United Counties of Stormont, Dundas and Glengarry
Consolidated Financial Statements
December 31, 2025

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Management's Responsibility

To the Members of Council, Inhabitants and Ratepayers of United Counties of Stormont, Dundas and Glengarry:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

Council is composed primarily of members who are neither management nor employees of the Counties. Council is responsible for overseeing management in the performance of its financial reporting responsibilities. Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors.

MNP LLP is appointed by the Members of Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

May 29, 2026

Chief Administrative Officer	R. Russell Director of Finance/Treasurer

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of United Counties of Stormont, Dundas and Glengarry:

Opinion

We have audited the consolidated financial statements of United Counties of Stormont, Dundas and Glengarry and its subsidiaries (the "Counties"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations and accumulated surplus, change in net financial assets, cash flows and the related schedules 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 Counties as at December 31, 2025, and the results of its consolidated operations, change in its consolidated net financial 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 Counties in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Those charged with governance are responsible for overseeing the Counties’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 Counties'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 Counties'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 Counties 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 Counties as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the 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.

MNP LLP

Cornwall, Ontario

Chartered Professional Accountants

June 15, 2026

Licensed Public Accountants

United Counties of Stormont, Dundas and Glengarry
Consolidated Statement of Financial Position
As at December 31, 2025

	2025	2024
Financial assets		
Cash	**20,496,356**	29,979,315
Accounts receivable	**6,497,524**	5,972,740
	26,993,880	35,952,055
Liabilities		
Accounts payable	**6,570,018**	6,775,715
Future employment benefits payable	**20,388**	19,373
	6,590,406	6,795,088
Net financial assets	**20,403,474**	29,156,967
Non-financial assets		
Tangible capital assets *(Schedule 1)*	**157,834,031**	146,754,704
Inventory	**1,782,834**	2,227,747
Prepaid expenses	**392,006**	626,552
	160,008,871	149,609,003
Accumulated surplus *(Schedule 3)*	**180,412,345**	178,765,970

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

United Counties of Stormont, Dundas and Glengarry
Consolidated Statement of Operations and Accumulated Surplus
For the year ended December 31, 2025

	2025 Budget (Note 5)	***2025***	*2024*
Revenue			
Taxation	**62,323,108**	**62,765,692**	58,990,461
Fees and service charges	**9,713,140**	**9,535,252**	10,145,676
Grants	**4,974,565**	**5,028,790**	4,847,989
Investment income	**982,600**	**952,066**	1,510,914
Donations	**3,500**	**804,006**	7,209
Rents and other	**5,900**	**6,060**	5,962
	78,002,813	**79,091,866**	75,508,211
Expenses			
General Government	**8,478,367**	**8,360,794**	8,298,141
Protection Services	**12,158,466**	**11,924,321**	11,870,152
Transportation	**26,343,885**	**36,093,192**	33,048,471
Social Services and Housing	**5,563,729**	**5,935,207**	4,651,910
Health	**9,291,186**	**9,223,230**	8,473,227
Recreation and Culture	**3,863,523**	**3,810,017**	3,574,508
Planning and Development	**2,920,794**	**2,313,541**	2,029,085
	68,619,950	**77,660,302**	71,945,494
Surplus before other income (expense)	**9,382,863**	**1,431,564**	3,562,717
Other income (expense)			
Gain (loss) on disposal of tangible capital assets	**-**	**214,811**	(214,774)
Annual surplus	**9,382,863**	**1,646,375**	3,347,943
Accumulated surplus, beginning of year	**178,765,970**	**178,765,970**	175,418,027
Accumulated surplus, end of year	**188,148,833**	**180,412,345**	178,765,970

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

United Counties of Stormont, Dundas and Glengarry
Consolidated Statement of Change in Net Financial Assets
For the year ended December 31, 2025

	2025 Budget (Note 5)	**2025**	*2024*
Annual surplus	**9,382,863**	**1,646,375**	3,347,943
Acquisition of tangible capital assets	**(29,672,500)**	**(24,165,047)**	(17,375,100)
Amortization	**12,493,745**	**12,774,609**	12,403,968
(Gain) loss on sale of tangible capital assets	**-**	**(214,811)**	214,774
Proceeds on sale of tangible capital assets	**-**	**525,922**	61,056
Change in inventory	**-**	**444,913**	(231,101)
Change in prepaid expenses	**-**	**234,546**	(326,211)
Decrease in net financial assets	**(7,795,892)**	**(8,753,493)**	(1,904,671)
Net financial assets, beginning of year	**29,156,967**	**29,156,967**	31,061,638
Net financial assets, end of year	**21,361,075**	**20,403,474**	29,156,967

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

United Counties of Stormont, Dundas and Glengarry
Consolidated Statement of Cash Flows
For the year ended December 31, 2025

	2025	*2024*
Operating activities		
Annual surplus	**1,646,375**	3,347,943
Non-cash items		
Amortization	**12,774,609**	12,403,968
(Gain) loss on disposal of tangible capital assets	**(214,811)**	214,774
	14,206,173	15,966,685
Changes in working capital accounts		
Accounts receivable	**(524,784)**	(3,360,891)
Inventory	**444,913**	(231,101)
Prepaid expenses	**234,546**	(326,211)
Accounts payable and accruals	**(205,697)**	3,996,199
Future employment benefits payable	**1,015**	-
	14,156,166	16,044,681
Capital activities		
Purchases of tangible capital assets	**(24,165,047)**	(17,375,100)
Proceeds on disposal of tangible capital assets	**525,922**	61,056
	(23,639,125)	(17,314,044)
Decrease in cash resources	**(9,482,959)**	(1,269,363)
Cash resources, beginning of year	**29,979,315**	31,248,678
Cash resources, end of year	**20,496,356**	29,979,315

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

	Land and Land Improvements	*Buildings*	*Vehicles*	*Equipment*	*Street Lights*	*Roads*	*Storm Drains*	*Bridges*	*Assets Under Construction*	*2025*	*2024*
Cost											
Balance, beginning of year	**2,460,764**	**10,735,922**	**10,030,553**	**4,613,469**	**1,839,366**	**244,756,170**	**6,423,181**	**51,445,784**	**819,072**	**333,124,281**	325,539,458
Acquisitions during the year	**1,322,038**	**-**	**418,084**	**179,553**	**-**	**18,475,783**	**84,694**	**4,235,676**	**223,084**	**24,938,912**	17,375,100
Disposals during the year	**-**	**-**	**(261,982)**	**(84,319)**	**-**	**(9,675,536)**	**-**	**(566,028)**	**(773,865)**	**(11,361,730)**	(9,790,277)
Balance, end of year	**3,782,802**	**10,735,922**	**10,186,655**	**4,708,703**	**1,839,366**	**253,556,417**	**6,507,875**	**55,115,432**	**268,291**	**346,701,463**	333,124,281
Accumulated amortization											
Balance, beginning of year	**325,583**	**5,689,928**	**6,556,996**	**3,484,007**	**548,457**	**149,691,011**	**2,880,529**	**17,193,066**	**-**	**186,369,577**	183,480,056
Amortization during the year	**27,550**	**252,854**	**464,464**	**192,525**	**66,555**	**10,550,213**	**119,473**	**1,100,975**	**-**	**12,774,609**	12,403,968
Accumulated amortization on disposals	**-**	**-**	**(204,782)**	**(84,319)**	**-**	**(9,533,673)**	**-**	**(453,980)**	**-**	**(10,276,754)**	(9,514,447)
Balance, end of year	**353,133**	**5,942,782**	**6,816,678**	**3,592,213**	**615,012**	**150,707,551**	**3,000,002**	**17,840,061**	**-**	**188,867,432**	186,369,577
Net book value 2025	**3,429,669**	**4,793,140**	**3,369,977**	**1,116,490**	**1,224,354**	**102,848,866**	**3,507,873**	**37,275,371**	**268,291**	**157,834,031**	146,754,704
Net book value 2024	2,135,181	5,045,994	3,473,557	1,129,462	1,290,909	95,065,159	3,542,652	34,252,718	819,072	146,754,704	

United Counties of Stormont, Dundas and Glengarry
Schedule 2 - Consolidated Schedule of Tangible Capital Assets - By Segment
For the year ended December 31, 2025

	Buildings	*Development*	*Library*	*Planning*	*Roads*	*Treasury & IT*	***2025***	*2024*
Cost								
Balance, beginning of year	3,456,537	25,369	3,171,354	1,539,927	324,378,844	552,250	**333,124,281**	325,539,458
Additions during the year	-	-	179,553	840,000	23,919,359	-	**24,938,912**	17,443,742
Disposals during the year	-	-	(84,319)	-	(11,277,411)	-	**(11,361,730)**	(9,858,919)
Balance, end of year	3,456,537	25,369	3,266,588	2,379,927	337,020,792	552,250	**346,701,463**	333,124,281
Accumulated Amortization								
Balance, beginning of year	1,991,700	25,369	2,411,741	6,240	181,391,497	543,030	**186,369,577**	183,480,056
Amortization during the year	80,171	-	149,462	780	12,534,976	9,220	**12,774,609**	12,403,968
Accumulated amortization on disposals	-	-	(84,319)	-	(10,192,435)	-	**(10,276,754)**	(9,514,447)
Balance, end of year	2,071,871	25,369	2,476,884	7,020	183,734,038	552,250	**188,867,432**	186,369,577
Net book value 2025	1,384,666	-	789,704	2,372,907	153,286,754	-	**157,834,031**	146,754,704
Net book value 2024	1,464,837	-	759,613	1,533,687	142,987,352	9,215	**146,754,704**	-

United Counties of Stormont, Dundas and Glengarry
Schedule 3 - Consolidated Schedule of Accumulated Surplus
For the year ended December 31, 2025

	2025	*2024*
Operating Surpluses (Deficits)		
Operating surpluses	**-**	-
Stormont, Dundas and Glengarry County Library Board	**182,346**	336,810
Stormont, Dundas and Glengarry Police Services Board	**205,207**	106,657
Unfunded liabilities to be recovered from future revenues:		
Future employment benefits payable	**(20,388)**	(19,373)
Total surpluses	**367,165**	424,094
Reserves		
Reserves set aside for specific purposes by Council:		
Working capital	**7,753,186**	8,478,312
Capital expenditures	**-**	2,500,000
Roads	**11,836,163**	17,539,421
Library	**168,800**	87,252
Tax rate stabilization	**815,793**	1,565,793
Buildings	**444,729**	394,729
Other	**1,192,478**	1,021,665
Total reserves	**22,211,149**	31,587,172
Invested in Tangible Capital Assets		
Tangible capital assets	**157,834,031**	146,754,704
Accumulated surplus	**180,412,345**	178,765,970

United Counties of Stormont, Dundas and Glengarry
Schedule 4 - Consolidated Schedule of Changes in Accumulated Surplus (Deficit)
For the year ended December 31, 2025

	Surpluses	*Reserves*	*Invested in Tangible Capital Assets*	*2025*	*2024*
Balance, beginning of year	**424,094**	**31,587,172**	**146,754,704**	**178,765,970**	175,418,027
Annual surplus	**1,646,375**	**-**	**-**	**1,646,375**	3,347,943
Reserves used for operations	**5,519,954**	**(5,519,954)**	**-**	**-**	-
Funds transferred to reserves	**(3,813,432)**	**3,813,432**	**-**	**-**	-
Reserves used for tangible capital assets	**-**	**(7,669,501)**	**7,669,501**	**-**	-
Current year funds used for tangible capital assets	**(16,495,546)**	**-**	**16,495,546**	**-**	-
Proceeds on disposal of tangible capital assets	**525,922**	**-**	**(525,922)**	**-**	-
Gain on disposal of tangible capital assets	**(214,811)**	**-**	**214,811**	**-**	-
Amortization expense	**12,774,609**	**-**	**(12,774,609)**	**-**	-
Change in accumulated surplus	**(56,929)**	**(9,376,023)**	**11,079,327**	**1,646,375**	3,347,943
Balance, end of year	**367,165**	**22,211,149**	**157,834,031**	**180,412,345**	178,765,970

	General Government	Protection Services	Transportation	Health	Social Services and Housing	Recreation and Culture	Planning and Development	2025
Revenue								
Taxation	4,121,990	10,059,771	29,209,801	9,291,186	4,813,729	3,440,706	1,828,509	62,765,692
Fees and service charges	48,572	1,875,983	7,007,420	-	-	180,344	422,933	9,535,252
Grants	439,554	20,775	4,260,834	-	-	160,082	147,545	5,028,790
Investment income	952,066	-	-	-	-	-	-	952,066
Donations	9,512	-	-	-	-	5,294	789,200	804,006
Rents and other	-	-	-	-	-	140	5,920	6,060
	5,571,694	11,956,529	40,478,055	9,291,186	4,813,729	3,786,566	3,194,107	79,091,866
Expenses								
Salaries, wages and benefits	2,565,127	1,035,819	4,860,915	-	-	2,307,808	1,235,230	12,004,899
Materials and services	112,850	295,081	12,070,825	-	-	981,944	475,348	13,936,048
Contract services	1,372,611	10,320,863	-	36,779	-	38,059	236,886	12,005,198
Insurance and financial costs	123,457	14,695	113,863	-	-	240,583	290	492,888
Third party transfers	4,097,358	257,863	6,512,613	9,186,451	5,935,207	92,161	365,007	26,446,660
Amortization	89,391	-	12,534,976	-	-	149,462	780	12,774,609
	8,360,794	11,924,321	36,093,192	9,223,230	5,935,207	3,810,017	2,313,541	77,660,302
Surplus (deficit) before other income (expense)	(2,789,100)	32,208	4,384,863	67,956	(1,121,478)	(23,451)	880,566	1,431,564
Gain on disposal of capital assets	-	-	214,811	-	-	-	-	214,811
Surplus (deficit) for the year	(2,789,100)	32,208	4,599,674	67,956	(1,121,478)	(23,451)	880,566	1,646,375

United Counties of Stormont, Dundas and Glengarry

Schedule 5 - Consolidated Schedule of Segmented Disclosure

For the year ended December 31, 2025

	General Government	*Protection Services*	*Transportation*	*Health*	*Social Services and Housing*	*Recreation and Culture*	*Planning and Development*	*2024*
Revenue								
Taxation	2,659,422	9,558,687	29,247,812	8,473,227	4,651,910	3,071,090	1,328,313	58,990,461
Fees and service charges	44,869	2,159,546	7,385,356	-	-	172,980	382,925	10,145,676
Grants	505,100	137,416	4,034,309	-	-	168,846	2,318	4,847,989
Investment income	1,510,914	-	-	-	-	-	-	1,510,914
Donations	-	-	-	-	-	7,009	200	7,209
Rents and other	-	-	-	-	-	62	5,900	5,962
	4,720,305	11,855,649	40,667,477	8,473,227	4,651,910	3,419,987	1,719,656	75,508,211
Expenses								
Salaries, wages and benefits	2,346,460	931,213	4,596,373	-	-	2,125,882	1,116,613	11,116,541
Materials and services	69,991	279,811	16,129,021	-	-	997,116	408,329	17,884,268
Contract services	1,350,118	10,105,165	28,457	36,775	-	33,630	216,726	11,770,871
Insurance and financial costs	111,692	1,890	114,421	-	-	235,605	544	464,152
Third party transfers	4,322,670	552,073	-	8,436,452	4,651,910	56,496	286,093	18,305,694
Amortization	97,210	-	12,180,199	-	-	125,779	780	12,403,968
	8,298,141	11,870,152	33,048,471	8,473,227	4,651,910	3,574,508	2,029,085	71,945,494
Surplus (deficit) before other income (expense)	(3,577,836)	(14,503)	7,619,006	-	-	(154,521)	(309,429)	3,562,717
Loss on disposal of capital assets	-	-	(214,774)	-	-	-	-	(214,774)
Surplus (deficit) for the year	(3,577,836)	(14,503)	7,404,232	-	-	(154,521)	(309,429)	3,347,943

1. Significant accounting policies

The consolidated financial statements are prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

Basis of consolidation

(i) Consolidated entities

These consolidated financial statements reflect the assets, liabilities, sources of funding and expenditures and include the activities of all committees of Council and the following local boards:

Stormont, Dundas and Glengarry County Library Board
Stormont, Dundas and Glengarry Police Services Board

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of any funds of the Counties which results in consolidated interest income and expenditures during the year.

(ii) Non-consolidated entities

Eastern Ontario Health Unit

(iii) 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 balances of these consolidated financial statements.

Accrual basis of accounting

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

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian public sector accounting standards requires administration 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 consolidated financial statements, and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. Significant items subject to such estimates and assumptions include the estimated useful life of tangible capital assets, the valuation of allowances for doubtful taxes and accounts receivable, and the valuation of inventories. Actual results could differ from these estimates.

Taxation and related revenue

Property tax billings are issued by the Counties based on assessment rolls prepared by the Municipal Property Assessment Corporation ("MPAC") and collects property tax revenue billed through the lower tier municipalities. The authority to levy and collect property taxes is established under the *Municipal Act 2001*, the *Assessment Act*, the *Education Act* and other legalisation.

Taxation revenue consists of non-exchange transactions and is recognized in the period to which the assessment relates and a reasonable estimate of the amounts can be made. Annual taxation revenue also includes adjustments related to reassessments and appeals to prior years' assessments.

Government transfers

Government transfers are the transfer of assets from other levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return. The Counties recognize a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Counties recognize revenue as the liability is settled.

1. Significant accounting policies *(Continued from previous page)*

Fees and service charges

Fees and service charges are recognized when the activity is performed or when the services are rendered. Examples include, but are not limited to, Provincial Offenses Act fines, rental revenue, permits, and other fees from various recreation programs.

Investment income

Investment income earned on surplus funds is reported as revenue in the period earned. Investment income earned on obligatory funds such as parkland allowances and gas tax funds is added to the associated funds and forms part of the respective deferred revenue, obligatory reserve fund balances

Cash and cash equivalents

Cash and cash equivalents is defined as cash on hand, cash on deposit and short term investments, which includes guaranteed investment certificates with maturities of three months or less. The Counties did not have any cash equivalents at December 31, 2025 and December 31, 2024.

Deferred revenue

Deferred revenue represents government transfers that have been received for specific purposes, but the respective expenses have not been incurred to date. These amounts will be recognized as revenues in the year the expenses are incurred.

Employee future benefits

Employee benefits include vacation entitlement and sick leave benefits. Vacation and sick leave benefits are accrued in accordance with the Counties' policy. The Counties account for their participation in the Ontario Municipal Employees Retirement System ("OMERS)" as a defined contribution plan.

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.

(i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the 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:

Land improvements	25 to 40 years
Buildings	10 to 50 years
Vehicles	4 to 20 years
Equipment	
General equipment	3 to 30 years
Library materials	7 years
Leased assets	5 to 40 years
Computer hardware and software	3 years
Storm drains	50 years
Street lights	30 years
Transportation	
Roads	10 to 50 years
Bridges and structures	25 to 75 years

A full month of amortization is charged in the month of acquisition and continues until fully depreciated or disposed. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

1. Significant accounting policies *(Continued from previous page)*

Non-financial assets *(Continued from previous page)*

The Counties have a capitalization threshold of $50,000, based on the asset class so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, the have significant value, or for operational reasons.

(ii) Works of art and historical treasures

The Counties own various works of art and historical treasures dating back to 1850. The Counties also own a Harkness historical clock from 1893. Works of art and historical treasures are not recorded in the Counties' consolidated financial statements.

(iii) Contributions 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 the transfer.

(iv) 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.

(v) Inventory

Inventory held for consumption is recorded at the lower of cost or replacement cost.

Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Counties to incur retirement costs in relation to a tangible capital asset, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at fiscal year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset.

At each financial reporting date, the Counties reviews the carrying amount of the asset retirement obligation liability. The Counties recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

1. Significant accounting policies *(Continued from previous page)*

Liability for contaminated site

A liability for contaminated sites arises when contamination is being introduced into the air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable concentrations under an environmental standard. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

(i) An environmental standard exists;
(ii) Contamination exceeds the environmental standard;
(iii) The Counties are directly responsible, or accepts responsibility to remediate the site;
(iv) The Counties expect that future economic benefits will be given up; and
(v) A reasonable estimate of the amount can be made.

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites. The liability estimate includes costs that are directly attributable to the remediation activities and includes integral post-remediation operation, maintenance and monitoring costs that are a part of the remediation strategy for the contaminated site. The costs that would be included in a liability are:

- Costs directly attributable to remediation activities (for example, payroll and benefits, equipment and facilities, materials, and legal and other professional services); and
- Costs of tangible capital assets acquired as part of remediation activities to the extent they have no other alternative use.

The measurement of a liability is based on estimates and professional judgment. The liability is recorded net of any expected recoveries. The carrying amount of a liability is reviewed at each financial reporting date with any revisions to the amount previously recognized accounted for in the period in which revisions are made.

A contingency is disclosed if all of the above criteria are not met.

Segments

The Counties conducts its operations through eight reportable segments: General Government, Protection Services, Transportation, Health, Social Services and Housing, Recreation and Culture, and Planning and Development. These segments are established by senior management to facilitate the achievement of the Counties' long-term objectives to aid in resource allocation decisions and to assess operational performance.

Financial instruments

The Counties recognizes its financial instruments when the Counties becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Counties may irrevocably elect to subsequently measure any financial instrument at fair value. The Counties has made no such election during the year. The Counties subsequently measures all its financial assets and liabilities at amortized cost.

1. Significant accounting policies *(Continued from previous page)*

Financial instruments *(Continued from previous page)*

The Counties subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. The Counties has not presented a statement of remeasurement gains and losses as it does not have any items giving rise to remeasurement gains (losses). Interest income is recognized in the statement of financial activities.

Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

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

All financial assets except derivatives are tested annually for impairment. Management considers whether the investee has experienced continued losses for a period of years, recent collection experience for the loan, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses in the fiscal year it occurs.

2. Deferred revenue - Obligatory reserve funds

A requirement of Canadian public sector accounting standards is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balance in the obligatory reserve funds represent funds set aside under the federal Canada Community Building fund; transactions are summarized as follows:

	Balance, beginning of year	*Contributions received*	*Revenue earned*	*Balance, end of year*
Canada Community Building Fund	**-**	**2,199,269**	**2,199,269**	**-**

3. Pension agreements

The Counties is a member of the Ontario Municipal Employees Retirement System (OMERS) which is a multi-employer retirement plan. The plan is a contributory defined benefit plan that specifies the amount of retirement benefit to be received by the employees based on the length of service and rates pay. Employers and employees contribute to the plan.

The December 31, 2025 financial statements of OMERS report net assets available for benefits of $145.2 billion and an actuarial funding deficit of $1.3 billion. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Counties does not recognize any share of the OMERS funding deficit in these financial statements.

The employer amount contributed to OMERS for 2025 was $818,508 (2024 - $770,898) for current service and is included as an expense on the Consolidated Statement of Financial Activities.

4. Provincial offences

The Counties are the service provider for Provincial Offences on behalf of the Counties and the City of Cornwall. The provision of service began February 4, 2001. The net revenues are shared based on the share of population pursuant to the agreement between the City of Cornwall and the Counties.

	2025	*2024*
Revenue	**1,744,701**	2,020,052
Expenses	**1,507,001**	1,416,579
	237,700	603,473
Net revenue is shared as follows:		
United Counties of Stormont, Dundas and Glengarry	**138,698**	352,302
City of Cornwall	**99,002**	251,171
	237,700	603,473

5. Budget information

The 2025 budget amounts that were approved on December 3, 2024 were established for Capital, Reserves and Reserve Funds and are based on a project-oriented basis, the costs of which may be carried out over one or more years.

6. Final settlements

The Counties have services provided by third party service providers such as land ambulance, homes for the aged, social housing, social services and policing. As well, the Province of Ontario provides funding for the current year that requires a final settlement. Some of these final settlements may not be known at the date of these consolidated financial statements. Administration has recorded an estimate of the settlements not yet finalized for 2025. Any adjustments required as a result of differences between the estimates and the final settlements will be recorded in next year's consolidated financial statements.

7. Operating expenses by object

	2025 Budget (Note 5)	***2025***	*2024*
Wages and benefits	**9,745,432**	**12,004,899**	11,116,541
Materials and services	**13,623,020**	**13,936,048**	17,884,268
Contract services	**12,154,927**	**12,005,198**	11,770,871
Insurance and financial costs	**488,972**	**492,888**	464,152
Third party transfers	**20,113,854**	**26,446,660**	18,305,694
Amortization	**12,493,745**	**12,774,609**	12,403,968
	68,619,950	**77,660,302**	71,945,494

8. Operating surplus

The budget figures presented in these consolidated financial statements are based upon the 2025 operating and capital budgets that have been approved by Council. The following schedule reconciles the budget and actual results presented in these consolidated financial statements to the approved operating budget for the year.

	2025 Budget (Note 5)	***2025***	*2024*
Annual surplus, consolidated statement of financial activities	**9,382,863**	**1,646,375**	3,347,943
Reserves used for operations and capital purposes	**9,270,650**	**13,105,773**	4,670,561
Funds transferred to reserves	**(1,597,000)**	**(1,891,731)**	(220,498)
Acquisition of tangible capital assets	**(29,672,500)**	**(24,165,047)**	(17,375,100)
Amortization expense	**12,493,745**	**12,774,609**	12,403,968
Net (gain) loss on sale of tangible capital assets	**-**	**(214,811)**	214,774
Proceeds on sale of tangible capital assets	**-**	**525,922**	61,056
Change in future employment benefits payable	**-**	**1,015**	-
Operating surplus for the year before year-end transfers	**(122,242)**	**1,782,105**	3,102,704
Transfer from (to) Library Board surplus	**122,242**	**154,463**	218,763
Transfer from (to) Police Services Board surplus	**-**	**(98,545)**	(9,004)
Transfer of Counties' surplus to reserves	**-**	**(1,838,023)**	(3,312,463)
	122,242	**(1,782,105)**	(3,102,704)
Operating surplus (deficit) for the year	**-**	**-**	-

The total operating surplus for the fiscal year ending December 31, 2025 was $1,838,023 (2024 - $3,312,463). The Library Board's deficit was $154,463, which was financed from the Library Board's surplus account; and the Police Services Board's surplus was $98,545 which was transferred to the Police Services Board's surplus account.

9. Allocation of year-end surplus

The general operating surplus of $1,838,023 (2024 - $3,312,463) was transferred to (from) various reserves as follows:

	2025	*2024*
Working Capital reserve	**83,683**	710,776
Corporate Services reserve	**(13,323)**	-
Roads Projects reserve	**415,000**	220,166
Transportation Equipment reserve	**919,769**	-
Bridge reserve	**210,000**	-
Winter Maintenance reserve	**(300,000)**	-
Now Needs Roads reserve	**-**	2,102,216
Economic Development reserve	**388,500**	250,000
Forestry reserves	**84,440**	-
Planning reserve	**25,000**	-
GIS reserve	**11,000**	19,526
Police and Alarm reserves	**13,474**	6,526
Library reserve	**480**	3,253
	1,838,023	3,312,463

10. Contingencies

The Counties are involved in legal actions in the normal course of business. The Counties and its insurers are defending all actions against the Counties. In the opinion of management, the aggregate amount of any potential liability is not expected to have a material adverse effect on the Counties' financial position. Losses, if any, will be accounted for in the period they become determinable.

11. Guarantees

The Counties have contributed $8,000,000 for capital improvement projects for two not-for-profit long-term care homes (the "LTC homes") located within Stormont, Dundas and Glengarry. In addition to these contributions, the Counties have also extended guarantees and postponement of claims on the external credit facility financing agreements for these LTC homes, $40,024,000 for one and $51,344,163 for the other, until completion of the respective capital projects.

12. Financial instruments

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

Credit risk

Financial instruments that potentially subject the Counties to concentrations of credit risk consist primarily of accounts receivable. However, credit exposure is limited as the Counties' accounts receivable consist mainly of amounts due from the lower tier municipalities

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

However, risk exposure relating to changes in interest rates, cash flows and fair values is limited as the Counties do not have any long-term debt. Risk due to fluctuations of interest on cash balances is minimal.

Liquidity risk

Liquidity risk is the risk that the Counties will not be able to meet their financial obligations as they become due. The Counties manages liquidity risk by continually monitoring actual and forecasted cash flows from operations to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they become due.

13. Segmented information

The Counties are responsible for providing a range of services to their citizens. For management reporting purposes the Counties' operations and activities are organized and reported by department. These departments are reported by functional area in the body of the consolidated financial statements similar to reporting reflected in the Ontario Financial Information Return. These functional areas represent segments for the United Counties of Stormont, Dundas and Glengarry and expended disclosure by object has been reflected in the schedule of segmented disclosure.

For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

13. Segmented information *(Continued from previous page)*

A brief description of each segment follows:

(a) General government

General government includes corporate services and governance of the Counties. Administration as a segment includes operating and maintaining municipal owned buildings, human resource management, legal, communications, information systems and technology, support to Council for policy development, by-law development in compliance with the *Municipal Act*, financial management reporting, monitoring and overall budget status as well as frontline reception and customer service.

(b) Protection services

Protection services includes police protection, and emergency measures and obligations under the *Provincial Offenses Act*.

(c) Transportation

Transportation services includes administration and operation of traffic and parking services for the Counties. In addition, services are provided for the winter and summer road maintenance along with the repair and construction of the municipal roads system including bridges and culverts, as well as operation and maintenance of a fleet of vehicles and equipment for use in providing services to the Counties.

(d) Health

Health services provide emergency medical services, land ambulance and funding for local public health organizations.

(e) Social services and housing

Social and family services provide long-term care home at the Glen-Stor-Dun Lodge, and provincial programs such as social assistance and subsidized child care. Social housing provides housing services for geared to income individuals in the United Counties of Stormont, Dundas and Glengarry.

(f) Recreation and culture

Recreation and cultural services includes libraries.

(g) Planning and development

Planning and development manages development for business interests, environmental concerns, heritage matters, local neighbourhoods and community development. It also facilitates economic development by providing services for the approval of all land development plans and the application and enforcement of the official plan.

14. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.