456**	1,261,649
Gain on sale of tangible capital assets	**88,500**	**2,343**	3,000
Licenses and permits	**697,250**	**508,639**	693,148
Investment income	**310,470**	**269,969**	399,695
Penalties and interest	**195,000**	**353,940**	280,874
Fines	**60,000**	**61,838**	34,258
Other	**-**	**65,662**	46,187
Equity earnings – Hawkesbury Hydro Inc.	**-**	**529,635**	123,287
	32,069,512	**30,346,097**	28,097,377
Expenses (Schedule 5)			
General government	**3,138,935**	**3,546,363**	3,479,127
Protection to person and property	**6,707,180**	**7,083,126**	7,085,612
Transportation services	**2,701,904**	**3,897,902**	3,603,408
Environmental services	**5,584,299**	**6,984,267**	7,460,805
Recreation and cultural services	**4,126,118**	**4,723,901**	4,303,958
Planning and zoning	**545,160**	**722,100**	438,796
	22,803,596	**26,957,659**	26,371,706
Annual surplus	**9,265,916**	**3,388,438**	1,725,671
Accumulated surplus, beginning of year	**103,902,028**	**103,902,028**	102,176,357
Accumulated surplus, end of year (Schedule 2)	**113,167,944**	**107,290,466**	103,902,028

The accompanying notes and supporting schedules are an integral part of the consolidated financial statements.

Corporation of the Town of Hawkesbury
Consolidated statement of financial position
December 31, 2025

	2025	2024
	$	$
Assets		
Financial assets		
Cash	**7,559,976**	7,279,276
Taxes receivable	**3,240,821**	2,510,981
User fees receivable	**1,566,258**	1,834,503
Accounts receivable	**3,116,965**	3,824,494
Investments (Note 4)	**7,163,145**	8,886,511
	22,647,165	24,335,765
Liabilities		
Accounts payable and accrued liabilities	**5,896,448**	6,583,474
Deferred revenues (Note 5)	**2,862,204**	3,459,182
Future employee benefits (Note 6)	**289,721**	285,557
Asset retirement obligation liability (Note 7)	**2,470,592**	2,412,741
Debts (Note 8)	**27,068,822**	21,641,337
	38,587,787	34,382,291
Net debt	**(15,940,622)**	(10,046,526)
Contingencies and commitments (Notes 11 and 12)		
Non-financial assets		
Tangible capital assets (Schedule 1)	**122,608,809**	113,358,402
Inventories	**218,625**	184,545
Prepaid expenses	**403,654**	405,607
	123,231,088	113,948,554
Accumulated surplus (Schedule 2)	**107,290,466**	103,902,028

The accompanying notes and supporting schedules are an integral part of the consolidated financial statements.

Corporation of the Town of Hawkesbury

Consolidated statement of changes in net debt

For the year ended December 31, 2025

	Budget 2025	Actual 2025	Actual 2024
	$	$	$
Annual surplus	**9,265,916**	**3,388,438**	1,725,671
Gain on sale of tangible capital assets	**(88,500)**	**(2,343)**	(3,000)
Amortization of tangible capital assets	**-**	**3,706,271**	3,643,473
Purchase of tangible capital assets	**(18,807,300)**	**(13,007,825)**	(10,537,159)
Proceeds from sale of tangible capital assets	**88,500**	**53,490**	3,000
Increase in inventories	**-**	**(34,080)**	(11,226)
Decrease (increase) in prepaid expenses	**-**	**1,953**	(114,859)
Increase in net debt	**(9,541,384)**	**(5,894,096)**	(5,294,100)
Net debt, beginning of year	**(10,046,526)**	**(10,046,526)**	(4,752,426)
Net debt, end of year	**(19,587,910)**	**(15,940,622)**	(10,046,526)

The accompanying notes and supporting schedules are an integral part of the consolidated financial statements.

Corporation of the Town of Hawkesbury

Consolidated statement of cash flow

For the year ended December 31, 2025

	2025	2024
	$	$
Operating activities		
Annual surplus	**3,388,438**	1,725,671
Changes in non-cash operating working capital items		
Increase in taxes receivable	**(729,840)**	(694,896)
Decrease (increase) in user fees receivable	**268,245**	(325,383)
Decrease (increase) in accounts receivable	**707,529**	(469,117)
(Decrease) increase in accounts payable and accrued liabilities	**(2,118,126)**	1,901,862
(Decrease) increase in deferred revenues	**(596,978)**	446,173
Increase (decrease) in future employee benefits	**4,164**	(30,334)
Increase in asset retirement obligation	**57,851**	42,661
Increase in inventories	**(34,080)**	(11,226)
Decrease (increase) in prepaid expenses	**1,953**	(114,859)
	(2,439,282)	744,881
Non-cash operating items		
Amortization of tangible capital assets	**3,706,271**	3,643,473
Gain on sale of tangible capital assets	**(2,343)**	(3,000)
Equity earnings – Hawkesbury Hydro Inc.	**(529,635)**	(123,287)
	3,174,293	3,517,186
Net increase in cash from operating activities	**4,123,449**	5,987,738
Capital activities		
Purchase of tangible capital assets	**(11,576,725)**	(9,586,217)
Proceeds from sale of tangible capital assets	**53,490**	3,000
	(11,523,235)	(9,583,217)
Investing activities		
Acquisition of investments	**-**	(132,000)
Proceeds from sale of investments	**2,168,534**	-
Dividend received from Hawkesbury Hydro Inc.	**84,467**	84,467
	2,253,001	(47,533)
Financing activities		
Proceeds from long-term debt	**6,500,000**	5,000,000
Debt principal repayment	**(1,072,515)**	(1,086,108)
	5,427,485	3,913,892
Net increase in cash	**280,700**	270,880
Cash, beginning of year	**7,279,276**	7,008,396
Cash, end of year	**7,559,976**	7,279,276

See additional information presented in Note 9.

The accompanying notes and supporting schedules are an integral part of the consolidated financial statements.

1. Future accounting standards

Effective on January 1, 2027

Conceptual Framework for Financial Reporting in the Public Sector

In December 2022, the Public Sector Accounting Board (PSAB) issued The Conceptual Framework for Financial Reporting in the Public Sector (the Conceptual Framework), which replaces the conceptual aspects of Section PS 1000, Financial Statement Concepts, and Section PS 1100, Financial Statement Objectives. The Conceptual Framework establishes the fundamental concepts that underpin financial reporting in the public sector, including the characteristics of public sector entities, the objectives of financial reporting, the primary users of financial statements, qualitative characteristics of financial information, and general concepts related to recognition, measurement, and presentation.

The Conceptual Framework is effective for fiscal years beginning on or after April 1, 2026, and will be effective for the Municipality beginning January 1, 2027. Early adoption is permitted. Adoption of the Conceptual Framework is expected to primarily affect the basis for developing accounting policies and financial statement presentation rather than recognition or measurement amounts.

GAAP Designation of Application Guidance – PSA Handbook Appendices

In February 2025, PSAB issued amendments to clarify the generally accepted accounting principles (GAAP) designation of certain application guidance appendices in the Public Sector Accounting Handbook. These amendments elevate the GAAP status of selected appendices related to revenue, government transfers, financial instruments, and disclosure of allocated expenses, and clarify that application guidance appendices form an integral part of the standards they support rather than being merely illustrative. Related amendments were also made to Section PS 1150, Generally Accepted Accounting Principles.

These amendments are effective for fiscal years beginning on or after April 1, 2026, and will be effective for the Municipality beginning January 1, 2027. The amendments are primarily clarifying in nature and are not expected to result in material changes to the Municipality’s financial statements.

Financial Statement Presentation (Section PS 1202)

In October 2023, PSAB issued Section PS 1202, Financial Statement Presentation, which replaces Section PS 1201 and introduces a new financial reporting model based on the Conceptual Framework for Financial Reporting in the Public Sector. Section PS 1202 introduces changes to the presentation of the statement of financial position, including new categories of liabilities, the introduction of a statement of net financial assets or net financial liabilities, revisions to the statement of cash flows, and new requirements for presenting changes in net assets or net liabilities.

Section PS 1202 is effective for fiscal years beginning on or after April 1, 2026, and will be effective for the Municipality beginning January 1, 2027. Early adoption is permitted only if the Conceptual Framework is adopted at the same time, and comparative information will be restated upon adoption. Adoption of Section PS 1202 is expected to result in changes to the presentation of the Municipality’s financial statements; however, no changes to recognition or measurement amounts are expected.

1. Future accounting standards (continued)

Effective on January 1, 2030

Tangible Capital Assets (Amendments to Section PS 3150)

In May 2025, PSAB issued amendments to Section PS 3150, Tangible Capital Assets. The amendments clarify definitions and guidance related to tangible capital assets, introduce new disclosure requirements for works of art, historical treasures and collections, and provide guidance for assets acquired at substantially below fair value.

These amendments are effective for fiscal years beginning on or after April 1, 2030, with earlier adoption permitted. The amendments are expected to be applied retroactively, with certain exceptions applied prospectively. Management does not expect these amendments to have a material impact on the Municipality's financial statements at this time but will continue to assess their impact prior to adoption.

2. Accounting policies

The consolidated financial statements of the Municipality are the responsibility of management and are prepared in accordance with Canadian public sector accounting standards ("PSAS") as recommended by the Public Sector Accounting Board ("PSAB") of CPA Canada.

The focus of the PSAB consolidated financial statements is on the financial position of the Municipality and the changes thereto. The consolidated statement of financial position reports financial assets and liabilities and non-financial assets of the Municipality. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Net financial assets are the difference between financial assets and liabilities.

Reporting entity

Consolidated financial statements

These consolidated financial statements reflect the assets, liabilities, operating revenues and expenses, reserves and reserve funds and changes in investment in tangible capital assets and include the activities of all committees of council and the following board and commissions which are under the control of council:

- Hawkesbury Community Industrial Strategic Planning Association;
- Hawkesbury Public Library Board;
- Corporation of the Town of Hawkesbury Business Improvement Area Commission.

Non-consolidated entities

The Hawkesbury Regional Committee for Waste Management's financial position and its related operations are not consolidated because they are not controlled by the Municipality.

Basis of accounting

Accrual basis

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

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 changes in net debt.

2. Accounting policies (continued)

Basis of accounting (continued)

Financial instruments

The Municipality 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.

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

The Municipality subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. The Municipality has not presented a statement of remeasurement gains and losses as it does not have any items giving rise to remeasurement gains and losses. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

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

All financial assets except derivatives are tested annually for impairment. Any impairment, which is not considered temporary, is recorded in the consolidated statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

Tangible capital assets

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

Land improvements	20 years
Buildings and facilities	7 - 50 years
Waterworks and sewers	25 - 60 years
Vehicles	5 - 20 years
Roads and bridges	20 - 60 years
Machinery and equipment	5 - 20 years

The amortization starts in the month when the asset is put into service and ends in the month of sale. Assets under construction are not amortized until the TCA are available for productive use.

Land is not amortized.

The Municipality has a capitalization threshold of $25,000 for civil infrastructure systems, $3,500 for lamps and $10,000 for all other assets. Items of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons. Examples of pools are desktop computer systems, cars, utility poles and defibrillators.

2. Accounting policies (continued)

Basis of accounting (continued)

Contribution of tangible capital assets

TCA received as contributions are recorded in the consolidated statement of financial position at their fair value at the date of receipt, and that fair value is also recorded as revenue. Transfers of TCA to the other organizations are recorded as an expense at the net book value as of the date of transfer.

Investments

Investments in the common shares of Hawkesbury Hydro Inc. are accounted for by the modified equity method.

Inventories

Inventories held for consumption are recorded at the lower of cost or replacement cost. Cost is determined on a first-in, first-out basis.

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Deferred revenues

Funds received for specific purposes are accounted for as deferred revenues until the Municipality discharges its obligations which led to receipt of the funds.

Future employee benefits

Sick leave and retirement benefits are accrued as entitlements are earned.

Reserves and reserve funds

Certain amounts, as approved by council, are set aside in reserves and reserve funds for capital and future operating purposes.

Government transfers

Government transfers are recognized as revenues in the period during which the transfer is authorized and any eligibility criteria are met. Government transfers are deferred if they are restricted through stipulations that require specific actions to be carried out in order to keep the transfer. For such transfers, revenue is recognized when the stipulation has been met.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the consolidated statement of operations and within the related notes for both the prior and current years sufficiently disclose information of all appropriate segments and therefore no additional disclosure is required.

2. Accounting policies (continued)

Basis of accounting (continued)

Asset retirement obligation liability

The Municipality recognizes the liability for an asset retirement obligation arising from the acquisition, development, construction or normal operation of a long-lived asset in the year in which it is incurred and when a reasonable estimate of the amount of the obligation can be made. The liability is measured at the best estimate of the expenditure required to settle the present obligation.

The corresponding cost is capitalized as part of the related asset and is amortized over the asset's useful life.

In subsequent years, the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows or the discount rate. The accretion of the liability as a result of the passage of time is charged to earnings while changes to the liability resulting from revisions to either the original estimate of the undiscounted cash flows or the discount rate are accounted for as an adjustment to the carrying amount of the related long-lived asset.

The Municipality continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Use of estimates

The preparation of consolidated financial statements in conformity with the PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Key components of the consolidated financial statements requiring management to make estimates include the provision for doubtful accounts in respect of accounts receivable, the useful lives of TCA, the evaluation of asset retirement obligation and the amount of certain accrued liabilities. Actual results could differ from these estimates.

3. Operations of the United Counties of Prescott and Russell and school boards

The amounts collected on behalf of the Counties of Prescott and Russell and school boards are comprised of the following:

	United Counties	School boards	Total
	$	$	$
2025			
Taxation	**4,883,919**	**2,968,123**	**7,852,042**
Grant in lieu of taxes	**82,276**	**2,149**	**84,425**
	4,966,195	**2,970,272**	**7,936,467**
2024			
Taxation	4,705,790	2,932,646	7,638,436
Grant in lieu of taxes	79,466	2,149	81,615
	4,785,256	2,934,795	7,720,051

4. Investments

	2025	2024
	$	$
Guaranteed investments which earn interest from 4.46% to 5.15% and maturing from April 2026 to August 2029	**1,739,889**	1,741,351
ONE Canadian Government Bond Portfolio	**-**	1,078,365
ONE Canadian Corporate Bond Portfolio	**-**	1,088,707
Hawkesbury Hydro Inc. 1,000 common shares representing 100.00% of the voting shares (Schedule 4)	**5,423,256**	4,978,088
	7,163,145	8,886,511

5. Deferred revenues

	2025	2024
	$	$
Federal gas tax	**1,649,713**	1,356,159
Grant received in advance	**938,636**	1,778,650
Rental contract	**43,932**	46,091
Performance bond	**218,104**	152,549
Dispatch services	**-**	96,677
Other	**11,819**	29,056
	2,862,204	3,459,182

The net change during the year in deferred revenues is made up as follows:

	2025	2024
Amount received	**1,954,027**	2,284,751
Deferred revenues recognized	**(2,496,191)**	(1,812,331)
Other changes	**(54,814)**	(26,247)
	(596,978)	446,173
Deferred revenues, beginning of year	**3,459,182**	3,013,009
Deferred revenues, end of year	**2,862,204**	3,459,182

6. Future employee benefits

The amount of future employee benefits shown on the consolidated statement of financial position represents $199,456 ($188,589 in 2024) of accumulated sick leave and $90,265 ($96,968 in 2024) of post-retirement benefits.

The sick leave benefits accumulate at a rate of 1.5 days per month to a maximum amount equivalent to 50% of an employee's yearly salary.

Accumulated sick leave benefits are payable when sick leaves are taken and are subject to payout when an employee leaves the Municipality's employment.

The Municipality offers post-retirement benefits to certain employees. These benefits include health, dental and life insurance benefits. These post-retirement benefits will be financed in the year that they will be paid.

7. Asset retirement obligation liability

The Municipality recorded an estimate of asset retirement obligation of $2,470,592 to remove and eliminate lead and asbestos in buildings and installations. The nature of the liability is linked to the materials containing lead and asbestos in multiple installations in the Municipality, which will have to be properly eliminated when the buildings are sold or when the restoration work is undertaken. The assumptions used to estimate the responsibility include various types of materials containing lead and asbestos in each of the buildings of the Municipality, as well as the labour standard that will be necessary to safely remove all the materials containing lead and asbestos. Furthermore, assumptions were made regarding the remaining useful life of the buildings of the Municipality that contain materials with lead and asbestos in order to estimate when the costs of rehabilitation would be incurred.

	2025	2024
	$	$
Opening balance	**2,412,741**	2,370,080
Accretion expense	**57,851**	42,661
	2,470,592	2,412,741

8. Debts

	2025	2024
	$	$
Debts incurred by the Municipality, 2.07% to 4.90%, maturing between 2026 and 2048	**13,068,822**	14,141,337
Temporary debts for construction, prime rate plus 0.00%, to be converted into debts at the end of the construction	**14,000,000**	7,500,000
	27,068,822	21,641,337

Of the debts reported above, principal payments for the next fiscal years are as follows:

	General taxation	User charges	Total
	$	$	$
2026	407,196	651,914	1,059,110
2027	389,674	508,830	898,504
2028	403,135	526,404	929,539
2029	417,086	544,585	961,671
2030	431,544	563,394	994,938
Thereafter	11,380,062	10,844,998	22,225,060
	13,428,697	13,640,125	27,068,822

The annual principal and interest payments required to service these debts are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

9. Additional information relating to the consolidated statement of cash flow

Non-cash transactions

During the year, TCA were acquired at an aggregate cost of $13,007,825 ($10,537,159 in 2024), of which an amount of $2,706,022 ($1,274,922 in 2024) was paid after year-end and an amount of $10,301,803 ($9,262,237 in 2024) was paid during the year.

10. Pension agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer plan, which as of December 31, 2025, was on behalf of 102 members of its staff (102 in 2024). The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to the OMERS for 2025 was $633,166 ($604,847 in 2024) for current services and is included as an expense in the consolidated statement of operations.

11. Contingencies

Legal actions

Legal actions are still pending against the Municipality by third parties. It is not possible at this time to determine the amount, if any, of any awards that may be made against the Municipality. Any amount awarded in excess of any applicable insurance proceeds as a result of these actions will be charged to operations in the year incurred. The Municipality has outside coverage for public liability claims up to $50,000,000.

Letter of guarantee

The Municipality endorsed a letter of guarantee in the amount of $399,528 in favour of the Independent Market Operator for Hawkesbury Hydro Inc.

Line of credit

The Municipality endorsed a line of credit of $1,000,000 for Hawkesbury Hydro Inc. As of December 31, 2025, the line of credit was unused.

Contaminated site

Based on Redevelopment Program proposed to the Ministry of Environment and Energy in 2015, the Boundary Control Treatment System has been decommissioned and applicable Risk Assessments completed, in order to facilitate purchase and redevelopment of the site by developers. Ongoing groundwater monitoring and reporting to the Ministry of Environment and Energy and updates to the Trigger Level Assessment Program are expected over the next three years, with contingency measures to be implemented as necessary. The estimated costs over the next three years are between $233,000 and $833,000.

12. Commitments

Contractual obligations

The Municipality has signed contracts for capital projects. Future payments aggregate to $997,000.

Vehicle leases

The Municipality signed operating leases for vehicles expiring between 2028 and 2030. Future payments over the next five years aggregate to $481,435.

Waste disposal and collection

The Municipality signed an agreement in 2025 for the waste collection and disposal from May 2025 to December 2028. The total estimated disbursements over the next three years are $3,174,000.

13. Budget amounts

The initial operating budget approved by the Municipality for 2025 is reflected in the consolidated statement of operations. The budget established for capital investments in TCA is on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual purchase amounts.

For the purposes of these consolidated financial statements, budget figures have been presented on a basis consistent with the presentation of actual figures.

Corporation of the Town of Hawkesbury
Consolidated tangible capital assets
For the year ended December 31, 2025

Schedule 1

	Land and land improvements	Buildings and facilities	ARO	Water-works and sewers	Roads and bridges	Machinery and equipment	Assets under construction	2025	2024
	$	$		$	$	$	$	$	$
Cost									
Beginning of year	6,930,846	87,197,392	2,370,080	39,221,622	28,910,133	16,489,545	15,347,681	196,467,299	186,069,687
Purchases	4,326	-	-	-	-	611,988	12,391,511	13,007,825	10,537,159
Sales	-	-	-	-	(52,208)	(252,542)	-	(304,750)	(139,547)
Transfer	374,592	8,854,736	-	1,512,992	658,971	59,195	(11,460,486)	-	-
End of year	7,309,764	96,052,128	2,370,080	40,734,614	29,516,896	16,908,186	16,278,706	209,170,374	196,467,299
Accumulated amortization									
Beginning of year	1,335,525	43,752,021	249,700	16,359,869	13,903,117	7,508,665	-	83,108,897	79,604,971
Amortization	18,917	1,440,983	123,725	665,209	698,109	759,328	-	3,706,271	3,643,473
Accumulated amortization on sales	-	-	-	-	(52,208)	(201,395)	-	(253,603)	(139,547)
End of year	1,354,442	45,193,004	373,425	17,025,078	14,549,018	8,066,598	-	86,561,565	83,108,897
Net book value	5,955,322	50,859,124	1,996,655	23,709,536	14,967,878	8,841,588	16,278,706	122,608,809	113,358,402

MNP

Corporation of the Town of Hawkesbury
Consolidated accumulated surplus
For the year ended December 31, 2025

Schedule 2

	2025	2024
	$	$
Reserves		
Purchase of tangible capital assets		
Sanitary sewers	**506,666**	606,666
Waterworks	**3,038,467**	2,935,272
Other	**1,488,705**	1,527,424
Replacement of equipment and vehicles	**1,160,639**	1,177,850
Other	**836,496**	815,496
Working capital	**2,071,287**	2,071,287
Waste site	**279,880**	179,880
Hawkesbury Community Industrial Strategic Planning Association	**195,634**	195,634
	9,577,774	9,509,509
Reserve funds		
Building permit	**-**	237,029
Purchase of tangible capital assets - library	**111,284**	106,890
	111,284	343,919
	9,689,058	9,853,428
Operating		
For (increase) decrease of taxation		
Library	**(38,073)**	24,214
General	**19,259**	479,192
	(18,814)	503,406
For decrease (increase) of user charges		
Waterworks	**643,351**	(22,572)
Sewers	**(49,241)**	(93,702)
Waste collection	**105,521**	32,549
For benefiting landowners related to special charges	**101,947**	110,160
Hawkesbury Community Industrial Strategic Planning Association	**1,193,400**	1,228,963
	1,976,164	1,758,804
Invested in tangible capital assets	**95,539,987**	91,717,066
Unfinanced tangible capital assets	**(2,777,143)**	(3,159,289)
Overfinanced tangible capital assets	**-**	1,263,640
Unfinanced future employee benefits	**(90,264)**	(96,968)
Unfinanced asset retirement obligation	**(2,470,592)**	(2,412,741)
Investments	**5,423,256**	4,978,088
	95,625,244	92,289,796
	107,290,466	103,902,028

Corporation of the Town of Hawkesbury

Consolidated statement of operations for the reserves and reserve funds

For the year ended December 31, 2025

Schedule 3

	2025 Budget	2025 Actual	2024 Actual
	$	$	$
Revenues			
Investments	-	2,394	2,932
Net transfers from operating	(878,792)	(166,764)	(158,030)
Changes in reserves and reserve funds	(878,792)	(164,370)	(155,098)
Reserves and reserve funds, beginning of year	9,853,428	9,853,428	10,008,526
Reserves and reserve funds, end of year	**8,974,636**	**9,689,058**	9,853,428

Corporation of the Town of Hawkesbury

Consolidated statement of operations for investments

For the year ended December 31, 2025

Schedule 4

	2025 Budget	2025 Actual	2024 Actual
	$	$	$
Revenues			
Hydro			
Equity earnings	-	529,635	123,287
Net transfer to operations			
Hydro -s dividend	(84,467)	(84,467)	(84,467)
Net change in investments	(84,467)	445,168	38,820
Investments, beginning of year	4,978,088	4,978,088	4,939,268
Investments, end of year (Note 4)	4,893,621	5,423,256	4,978,088

Corporation of the Town of Hawkesbury
Consolidated statement of expenses by object
For the year ended December 31, 2025

Schedule 5

	2025 Budget	2025 Actual	2024 Actual
	$	$	$
Salaries, wages and benefits	**10,267,746**	**10,022,878**	9,515,315
Interest	**700,040**	**429,728**	711,710
Materials	**5,194,698**	**5,477,840**	5,575,332
Contracted services	**6,074,912**	**6,639,857**	6,414,216
Rents and financial expenses	**566,200**	**681,085**	519,160
External transfers	**-**	**-**	(7,500)
Amortization of tangible capital assets	**-**	**3,706,271**	3,643,473
	22,803,596	**26,957,659**	26,371,706

MNP

Corporation of the Town of Hawkesbury

Statement of operations

Waterworks

For the year ended December 31, 2025

	2025 Budget	2025 Actual	2024 Actual
	$	$	$
Revenues			
Direct water billings	**2,391,032**	**2,294,755**	2,206,634
Water sale to other	**50,000**	**38,721**	41,877
Government of Canada	**-**	**-**	269,394
Province of Ontario	**300,000**	**224,102**	285,287
Other municipalities	**375,000**	**562,215**	812,179
Other	**15,500**	**26,119**	25,524
	3,131,532	**3,145,912**	3,640,895
Expenses			
Administration	**559,900**	**521,995**	592,828
Filtration plant	**883,800**	**904,676**	1,123,186
Pumping system	**56,900**	**65,945**	49,455
Water tower	**50,600**	**36,232**	41,514
Water transmission system	**411,000**	**287,316**	307,744
Interest on debt	**219,579**	**(252,491)**	200,004
Amortization of tangible capital assets	**-**	**684,096**	663,931
	2,181,779	**2,247,769**	2,978,662
Annual surplus	**949,753**	**898,143**	662,233
Accumulated surplus, beginning of year	**24,357,724**	**24,357,724**	23,695,491
Accumulated surplus, end of year	**25,307,477**	**25,255,867**	24,357,724
Consists of:			
Operating	**(22,572)**	**643,351**	(22,572)
Reserves	**2,653,272**	**3,038,467**	2,935,272
Invested in tangible capital assets	**22,243,661**	**23,012,347**	21,011,908
Unfinanced tangible capital assets	**-**	**(587,840)**	-
Overfinanced tangible capital assets	**1,263,641**	**-**	1,263,641
Unfinanced asset retirement obligation	**(830,525)**	**(850,458)**	(830,525)
	25,307,477	**25,255,867**	24,357,724

Corporation of the Town of Hawkesbury

Statement of operations

Sanitary sewers

For the year ended December 31, 2025

	2025 Budget	2025 Actual	2024 Actual
	$	$	$
Revenues			
Direct sewer billings	**2,968,507**	**2,842,830**	2,746,308
User fees	**25,000**	**19,400**	9,380
Province of Ontario	**400,000**	**212,102**	189,135
Development charges	**-**	**150,000**	-
	3,393,507	**3,224,332**	2,944,823
Expenses			
Electricity	**380,000**	**389,321**	358,985
Interdepartmental transfers	**68,700**	**68,700**	70,000
Sewage filtration plant	**876,200**	**932,648**	858,591
Interest on debt	**275,091**	**268,215**	290,067
Biosolid management	**156,000**	**148,760**	158,138
Amortization of tangible capital assets	**-**	**1,108,737**	1,103,524
Other	**303,100**	**307,023**	231,872
	2,059,091	**3,223,404**	3,071,177
Annual surplus (deficit)	**1,334,416**	**928**	(126,354)
Accumulated surplus, beginning of year	**33,068,880**	**33,068,880**	33,195,234
Accumulated surplus, end of year	**34,403,296**	**33,069,808**	33,068,880
Consists of:			
Operating	**(92,402)**	**(49,241)**	(93,702)
Reserves	**506,666**	**506,666**	606,666
Invested in tangible capital assets	**35,398,103**	**33,901,072**	33,964,987
Unfinanced tangible capital assets	**(175,000)**	**(25,000)**	(175,000)
Unfinanced asset retirement obligation	**(1,234,071)**	**(1,263,689)**	(1,234,071)
	34,403,296	**33,069,808**	33,068,880

MNP

Corporation of the Town of Hawkesbury
Statement of operations
Waste collection
For the year ended December 31, 2025

	2025 Budget	2025 Actual	2024 Actual
	$	$	$
Revenues			
Direct billings	**1,083,139**	**1,154,448**	1,147,634
User fees	**279,915**	**162,322**	280,953
Other municipalities	**51,640**	**51,639**	-
	1,414,694	**1,368,409**	1,428,587
Expenses			
Waste collection	**1,044,894**	**1,082,181**	952,498
Household hazardous waste collection	**110,000**	**82,208**	86,838
Interdepartmental transfers	**29,300**	**29,300**	10,200
Rolling bins	**17,500**	**-**	63,407
Other	**13,000**	**1,748**	19,038
	1,214,694	**1,195,437**	1,131,981
Annual surplus	**200,000**	**172,972**	296,606
Accumulated surplus (deficit), beginning of year	**212,429**	**212,429**	(84,177)
Accumulated surplus, end of year	**412,429**	**385,401**	212,429
Consists of:			
Operating	**132,549**	**105,521**	32,549
Reserves	**279,880**	**279,880**	179,880
	412,429	**385,401**	212,429