MUNICIPALITY OF BLUEWATER

FINANCIAL STATEMENTS

DECEMBER 31, 2025

SEEBACH & COMPANY
Chartered Professional Accountants

Municipality of

Bluewater

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of Municipality of Bluewater (the “Municipality”) are the responsibility of the Municipality’s management and have been prepared in accordance with Canadian public sector accounting standards, established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada, as described in Note 1 to the financial statements.

The preparation of financial statements necessarily involves the use of estimates based on management’s judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality’s management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded from loss, transactions are properly authorized and recorded, and reliable information is available on a timely basis for preparation of the financial statements. These statements are monitored and evaluated by the Municipality’s management. The Municipality’s Council meets with management and the external auditor to review the financial statements and discuss and significant financial reporting or internal control matters prior to their approval.

The financial statements have been audited by Seebach & Company, independent external auditors appointed by the Municipality. The accompanying Independent Auditor’s Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality’s financial statements.

MUNICIPALITY OF BLUEWATER

Chandra Alexander	Maggie McBride
Clerk-Administrator	Manager of Finance / Treasurer

September 8, 2026

Seebach & Company
Chartered Professional Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Municipality of Bluewater

Opinion

We have audited the accompanying financial statements of the Corporation of the Municipality of Bluewater ("the Municipality"), which are comprised of the consolidated statement of financial position as at December 31, 2025 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAB).

Basis for Opinion

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

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

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

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

Those charged with governance are responsible for overseeing the Municipality’s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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INDEPENDENT AUDITOR'S REPORT (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

Seebach & Company

Chartered Professional Accountants
Licensed Public Accountants

Clinton, Ontario
September 8, 2026

MUNICIPALITY OF BLUEWATER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31	2025	2024
FINANCIAL ASSETS		
Cash	**31,161,486**	27,809,690
Taxes receivable	**1,438,928**	1,260,513
Accounts receivable	**3,434,673**	4,179,212
Long-term receivables (note 4)	**48,912**	65,947
	36,083,999	33,315,362
LIABILITIES		
Accounts payable and accrued liabilities	**6,015,582**	4,411,726
Deferred revenue - general (note 6)	**652,360**	784,861
Deferred revenue - obligatory and non-obligatory reserve funds (note 6)	**3,044,267**	4,462,526
Municipal debt (note 7)	**12,151,368**	12,363,943
Asset retirement obligations (note 8)	**5,160,028**	5,040,417
	27,023,605	27,063,473
NET FINANCIAL ASSETS	**$ 9,060,394**	$ 6,251,889
NON-FINANCIAL ASSETS		
Tangible capital assets, net (note 9)	**89,605,269**	81,056,249
Inventory and prepaid expenses	**307,124**	325,845
ACCUMULATED SURPLUS (note 11)	**$ 98,972,787**	$ 87,633,983

The accompanying notes are an integral part of this financial statement

MUNICIPALITY OF BLUEWATER
CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31	2025 Budget	2025 Actual	2024 Actual
Revenue			
Taxation for municipal purposes	10,943,037	**11,003,344**	10,327,516
Taxation for water and sewer charges	1,183,247	**953,642**	1,025,271
User fees, licences, permits, and donations	7,189,672	**9,517,300**	8,616,752
Government transfers - Canada and Ontario	3,862,774	**8,368,780**	4,477,445
Government transfers - other municipalities	176,000	**217,856**	213,066
Investment income	292,076	**916,360**	1,053,797
Penalties and interest on taxes	138,000	**180,341**	163,388
Gain (loss) on disposal of tangible capital assets	-	**43,057**	22,217
	23,784,806	**31,200,680**	25,899,452
Expenditure			
General government	2,249,345	**2,350,580**	2,007,821
Protection to persons and property	4,051,543	**3,808,774**	3,798,137
Transportation services	4,867,788	**5,423,069**	4,517,516
Environmental services	4,962,922	**4,997,856**	4,772,652
Health services	33,290	**34,004**	23,852
Recreation and cultural services	3,084,396	**2,876,468**	2,752,695
Planning and development	519,316	**371,125**	348,942
	19,768,600	**19,861,876**	18,221,615
Annual surplus (deficit)	4,016,206	**11,338,804**	7,677,837
Accumulated surplus, beginning of year	87,633,983	**87,633,983**	79,956,146
Accumulated surplus, end of year	$ 91,650,189	**$ 98,972,787**	$ 87,633,983

The accompanying notes are an integral part of this financial statement

MUNICIPALITY OF BLUEWATER

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31	2025 Budget	2025 Actual	2024 Actual
Annual surplus (deficit)	4,016,206	**11,338,804**	7,677,837
Amortization of tangible capital assets	2,460,612	**2,507,046**	2,414,178
Net acquisition of tangible capital assets	(5,148,681)	**(11,013,009)**	(5,862,763)
Loss (gain) on sale of tangible capital assets	-	**(43,057)**	(22,217)
Decrease (increase) in inventory and prepaid expenses	-	**18,721**	(57,596)
	1,328,137	**2,808,505**	4,149,439
Net financial assets, beginning of year		**6,251,889**	2,102,450
Net financial assets, end of year		**$ 9,060,394**	$ 6,251,889

The accompanying notes are an integral part of this financial statement

MUNICIPALITY OF BLUEWATER
CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended December 31	2025	2024
Operating activities		
Annual surplus (deficit)	**11,338,804**	7,677,837
Amortization expense not requiring cash outlay	**2,507,046**	2,414,178
Loss (gain) on disposal of tangible capital assets	**(43,057)**	(22,217)
Decrease (increase) in taxes receivable	**(178,415)**	(260,004)
Decrease (increase) in accounts receivable	**744,539**	905,413
Increase (decrease) in accounts payable and accrued liabilities	**1,603,856**	13,467
Increase (decrease) in deferred revenue - general	**(132,501)**	(100,914)
Increase (decrease) in deferred revenue - obligatory and non-obligatory	**(1,418,259)**	1,655,412
Increase (decrease) in asset retirement obligations	**119,611**	116,439
Decrease (increase) in inventory and prepaid expenses	**18,721**	(57,596)
Cash provided by (used for) operating activities	**14,560,345**	12,342,015
Capital activities		
Net disposals (purchases) of tangible capital assets	**(11,013,009)**	(5,862,763)
Cash provided by (used for) capital activities	**(11,013,009)**	(5,862,763)
Investing activities		
Decrease (increase) in long-term receivables	**17,035**	18,891
Cash provided by (used for) investing activities	**17,035**	18,891
Financing activities		
Proceeds from long-term debt issued	**414,986**	560,000
Principal repayments on long-term debt	**(627,561)**	(562,241)
Cash provided by (used for) financing activities	**(212,575)**	(2,241)
Increase (decrease) in cash position	**3,351,796**	6,495,902
Cash (overdraft) beginning of year	**27,809,690**	21,313,788
Cash (overdraft) end of year	**$ 31,161,486**	$ 27,809,690

The accompanying notes are an integral part of this financial statement

1. Accounting policies

The consolidated financial statements of the Corporation of the Municipality of Bluewater are the representation of management prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing for municipalities and their related entities.

Significant aspects of accounting policies adopted by the municipality are as follows:

a) Reporting entity

The consolidated financial statements reflect the financial assets, liabilities, operating revenues and expenditures, Reserves, Reserve Funds, and changes in investment in tangible capital assets of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the Municipality. In addition to general government tax-supported operations, they include any water and sewer systems operated by the municipality and the municipality's proportionate share of joint local boards.

These consolidated financial statements include the proportional share of the financial position and operating activities of the following joint boards:
Mid-Huron Landfill Site Board

Inter-departmental and inter-organizational transactions and balances are eliminated.

The statements exclude trust funds that are administered for the benefit of external parties.

b) Accrual basis of accounting

Sources of financing and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable, and recognizes expenditures as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

c) Long-term investments

Investments are recorded at cost less amounts written off to reflect a permanent decline in value.

1. Accounting policies (continued)

d) Non-financial assets

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

- Tangible capital assets

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

Category	**Amortization Period**	**Capitalization Threshold**
Land	not applicable	$ 2,000
Land improvements	50 years	2,000
Buildings	25 - 50 years	15,000
Vehicles	5 - 25 years	5,000
Machinery and equipment	5 - 30 years	5,000
Furniture and fixtures	5 years	3,000
Information technology	5 years	3,000
Transportation infrastructure	30 - 80 years	15,000
Watermains infrastructure	40 - 75 years	25,000
Sewermains infrastructure	75 years	25,000

Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The municipality has a capitalized threshold of $2,000 - $25,000 dependent on the category, so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons. Examples of pooled assets are small machinery and equipment, technology and communications, furniture and fixtures.

- Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

- 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.

- Inventories

Inventories held for consumption are recorded at the lower of cost or net realizable value.

e) Reserves for future expenditures

Certain amounts, as approved by Council, are set aside in reserves for future operating and capital expenditure. Transfers to or from reserves are reflected as adjustments to the respective appropriated equity.

f) Government transfers

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

1. Accounting policies (continued)

g) County and School Board

The Corporation of the Municipality of Bluewater collects taxation revenue on behalf of the school boards and the County of Huron. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of these entities are not reflected in these financial statements.

h) Deferred revenue

Amounts received and required by legislation, regulation or agreement to be set aside for specific, restricted purposes are reported in the statement of financial position as deferred revenue until the obligation is discharged.

i) 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 is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate.

Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

j) Amounts to be recovered in future years

Future years recoveries represent the requirement of the municipality to raise funds in subsequent periods to finance unfunded liabilities. A portion of the amounts to be recovered in future years will be recovered from deferred revenues earned.

k) Pensions

The municipality is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The municipality has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. The municipality records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the plan for past employee service. The municipality’s contributions due during the period to its multi-employer defined benefit plan are expensed as incurred.

l) Revenue recognition

Tax levies, based on assessment rolls issued by the Municipal Property Assessment Corporation and tax rates established by council, are recognized as revenue when the tax billings are issued. Adjustments to taxation revenue due to changes in assessments are initially recognized based on management's best estimates of the taxes that will be received.

Other revenue is recognized when related services are provided or goods delivered, collectibility is reasonably assured and there are no significant future obligations.

Government transfers are recognized in the in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria are met, and reasonable estimates can be made.

1. Accounting policies (continued)

m) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenditures during the period, and the accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

n) Future accounting pronouncements

These standards and amendments were not effective for the year ended December 31, 2025 and have therefore not been applied to these Consolidated Financial Statements. Management is currently assessing the impact of the following accounting standards updates on the future Consolidated Financial Statements.

(i) The Conceptual Framework for Financial Reporting in the Public Sector will replace current guidance in Section PS 1000 – Financial Statement Concepts and Section PS 1100 – Financial Statement Objectives. The new Conceptual Framework prescribes the nature, function and limits of financial accounting and reporting. It is the foundation on which PSAS are developed and professional judgment is applied. This new Conceptual Framework is effective for fiscal years beginning on or after April 1, 2026 (the first effective year for the Township being the year ending December 31, 2027).

(ii) PS 1202 – Financial Statement Presentation was approved in March 2023. This standard supersedes PS 1201 – Financial Statement Presentation and covers a new conceptual framework and reporting model. Prior period amounts will need to be restated to conform to the presentation requirements for comparative financial information. This standard is effective for fiscal years beginning on or after April 1, 2026 (the first effective year for the Township being the year ending December 31, 2027).

(Iii) PS 3251 – Employee Benefits will replace PS 3250 – Retirement Benefits and PS 3255 – Postemployment Benefits, Compensated Absences and Termination Benefits. The standard aims to focus on refining the discount rate guidance for defined benefit plans, eliminating deferral approaches for actuarial gains/losses, and improving transparency. This standard is effective for fiscal years beginning on or after April 1, 2029 (the first effective year for the Municipality being the year ending December 31, 2030).

2. Operations of school boards and county

Taxation levied for school board and county purposes are not reflected in the financial statements. The amounts transferred were:

	2025	**2024**
County of Huron	$ 10,555,670	$ 10,204,113
School Boards	3,897,076	3,885,061

3. Trust funds

Trust funds administered by the municipality amounting to $250,852 (2024 : $246,623) have not been included in the statement of financial position nor have their operations been included in the consolidated statement of operations.

4. Long-term receivables

	2025	2024
Tile loans, 6% - 8%, principal and interest receivable annually, due 2026 through 2035	$ 48,912	$ 65,947

Amounts due in the next five years are as follows:
2026: $15,300 2027: $10,900 2028: $11,500 2029: $5,400 2030: $5,812

5. Pension agreements

The municipality makes contributions to a multi-employer pension plan on behalf of members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The 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. Employees and employers contribute jointly to the plan. The amount contributed for 2025 was $359,421 (2024 : $330,621) for current services and is included as an expenditure on the consolidated statement of operations. The contribution rate for 2025 was 9.0% to 14.6% (2024 was 9.0% to 14.6%) depending on age and income level.

The contributions to the Ontario Municipal Employers Retirement System ("OMERS"), a multi-employer defined benefit pension plan, are expensed when contributions are due. Any pension surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit.

6. Deferred revenue

Deferred revenue funds include obligatory and non-obligatory funds. The use of obligatory funds, together with earnings thereon, is restricted by legislation. The use of non-obligatory funds is at the discretion of council. These funds are recognized as revenue in the period they are used for the purpose specified.

7. Municipal debt

The balance of the long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	2025	2024
Ontario Infrastructure and Lands Corporation, loan payable (Bayfield water), 2.96% interest, $67,129 semi-annual blended payment, due December 2031	733,128	843,236
Ontario Infrastructure Projects Corporation (OIPC), loan payable (Hensall water), 5.17% interest, $108,003 semi-annual blended payment, due March 2029	683,540	857,436
Ontario Infrastructure Projects Corporation (OIPC), loan payable (Hensall water), 5.52% interest, $207,921 semi-annual blended payment, due March 2049	5,438,010	5,549,055
Ontario Infrastructure Projects Corporation (OIPC), loan payable (Zurich sewer), 3.86% interest, $56,753 semi-annual blended payment, due August 2033	774,873	856,110
Ontario Infrastructure and Lands Corporation, construction financing loan payable (Zurich water), 4.38% interest, $137,240 semi-annual blended payment, due September 2044	3,515,504	3,632,159
Ontario Infrastructure and Lands Corporation, construction financing loan payable (Hensall water tower water), 4.59% interest, $21,545 semi-annual blended payment, due December 2044	542,415	560,000
Ontario Infrastructure and Lands Corporation, construction financing loan payable (Stanley Township Public Works Shop Expansion), 4.5% interest, interest only payments, due on demand	414,986	-
Tile drain loans and shoreline debt payable to Ministry of Finance, responsibility for payment of principal and interest charges have been assumed by individuals, 6% - 8%, due 2025 through 2034	48,912	65,947
	$12,151,368	$12,363,943

Principal payments recoverable from property owners in the next five years to finance the bank demand and term loans and municipal debentures are:
2026: $1,053,300 2027: $667,300 2028: $697,800 2029: $621,700 2030: $538,600

8. Asset retirement obligations

The municipality's financial statements include an asset retirement obligation for the landfill and other environmentally hazardous materials. The related asset retirement costs are being amortized on a straight line basis.

The liability for the landfill has been estimated using a net present value technique with a discount rate of 3% (2024 : 3%). The estimated total undiscounted future expenditures are $27,110,187 (2024 : $27,138,456), which are to be incurred over 30 years. The liability is expected to be fully settled in 30 years.

The carrying amount of the liabilities are as follows:

	2025	2024
Asset retirement obligation, beginning	5,040,417	4,923,978
Accretion expense	151,213	147,720
Settlements and adjustments	(31,602)	(31,281)
Asset retirement obligations, ending	$ 5,160,028	$ 5,040,417

The liability is expected to be funded through budget allocations to a landfill reserve fund over the remaining life of the related tangible capital asset.

The municipality operates two landfill sites, Hensall and Stanley, and has closed the Hay landfill effective August 2011, for which the total reported liability is $4,753,126 (2024 : $4,630,685). A reserve has been established to partially provide for this landfill site closure and post-closure liability. The reserve balance at December 31, 2025 is $1,432,875 (2024 : $878,523) for the landfill sites operated by the municipality. The balance of the future liability is expected to be funded through budget allocations to the landfill reserve.

The municipality's proportionate liability for the Mid-Huron landfill site is $406,902 (2024 : $409,732). The Mid-Huron Landfill Site Board has set aside reserves and reserve funds of which the municipality's proportionate share is $183,214 (2024 : $184,243). The site was closed in 2018.

9. Tangible capital assets

The municipality's policy on accounting for tangible capital assets is as follows:

i) Contributed tangible capital assets
The municipality records all tangible capital assets contributed by external parties at fair value.

ii) Tangible capital assets recognized at nominal value
Certain assets have been assigned a nominal value because of the difficulty of determining a tenable valuation.

For additional information, see the Consolidated Schedule of Tangible Capital Assets information on the tangible capital assets of the municipality by major class and by business segment, as well as for accumulated amortization of the assets controlled.

10. Segmented information

The Municipality of Bluewater is a diversified municipal government institution that provides a wide range of services to its citizens such as recreational and cultural services, planning and development, fire, and transportation services. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government
This segment relates to the general operations of the municipality itself and cannot be directly attributed to a specific segment.

Protection to Persons and Property
Protection is comprised of fire protection, policing, court services, conservation authorities, protective inspection and control, building permit and inspection services, emergency measures and other protection services.

Transportation Services
Transportation services include road maintenance, winter control services, street light maintenance, parking lots, equipment maintenance and other transportation services.

Environmental Services
Environmental services include the sanitary sewer system, storm sewer system, waterworks, waste collection, waste disposal and recycling.

Health Services
This service area includes cemeteries and other health services.

Recreational and Cultural Services
This service area provides public services that contribute to the provision of recreation and leisure facilities and programs, the maintenance of parks and open spaces, library services, museums and other cultural services.

Planning and Development
This segment includes matters relating to zoning and site plan controls, land acquisition, development initiatives, agriculture and reforestation, municipal drainage and tile drainage.

For additional information, see the schedule of segmented information.

11. Accumulated surplus

The accumulated surplus consists of individual fund surplus/(deficit) amounts and reserve and reserve funds as follows:

	2025	**2024**
Invested in tangible capital assets	$ 89,605,269	$ 81,056,249
General revenue accumulated surplus (deficit)	(233,459)	(450,768)
Share of Mid-Huron Landfill Site Board general surplus	13,425	10,030
Unfinanced long-term debt	(12,102,456)	(12,297,996)
Unfinanced asset retirement obligations	(5,160,028)	(5,040,417)
Reserves and reserve funds	26,850,036	24,356,885
	$ 98,972,787	$ 87,633,983

For additional information, see the Consolidated Schedule of Continuity of Reserves, Reserve Funds, and Deferred Revenue.

12. Financial instrument risk management

Credit risk

The Municipality is exposed to credit risk through its cash, trade and other receivables, loans receivable, and long-term investments. There is the possibility of non-collection of its trade and other receivables. The majority of the Municipality’s receivables are from ratepayers and government entities. For trade and other receivables, the Municipality measures impairment based on how long the amounts have been outstanding. For amounts outstanding considered doubtful or uncollectible, an impairment allowance is setup.

Liquidity risk

Liquidity risk is the risk that the Municipality will not be able to meet its financial obligations as they fall due. The Municipality has a planning and a budgeting process in place to help determine the funds required to support the Municipality’s normal operating requirements on an ongoing basis. The Municipality ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. To achieve this aim, it seeks to maintain an available line of credit balance as approved by the appropriate borrowing bylaw to meet, at a minimum, expected requirements.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Municipality is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the variable rate of temporary borrowings and long-term liabilities and the value of fixed rate long-term liabilities.

There has been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure risks.

13. Contingent liability

The municipality has been notified of liability claims. Because the claims are within the municipality's insurance coverage, no provision has been made for the contingency in the financial statements.

14. Budget amounts

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations for comparative purposes. The 2025 budget amounts for the Corporation of the Municipality of Bluewater approved by Council are unaudited and have been restated to conform to the basis of presentation of the revenues and expenditures on the consolidated statement of operations. Budget amounts were not available for certain boards consolidated by the municipality.

Approved budget annual surplus (deficit)	$ -
Tangible capital asset expenditures	5,148,681
Amortization of tangible capital assets	(2,507,046)
Net reserve, reserve fund, and surplus transfers	905,767
Debt principal loan proceeds	-
Debt principal repayments	483,836
Mid-Huron Landfill Site Board net budget deficit	(15,032)
Budgeted surplus (deficit) reported on consolidated statement of operations	$ 4,016,206

MUNICIPALITY OF BLUEWATER

Consolidated Schedule of Tangible Capital Assets

For the Year Ended December 31, 2025

	Land	Buildings	Machinery & Equipment	Vehicles	Information Technology	Roads, Bridges and Land Improvements	Underground and other Networks	Assets Under Construction	**TOTAL Net Book Value 2025**	TOTAL Net Book Value 2024
Cost										
Balance, beginning of year	2,873,080	17,343,179	7,502,832	7,085,420	1,543,671	39,495,536	38,946,406	11,167,672	**125,957,796**	120,211,229
Add: Additions during the year		187,282	60,544	553,432		836,972	39,414	10,086,340	**11,763,984**	5,893,975
Less: Disposals during the year	(15,080)	(341,426)	(9,774)	(377,983)	(156,293)	(940,397)	(217,745)		**(2,058,698)**	(147,408)
Other: WIP transfers						3,885,333		(3,885,333)	**-**	-
Balance, end of year	2,858,000	17,189,035	7,553,602	7,260,869	1,387,378	43,277,444	38,768,075	17,368,679	**135,663,082**	125,957,796
Accumulated Amortization										
Balance, beginning of year		8,249,267	3,101,127	4,193,186	1,206,178	17,258,952	10,892,837		**44,901,547**	42,625,782
Add: Amortization during the year		427,562	227,997	359,555	31,378	802,159	658,395		**2,507,046**	2,414,178
Less: Accumulated amortization on disposals		(185,589)	(6,729)	(334,513)	(156,293)	(526,576)	(141,080)		**(1,350,780)**	(138,413)
Balance, end of year	-	8,491,240	3,322,395	4,218,228	1,081,263	17,534,535	11,410,152	-	**46,057,813**	44,901,547
Net Book Value of Tangible Capital Assets	2,858,000	8,697,795	4,231,207	3,042,641	306,115	25,742,909	27,357,923	17,368,679	**$ 89,605,269**	$ 81,056,249

MUNICIPALITY OF BLUEWATER
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2025

	General Government	Protection	Transportation	Environmental	Recreation and Cultural	Work in Process	**TOTAL Net Book Value 2025**	TOTAL Net Book Value 2024
Cost								
Balance, beginning of year	1,763,064	6,907,900	40,276,961	49,127,024	16,715,175	11,167,672	**125,957,796**	120,211,229
Add: Additions during the year		60,544	1,105,452	39,414	472,234	10,086,340	**11,763,984**	5,893,975
Less: Disposals during the year	(171,371)		(1,318,382)	(217,745)	(351,200)		**(2,058,698)**	(147,408)
Other: WIP transfers			3,561,865		323,468	(3,885,333)	**-**	-
Balance, end of year	1,591,693	6,968,444	43,625,896	48,948,693	17,159,677	17,368,679	**135,663,082**	125,957,796
Accumulated Amortization								
Balance, beginning of year	1,599,546	3,470,592	18,685,195	14,072,829	7,073,385		**44,901,547**	42,625,782
Add: Amortization during the year	92,323	206,888	952,114	864,682	391,039		**2,507,046**	2,414,178
Less: Accumulated amortization on disposals	(156,293)	-	(861,089)	(141,080)	(192,318)		**(1,350,780)**	(138,413)
Balance, end of year	1,535,576	3,677,480	18,776,220	14,796,431	7,272,106	-	**46,057,813**	44,901,547
Net Book Value of Tangible Capital Assets	56,117	3,290,964	24,849,676	34,152,262	9,887,571	17,368,679	**$ 89,605,269**	$ 81,056,249

MUNICIPALITY OF BLUEWATER
Consolidated Schedule of Continuity of Reserves and Reserve Funds
For the Year Ended December 31, 2025

	Balance, beginning of year	Revenues and contributions Interest	From Operations	Other	Transfers out Utilized During Year	**Balance, end of year**
Reserves and reserve funds						
Reserves						
for general government	2,069,357		540,780		(101,842)	**2,508,295**
for protection services	891,386		865,400		(364,396)	**1,392,390**
for transportation services	1,788,570		548,458		(982,948)	**1,354,080**
for environmental services	5,680,863		561,230		(239,196)	**6,002,897**
for health services	48,215		10,000		-	**58,215**
for recreation and cultural services	1,418,899		1,297,268		(881,115)	**1,835,052**
for planning and development	35,075		-		(9,487)	**25,588**
	11,932,365	-	3,823,136	-	(2,578,984)	**13,176,517**
Reserve funds						
Hay from sale of Dashwood utility	30,109	1,009			(20,000)	**11,118**
Bayfield sewer extensions	1,001,534	25,709			(1,027,243)	**-**
Hensall sewer capital	709	543	87,344		(17,410)	**71,186**
Zurich sewer capital	16,746	561			(17,307)	**-**
Bluewater sewer	3,457,311	117,415	744,686		(128,250)	**4,191,162**
Hay water capital	172,746	5,785				**178,531**
Bayfield water capital	23,149	766			(23,915)	**-**
Hensall water capital	235,477	7,885				**243,362**
Stanley water capital	62,290	2,085				**64,375**
Building	-		230,995		(52,617)	**178,378**
Bluewater water	5,539,826	195,098	1,041,548		(211,906)	**6,564,566**
Northland community fund	1,165,323	48,258	350,000		(326,387)	**1,237,194**
Goshen Wind community fund	129,346	5,682	52,650		(49,098)	**138,580**
Varna Wind community fund	408,561	18,513	164,400		(153,308)	**438,166**
Bayfield Community Centre expansion	-	2,095	174,442			**176,537**
Bluewater - Mid-Huron Landfill 3.8% share	181,393				(1,029)	**180,364**
	12,424,520	431,404	2,846,065	-	(2,028,470)	**13,673,519**
Total reserves and reserve funds	24,356,885	431,404	6,669,201	-	(4,607,454)	**26,850,036**

MUNICIPALITY OF BLUEWATER
Consolidated Schedule of Continuity of Deferred Revenue
For the Year Ended December 31, 2025

	Balance, beginning of year	Revenues and contributions Interest	From Operations	Other	Transfers out Utilized During Year	**Balance, end of year**
Deferred revenue funds						
Obligatory deferred revenue funds						
Bluewater Development Charges	1,502,170	58,196		288,598	(1,529,100)	**319,864**
Federal Gas Tax Funds	405,033	19,179		246,936	(194,510)	**476,638**
Housing Enabling Water Systems Fund	1,549,349	38,273		5,008,311	(5,165,949)	**1,429,984**
OCIF and other grant funding	830,624	41,816		875,047	(1,077,161)	**670,326**
Bluewater Greenlands - subdivider contributions	83,170	2,811		2,000		**87,981**
Recreational land / Parklands (the Planning Act)	57,506	1,926				**59,432**
	4,427,852	162,201	-	6,420,892	(7,966,720)	**3,044,225**
Non-obligatory deferred revenue funds						
Stanley gravel pit restoration	3,423	113			(3,536)	**-**
Bayfield Community Group and Splash Pad	24,596	812			(25,378)	**30**
Hensall Splash Pad	6,655	218			(6,861)	**12**
	34,674	1,143	-	-	(35,775)	**42**
Total deferred revenue funds	4,462,526	163,344	-	6,420,892	(8,002,495)	**3,044,267**

MUNICIPALITY OF BLUEWATER

Segmented Information

For the Year Ended December 31, 2025

	General Government	Protective Services	Transportation Services	Environmental Services	Health Services	Recreation and Culture	Planning and Development	**Total 2025**	Total 2024
Revenue									
Taxation	11,003,344			953,642				**11,956,986**	11,352,787
User charges	3,856,381	639,039	49,078	4,179,537	37,123	730,167	25,975	**9,517,300**	8,616,752
Government transfers	1,677,128	217,140	1,333,638	5,190,951		148,084	19,695	**8,586,636**	4,690,511
Interest and penalties	1,096,701							**1,096,701**	1,217,185
Other	43,057							**43,057**	22,217
	17,676,611	856,179	1,382,716	10,324,130	37,123	878,251	45,670	**31,200,680**	25,899,452
Operating expenditure									
Wages, salaries and benefits	1,758,831	1,048,748	1,461,248	403,350		1,155,476	186,528	**6,014,181**	5,420,593
Contract services	161,505	1,782,068	735,870	1,973,850	14,150	399,997	80,604	**5,148,044**	5,150,190
Supplies, materials and equipment	337,921	771,070	2,273,837	1,755,974	19,854	929,956	103,993	**6,192,605**	5,236,654
Amortization	92,323	206,888	952,114	864,682		391,039		**2,507,046**	2,414,178
	2,350,580	3,808,774	5,423,069	4,997,856	34,004	2,876,468	371,125	**19,861,876**	18,221,615
Net revenue (expense)	15,326,031	(2,952,595)	(4,040,353)	5,326,274	3,119	(1,998,217)	(325,455)	**11,338,804**	7,677,837

MUNICIPALITY OF BLUEWATER
TRUST FUNDS

FINANCIAL STATEMENTS

DECEMBER 31, 2025

SEEBACH & COMPANY
Chartered Professional Accountants

Seebach & Company
Chartered Professional Accountants

P.O. Box 758, 41 Ontario Street
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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Municipality of Bluewater

Opinion

We have audited the accompanying financial statements of the trust funds of the Corporation of the Municipality of Bluewater ("the Municipality"), which are comprised of the consolidated statement of financial position as at December 31, 2025 and the consolidated statements of continuity of trust funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAB).

Basis for Opinion

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

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

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

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

Those charged with governance are responsible for overseeing the Municipality’s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Seebach & Company
Chartered Professional Accountants

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INDEPENDENT AUDITOR'S REPORT (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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.

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.

Seebach & Company

Chartered Professional Accountants
Licensed Public Accountants

Clinton, Ontario
September 8, 2026

MUNICIPALITY OF BLUEWATER
TRUST FUNDS - Cemetery Care and Maintenance

BALANCE SHEET

As at December 31, 2025	Cemetery Care and Maintenance 2025	2024
Assets		
Cash	**9,097**	9,201
Investments	**241,755**	237,422
	$ 250,852	$ 246,623
Liabilities		
Accounts payable and accrued liabilities	**-**	-
Fund balance	**250,852**	246,623
Trust fund balances	**$ 250,852**	$ 246,623

STATEMENT OF CONTINUITY

For the Year Ended December 31, 2025	2025	2024
Receipts		
Care and maintenance	**3,938**	8,540
Investment income	**7,529**	6,604
	11,467	15,144
Expenditure		
Transfers to general fund	**7,238**	7,095
Excess of receipts over expenditures for the year	**4,229**	8,049
Fund balance, beginning of year	**246,623**	238,574
Fund balance, end of year	**$ 250,852**	$ 246,623

1. Accounting Policies

Significant aspects of accounting policies adopted by the municipality are as follows:

a) Management responsibility

The financial statements of the Trust Funds are the representations of management. They have been prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing for municipalities and their related entities.

b) Basis of consolidation

These trust funds have not been consolidated with the financial statements of the Municipality of Bluewater.

c) Basis of accounting

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures 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.

d) Investments

Investments are recorded at cost less amounts written off to reflect a permanent decline in value.

e) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

2. Investments

Trust fund investments have a market value equal to cost of $241,755 (2024 : $237,422).