CORPORATION OF THE TOWN OF HEARST

INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

CORPORATION OF THE TOWN OF HEARST

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

Council and Officials	1
Management's Report	2
Independent Auditor's Report	3 - 5
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	6
Consolidated Statement of Operations and Accumulated Surplus	7
Consolidated Statement of Changes in Net Assets	8
Consolidated Statement of Cash Flows	9
Notes to Consolidated Financial Statements	10 - 35
Schedule of Tangible Capital Assets	36
Segmented Information	37 - 38
Analysis of Revenues	39 - 42
Analysis of Expenses	43 - 50
Independent Auditor’s Report on Trust Funds	51-53
Trust Funds - Statement of Continuity of Funds and Statement of Financial Position	54
Trust Funds - Notes to Financial Statements	55

CORPORATION OF THE TOWN OF HEARST

COUNCIL AND OFFICIALS

DECEMBER 31, 2025

MUNICIPAL COUNCIL

Mayor	Roger Sigouin
Councillors	Josée Vachon
	Gaëtan Baillargeon
	Daniel Lemaire
	Yan Drolet
	Martin Lanoix
	Joël Lauzon

MUNICIPAL OFFICIALS

Chief Administrative Officer	Éric Picard
Clerk / Division Registrar	Annie Lemieux
Director of Airport Services	Marc-Olivier Gauthier
Director of By-Law Department	Myriam Bastarache
Director of Economic Development	Mireille Morrissette
Director of Human Resources	Jean-Michel Vachon
Director of Parks and Recreation	Kenny Morin
Director of Planning / Chief Building Official	Kory Hautcoeur
Director of Public Works and Engineering	Luc Léonard
Director of Social Services	Brigitte Bouffard
Fire Chief	Jean-Michel Chabot
Treasurer	Mireille Lemieux

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of the Corporation of the Town of Hearst are the responsibility of the management and have been prepared in compliance with legislation and in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in the notes to the financial statements. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's judgments, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

The Council meets with management to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval.

The consolidated financial statements have been audited by Baker Tilly HKC, independent external auditors appointed by the Council. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

_____

Éric Picard, Chief Administrative Officer
Hearst, Ontario
September 22, 2026

Baker Tilly HKC
1021 George Street, PO Box 637
Hearst, ON
Canada P0L 1N0

T: 705.362.4261
F: 705.362.4641

hearst@bakertilly.ca
www.bakertilly.ca

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the Town of Hearst

Opinion

We have audited the consolidated financial statements of the Corporation of The Town of Hearst (the "Corporation"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations and accumulated surplus, changes in net assets 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 Corporation as at December 31, 2025, and results of its consolidated statements of operations and accumulated surplus, change in net assets 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 Corporation 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.

Baker Tilly HKC is a member of Baker Tilly Canada Cooperative, which is a member of the global network of Baker Tilly International Limited. All members of Baker Tilly Canada Cooperative and Baker Tilly International Limited are separate and independent legal entities.

INDEPENDENT AUDITOR'S REPORT, (CONT'D)

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

Those charged with governance are responsible for overseeing the Corporation'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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation'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 Corporation 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.

INDEPENDENT AUDITOR'S REPORT, (CONT'D)

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

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

Baker Tilly HKC

Chartered Professional Accountants
Licenced Public Accountants
September 22, 2026

CORPORATION OF THE TOWN OF HEARST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2025

	2025	2024
FINANCIAL ASSETS		
Cash and cash equivalents (Note 5)	$ 21,290,286	$ 16,404,597
Accounts receivable (Note 6)	2,138,911	3,886,950
Taxes receivable	164,040	228,350
Long-term receivables (Note 7)	4,316,439	4,463,311
Investment in government business enterprises (Note 8)	5,730,811	5,390,483
	33,640,487	30,373,691
LIABILITIES		
Accounts payable and accrued liabilities	6,197,244	4,376,503
Deferred revenue - obligatory reserve funds (Note 10)	558,691	1,632,085
Asset retirement obligations (Note 11)	7,800,490	7,494,251
Long-term debt (Note 12)	5,502,551	5,917,811
	20,058,976	19,420,650
NET ASSETS	13,581,511	10,953,041
NON-FINANCIAL ASSETS		
Inventories of supplies	375,987	325,599
Prepaid expenses	600,540	569,152
Tangible capital assets (Note 13)	58,818,150	58,955,255
Intangible assets (Note 14)	751,465	751,465
	60,546,142	60,601,471
ACCUMULATED SURPLUS (Note 15)	$ 74,127,653	$ 71,554,512

CONTINGENCIES (Note 18)

COMMITMENTS (Notes 8 & 19)

Approved on behalf of the Council

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

CORPORATION OF THE TOWN OF HEARST

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

YEAR ENDED DECEMBER 31, 2025

	2025 Budget (Note 24)	2025 Actual	2024 Actual
REVENUES			
Taxation	$ 8,328,591	$ 8,368,360	$ 8,031,878
Governement transfers - operations	11,163,127	11,625,892	9,636,964
Fees and service charges	7,434,190	7,418,234	6,815,033
Government business enterprises - income from operations (Note 8)	-	340,328	574,371
Other revenues	2,620,680	3,383,372	2,867,962
	29,546,588	31,136,186	27,926,208
EXPENSES			
General government services	2,368,400	2,290,189	1,977,773
Protection services	1,764,600	1,620,237	1,654,449
Transportation services	4,553,400	5,878,792	5,268,197
Environmental services	3,118,100	3,286,979	3,374,110
Health services	878,300	910,207	751,049
Social and family services	12,424,038	12,701,120	11,085,498
Recreation and cultural services	2,157,700	2,550,560	2,462,861
Planning and development services	588,550	608,296	724,231
	27,853,088	29,846,380	27,298,168
EXCESS OF REVENUES OVER EXPENSES	1,693,500	1,289,806	628,040
GOVERNMENT TRANSFERS - CAPITAL	1,342,100	1,283,335	2,020,837
LOCAL IMPROVEMENT AND OTHER - CAPITAL	41,000	-	170,000
ANNUAL SURPLUS	$ 3,076,600	2,573,141	2,818,877
ACCUMULATED SURPLUS, BEGINNING OF YEAR		$ 71,554,512	$ 68,735,635
ACCUMULATED SURPLUS, END OF YEAR (Note 15)		$ 74,127,653	$ 71,554,512

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

CORPORATION OF THE TOWN OF HEARST

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

DECEMBER 31, 2025

	2025 Budget (Note 24)	2025 Actual	2024 Actual
ANNUAL SURPLUS	$ 3,076,600	$ 2,573,141	$ 2,818,877
TANGIBLE CAPITAL ASSETS ACTIVITIES			
Acquisition of tangible capital assets	-	(3,440,456)	(7,469,130)
Amortization of tangible capital assets	1,099,700	3,542,994	3,427,056
Loss (gain) on disposal of tangible capital assets	-	4,021	(22,986)
Proceed on disposition of tangible capital assets	-	30,546	22,986
	1,099,700	137,105	(4,042,074)
NON-FINANCIAL ASSETS ACTIVITIES			
Change in inventories of supplies	-	(50,388)	54,850
Change in prepaid expenses	-	(31,388)	(348,958)
	-	(81,776)	(294,108)
INCREASE (DECREASE) IN NET ASSETS	4,176,300	2,628,470	(1,517,305)
NET ASSETS, BEGINNING OF YEAR	-	10,953,041	12,470,346
NET ASSETS, END OF YEAR	$ 4,176,300	$ 13,581,511	$ 10,953,041

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

CORPORATION OF THE TOWN OF HEARST

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2025

	2025	2024
OPERATING ACTIVITIES		
Annual surplus	$ 2,573,141	$ 2,818,877
Items non affecting cash:		
Accretion expense	306,239	301,894
Amortization of tangible capital assets	3,542,994	3,427,056
Loss (gain) on disposal of tangible capital assets	4,021	(22,986)
Government business enterprises - income from operations	(340,328)	(574,371)
Changes in:		
Accounts receivable	1,748,039	617,321
Taxes receivable	64,311	43,994
Accounts payable and accrued liabilities	1,820,740	(595,734)
Deferred revenue - obligatory reserve funds	(1,073,394)	113,771
Inventories of supplies	(50,388)	54,850
Prepaid expenses	(31,388)	(348,958)
	8,563,987	5,835,714
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(3,440,456)	(7,469,130)
Proceed on disposal of tangible capital assets	30,546	22,986
	(3,409,910)	(7,446,144)
INVESTING ACTIVITIES		
Proceeds from disposal of investments	-	1,403,667
Repayment of long-term receivables	146,872	418,497
	146,872	1,822,164
FINANCING ACTIVITIES		
Proceeds from long-term debt	-	5,000,000
Principal payments on long-term debt	(415,260)	(3,816,253)
	(415,260)	1,183,747
INCREASE IN CASH POSITION	4,885,689	1,395,481
CASH POSITION, BEGINNING OF YEAR	16,404,597	15,009,116
CASH POSITION, END OF YEAR (Note 5)	$ 21,290,286	$ 16,404,597

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

CORPORATION OF THE TOWN OF HEARST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

1. NATURE OF OPERATIONS

The Corporation is responsible for the following services within city limits:

(a) Protection to persons and property, including Police, Conservation Authorities, Emergency Planning, Fire Co-Ordination and 911 emergency telephone services.
(b) Transportation Services, including all Roadways and Traffic Control.
(c) Environmental Services, including the Water Supply System, Sanitary Sewer System, Storm Sewer System and Solid Waste Management.
(d) Health Services, including Public Health Services and Inspections.
(e) Social and Family Services, including Ontario Works, Services for Seniors, and Children's Services.
(f) Social Housing Services, including provision of subsidized housing, rent supplement programs and homeless shelters.
(g) Planning including official plan administration.
(h) Development and promotion.
(i) Administration, prosecution and collection of fines under the *Provincial Offences Act* (POA).

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation are the representation of management and except that these are not consolidated as noted below, they have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS), as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Corporation are as follows:

REPORTING ENTITIES

Consolidation

These consolidated statements reflect the financial assets, liabilities, revenues and expenses of the Corporation and include the activities of all committees of the Council and the following boards, municipal enterprises and utilities which are under the control of the Council:

Public Library Board
Hearst Central Business District Improvement Area Board
Hearst Development Corporation
Defined Parking Area Fund
Town of Hearst Non-Profit Housing Corporation
Foyer Hearst - Mattice Soins de Santé

All interfund assets, liabilities, revenues and expenses have been eliminated.

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

REPORTING ENTITIES, (CONT'D)

Non-consolidated entities

The following entities are not consolidated:

District of Cochrane Social Services Administration Board (Joint local board)
Porcupine Health Unit (Joint local board)
Hearst Power Distribution Company Limited (Government business enterprise)
Hearst Power Sales and Service Company Limited (Government business enterprise)
Hearst Connect Corporation (Government business enterprise)

Government business enterprises are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprises' accounting principles are not adjusted to conform with those of the municipal, and inter-organizational transactions and balances are not eliminated.

Accounting for school board transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the accumulated surplus of these consolidated financial statements.

Trust funds

Trust funds and their related operations administered by the Corporation are not consolidated but are reported on the statement of continuity of funds and statement of financial position (page 54).

ACCRUAL BASIS OF ACCOUNTING

Revenues and expenses are reported on the accrual basis of accounting which recognizes revenues as they become available and measurable. Revenues from taxation, grants and all other sources are recognized when the amount is fixed or reasonably determinable and collectability is reasonably assured. 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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and in financial institutions and short-term guaranteed investment certificates.

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

LONG-TERM RECEIVABLES

Long-term receivables are recorded at cost. Valuation of the receivables are assessed annually by management. Any write-down would be recorded in the period in which the change in value occurred.

INVESTMENTS

Investments are recorded at amortized cost less any amounts written off to reflect a permanent decline in value. Investments consist of a corporate bonds mutual fund.

Investment income is reported as revenue in the period earned. Investment income earned on trust funds that are set aside for specific purposes by legislation, regulation or agreement, is added to the fund balance and forms part of the respective deferred revenue balances.

DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

Grants, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain projects or the completion of specific work. In addition, certain fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred or the services are performed.

A requirement of Canadian Public Sector Accounting Standards is that the obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation and other agreements restrict how these funds be used and under certain circumstances these funds may be refunded.

PENSION PLANS

Substantially all of the employees of the Corporation are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit, final average earnings, contributory pension plan. Defined contribution plan accounting is applied to OMERS, whereby contributions are expensed when due, as the Corporation has insufficient information to apply defined benefit accounting.

The Foyer Hearst-Mattice Soins de Santé accounts for its participation in the Nursing Home and Related Industries Pension Plan, a multi-employer pension plan, as a defined contribution plan.

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

ASSET RETIREMENT OBLIGATIONS

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

The liability associated with an asset retirement obligation is measured with reference to the best estimate of the amount required to ultimately remediate the liability at the consolidated financial statements date to the extent that all recognition criteria are met. Asset retirement obligations are only recognized when there is a legal obligation for the Corporation to incur costs in relation to a specific tangible capital asset, when the past transaction or event causing the liability had already occurred, when economic benefits will need to be given up in order to remediate the liability and when a reasonable estimate of such amount can be made. The best estimate of the liability includes all costs directly attributable to the remediation of the asset retirement obligations, based on the most reliable information that is available as at the applicable reporting date. Where cast flows are expected over future periods, the liability is recognized using a present value technique.

When a liability for an asset retirement obligation is initially recognized, a corresponding adjustment to the related tangible capital asset is also recognized. Through the passage of time in subsequent reporting periods, the carrying value of the liability is adjusted to reflect accretion expenses incurred in the current period. This expense ensures that the time value of money is considered when recognizing outstanding liabilities at each reporting date. The capitalized asset retirement cost within tangible capital assets is also simultaneously depreciated on the same basis as the underlying asset to which it relates.

At remediation, the Corporation derecognizes the liability that was established. In some circumstances, gains or losses may be incurred upon settlements related to the ongoing measurement of the liability and corresponding estimates that were made and are recognized in the consolidated statement of operations and accumulated surplus.

ACCUMULATED SURPLUS

Certain amounts of surpluses, as approved by the Council, are set aside in reserves for future operations and capital purposes. Transfers to and/or from reserves are recorded as an adjustment to the respective reserve when approved.

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

NON-FINANCIAL ASSETS

Non-financial assets are not available to discharge existing liabilities and are held for the provision of services. They may be consumed in the normal course of operations, and have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year combined with the annual surplus (deficit) provides the change in net financial assets (debt) for the year.

Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost with cost being determined by the average cost method.

Prepaid expenses

Prepaid expenses represent amounts paid in advance for a good or service not yet received. The expense is recognized once the goods have been received or the services have been performed.

Tangible capital assets

Under Canadian Public Sector Accounting Standards guidelines, tangible capital assets are recorded at historical cost which includes all amounts that are directly attributable to acquisition, construction, development or settlement of the asset and amortized over their estimated useful life. Tangible capital assets are defined as non-financial assets with an estimated useful life greater than one year, held for use in the production or supply of goods and services, not held for resale, in continuous use, and valued in excess of an established financial threshold. The cost, less residual value, if any, of the tangible capital assets is amortized on a straight-line basis, over the expected useful life of the assets, as follows:

GENERAL	
Land improvements	20 to 40 years
Buildings	20 to 40 years
Vehicles, machinery and equipment	10 to 20 years
Furniture and fixtures	5 to 10 years
Computers	5 years
INFRASTRUCTURE	
Roads	20 to 40 years
Water and sewer system	50 years

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

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

NON-FINANCIAL ASSETS, (CONT'D)

Contribution of tangible capital assets

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

Intangible assets

Intangible assets are recorded at amortized cost. This cost is no longer being amortized as these intangible assets are determined to have an indefinite useful life.

Impairment of an intangible asset is recognized, in an amount equal to the difference between the carrying value and the fair value of the related intangible asset. The Corporation utilizes a direct valuation approach in determining the fair value of intangible assets.

REVENUE RECOGNITION

Taxation revenue

Property tax billings are prepared by the Corporation based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC) and in accordance with the provisions of the Municipal Act 2001. The Municipal Council establishes the tax rates annually and incorporate amounts to be raised for local services and on behalf of the School Boards in respect of education taxes. 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 assessments can also be issued by MPAC in accordance with the Assessment Act. These adjustments and additional assessments are processed by the Corporation upon receipt and recognized in the fiscal year they are determined. All property taxes are secured by the land and pose minimum collection risk.

Government transfers

Government transfer revenues are transfers from senior levels of government that are not the result of an exchange transaction and are not expected to be repaid in the future. Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized. All other transfers are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that any stipulations give rise to an obligation that meets the definition of a liability for the Corporation. The Corporation also provides transfers to individuals or organizations. These transfers are recognized as expenses once they are authorized and eligibility criteria, if any, are met.

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

REVENUE RECOGNITION, (CONT'D)

User charges

User charges relate to various programs, and fees imposed on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

Other revenues

Other revenues such as fines and penalties and others are recognized in the year that the events giving rise to the revenues occur and the revenues are earned.

FINANCIAL INSTRUMENTS

The Corporation records its financial instruments at either fair value or amortized cost.

Financial instruments classified at amortized cost includes cash and cash equivalents, accounts receivable, taxes receivable, long-term receivables, accounts payable and accrued liabilities and long-term debt. They are initially recorded at their fair value and subsequently carried at amortized cost using the effective interest rate method, less impairment. Transaction costs are added to the carrying value of the instrument.

MEASUREMENT UNCERTAINTY

Certain items recognized in the consolidated financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Corporation's best information and judgment.

The amounts recorded for asset retirement obligations are based on the estimated amount required to ultimately remediate the liability and depend on estimates of usage, remaining life, inflation rates and discount rates.

The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates.

By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

CORPORATION OF THE TOWN OF HEARST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

3. OPERATIONS OF SCHOOL BOARDS

Further to Note 2, the taxation, other revenues and expenses relating to the school boards are comprised of the following:

	Public	Separate	2025	2024
Revenues raised and transferred to boards:				
Regular tax levy	$ 650,371	$ 715,885	$ 1,366,256	$ 1,357,595
Write-offs and adjustments	(4,780)	(4,863)	(9,643)	(2,535)
	$ 645,591	$ 711,022	$ 1,356,613	$ 1,355,060

4. CONTRIBUTIONS TO NON-CONSOLIDATED ENTITIES

The following contributions were made by the Corporation to these non-consolidated boards:

	2025 Budget (Note 24)	2025 Actual	2024 Actual
District of Cochrane Social Services Administration Board	$ 1,133,900	$ 1,133,815	$ 1,046,707
Porcupine Health Unit	239,500	239,455	217,692
	$ 1,373,400	$ 1,373,270	$ 1,264,399

The Corporation is contingently liable for its share of any accumulated deficits for these boards.

5. CASH AND CASH EQUIVALENTS

	2025	2024
Cash	$ 20,559,516	$ 15,743,481
Short-term investments	730,770	661,116
	$ 21,290,286	$ 16,404,597

CORPORATION OF THE TOWN OF HEARST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

6. ACCOUNTS RECEIVABLE

	2025	2024
Government of Canada	$ 412,081	$ 1,225,902
Province of Ontario	323,859	1,177,543
Other	1,402,971	1,483,505
	$ 2,138,911	$ 3,886,950

7. LONG-TERM RECEIVABLES

	2025	2024
Due from medical students, no interest, to be repaid at the discretion of the individuals over a course of 5 years, prime + 2 % interest applicable to any unpaid balance at the end of the 5 year term	$ 123,439	$ 46,355
Receivable from Hearst Power Distribution Company Limited/Corporation de distribution électrique de Hearst, a wholly owned government business enterprise, interest receivable yearly at prime - 1%, principal to be repaid at the discretion of the debtor	700,000	700,000
Receivable from Hearst Power Sales and Services Company Limited/Corporation de services et ventes d'énergie de Hearst, a wholly owned government business enterprise, interest receivable quarterly at prime - 1%, principal to be repaid at the discretion of the debtor	100,000	100,000
Receivable from Hearst Connect Corporation/La Corporation Hearst Connect, a wholly owned government business enterprise, interest receivable yearly at 4.5%, principal to be repaid at the discretion of the debtor	500,000	500,000
Receivable from Hearst Connect Corporation/La Corporation Hearst Connect, a wholly owned government business enterprise, repayable in yearly principal payments of $200,000, interest at 6%, due in 2029	2,800,000	3,000,000
Local Improvement loans, due from property owners, interest at prime, to be repaid over 10 years, can be repaid in full anytime, due in 2030, 2032 and 2033	93,000	116,956
	$ 4,316,439	$ 4,463,311

8. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES

The government business enterprises are:

Hearst Power Distribution Company Limited/Corporation de distribution électrique de Hearst (HPDC)

Hearst Power Distribution Company Limited is the incorporation of the former Hearst Public Utilities Commission following the deregulation of the utilities market in 2001-2002. All of the operating assets and liabilities of the Hearst Public Utilities Commission were transferred to HPDC in exchange for 10,000 common shares of HPDC with a book value of $10,000. The Corporation of the Town of Hearst is the sole shareholder.

Hearst Power Sales and Services Company Limited/Corporation de services et ventes d'énergie de Hearst (HPSS)

The Corporation owns all 10,000 common issued and outstanding shares of HPSS with a book value of $1, a corporation created at the same time as HPDC for the sale of energy.

Hearst Connect Corporation /La Corporation Hearst Connect (Hearst Connect)

The Corporation owns all 100 common issued and outstanding shares of Hearst Connect with a book value of $10, a corporation created for the sale of telecommunication services.

Continuity of the book value of government business enterprises:

	2025	2024
Investment in government business enterprises		
Balance, beginning of year	$ 5,390,483	$ 4,816,112
Income from operations (HPDC)	90,742	164,016
Income (loss) from operations (HPSS)	4,021	(5,002)
Income from operations (Hearst Connect)	245,565	415,357
Balance, end of year	$ 5,730,811	$ 5,390,483

8. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES, (CONT'D)

CONDENSED FINANCIAL RESULTS - HPDC

Financial Position as at December 31	**2025**	**2024**
Assets		
Current	$ 5,254,364	$ 5,510,321
Capital	2,761,799	2,531,061
Other	113,496	113,085
Liabilities		
Current	(3,953,350)	(4,068,900)
Net Equity	$ 4,176,309	$ 4,085,567

Results of operations for the year ending December 31	**2025**	**2024**
Revenues	$ 10,935,346	$ 10,363,437
Expenses	(10,844,604)	(10,199,421)
Net income	$ 90,742	$ 164,016

Related party transactions between the Corporation and HPDC are as follows:

	2025	**2024**
Revenues		
Advertising	$ 1,000	$ 1,177
Clerical and answering services	74,138	73,281
Gasoline	7,660	9,906
Insurance	14,815	14,543
Interest on long-term debt	27,373	40,216
Miscellaneous	1,962	931
Office supplies	649	653
Property taxes	8,498	8,269
Rent	16,993	16,691
Repair and maintenance	4,359	7,915
	$ 157,447	$ 173,582
Expenses		
Service (utilities)	$ 1,123,333	$ 996,374

8. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES, (CONT'D)

Year-end balances are as follows:

	2025	2024
Due from Hearst Power Distribution Company Limited	$ 616,797	$ 874,264
Long-term receivable	$ 700,000	$ 700,000
Due to Hearst Power Distribution Company Limited	$ (21,733)	$ (29,780)

These transactions are in the normal course of operations and are measured at the exchange amount received or paid on similar terms as those of unrelated parties.

Commitments

HPDC has two services agreements for which it will have to pay the following amount over the next year:

2026	$ 133,234

Subsequent event

Subsequent to year-end, HPDC signed an agreement to acquire equipment at a cost of $383,175.

CONDENSED FINANCIAL RESULTS - HPSS

Financial Position as at December 31	2025	2024
Assets		
Current	$ 268,870	$ 188,511
Capital	548,071	631,842
Liabilities		
Current	(148,988)	(156,421)
Net Equity	$ 667,953	$ 663,932

Results of operations for the year ending December 31	2025	2024
Revenues	$ 172,712	$ 160,605
Expenses	(168,691)	(165,607)
Net income (loss)	$ 4,021	$ (5,002)

Related party transactions between the Corporation and HPSS are as follows:

	2025	2024
Interest revenue	$ 3,910	$ 15,745

8. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES, (CONT'D)

Year-end balances are as follows:

	2025	2024
Due from Hearst Power Sales and Services Company Limited	$ 25,726	$ 51,274
Long-term receivable	$ 100,000	$ 100,000

These transactions are in the normal course of operations and are measured at the exchange amount received or paid on similar terms as those of unrelated parties.

CONDENSED FINANCIAL RESULTS - HEARST CONNECT

Financial Position as at December 31	2025	2024
Assets		
Current	$ 2,590,527	$ 2,019,904
Capital	5,028,300	3,531,497
Other	152,148	189,007
Liabilities		
Current	(6,884,425)	(5,099,423)
Net Equity	$ 886,550	$ 640,985

Results of operations for the year ending December 31	2025	2024
Revenues	$ 3,115,677	$ 2,929,578
Expenses	(2,870,112)	(2,514,221)
Net income	$ 245,565	$ 415,357

Related party transactions between the Corporation and Hearst Connect are as follows:

	2025	2024
Revenues		
Clerical	$ 6,749	$ 6,617
Insurance	9,535	6,615
Interest	200,500	192,803
Miscellaneous	908	3,529
Property taxes	1,310	1,273
Rent	14,630	13,756
	$ 233,632	$ 224,593

8. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES, (CONT'D)

Expenses		
Service (internet)	$ 14,900	$ 16,873

Year-end balances are as follows:

	2025	2024
Due from Hearst Connect Corporation	$ 376,687	$ 113,751
Long-term receivables	$ 3,300,000	$ 3,500,000

These transactions are in the normal courses of operations and are measured at the exchange amount received or paid on similar terms as those of unrelated parties.

Commitments

Hearst Connect has currently committed to various signed agreements for which it will have to pay the following amounts over the next five years:

2026	$ 559,763
2027	533,177
2028	531,379
2029	531,379
2030	268,500
	$ 2,424,198

9. BANK INDEBTEDNESS

The Corporation has an authorized line of credit of $2,000,000 bearing interest at prime and secured by a general assignment of the Corporation’s assets.

The Foyer Hearst-Mattice Soins de Santé has an authorized line of credit of $200,000 bearing interest at prime and secured by a general security agreement.

CORPORATION OF THE TOWN OF HEARST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

10. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

Revenues received that should be used in the next year and have been set aside for specific purposes by legislation, regulation or agreement, are included in deferred revenue and reported on the consolidated statement of financial position. These revenues may only be used in the conduct of certain programs or in the completion of specific work.

Details of these deferred revenue and obligatory reserve funds amounts are as follows:

	Beginning balance	Received	Utilized	Ending balance
DEFERRED REVENUE				
Aged persons	$ 1,059,127	$ 1,452,033	$ 2,169,041	$ 342,119
Bicycle paths	15,507	-	-	15,507
Economic Development	16,662	-	-	16,662
Ministry of Municipal Affairs and Housing	39	-	-	39
MTO	14,152	-	-	14,152
Other	106,939	55,617	55,394	107,162
Planning Board	5,205	-	-	5,205
	1,217,631	1,507,650	2,224,435	500,846
OBLIGATORY RESERVE FUNDS				
Derelict motor vehicle	44,976	1,554	-	46,530
Canada Community-Building Fund	161,644	317,621	475,652	3,613
Ontario Community Infrastructure Fund	207,834	384,368	584,500	7,702
	414,454	703,543	1,060,152	57,845
	$ 1,632,085	$ 2,211,193	$ 3,284,587	$ 558,691

11. ASSET RETIREMENT OBLIGATIONS

	2025	2024
Balance, beginning of year	$ 7,494,251	$ 7,192,357
Accretion expense	306,239	301,894
Balance, end of year	$ 7,800,490	$ 7,494,251

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

	2025	2024
Landfill	$ 6,304,263	$ 6,056,151
Hazardous building materials	1,496,227	1,438,100
	$ 7,800,490	$ 7,494,251

Landfill

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

The main components of the landfill closure plan are final capping using selected specific layers of earthen materials based on an engineered cap design and implementation of a drainage management plan. The post-closure maintenance requirements will involve cap maintenance, groundwater monitoring, inspections and annual reports.

The reported liability is based on estimates and assumptions with respect to events extending over the estimated remaining useful life using the best information available to management. Future events may result in significant changes to the estimated total expense, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable. The most recent capacity study for the landfill site was performed in a report dated June 21, 2024.

Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities discounted using a discount rate of 2.33% and an inflation rate of 4.53%. The remaining life of the landfill is estimated at 24 years and the period for post-closure care activites is estimated to be 25 years.

12. LONG-TERM DEBT

	2025	2024
INVESTED IN TANGIBLE CAPITAL ASSETS		
TRANSPORTATION SERVICES		
St-Laurent, Pearson Drive and Flood Place local improvement loan, payable to Caisse populaire Alliance Limitée, yearly principal payments of $9,131 plus interest at 0.25% under prime, secured by a general assignment of the Corporation's properties, due in 2033	$ 62,367	$ 76,633
West street local improvement loan, payable to Caisse populaire Alliance Limitée, yearly interest and principal payments of $5,802 at 0.25% under prime, secured by a general assignment of the Corporation's properties, due in 2031	19,855	28,024
Various mortgages with Canada Mortgage and Housing Corporation and Caisse populaire Alliance Limitée, 0.67% to 2.39%, monthly blended interest and principal payments of $7,805 guaranteed by land and buildings located in the Town of Hearst, with a net book value of $90,517 due in 2025 and 2026	29,144	90,517
Caisse populaire Alliance Limitée loan, 4.98%, monthly blended interest and principal payments of $8,798, secured by a general security agreement of Foyer Hearst-Mattice Soins de Santé, due in 2028	502,143	722,637
SOCIAL AND FAMILY SERVICES		
Ontario Infrastructure and Lands Corporation debenture, repayable in semi-annual blended payments of $168,107, interest at 4.53%, secured by a general assignment of the Corporation's properties, due in 2049	4,889,042	5,000,000
	$ 5,502,551	$ 5,917,811

The Corporation and its subsidiaries are in compliance with all covenants related to these loans and mortgages.

CORPORATION OF THE TOWN OF HEARST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

12. LONG-TERM DEBT, (CONT'D)

The long-term liabilities to be recovered from general rate payers and sponsors within the next five years are as follows:

2026	$ 224,076
2027	233,829
2028	239,147
2029	242,085
2030	248,597
Subsequent years	4,314,817
	$ 5,502,551

During the year, the Corporation paid the following long-term debt charges:

	Principal	Interest	2025 Total	2024 Total
General Governement	$ -	$ -	$ -	$ 3,548,093
Transportation Services				
Roadways	22,435	4,479	26,914	25,905
Social and Family Services				
Assistance to Aged Person	331,451	261,308	592,759	426,041
Social Housing	61,373	1,459	62,832	93,060
	$ 415,259	$ 267,246	$ 682,505	$ 4,093,099

The long-term liabilities issued in the name of the Corporation have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayments limit presented by the Ministry of Municipal Affairs and Housing.

CORPORATION OF THE TOWN OF HEARST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

13. TANGIBLE CAPITAL ASSETS

	2025	2024
General		
Land and vacant land	$ 1,361,298	$ 1,336,298
Land improvements	1,015,104	1,112,623
Buildings	28,168,696	28,635,097
Vehicles, machinery and equipment	3,935,013	2,814,504
Furniture and fixtures	186,827	243,633
Computers	12,862	23,439
Infrastructure		
Roads	12,848,098	13,001,516
Water	4,015,270	4,175,810
Storm sewer system	4,440,784	4,635,626
Sanitary sewer system	2,834,198	2,976,709
	$ 58,818,150	$ 58,955,255

During the year, $533,218 of tangible capital assets were written down or disposed (2024 - $600,581).

The distribution by segment is as follows:

	2025	2024
General government	$ 655,326	$ 146,960
Protection to persons and property	286,469	337,113
Transportation services	18,149,239	17,060,690
Environmental services	14,279,854	14,986,761
Health services	297,869	300,045
Recreation and cultural services	10,724,997	11,161,557
Social and family services	11,920,565	12,341,779
Planning and development services	2,503,831	2,620,350
	$ 58,818,150	$ 58,955,255

14. INTANGIBLE ASSETS

	2025	2024
Long-term care home licence and acquisition costs	$ 1,106,448	$ 1,106,448
Accumulated amortization	(354,983)	(354,983)
	$ 751,465	$ 751,465

CORPORATION OF THE TOWN OF HEARST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

15. ACCUMULATED SURPLUS

Accumulated surplus consist of the following:

	2025	2024
SPECIFIC PROJECT ALLOCATION		
Administration	$ 107,361	$ 102,361
Airport infrastructure	313,515	313,515
Cemeteries	8,883	8,883
Child Care Centre	224,015	69,616
Elderly services	269,738	416,905
Electrical	1,625,218	1,625,218
Fire	384,300	276,000
General	2,918,464	2,552,268
Health services	329,982	326,482
Parks and recreation	(4,045,111)	(4,495,058)
Planning and Economic Development	125,791	125,791
Recycling	111,607	111,607
Sanitary sewers	157,855	157,855
Social Housing	1,160,921	1,036,001
Snowmobile	6,354	6,354
Waste management	654,707	558,375
Waterworks	107,515	107,515
	4,461,115	3,299,688
INVESTED IN INTANGIBLE ASSETS	751,465	751,465
INVESTED IN TANGIBLE CAPITAL ASSETS		
Tangible capital assets - net book value	58,818,150	58,955,255
Long-term debt (Note 12)	(5,502,551)	(5,917,811)
Local improvement receivable	73,178	116,956
Asset retirement obligations	(7,800,490)	(7,494,251)
	45,588,287	45,660,149
INVESTED IN GOVERNMENT BUSINESS ENTERPRISES	5,730,811	5,390,483
GENERAL SURPLUS	17,595,975	16,452,727
	$ 74,127,653	$ 71,554,512

CORPORATION OF THE TOWN OF HEARST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

16. TRUST FUNDS

Trust funds administered by the Corporation amounting to $890,087 (2024 - $853,505) 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.

17. PENSION AGREEMENTS

Consolitated entities excluding Foyer Hearst-Mattice Soins de Santé

The Corporation makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan. 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. Employers and employees contribute jointly to the plan. OMERS provides pension services to more than 450,000 active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2025. The results of this valuation disclosed a total accrued pension obligation of $149,575 million (2024 - $140,766 million) in respect of benefits with net assets available for benefits at that date of $148,253 million (2024 - $137,853 million) indicating an actuarial deficit of $1,322 million (2024 - $2,913 million). The primary plan's funded ratio of assets to pension obligation was 99% (2024 - 98%). 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 Corporation does not recognize any share of the OMERS pension surplus or deficit.

Contributions made by the Corporation to OMERS in 2025 were $467,281 (2024 - $447,648). Employer contributions are included as an expense on the Consolidated Statement of Operations.

Foyer Hearst-Mattice Soins de Santé

All employees of the organization are eligible to be members of the Nursing Home and Related Industries Pension Plan. This specified Ontario multi-employer pension plan is a national plan registered with the Financial Services Commission of Ontario under the Pension Benefit Act, 1990 and controlled by the trustees.

17. PENSION AGREEMENTS (CONT'D)

The plan provides defined pension benefits to employees based on their rates of pay. Employee contribution rate is at 4% of earnings. The organization's contributions equal the employee contributions to the plan. During the year, the organization contributed $147,121 to the plan (2024 - $116,837). As this is a multi-employer pension plan, these contributions are the organization's pension benefit expenses. No pension liability for this type of plan is included in the organization's financial statements as the employer has no liability, directly or indirectly, to provide the benefits established by this plan beyond the obligation to make contributions pursuant to the pension plan policies.

18. CONTINGENCIES

The Corporation has entered into the following long-term agreements:

(a) The Corporation is a guarantor on a loan of $235,374 (2024 - $257,158) and on a line of credit of $10,000 (2024 - $10,000) owed by the Hearst Community Curling Club. As of December 31, 2025, no covenants on this loan were in default.

(b) The Corporation is a guarantor of a credit card with a limit of $50,000 for Hearst Connect Corporation.

19. COMMITMENTS

a) The Corporation has currently committed the following amounts through various signed agreements:

	2026	2027	2028	2029	2030	Total
General government	$ 94,772	$ 52,422	$ 44,141	$ 40,000	$ -	$ 231,335
Protection	26,300	16,292	9,146	-	-	51,738
Transport-ation	8,853	-	-	-	-	8,853
Environm-ental	540,025	541,676	-	-	-	1,081,701
Social and family	88,864	43,348	33,598	36,082	-	201,892
Recreation	437,747	19,850	19,850	19,850	19,850	517,147
Planning	18,245	-	-	-	-	18,245
	$ 1,214,806	$ 673,588	$ 106,735	$ 95,932	$ 19,850	$ 2,110,911

b) Subsequent to year-end, the Corporation entered into an agreement with contractors and suppliers for a total consideration of $5,598,707.

c) As per an agreement, the Corporation purchases certain benefits for retired employees until they reach 65 years of age. Payments for these benefits will amount to:

2026	$ 23,339
2027	19,324
2028	19,324
2029	19,324
2030	19,324
	$ 100,635

20. EXPENSES BY OBJECT

The operating expenses for the year reported of the consolidated statement of operations and accumulated surplus by object are as follows:

	2025 Budget (Note 24)	2025 Actual	2024 Actual
Salary, wages and benefits	$ 13,709,854	$ 13,921,511	$ 11,796,236
Interest and bank charges	489,900	269,627	283,182
Supplies and services	8,276,439	7,548,527	7,194,727
External transfers	1,586,225	1,609,772	1,458,619
Contracted services	2,679,180	2,665,936	2,762,503
Rents and financials	11,790	288,014	375,845
Amortization	1,099,700	3,542,993	3,427,056
	$ 27,853,088	$ 29,846,380	$ 27,298,168

21. SEGMENTED INFORMATION

The Corporation is a municipal government institution that provides a range of services to its citizens. Municipal services are reported by function. The nature of the segments and the activities they encompass are as follows:

General Government services

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

Protection Services

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

Transportation Services

Transportation services include construction and maintenance of the municipal's roads and bridges, winter control, street lighting and airport services.

Environment Services

This function is responsible for providing water and sewer services, waste collection, waste disposal and recycling services.

21. SEGMENTED INFORMATION, (CONT'D)

Health Services

Health services consists of public health services, other medical services and cemeteries.

Social and Family Services

This function provides general assistance for social and family, childcare services and public housing.

Recreation and Cultural Services

Recreation and cultural services provide indoor and outdoor recreational facilities and programs, library services and other cultural services.

Planning and Development Services

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

The accounting policies used in these segments are the same as those described in Note 2. For each reported segment, revenues and expenses represent amounts that are directly attributable to each segment. Tax revenues are reported as part of General Government Services.

22. RELATED PARTY DISCLOSURES AND INTER-ENTITY TRANSACTIONS

In the normal course of its transactions, the Corporation has entered in service or purchase agreements with related parties and/or inter-entities.

Transactions carried out by the Corporation with related parties and/or inter-entities are carried out at their fair value. Following the analysis of Standard PS 2200 and PS 3420, no additional disclosure is required.

23. COMPARATIVE FIGURES

The consolidated financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

CORPORATION OF THE TOWN OF HEARST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

24. BUDGET

The budgets approved by the Corporation and consolidated entities for 2025 is reflected on the consolidated statement of operations and the accompanying schedules and was prepared on a cash flow basis. The budget established for capital investment in tangible capital assets are 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 amounts. The related amortization are not included in the budgets approved by the Council except an amount of $1,099,700. Reclassifications were made for presentation purposes. Budget figures have not been audited.

	Approved budget	Adjustments	Budget presented in the financial statements
REVENUES			
Taxation	$ 8,328,591	$ -	$ 8,328,591
Government transfers - operations	11,034,427	128,700	11,163,127
Fees and service charges	7,434,190	-	7,434,190
Other revenues	2,523,380	97,300	2,620,680
	29,320,588	226,000	29,546,588
EXPENSES			
General government services	2,348,200	20,200	2,368,400
Protection services	1,748,300	16,300	1,764,600
Transportation services	4,304,400	249,000	4,553,400
Environmental services	2,928,100	190,000	3,118,100
Health Services	857,800	20,500	878,300
Social and family services	12,424,038	-	12,424,038
Recreation and cultural services	2,147,700	10,000	2,157,700
Planning and development services	443,550	145,000	588,550
	$ 27,202,088	$ 651,000	$ 27,853,088
EXCESS OF REVENUES OVER EXPENSES	$ 2,118,500	$ (425,000)	$ 1,693,500
GOVERNMENT TRANSFERS - CAPITAL	1,560,600	(218,500)	1,342,100
LOCAL IMPROVEMENT AND OTHER - CAPITAL	48,500	(7,500)	41,000
ANNUAL SURPLUS	$ 3,727,600	$ (651,000)	$ 3,076,600

CORPORATION OF THE TOWN OF HEARST

SCHEDULE OF TANGIBLE CAPITAL ASSETS

DECEMBER 31, 2025

	2025 Balance	Additions	Disposals	2025 Balance
Cost				
Land and vacant land	$ 1,336,298	$ 25,000	$ -	$ 1,361,298
Land improvements	7,291,884	21,638	-	7,313,522
Buildings	56,355,685	823,274	(303,058)	56,875,901
Vehicles, machinery and equipment	8,669,947	1,571,122	-	10,241,069
Furniture and fixtures	2,039,033	-	-	2,039,033
Computers	409,955	-	-	409,955
Roads	39,699,357	963,728	(230,160)	40,432,925
Water	10,399,295	35,694	-	10,434,989
Sewer	17,138,611	-	-	17,138,611
	$143,340,065	$ 3,440,456	$ (533,218)	$146,247,303
Accumulated amortization				
Land improvements	$ 6,179,261	$ 119,157	$ -	$ 6,298,418
Buildings	27,720,588	1,289,675	-	29,010,263
Vehicles, machinery and equipment	5,855,443	450,498	(302,943)	6,002,998
Furniture and fixtures	1,795,400	56,806	-	1,852,206
Computers	386,516	10,577	-	397,093
Roads	26,697,841	1,082,694	(195,708)	27,584,827
Water	6,223,485	196,234	-	6,419,719
Sewer	9,526,276	337,353	-	9,863,629
	$ 84,384,810	$ 3,542,994	$ (498,651)	$ 87,429,153
Net book value				
Land and vacant land	$ 1,336,298			$ 1,361,298
Land improvements	1,112,623			1,015,104
Buildings	28,635,097			28,168,696
Vehicles, machinery and equipment	2,814,504			3,935,013
Furniture and fixtures	243,633			186,827
Computers	23,439			12,862
Roads	13,001,516			12,848,098
Water	4,175,810			4,015,270
Sewer	7,612,335			7,274,982
	$ 58,955,255			$ 58,818,150

CORPORATION OF THE TOWN OF HEARST

SEGMENTED INFORMATION

YEAR ENDED DECEMBER 31, 2025

	General Government Services	Protection Services	Trans-portation Services	Environ-mental Services	Health, Social and Family Services	Recreation and Cultural Services	Planning and Development Services	2025	2024
REVENUES									
Taxation and user charges	$ 8,368,360	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,368,360	$ 8,031,878
Government transfers	2,493,589	11,928	83,604	9,296	8,963,787	37,794	25,894	11,625,892	9,636,964
Fees and services charges	210,556	39,655	473,209	2,726,013	3,234,377	528,555	205,869	7,418,234	6,815,033
Government business enterprises	340,328	-	-	-	-	-	-	340,328	574,371
Other revenues	1,423,612	42,012	1,297,661	18,233	456,876	43,304	101,674	3,383,372	2,867,962
	12,836,445	93,595	1,854,474	2,753,542	12,655,040	609,653	333,437	31,136,186	27,926,208
EXPENSES									
Salaries, wages and benefits	1,349,531	290,610	1,616,804	382,201	8,959,780	1,201,981	120,604	13,921,511	11,796,236
Interest and bank charges	231,603	-	4,479	2,048	31,497	-	-	269,627	283,182
Supplies and services	578,435	202,205	2,537,598	1,321,946	1,746,540	821,704	340,099	7,548,527	7,194,727
External transfers	-	-	-	-	1,576,015	33,757	-	1,609,772	1,458,619
Contracted services	91,008	1,076,276	261,323	586,447	617,252	4,812	28,818	2,665,936	2,762,503
Rents and financial	6,426	502	20,922	251,736	569	5,601	2,258	288,014	375,845
Amortization	33,186	50,644	1,437,666	742,601	679,674	482,705	116,517	3,542,993	3,427,056
	2,290,189	1,620,237	5,878,792	3,286,979	13,611,327	2,550,560	608,296	29,846,380	27,298,168

CORPORATION OF THE TOWN OF HEARST

SEGMENTED INFORMATION

YEAR ENDED DECEMBER 31, 2025

	General Government Services	Protection Services	Trans-portation Services	Environ-mental Services	Health, Social and Family Services	Recreation and Cultural Services	Planning and Development Services	2025	2024
REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	10,546,256	(1,526,642)	(4,024,318)	(533,437)	(956,287)	(1,940,907)	(274,859)	1,289,806	628,040
OTHER									
Government transfers for capital	-	7,106	867,552	192,600	193,004	23,073	-	1,283,335	2,020,837
Local improvement and other - capital	-	-	-	-	-	-	-	-	170,000
ANNUAL SURPLUS (DEFICIT)	$ 10,546,256	$ (1,519,536)	$ (3,156,766)	$ (340,837)	$ (763,283)	$ (1,917,834)	$ (274,859)	$ 2,573,141	$ 2,818,877

CORPORATION OF THE TOWN OF HEARST

ANALYSIS OF REVENUES

YEAR ENDED DECEMBER 31, 2025

	2025 Budget (Note 24)	2025 Actual	2024 Actual
TAXATION			
Municipal	$ 8,088,191	$ 8,095,503	$ 7,745,713
Education	-	1,356,613	1,355,060
Supplementary	6,700	40,690	57,959
Other charges	47,900	46,337	49,369
	8,142,791	9,539,143	9,208,101
Payments in lieu of taxes	185,800	185,830	178,837
TOTAL LEVIED	8,328,591	9,724,973	9,386,938
LEVIED FOR SCHOOL BOARDS	-	(1,356,613)	(1,355,060)
TOTAL MUNICIPAL TAXATION	$ 8,328,591	$ 8,368,360	$ 8,031,878

CORPORATION OF THE TOWN OF HEARST

ANALYSIS OF REVENUES

YEAR ENDED DECEMBER 31, 2025

	2025 Budget (Note 24)	2025 Actual	2024 Actual
GOVERNMENT TRANSFERS - OPERATIONS			
ONTARIO GENERAL			
Ontario Municipal Partnership Funds	$ 2,493,000	$ 2,493,000	$ 2,253,700
ONTARIO SPECIFIC			
Child care and related services	2,233,000	2,366,828	1,702,975
CSTP program	10,000	10,894	11,992
Dedicated gas tax funds	45,600	45,604	45,604
Investing in Canada Infrastructure Program (ICIP)	-	4,225	-
Library	12,700	12,701	12,701
Long-term care relief	5,911,500	6,120,574	5,018,263
MCSCS Ride	-	1,034	3,974
Minstry of Transportation	-	38,000	-
Non-Profit Housing	385,027	476,385	525,678
Other	37,300	20,253	15,269
Planning board	25,900	25,894	25,894
	8,661,027	9,122,392	7,362,350
CANADA SPECIFIC			
Investing in Canada Infrastructure Program (ICIP)	-	5,071	-
Library	9,100	5,429	6,331
	9,100	10,500	6,331
OTHER MUNICIPALITIES			
Assistance to aged persons	-	-	14,583
	$ 11,163,127	$ 11,625,892	$ 9,636,964

CORPORATION OF THE TOWN OF HEARST

ANALYSIS OF REVENUES

YEAR ENDED DECEMBER 31, 2025

	2025 Budget (Note 24)	2025 Actual	2024 Actual
GOVERNMENT TRANSFERS - CAPITAL			
ONTARIO SPECIFIC			
Community Sport and Recreation Infrastructure Fund	$ 225,500	$ 23,073	$ -
Investing in Canada Infrastructure Program (ICIP)	-	-	64,204
Fire protection grant	8,300	7,106	-
Ministry of Health	-	193,004	197,146
Northern Ontario Resource Development Support Fund	91,900	-	-
Northern Ontario Resource Development Support Fund	-	-	697,041
Ontario Community Infrastructure Fund (OCIF)	584,500	584,500	678,771
	910,200	807,683	1,637,162
CANADA SPECIFIC			
Canada Community-Building Fund	431,900	475,652	306,623
Investing in Canada Infrastructure Program (ICIP)	-	-	77,052
	431,900	475,652	383,675
	$ 1,342,100	$ 1,283,335	$ 2,020,837
LOCAL IMPROVEMENT AND OTHER - CAPITAL			
Donations and other	$ 41,000	$ -	$ 170,000

CORPORATION OF THE TOWN OF HEARST

ANALYSIS OF REVENUES

YEAR ENDED DECEMBER 31, 2025

	2025 Budget (Note 24)	2025 Actual	2024 Actual
FEES AND SERVICES CHARGES			
Water and sewer services	$ 2,133,775	$ 2,153,022	$ 2,090,421
Environmental services	559,700	630,505	521,182
Child care centre fees	490,100	476,969	381,470
Planning and development fees	15,700	15,704	16,006
Recreational services	557,100	524,904	499,328
Cemeteries fees	81,100	74,011	89,155
Fire protection and housing services	58,500	39,655	57,433
Administration fees and services	179,100	210,557	177,513
Air transportation services	438,700	415,696	467,555
Assistance to aged persons	2,107,500	2,154,253	1,826,248
Non-Profit Housing	629,215	529,143	506,684
Library	3,700	3,650	4,140
Commercial planning and development	180,000	190,165	177,898
	$ 7,434,190	$ 7,418,234	$ 6,815,033
OTHER REVENUES			
Provincial Offences Act	$ 26,800	$ 27,391	$ 26,884
Licenses and permits	72,100	84,732	81,931
Equipment rentals	1,311,580	1,265,105	1,152,975
Fines	17,500	13,322	18,428
Penalty and interest on taxes	35,500	37,913	43,725
Investment income	853,900	1,342,735	1,188,837
Sale of materials	6,200	5,167	31,722
Overhead recovered	81,800	107,914	105,033
Donations and local contributions	13,100	61,046	35,129
Miscellaneous	161,900	404,231	183,298
Rent	40,300	33,816	-
	$ 2,620,680	$ 3,383,372	$ 2,867,962

CORPORATION OF THE TOWN OF HEARST

ANALYSIS OF EXPENSES

YEAR ENDED DECEMBER 31, 2025

	2025 Budget (Note 24)	2025 Actual	2024 Actual
GENERAL GOVERNMENT SERVICES			
SALARIES, WAGES AND BENEFITS			
Members of council	$ 127,300	$ 125,924	$ 120,423
Administration	1,299,500	1,217,610	1,042,965
Municipal building operation	3,800	5,997	2,092
	1,430,600	1,349,531	1,165,480
INTEREST AND BANK CHARGES	226,500	231,603	231,377
SUPPLIES AND SERVICES			
Members of council	147,300	134,719	103,915
Administration	418,700	393,196	314,008
Municipal building operation	48,400	50,520	36,593
	614,400	578,435	454,516
CONTRACTED SERVICES			
Municipal building operation	96,900	91,008	80,216
RENTS AND FINANCIAL			
Municipal building operation	-	6,426	17,965
AMORTIZATION	-	33,186	28,219
	$ 2,368,400	$ 2,290,189	$ 1,977,773

CORPORATION OF THE TOWN OF HEARST

ANALYSIS OF EXPENSES

YEAR ENDED DECEMBER 31, 2025

	2025 Budget (Note 24)	2025 Actual	2024 Actual
PROTECTION SERVICES			
SALARIES, WAGES AND BENEFITS			
Police services	$ 600	$ 600	$ 1,500
Fire department	161,900	156,294	143,095
Emergency measures	1,000	-	-
Protective inspection and control	133,100	133,716	127,181
	296,600	290,610	271,776
SUPPLIES AND SERVICES			
Police services	4,000	8,742	3,974
Fire department	214,900	149,173	121,390
Emergency measures	9,800	8,954	7,855
Protective inspection and control	44,900	35,336	32,373
	273,600	202,205	165,592
CONTRACTED SERVICES			
Police services	1,157,800	1,041,780	1,038,984
Fire department	12,200	11,928	18,691
Emergency measures	24,400	22,568	103,790
	1,194,400	1,076,276	1,161,465
RENTS AND FINANCIAL			
Fire department	-	502	1,402
AMORTIZATION	-	50,644	54,214
	$ 1,764,600	$ 1,620,237	$ 1,654,449

CORPORATION OF THE TOWN OF HEARST

ANALYSIS OF EXPENSES

YEAR ENDED DECEMBER 31, 2025

	2025 Budget (Note 24)	2025 Actual	2024 Actual
TRANSPORTATION SERVICES			
SALARIES, WAGES AND BENEFITS			
Roadways	$ 901,600	$ 910,455	$ 848,533
Winter control	233,200	220,228	144,878
Parking control	266,400	253,161	181,539
Air transportation	289,100	232,960	259,926
	1,690,300	1,616,804	1,434,876
INTEREST AND BANK CHARGES	5,700	4,479	7,743
SUPPLIES AND SERVICES			
Roadways	1,389,100	1,461,277	1,255,678
Winter control	521,200	463,635	364,288
Parking control	41,600	42,640	45,306
Air transportation	482,100	428,844	417,771
Street lighting	145,900	141,202	133,157
	2,579,900	2,537,598	2,216,200
CONTRACTED SERVICES			
Transit - long-term care transportation	203,100	204,560	200,404
Winter control	65,000	56,763	22,807
	268,100	261,323	223,211
RENTS AND FINANCIAL			
Roadways	-	2,540	7,100
Air transportation	9,400	18,382	26,782
	9,400	20,922	33,882
AMORTIZATION	-	1,437,666	1,352,285
	$ 4,553,400	$ 5,878,792	$ 5,268,197

CORPORATION OF THE TOWN OF HEARST

ANALYSIS OF EXPENSES

YEAR ENDED DECEMBER 31, 2025

	2025 Budget (Note 24)	2025 Actual	2024 Actual
ENVIRONMENTAL SERVICES			
SALARIES, WAGES AND BENEFITS			
Sanitary sewer system	$ 44,700	$ 39,389	$ 51,912
Storm sewer system	19,400	14,580	18,115
Waste collection, disposal and recycling	286,200	299,403	282,683
Water works system	19,400	28,829	19,737
	369,700	382,201	372,447
INTEREST AND BANK CHARGES	2,400	2,048	2,010
SUPPLIES AND SERVICES			
Sanitary sewer system	352,800	239,938	302,857
Storm sewer system	50,400	31,811	37,555
Waste collection, disposal and recycling	463,400	396,704	381,467
Water works system	701,200	653,493	629,280
	1,567,800	1,321,946	1,351,159
CONTRACTED SERVICES			
Water works system	45,100	43,873	42,429
Waste collection, disposal and recycling	6,000	5,221	82,887
Lagoon operations system	118,100	116,068	115,985
Water filtration plant	421,300	421,285	420,981
	590,500	586,447	662,282
RENTS AND FINANCIAL			
Waste collection, disposal and recycling	-	251,736	242,026
AMORTIZATION	587,700	742,601	744,186
	$ 3,118,100	$ 3,286,979	$ 3,374,110

CORPORATION OF THE TOWN OF HEARST

ANALYSIS OF EXPENSES

YEAR ENDED DECEMBER 31, 2025

	2025 Budget (Note 24)	2025 Actual	2024 Actual
HEALTH SERVICES			
SALARIES, WAGES AND BENEFITS			
Cemeteries	$ 71,900	$ 67,359	$ 67,103
SUPPLIES AND SERVICES			
Cemeteries	57,400	42,030	36,620
Hospital	200	101	221
Other	-	485	500
	57,600	42,616	37,341
EXTERNAL TRANSFERS			
Porcupine Health Unit	239,500	239,455	217,692
Hospital	110,000	138,271	66,231
Ambulance services	397,500	397,473	338,646
	747,000	775,199	622,569
CONTRACTED SERVICES			
Cemeteries	1,800	1,192	1,228
RENTS AND FINANCIAL			
Cemeteries	-	27	75
AMORTIZATION	-	23,814	22,733
	$ 878,300	$ 910,207	$ 751,049

CORPORATION OF THE TOWN OF HEARST

ANALYSIS OF EXPENSES

YEAR ENDED DECEMBER 31, 2025

	2025 Budget (Note 24)	2025 Actual	2024 Actual
SOCIAL AND FAMILY SERVICES			
SALARIES, WAGES AND BENEFITS			
Day nursery	$ 2,067,300	$ 1,977,517	$ 1,721,912
Parent resource centre	218,600	222,788	208,763
Aged persons	5,963,900	6,463,947	5,060,282
Non-profit housing	252,554	228,169	213,157
	8,502,354	8,892,421	7,204,114
INTEREST AND BANK CHARGES	255,300	31,497	42,052
SUPPLIES AND SERVICES			
Day nursery	202,700	292,271	303,469
Parent resource centre	41,600	62,922	40,356
Aged persons	1,066,000	903,630	977,136
Non-profit housing	545,684	445,101	506,548
	1,855,984	1,703,924	1,827,509
EXTERNAL TRANSFERS			
Day nursery	35,200	35,187	33,465
General assistance	135,800	135,799	132,771
Non-profit housing	565,400	565,356	541,825
Aged persons	69,300	64,474	95,125
	805,700	800,816	803,186
CONTRACTED SERVICES			
Day nursery	63,200	76,833	56,269
Parent resource centre	14,100	-	12,074
Aged persons	394,400	523,194	455,679
Non-profit housing	21,000	16,033	75,315
	492,700	616,060	599,337
RENTS AND FINANCIAL			
Day nursery	-	542	1,514
AMORTIZATION	512,000	655,860	607,786
	$ 12,424,038	$ 12,701,120	$ 11,085,498

CORPORATION OF THE TOWN OF HEARST

ANALYSIS OF EXPENSES

YEAR ENDED DECEMBER 31, 2025

	2025 Budget (Note 24)	2025 Actual	2024 Actual
RECREATION AND CULTURAL SERVICES			
SALARIES, WAGES AND BENEFITS			
Parks	$ 73,800	$ 71,325	$ 72,614
Programs	49,600	37,665	41,593
Facilities	866,400	884,146	759,547
Hearst Public Library Board	211,000	208,845	201,033
	1,200,800	1,201,981	1,074,787
SUPPLIES AND SERVICES			
Parks	81,400	49,721	86,512
Programs	110,400	86,862	69,373
Facilities	679,600	636,424	575,774
Hearst Public Library Board	48,000	48,697	43,393
	919,400	821,704	775,052
EXTERNAL TRANSFERS			
Conseil des Arts De Hearst	24,200	24,095	23,619
Ecomusée De Hearst	9,300	9,662	9,245
	33,500	33,757	32,864
CONTRACTED SERVICES			
Hearst Public Library Board	4,000	4,812	4,957
RENTS AND FINANCIAL			
Facilities	-	5,601	14,896
Hearst Public Library Board	-	-	61,649
	-	5,601	76,545
AMORTIZATION	-	482,705	498,656
	$ 2,157,700	$ 2,550,560	$ 2,462,861

CORPORATION OF THE TOWN OF HEARST

ANALYSIS OF EXPENSES

YEAR ENDED DECEMBER 31, 2025

	2025 Budget (Note 24)	2025 Actual	2024 Actual
PLANNING AND DEVELOPMENT SERVICES			
SALARIES, WAGES AND BENEFITS			
Commercial and industrial development	$ 76,900	$ 49,306	$ 136,708
Planning and zoning	70,700	71,298	68,945
	147,600	120,604	205,653
SUPPLIES AND SERVICES			
Commercial and industrial development	375,955	315,788	337,417
Planning and zoning	31,800	24,311	29,941
	407,755	340,099	367,358
EXTERNAL TRANSFERS			
Downtown Business Improvement Area Board	25	-	-
CONTRACTED SERVICES			
Commercial and industrial development	26,780	26,463	27,395
Planning and zoning	4,000	2,355	2,412
	30,780	28,818	29,807
RENTS AND FINANCIALS			
Commercial and industrial development	2,390	2,098	1,989
Planning and zoning	-	160	447
	2,390	2,258	2,436
AMORTIZATION	-	116,517	118,977
	$ 588,550	$ 608,296	$ 724,231

bakertilly

Baker Tilly HKC
1021 George Street, PO Box 637
Hearst, ON
Canada P0L 1N0

T: 705.362.4261
F: 705.362.4641

hearst@bakertilly.ca
www.bakertilly.ca

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the Town of Hearst

Opinion

We have audited the financial statements of trust funds of the Corporation of The Town of Hearst (the "Trust"), which comprise the statement of financial position as at December 31, 2025, and the statement of continuity of funds for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust 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 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.

Baker Tilly HKC is a member of Baker Tilly Canada Cooperative, which is a member of the global network of Baker Tilly International Limited. All members of Baker Tilly Canada Cooperative and Baker Tilly International Limited are separate and independent legal entities.

INDEPENDENT AUDITOR'S REPORT, (CONT'D)

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

Those charged with governance are responsible for overseeing the Trust'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 Trust'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 Trust'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 Trust to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT, (CONT'D)

- 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 HKC

Chartered Professional Accountants
Licenced Public Accountants
September 22, 2026

CORPORATION OF THE TOWN OF HEARST
TRUST FUNDS

STATEMENT OF CONTINUITY OF FUNDS

YEAR ENDED DECEMBER 31, 2025

	Cemetery Care and Maintenance Fund	Educational Assistance Fund	2025 Total	2024 Total
ACCUMULATED SURPLUS, BEGINNING OF YEAR	$ 325,135	$ 528,370	$ 853,505	$ 788,896
REVENUES				
Interest and dividends earned	11,152	47,873	59,025	69,516
Perpetual care charge	8,709	-	8,709	14,271
	19,861	47,873	67,734	83,787
EXPENSES				
Cemetary maintenance	11,152	-	11,152	16,678
Scholarships	-	20,000	20,000	2,500
	11,152	20,000	31,152	19,178
ACCUMULATED SURPLUS, END OF YEAR	$ 333,844	$ 556,243	$ 890,087	$ 853,505

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2025

	Cemetery Care and Maintenance Fund	Educational Assistance Fund	2025 Total	2024 Total
FINANCIAL ASSETS				
Cash	$ 333,844	$ 86,159	$ 420,003	$ 483,421
Invesments	-	470,084	470,084	370,084
ACCUMULATED SURPLUS	$ 333,844	$ 556,243	$ 890,087	$ 853,505

CORPORATION OF THE TOWN OF HEARST
TRUST FUNDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Capital receipts and income are reported on the cash basis of accounting except for the interest on the investment which is accrued.

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

2. DESCRIPTION OF FUNDS

CEMETERY CARE AND MAINTENANCE FUND

This trust fund was created to provide for the long-term maintenance of the cemeteries in the Corporation of the Town of Hearst. A fee is charged on all sale of lots in the cemeteries and deposited in this trust fund. All interests on those funds are kept by the Corporation of the Town of Hearst to pay for the yearly costs of maintenance of the cemeteries.

EDUCATIONAL ASSISTANCE FUND

Money put in the trust fund by private benefactors for the benefit of school and children in the public schooling system within the Corporation of the Town of Hearst and area. Administered by the Corporation, this money is to be used to fund school activities not regularly covered by the school budget and bursaries.