

Consolidated Financial Statements of
The Regional Municipality of Durham

For the year ended December 31, 2025

Independent Auditor's Report

To the Members of Council of
the Regional Municipality of Durham

Opinion

We have audited the consolidated financial statements of the Regional Municipality of Durham, 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, remeasurement gains and losses and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Regional Municipality of Durham as at December 31, 2025, and the results of its operations, change in net financial assets, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Regional Municipality of Durham 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 PSAS, 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 Regional Municipality of Durham'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 Regional Municipality of Durham or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Regional Municipality of Durham'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 GAAS 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 GAAS, 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 Regional Municipality of Durham'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 Regional Municipality of Durham'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 Regional Municipality of Durham 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 entities or business units within the Regional Municipality of Durham 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 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
May 1, 2026

The Regional Municipality of Durham
Consolidated Statement of Financial Position

December 31, 2025

(in thousands of dollars)

	<u>2025</u>	<u>2024</u>
FINANCIAL ASSETS		
Cash	\$ 212,528	\$ 329,053
Investments (Note 3)	4,980,341	4,489,802
Accounts receivable	273,442	290,705
Debenture debt recoverable from local municipalities (Note 4)	242,067	177,452
	5,708,378	5,287,012
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	561,925	555,001
Deferred revenue - Schedule 1	1,302,798	1,334,315
Debenture debt (Note 4)	391,377	258,038
Employee benefits and post-employment liabilities (Note 5)	403,850	370,979
Asset retirement obligations (Note 6)	71,608	70,954
Contaminated site liabilities (Note 7)	1,168	-
	2,732,726	2,589,287
NET FINANCIAL ASSETS	\$ 2,975,652	\$ 2,697,725
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	5,233,857	4,897,445
Inventories	8,764	6,640
	5,242,621	4,904,085
ACCUMULATED SURPLUS		
Accumulated surplus (Note 9)	8,179,080	7,602,497
Accumulated rereasurement gains/(losses)	39,193	(687)
ACCUMULATED SURPLUS	\$ 8,218,273	\$ 7,601,810

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

The Regional Municipality of Durham

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2025

(in thousands of dollars)

	2025	2024	
	Budget	Actual	
	(Note 11)	Actual	
REVENUES			
Property taxes	\$ 1,000,206	\$ 1,019,549	\$ 930,733
User fees (Note 10)			
Water and sewer	293,959	304,316	284,037
Other	158,261	150,553	150,078
Government transfers			
Canada	34,325	62,149	38,693
Ontario	584,455	598,744	530,908
Deferred revenue earned - Schedule 1	248,259	135,636	126,551
Fines (Note 15)	15,404	10,878	11,110
Contributed tangible capital assets (Note 8)	33,283	36,929	47,628
Other (Note 10)	50,155	245,696	263,953
TOTAL REVENUES	2,418,307	2,564,450	2,383,691
EXPENSES			
General government	124,323	131,972	117,528
Protection to persons and property	359,894	364,379	321,495
Transportation services	104,526	111,980	101,337
Transit	148,976	147,228	132,845
Environmental services	375,632	362,804	370,537
Health services	150,571	150,358	141,425
Social and family services	583,011	613,418	547,919
Social housing	107,042	105,728	107,366
TOTAL EXPENSES	1,953,975	1,987,867	1,840,452
ANNUAL SURPLUS	464,332	576,583	543,239
ACCUMULATED SURPLUS, BEGINNING OF YEAR	7,602,497	7,602,497	7,059,258
ACCUMULATED SURPLUS, END OF YEAR (Note 9)	\$ 8,066,829	\$ 8,179,080	\$ 7,602,497

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

The Regional Municipality of Durham

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2025

(in thousands of dollars)

	2025	2024
	Budget	Actual
	(Note 11)	Actual
ANNUAL SURPLUS	\$ 464,332	\$ 576,583
Change in rereasurement gains/(losses)	-	39,880
	464,332	616,463
Acquisition of tangible capital assets	(718,209)	(452,732)
Contributed tangible capital assets (Note 8)	(33,283)	(70,334)
Amortization of tangible capital assets	169,081	183,183
Loss on disposal of tangible capital assets	-	2,169
Loss on disposal of asset retirement obligations	-	434
Proceeds on disposal of tangible capital assets	-	868
Change in inventories	-	(2,124)
INCREASE/(DECREASE) IN NET FINANCIAL ASSETS	(118,079)	277,927
NET FINANCIAL ASSETS, BEGINNING OF YEAR	2,697,725	2,697,725
NET FINANCIAL ASSETS, END OF YEAR	\$ 2,579,646	\$ 2,975,652

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

The Regional Municipality of Durham

Consolidated Statement of Cash Flows

Year ended December 31, 2025

(in thousands of dollars)

	2025	2024
OPERATING		
Annual surplus	\$ 576,583	\$ 543,239
Non-cash charges to operations		
Amortization of tangible capital assets	183,183	171,444
Contributed tangible capital assets (Note 8)	(70,334)	(58,170)
Loss on disposal of tangible capital assets	2,169	9,483
Loss on disposal of asset retirement obligations	434	-
Accretion expense (Note 6)	1,807	1,776
Asset retirement obligation expense (Note 6)	(1,153)	8,718
Contaminated sites liabilities (Note 7)	1,168	-
Change in non-cash assets and liabilities		
Accounts receivable	17,263	(50,489)
Investments	28,416	(71,538)
Accounts payable and accrued liabilities	6,923	50,361
Deferred revenue	(31,517)	95,355
Employee benefits and post-employment liabilities	32,871	28,363
Inventories	(2,124)	(4)
Net increase in cash from operating activities	745,689	728,538
CAPITAL		
Proceeds on disposal of tangible capital assets	868	181
Acquisition of tangible capital assets	(452,732)	(422,735)
Net (decrease) in cash from capital activities	(451,864)	(422,554)
INVESTING		
Proceeds on maturity of investments	1,538,062	2,219,455
Acquisition of investments	(2,017,136)	(2,333,076)
Net (decrease) in cash from investing activities	(479,074)	(113,621)
FINANCING		
Regional debenture debt issued	77,826	-
Regional debenture debt principal repayments	(9,102)	(14,480)
Net increase/(decrease) in cash from financing activities	68,724	(14,480)
NET INCREASE IN CASH, DURING THE YEAR	(116,525)	177,883
CASH, BEGINNING OF YEAR	329,053	151,170
CASH, END OF YEAR	\$ 212,528	\$ 329,053

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

The Regional Municipality of Durham

Consolidated Statement of Remeasurement Gains and Losses

December 31, 2025

(in thousands of dollars)

	<u>2025</u> <u>Actual</u>	<u>2024</u> <u>Actual</u>
ACCUMULATED REMEASUREMENT (LOSSES), BEGINNING OF YEAR	\$ (687)	\$ -
Unrealized gain/(loss) attributed to:		
Prudent investments (Note 3)	40,042	(687)
Realized (loss) transferred to consolidated statement of operations	(162)	-
ACCUMULATED REMEASUREMENT GAINS/(LOSSES), END OF YEAR	<u>\$ 39,193</u>	<u>\$ (687)</u>

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

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2025
(in thousands of dollars)

1. Municipal Structure

The Regional Municipality of Durham (the “Region”) came into existence on October 15, 1973, under the authority of the Regional Municipality of Durham Act, 1973, assumed its responsibilities on January 1, 1974, and operates as an upper tier government in the Province of Ontario, Canada.

The Region comprises the following local municipalities that are responsible for local services, including property tax billing and collections:

- Town of Ajax
- Township of Brock
- Municipality of Clarington
- City of Oshawa
- City of Pickering
- Township of Scugog
- Township of Uxbridge
- Town of Whitby

Within these local municipalities, the Region provides a wide range of regional services to stakeholders. The services are classified in the following segments:

General Government

This segment consists of services provided by the following administrative departments: Regional Council, Offices of the Regional Chair and the Chief Administrative Officer, Legal Services, Finance, Corporate Services, and Community Growth and Economic Development. In addition to the governmental administrative functions, the services of this segment include regional development and promotion, and administrative and financial support, including debt issues and property tax policy. Broadband services under the operation of Durham OneNet Inc. (“DONi”) are also included in this segment.

Protection to Persons and Property

This segment includes Police Services, Emergency Management, Fire Co-ordination, Emergency 911 telephone services, the administration, prosecution, and collection of fines under the Provincial Offences Act, and funding provided to Conservation Authorities.

Transportation Services

This segment consists of the planning, design, construction, and maintenance of Regional roads, including winter control and associated traffic signal systems and controls.

Transit

Durham Region Transit (“DRT”) operates a public transit system serving communities in the Region.

Environmental Services

The services of this segment fall under three areas: Solid Waste Management – solid waste collection, disposal and diversion (for all local municipalities with the exception of collection services delivered directly by the City of Oshawa and the Town of Whitby) and various waste reduction, re-use and recycling programs; Water Supply - supply, treatment and distribution of water; and Sanitary Sewerage – wastewater collection and treatment, and the maintenance of regional storm sewers.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2025
(in thousands of dollars)

1. Municipal Structure (Continued)

Health Services

Services provided include public health programs targeted at the prevention of disease, health promotion and protection as well as land ambulance services.

Social and Family Services

The following services are included in this segment: Income and Employment Support, Long-Term Care and Services for Seniors, Child Care and Early Years, and Family Services.

Social Housing

This segment is responsible for the provision, in partnership with the community, of subsidized housing, including the operations of the wholly owned Durham Regional Local Housing Corporation (“DRLHC”), rent supplement and homelessness programs.

2. Summary of Accounting Policies

The consolidated financial statements of the Region are representations of management and are prepared in accordance with generally accepted accounting principles for government as recommended by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada.

The focus of PSAB financial statements is on the financial position of the Region and its financial performance. The Consolidated Statement of Financial Position reports financial assets and liabilities, and the non-financial assets of the Region. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Accumulated surplus represents the financial position of the Region and is the sum of the Region’s net financial assets and non-financial assets.

(a) Reporting Entity

- i. The consolidated financial statements reflect the financial activities of all entities that are controlled by the Region, and include the Durham Regional Police Services, DONi, DRT, and the DRLHC. The assets, liabilities, revenues and expenses of these entities are consolidated line by line on a uniform basis of accounting, after eliminating all inter-entity transactions. The financial position and operations of community social housing providers are not consolidated in these consolidated financial statements as the Region does not exercise control over them. Funding paid to these providers is included in the expenses of the social housing segment in the Consolidated Statement of Operations and Accumulated Surplus.
- ii. Trust Funds administered by the Region are not included in these consolidated financial statements. Trust Funds are disclosed separately in the Trust Funds Statement of Financial Position and the Trust Funds Statement of Financial Activities and Fund Balances.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2025
(in thousands of dollars)

2. Summary of Accounting Policies (Continued)

(b) Basis of Accounting

i. Accrual Basis of Accounting

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

ii. Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are used 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.

(a) Tangible capital assets

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

	Useful Life - Years
Land improvements	20
Buildings and building improvements	15 - 80
Vehicles	3 - 15
Machinery and equipment	3 - 30
Water and wastewater - infrastructure	20 - 80
Roads - infrastructure	30 - 100

Active landfill sites are amortized using the units of production method based upon capacity used during the year. There are no remaining active landfill sites.

Amortization is charged in the year of acquisition and in the year of disposal. Tangible capital assets under construction are not amortized until the tangible capital assets are in service.

(b) Contributed tangible capital assets

Tangible capital assets received as contributions, primarily water and wastewater infrastructure, and the related revenue, are recorded at their fair value on the earlier of the date received or the transfer of risk and responsibility.

(c) Leases

Leases are classified as operating or capital 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 payments are charged to expenses as incurred.

(d) Inventories

Inventories held for consumption are recorded at the lower of cost or replacement cost.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2025
(in thousands of dollars)

2. Summary of Accounting Policies (Continued)

iii. Asset Retirement Obligation

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

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

The best estimate of the liability includes all costs directly attributable to the remediation of the asset retirement obligation, based on the most reliable information that is available as at the applicable reporting date. Where cash flows are expected over future periods, the liability is recognized using a present value technique and adjusted yearly for accretion expense. The accretion expense increases the carrying amount of the liability for an Asset Retirement Obligation due to the passage of time.

The recognition of a liability results in an accompanying increase to the respective tangible capital assets. The increase to the tangible capital assets is being amortized in accordance with the tangible capital asset accounting policies. For tangible capital assets no longer in productive use or unrecognized tangible capital assets, the retirement costs are expensed. At remediation, the Region derecognizes the liability. In some circumstances, gains or losses may be incurred upon settlement related to the ongoing measurement of the liability and the corresponding estimates that were made, with the gains or losses recognized in the statement of operations.

iv. Financial Instruments

Financial instruments reported on the Region's Statement of Financial Position are measured as follows:

Financial instrument	Measurement
Cash	Cost
Prudent Investments	Fair Value
Other Investments	Amortized cost
Accounts receivable	Cost
Accounts payable and accrued liabilities	Cost
Regional debenture debt	Amortized cost

Financial instruments measured at cost or amortized cost are carried using the effective interest method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Prudent Investments, representing funds not required for immediate use, are investments in fixed income instruments and equities and are measured at fair value.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2025
(in thousands of dollars)

2. Summary of Accounting Policies (Continued)

Any change in fair value of an instrument within the Prudent Investment portfolio is recognized in the Consolidated Statement of Remeasurement Gains and Losses as a remeasurement gain or loss until the gain or loss on the investment is realized upon disposal. Upon disposal, any accumulated remeasurement gains or losses associated with the investment are recognized as gains and losses in the Consolidated Statement of Operations.

v. Pension and Employee Benefits and Post-Employment Liabilities

The Region accounts for its participation in the Ontario Municipal Employees Retirement System (“OMERS”), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

Employee benefits include vacation entitlements, sick leave benefits, post-employment benefits and workplace safety and insurance (“WSI”) benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave, post-employment and WSI benefits are subject to actuarial valuations and are accrued in accordance with the projected benefit method, prorated on service, and management’s best estimate of salary escalation and retirement ages of employees. Actuarial gains and losses related to past service of employees or changes in actuarial assumptions are amortized on a straight-line basis over the expected average remaining service life of the employee groups. Amortization begins in the year following the effective date of the related actuarial valuation.

vi. Deferred Revenue

Development charges collected under the Development Charges Act, 1997, conditional grants and other revenues not yet earned are reported as deferred revenue in the Consolidated Statement of Financial Position. These amounts are deferred until obligations related to provision of goods or services have been met.

vii. Tax Revenue

Tax revenue is recognized on all taxable properties that are included in the annual assessment roll or through supplementary assessment rolls provided by the Municipal Property Assessment Corporation (“MPAC”) in the period the tax is levied. Tax revenue is determined using the current value assessments provided by MPAC in the annual assessment roll or through supplementary assessment rolls at the tax rates authorized by Regional Council based on the approved budget.

viii. Government Transfers

Government transfers are recognized in the period during which the transfers are authorized, and any eligibility criteria are met. Government transfers are deferred if they are restricted through stipulations that require specific actions to be carried out in order to recognize the transfer. For such transfers, revenue is recognized when the stipulation has been met. Significant transfers recognized as revenue include subsidies for Health Services, including Land Ambulance Services, and for Social and Family Services programs, including Income and Employment Support, Long-Term Care and Services for Seniors, and Children’s Services. Significant transfers recognized as expenses include payments to individuals under the Social and Family Services Income and Employment Support programs and to Social Housing providers under the Social Housing segment. The Consolidated Schedule of Segment Disclosure, Schedule 3, discloses government transfer revenues and expenses by segment.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2025
(in thousands of dollars)

2. Summary of Accounting Policies (Continued)

- ix. **User Fee Revenue**
User fee revenues are recognized at realizable value when earned. User fee revenues with performance obligations are recognized as revenue when the obligation to provide goods or services has been met.
- x. **Use of Estimates**
The preparation of these consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Significant estimates relate to accounts receivable, the useful life of capital assets and the expected retirement costs, accrued liabilities, employee benefits and post-employment liabilities, contaminated site provisions, and landfill closure and post closure liabilities. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.
- xi. **Segment Disclosure**
Revenues and expenses of the segments identified in Note 1 include amounts that are directly attributable to the segment and amounts that can be allocated on a reasonable basis. Items that are corporate in nature and not subject to allocation are identified as unallocated. The accounting policies used for segmented disclosure are consistent with the accounting policies noted above.

3. Investments

The Region has adopted an Investment policy which authorized investment of funds through the ONE Joint Investment Board (ONE JIB) under the Prudent Investor standard as permitted under the *Municipal Act, 2001*. The authority for the control and management of the Region's funds not required for immediate use was delegated to ONE JIB. Prudent investments under the authority of ONE JIB at year end had a cost of \$1,981,409 (2024 - \$1,058,987) and a fair market value of \$2,020,602 (2024 - \$1,058,300). Prudent investments are measured at fair value, based on quoted prices in active markets for identical investments. The unrealized gain for the year was \$39,193 (2024 – loss of \$687).

Other investments consisting of guaranteed investment certificates, high interest accounts, and bonds have an amortized cost of \$2,959,739 (2024 – \$3,431,502) and a market value of \$2,955,697 (2024 – \$3,438,496).

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2025
(in thousands of dollars)

4. Debenture Debt

- (a) Debenture debt reported on the Consolidated Statement of Financial Position is made up of the following:

	<u>2025</u>	<u>2024</u>
Total debenture debt	\$ 391,377	\$ 258,038
Debenture debt recoverable from local municipalities	(242,067)	(177,452)
Regional debenture debt (Note 9)	\$ 149,310	\$ 80,586

The Regional debenture debt is measured at amortized cost, using the effective interest rate method. Interest rates for Regional debenture debt range from 0.95% to 4.75%, with maturities between July 2029 and October 2045. In 2025, Regional debenture debt, including sinking fund debentures, of \$77,826 (2024 - \$nil) was issued.

Local municipalities have assumed responsibility for payment of principal and interest charges for their respective portions of the total debenture debt, with interest rates ranging from 0.45% to 5.334% and maturities between July 2027 and June 2045. In 2025, the Region issued debenture debt, including sinking fund debentures, on behalf of the local municipalities for \$80,571 (2024 - \$56,542). The Region is contingently liable for these debentures.

Total sinking fund debentures totalling \$140,000 (2024 - \$nil) were issued, of which \$67,361 (2024 - \$nil) is the Region's share and \$72,639 (2024 - \$nil) is on behalf of local municipalities. Annual payments to the sinking fund are made to finance the repayment of the debentures as they mature. The first contribution to the sinking fund will be in 2026.

- (b) The Regional debenture debt repayments, including contributions to sinking funds, required over the next five years and in total thereafter are as follows:

2026	\$ 12,671
2027	12,909
2028	13,165
2029	13,440
2030	12,751
Thereafter	84,374
	<u>\$ 149,310</u>

Total interest charges for Regional debenture debt reported on the Consolidated Statement of Operations and Accumulated Surplus are \$3,248 (2024 - \$3,031).

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

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2025
(in thousands of dollars)

5. Employee Benefits and Post-Employment Liabilities

The Region provides certain employee benefits that require funding in future periods. These benefits include post-employment benefits for extended health and dental, sick leave, and benefits mandated under the Workplace Safety and Insurance Act. The accrued benefit liability and expense amounts for these employee benefits are based on the results of the December 31, 2024 triennial actuarial valuations, updated to December 31, 2025, prepared by an independent actuary. These benefits are comprised of:

	<u>2025</u>	<u>2024</u>
Sick leave benefits	\$ 103,694	\$ 105,803
Post-employment benefits	168,744	151,804
Workplace safety and insurance benefits	131,412	113,372
Total employee benefits and post-employment liabilities	403,850	370,979
Funded post-employment benefits	(47,240)	(44,368)
Unfunded employee benefits and post-employment liabilities (Note 9)	\$ 356,610	\$ 326,611

Significant management assumptions used in the actuarial valuations are:

Discount rates for accrued benefit obligations	4.25% (sick leave)
	4.25% (post-employment benefits)
	4.00% (workplace safety and insurance)
Inflation rate	2% (sick leave and post-employment)
	2% (workplace safety and insurance)
Healthcare benefit cost escalation	6% in 2025, reducing to 4.0% in 2031
	Drug
Dental and other health	4%
Future salary escalations	3%

The Regional Municipality of Durham
Notes to the Consolidated Financial Statements

December 31, 2025
(in thousands of dollars)

5. Employee Benefits and Post-Employment Liabilities (Continued)

(a) *Sick Leave Benefits*

Employees accrue sick leave benefits for future use. In addition, certain sick leave benefit plans provide for accumulation of unused benefits and employees may become entitled to payment when they leave the Region's employment. The liability for these two components of sick leave benefits and expense, as determined by actuarial valuation at December 31, 2024, is as follows:

	<u>2025</u>	<u>2024</u>
Liability for sick leave benefits		
Accrued benefit obligation, beginning of year	\$ 86,760	\$ 111,194
Current period benefit cost	5,543	9,104
Interest on accrued benefit obligation	3,592	2,898
Actuarial gain	-	(27,870)
Benefit payments	(10,017)	(8,566)
Accrued benefit obligation, end of year	85,878	86,760
Unamortized actuarial gains	17,816	19,043
Liability for sick leave benefits	\$ 103,694	\$ 105,803
Sick leave benefit expense		
Current period benefit cost	\$ 5,543	\$ 9,104
Interest on accrued benefit obligation	3,592	2,898
Amortization of actuarial (gains)	(1,227)	(33)
Total sick leave benefit expense	\$ 7,908	\$ 11,969

Actuarial gains/losses are amortized over the expected average remaining service life of eleven to thirteen years for the related employee groups.

The Regional Municipality of Durham
Notes to the Consolidated Financial Statements

December 31, 2025
(in thousands of dollars)

5. Employee Benefits and Post-Employment Liabilities (Continued)

(b) Post-Employment Benefits

The Region provides certain benefits to qualifying employees following retirement. Benefit entitlement ceases at age 65, with the exception of Police Services employees whose entitlement ceases at either age 70 or 75, certain Region employees whose entitlement ceases on the earlier of age 75 or death, and of certain DRT employees whose coverage is maintained for life. The liability for post-employment benefits and expense, as determined by actuarial valuation at December 31, 2024, updated to December 31, 2025, is as follows:

	<u>2025</u>	<u>2024</u>
Liability for post-employment benefits		
Accrued benefit obligation, beginning of year	\$ 155,820	\$177,402
Current period benefit cost	6,772	10,399
Plan amendment	11,107	377
Interest on accrued benefit obligation	6,542	4,753
Actuarial gain	-	(27,351)
Benefit payments	(10,558)	(9,760)
Accrued benefit obligation, end of year	169,683	155,820
Unamortized actuarial losses	(939)	(4,016)
Liability for post-employment benefits	\$ 168,744	\$151,804
Post-employment benefit expense		
Current period benefit cost	\$ 6,772	\$ 10,399
Plan amendment incurred during the year	11,107	377
Interest on accrued benefit obligation	6,542	4,753
Amortization of actuarial losses	3,077	4,240
Total post-employment benefit expense	\$ 27,498	\$ 19,769

Actuarial gains/losses are amortized over the expected average remaining service life of eight to fourteen years for the related employee groups.

The Regional Municipality of Durham
Notes to the Consolidated Financial Statements

December 31, 2025
(in thousands of dollars)

5. Employee Benefits and Post-Employment Liabilities (Continued)

(c) *Workplace Safety and Insurance (WSI) Benefits*

The Region is a Schedule II employer under the Workplace Safety and Insurance Act and follows a policy of self-insurance for employees. Accordingly, the Region assumes liability for awards made under the Act, reimbursing the Workplace Safety and Insurance Board for costs relating to its workers' claims. The liability for WSI benefits and expense, as determined by actuarial valuation at December 31, 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Liability for WSI benefits		
Accrued benefit obligation, beginning of year	\$ 149,844	\$141,604
Current period benefit cost	25,225	23,832
Interest on accrued benefit obligation	6,093	3,669
Actuarial loss	-	280
Benefit payments	(20,273)	(19,541)
Accrued benefit obligation, end of year	160,889	149,844
Unamortized actuarial losses	(29,477)	(36,472)
Liability for WSI benefits	\$ 131,412	\$113,372
WSI benefit expense		
Current period benefit cost	\$ 25,225	\$ 23,832
Interest on accrued benefit obligation	6,093	3,669
Amortization of actuarial losses	6,995	6,992
Total WSI benefit expense	\$ 38,313	\$ 34,493

Actuarial gains/losses are amortized over the expected average remaining service life of eight to eleven years for the related employee groups.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2025
(in thousands of dollars)

6. Asset Retirement Obligations

The Region reports liabilities related to the legal obligations where the Region is obligated to incur costs to retire a tangible capital asset. The Region's asset retirement obligation consists of several obligations as follows:

(a) *Landfill obligation*

The Region owns seven closed landfill sites and is responsible for post-closure activities, which include monitoring of ground and surface water, leachate, and gas, ongoing maintenance, and annual reporting for an estimated period of 40 years. Closure costs include final cover and vegetation, drainage control features, leachate control and monitoring systems, water quality monitoring systems, gas monitoring and recovery, land acquisition (buffer zones), site remediation and mining, and site closure reports. The total estimated liability for closure and post-closure care is based on the sum of discounted future cash flows using a discount rate of 4.25% and assuming an annual inflation factor of 2%.

(b) *Asbestos obligation*

The Region owns buildings which contain asbestos and is legally required to perform abatement activities upon renovation or demolition of the asset. Abatement activities include handling and disposing of the asbestos in a prescribed manner when it is disturbed. The total estimated liability for abatement activities is based on the sum of discounted future cash flows using a discount rate of 3.175% and assuming annual inflation of 3%.

(c) *Other obligations*

The Region owns several waste management facilities of which three waste sites have requirements for a closure plan under the Environmental Compliance Approval (ECA) issued by the Ministry of Environment, Conservation and Parks. Closure plan costs include pre-condition surveys, geotechnical investigations, environmental studies, site closure reports, grading and drainage control features.

In addition, a waste management facility jointly owned by the Region and the Regional Municipality of York has both an ECA closure plan requirement and an end use plan requirement under an agreement with the Municipality of Clarington. In addition to the ECA closure plan costs, the end of use plan requires the decommissioning and dismantlement of the facility to a standard suitable for re-use as an industrial/commercial site.

The Region also owns water supply system wells that upon their retirement require decommissioning by a licensed well contractor to plug and seal the well in accordance with the regulation.

The total estimated liability for other asset retirement obligations is based on the sum of discounted future cash flows using a discount rate of 4.25% and assuming annual inflation of 3%.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2025
(in thousands of dollars)

6. Asset Retirement Obligations (continued)

The Region has not designated funds for settling these asset retirement obligations and will include estimates in future budgets when retirement activities will be undertaken. Changes to the asset retirement obligation in the year are as follows:

Asset retirement obligation	Landfill closure	Asbestos	Other obligations	Total
Balance at January 1, 2025	\$ 17,501	\$ 49,994	\$ 3,459	\$ 70,954
Liabilities incurred	-	-	-	-
Liabilities settled	(218)	(850)	-	(1,068)
Accretion expense	125	1,549	133	1,807
Changes in estimate	(74)	(11)	-	(85)
Balance at December 31, 2025	\$ 17,334	\$ 50,682	\$ 3,592	\$ 71,608

Asset retirement obligation	Landfill closure	Asbestos	Other obligations	Total
Balance at January 1, 2024	\$ 8,360	\$ 48,775	\$ 3,325	\$ 60,460
Liabilities incurred	-	51	6	57
Liabilities settled	(226)	(670)	-	(896)
Accretion expense	130	1,518	128	1,776
Changes in estimate	9,237	320	-	9,557
Balance at December 31, 2024	\$ 17,501	\$ 49,994	\$ 3,459	\$ 70,954

7. Contaminated Site Liabilities

A contaminated site exists when substances introduced into the air, soil, water, or sediment exceeds the maximum acceptable environmental standards and a liability for remediation occurs when a site is not in productive use. The estimated liability includes costs directly attributable to remediation activities as well as post remediation, maintenance and monitoring of the contaminated site, net of any expected recoveries.

On acquisition of a property in 2025, the Region recognized a liability of \$1,168 (2024 - \$nil) for the remediation of contaminated soil that exceeds environmental standards. The estimate for remediation is based on currently available information from an assessment of the site. The property is currently vacant land and as the anticipated future land use is not known, no remediation activities have been planned at this time. The liability will be reassessed as additional information becomes available or as the future use of the property is determined.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2025
(in thousands of dollars)

8. Tangible Capital Assets

The net book value of tangible capital assets reported in the Consolidated Statement of Financial Position is made up of the following:

	2025	2024
Land	\$ 160,159	\$ 115,127
Land improvements	26,509	21,838
Building and building improvements	717,256	709,172
Vehicles	88,113	76,484
Machinery and equipment	415,509	422,365
Water and wastewater - infrastructure	2,083,396	2,019,696
Roads - infrastructure	883,170	825,614
	4,374,112	4,190,296
Work in progress	859,745	707,149
	\$ 5,233,857	\$4,897,445

The Consolidated Schedule of Tangible Capital Assets (Schedule 2) discloses the changes in the cost and accumulated amortization by category.

(a) *Work in Progress*

Work in progress, having a value of \$859,745 (2024 - \$707,149) has not been amortized. Amortization of these assets will commence when the assets are put in service.

(b) *Contributed Tangible Capital Assets*

Typical examples of contributed tangible capital assets are water and wastewater infrastructure installed by developers. The value of contributed tangible capital assets transferred to the Region in 2025 was \$70,334 (2024 - \$58,170). A portion of the contributed tangible capital assets, in the amount of \$33,405 (2024- \$10,542), was financed by development charge credits earned and recorded as deferred revenue earned.

(c) *Tangible Capital Assets Recognized at Nominal Values*

Certain tangible capital assets, primarily land under roads, have been assigned a nominal value because of the difficulty of determining a tenable valuation and/or the tangible capital assets were older than their estimated useful lives, and therefore were already fully amortized.

(d) *Works of Art and Historical Treasures*

No works of art or historical treasures are held by the Region.

(e) *Other*

During the year, there were no write-downs of assets (2024 - \$nil), no interest was capitalized (2024 - \$nil), and there are no capital lease obligations (2024 - \$nil).

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2025
(in thousands of dollars)

9. Accumulated Surplus

The accumulated surplus from operations consists of the following:

	2025	2024
Surplus		
Tangible capital assets (Note 8)	\$ 5,233,857	\$ 4,897,445
Regional debenture debt (Note 4)	(149,310)	(80,586)
Unexpended capital financing for future capital acquisitions	948,488	818,430
Employee benefits and post-employment liabilities (Note 5)	(356,610)	(326,611)
Asset retirement obligation liabilities (Note 6)	(71,608)	(70,954)
Total Surplus	5,604,817	5,237,724
Reserves Set Aside By Council		
Capital	429,420	376,989
Sick leave	161,419	155,736
Regional roads	75,738	67,541
Working capital	48,590	47,590
Employee benefits	41,290	37,760
Property tax assessment appeals	39,723	38,331
Other reserves	20,317	16,416
Total Reserves	816,497	740,363
Reserve Funds Set Aside For Specific Purpose By Council		
Treatment plant/rate stabilization - Sanitary sewerage	287,765	267,857
Capital impact stabilization fund	236,433	219,409
Operating impact stabilization fund	155,246	127,913
Treatment plant/rate stabilization - Water supply	151,949	161,858
Solid waste management	150,524	138,271
Affordable and Social housing	146,672	141,930
Growth related infrastructure	104,571	80,799
Insurance	82,853	78,365
Transit capital	75,089	60,325
Roads rehabilitation	69,900	62,144
Asset management	64,149	61,745
Workers' compensation	60,547	56,771
Durham Healthcare Institutions	42,397	45,294
Seaton facilities	38,750	37,447
Regional revitalization	21,492	20,379
Servicing of employment lands and key locations	18,590	18,881
Economic development	14,141	10,989
Bridge rehabilitation	13,372	6,367
Climate mitigation and environment	2,848	2,809
Other reserve funds	20,478	24,857
Total Reserve Funds	1,757,766	1,624,410
Accumulated Surplus from Operations	\$ 8,179,080	\$ 7,602,497

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2025
(in thousands of dollars)

10. User Fees and Other Revenues

User charges represent amounts received from customers for goods and services provided by the Region. User fees include water supply and sanitary sewer charges for services provided to properties within the Region, accommodation charges for long-term care, tenant rental charges for DRLHC properties, transit fares, various police services, and fees paid by the Regional Municipality of York for their share of costs on jointly owned sanitary sewage systems and a solid waste management facility. User fees are recognized at realizable value when earned.

Other revenues include investment earnings and sale of electricity from a solid waste facility. Revenues are recognized at realizable value when earned.

User fees and Other revenues are comprised of the following:

	<u>2025</u>	<u>2024</u>
User fees		
Water and sewer		
Water supply	\$ 151,960	\$ 141,072
Sanitary sewer	152,356	142,965
	304,316	284,037
Other user fees		
Transit fares	40,687	38,551
Long-term care	23,433	22,832
Tenant rents	8,173	7,966
Police services	7,286	6,824
Region of York share - sewer	38,005	39,154
Region of York share - waste	4,996	5,104
Other	27,973	29,647
	\$ 150,553	\$ 150,078
Other revenues		
Investment earnings	\$ 222,780	\$ 239,077
Electricity sales	7,035	6,693
Other	15,881	18,183
	\$ 245,696	\$ 263,953

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2025
(in thousands of dollars)

11. Budget Amounts

The budget amounts presented for comparative purposes in the Consolidated Statement of Operations and Change in Net Financial Assets represent the cash basis budgets for Property Tax, Water Supply and Sanitary Sewer, as approved by Regional Council, adjusted to the full accrual basis, as required by Public Sector Accounting Standards ("PSAS"). The adjustments are as follows:

	Property Tax \$	Water Supply \$	Sanitary Sewerage \$	Total \$
Revenues				
Approved Budget	2,072,958	318,536	340,862	2,732,356
Reclassifications between revenue and expense	(13,048)	-	(25,915)	(38,963)
Budget before PSAS adjustments	2,059,910	318,536	314,947	2,693,393
Contributed tangible capital assets	1,215	13,674	18,394	33,283
Revenue accrual adjustment	3,600	-	-	3,600
Transfers from reserves and reserve funds	(103,272)	(30,074)	(19,281)	(152,627)
Proceeds of debt issued for Regional purposes	(92,271)	(18,000)	(49,071)	(159,342)
Total Revenues	1,869,182	284,136	264,989	2,418,307
Expenses				
Approved Budget	2,072,958	318,536	340,862	2,732,356
Reclassifications between revenue and expense	(13,048)	-	(25,915)	(38,963)
Budget before PSAS adjustments	2,059,910	318,536	314,947	2,693,393
Post-employment benefit expense	27,032	636	785	28,453
Asset retirement obligation	10,544	171	89	10,804
Amortization	99,093	31,071	38,917	169,081
Transfers to reserves and reserve funds	(162,179)	(14,227)	(25,198)	(201,604)
Acquisition of tangible capital assets	(345,403)	(222,689)	(152,720)	(720,812)
Less: Recovery for shared ownership	-	-	2,603	2,603
Net Acquisition of tangible capital assets	(345,403)	(222,689)	(150,117)	(718,209)
Regional debenture debt principal repayments	(22,181)	(734)	(5,028)	(27,943)
Total Expenses	1,666,816	112,764	174,395	1,953,975
Annual Surplus	202,366	171,372	90,594	464,332

The budget for property tax purposes was presented to Regional Council under Report 2024-COW-53 and was approved December 12, 2024, under by-laws 2024-059, 2024-060, 2024-061 and 2024-065.

The budgets for water supply and sanitary sewerage were presented to Regional Council in Report 2024-COW-54 and were approved December 12, 2024, under by-laws 2024-055 and 2024-056.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2025
(in thousands of dollars)

12. Contractual Obligations

(a) *Sanitary Sewerage System*

The Region and the Regional Municipality of York jointly own certain sanitary sewerage systems and have entered into a joint operating agreement, whereby the Region operates and maintains these facilities. Each co-owner is responsible for its share of tangible capital asset acquisitions and operating costs based on actual sewerage flows.

(b) *Solid Waste Management*

The Region and the Regional Municipality of York jointly own a waste management facility that produces energy from the combustion of residual solid waste. The facility, which began commercial operations in 2016, is operated by a third-party contractor under a twenty year agreement with the owners. Each owner is responsible for its share of costs based on tonnages of solid waste processed, to a combined total of 140,000 tonnes per year. Revenue from the sale of electricity generated is shared between the owners based on their ownership share.

(c) *Lease Commitments*

The Region has commitments under various building, land and equipment lease agreements expiring from 2026 to 2031. These operating leases require approximate annual rental payments as follows:

2026	5,788
2027	3,019
2028	2,097
2029	1,473
2030	998
Thereafter	90
	<hr/>
	\$13,465

(d) *Tangible Capital Assets Commitments*

Contractual obligations for tangible capital asset work in progress total approximately \$542,277 (2024 - \$503,799). Financing for these commitments has been approved by Regional Council.

(e) *Advancement of Infrastructure*

The Region has entered into agreements whereby owners of land receive a credit towards development charges that would otherwise be due under the Region's development charge by-laws in exchange for the advancement of construction of infrastructure assets that become tangible capital assets of the Region.

Deferred revenue earned from development charges, equivalent to the value of the infrastructure assets, is recognized at the time payment is received for regionally constructed works, or when the developer-constructed assets are transferred to the Region. Credits issued and outstanding under such agreements total \$319,575 (2024 - \$328,706), of which \$789 (2024 - \$4,788) is recognized as deferred revenue earned in the current year.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2025
(in thousands of dollars)

13. Contingency

The Region has been named as defendant in certain legal actions in which damages have been sought. The outcome of these actions is not determinable as at December 31, 2025; however, in the opinion of management, any liability that may arise from such actions would not have a significant adverse effect on the Consolidated Financial Statements.

14. Pension Contributions

The Region contributed \$65,732 (2024 - \$59,465) to OMERS on behalf of 7,541 employees for current service. Contributions by employees were a similar amount. The Region's contributions are included on the Consolidated Statement of Operations and Accumulated Surplus classified under the appropriate functional expense category. As at December 31, 2025, the OMERS plan, with approximately 665,000 members, has a funding deficit that is approximately \$1.3 billion.

15. Provincial Offences Administration

The Region administers the prosecution and collection of fines arising under the Provincial Offences Act ("POA"). The POA is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor Licence Act, municipal by-laws and minor federal offences. Offenders may pay their fines online, by mail, or at any Provincial Offences court office in Ontario, at which time the receipts are recorded in the provincial Integrated Courts Offences Network system ("ICON"). POA fines are non-exchange transactions that do not have performance obligations. Due to the difficulty in determining realizable value of fines, the Region recognizes fine revenue on a gross basis when the receipt of funds is recorded in ICON.

Gross revenues for POA charges total \$10,878 (2024 - \$11,110). Net expenses, including costs of camera-based operations, total \$236 (2024 - net revenues of \$552). Local municipalities share 60 per cent of net revenues, with the Region retaining 40 per cent of net revenues and 100 per cent of net expenses.

16. Trust Funds

Trust Funds administered by the Region amount to \$1,243 (2024 - \$1,167) and are presented in separate Trust Funds Statements of Financial Position and Financial Activities and Fund Balances. Balances held in trust by the Region for the benefit of others have not been included in the Consolidated Statement of Financial Position, nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

17. Risk Management

The Region is exposed to various risks through its financial instruments. Management monitors these risks and takes steps to mitigate potential impacts through policies, internal controls, and financial planning. The following analysis provides a measure of the Corporation's risk exposure at the Statement of Financial Position date, December 31, 2025.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Region is exposed to credit risk through its cash, investments, and accounts receivable. The Region holds cash accounts in federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation and manages

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2025
(in thousands of dollars)

17. Risk Management (continued)

credit exposure resulting from the investments by investing in high credit quality instruments, in accordance with the Region's Investment Policy. Accounts receivable are monitored based on the age of the amount receivable and historical experience with collections. The Region does not have any significant past due receivables. There was no change in exposure from the prior year.

Liquidity risk

Liquidity risk is the risk that the Region will not be able to meet its obligations associated with financial liabilities. To reduce liquidity risk, the Region maintains liquid reserves such as cash and investments. The Region is exposed to this risk mainly with respect to its accounts payable and accrued liabilities, and debenture debt. To manage this risk and ensure there is sufficient liquidity to meet its liabilities when due, the Region undertakes extensive budgeting, forecasting, and financial planning exercises for major capital investments, monitors its cash balances and cash flows generated from operations and invests in highly liquid securities that can readily be converted to cash. There was no change in exposure from the prior year.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk encompasses a variety of financial risks such as foreign exchange risk, interest rate risk, and commodity price risk.

i. Foreign Currency risk

Foreign currency risk is the risk that the fair value of cash balances and transactions for goods and services denominated in a foreign currency will vary in Canadian dollar terms because of changes in foreign exchange rates. The Region is subject to foreign currency risk as the result purchases of goods and services where the transactions are settled in a foreign currency. The value of the purchase transactions settled in foreign currencies is not significant. There was no change in exposure from the prior year.

ii. Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Region is subject to interest rate risk through its debt and variable rate investments (bonds and GIC's). There was no change in exposure from the prior year.

iii. Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. There was no change in exposure from the prior year.

The Regional Municipality of Durham

Consolidated Schedule of Deferred Revenue

Year ended December 31, 2025

(in thousands of dollars)

Schedule 1

	BALANCE, BEGINNING OF YEAR	INCREASE IN DEFERRED REVENUE					DEFERRED REVENUE EARNED	BALANCE, END OF YEAR
		Interest	Government transfers	Development charges collected	Other	Total		
Development Charges								
Residential & Non-Residential								
Sanitary sewerage	272,995	2,680	-	11,520	-	14,200	21,703	265,492
Water supply	475,040	4,279	-	9,478	-	13,757	16,530	472,267
Solid Waste	157	9	-	108	-	117	-	274
Roads	362,751	2,317	-	23,898	-	26,215	40,013	348,953
Transit	55,613	162	-	3,643	-	3,805	10,170	49,248
Residential								
Police	19,701	469	-	1,271	-	1,740	2,535	18,906
Long-Term Care	1,154	65	-	669	-	734	-	1,888
Development Charge Study	328	14	-	1	-	15	-	343
GO Transit	-	-	-	1,147	-	1,147	1,147	-
Emergency Medical Services	2,436	49	-	544	-	593	748	2,281
Development Charges	1,190,175	10,044	-	52,279	-	62,323	92,846	1,159,652
Conditional Grants								
Canada Community-Building								
Fund	80,736	700	22,822	-	-	23,522	28,448	75,810
Provincial Gas Tax	37,490	68	9,633	-	-	9,701	7,283	39,908
Transit	371	-	-	-	(371)	(371)	-	-
Municipal Infrastructure	-	-	450	-	-	450	-	450
Health Services	-	-	20	-	-	20	-	20
Social and Family Services	-	-	2,553	-	5	2,558	-	2,558
Social Housing	15,416	-	7,654	-	(2,332)	5,322	7,059	13,679
Conditional Grants	134,013	768	43,132	-	(2,698)	41,202	42,790	132,425
Miscellaneous Deferred Revenue	10,127	-	-	-	594	594	-	10,721
Total	1,334,315	10,812	43,132	52,279	(2,104)	104,119	135,636	1,302,798

The Regional Municipality of Durham

Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2025

(in thousands of dollars)

Schedule 2

	Land	Landfills	Land improvements	Buildings and building improvements	Vehicles	Machinery and equipment	Water and wastewater - infrastructure	Roads - infrastructure	Work in progress	2025 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST										
Balance, beginning of year	115,127	1,199	39,622	1,145,591	186,945	1,053,191	2,836,688	1,594,959	707,149	7,680,471
Additions	45,032	-	6,532	37,511	28,226	46,973	60,582	75,271	452,723	752,850
Asset retirement obligation adjustments	-	-	-	9	-	-	-	-	-	9
Contributed tangible capital assets	-	-	-	-	-	-	41,026	29,308	-	70,334
Work in progress completed	-	-	-	-	-	-	-	-	(300,127)	(300,127)
Disposals	-	-	-	(626)	(8,784)	(8,502)	(317)	(14,181)	-	(32,410)
BALANCE, END OF YEAR	160,159	1,199	46,154	1,182,485	206,387	1,091,662	2,937,979	1,685,357	859,745	8,171,127
ACCUMULATED AMORTIZATION										
Balance, beginning of year	-	1,199	17,784	436,419	110,461	630,826	816,992	769,345	-	2,783,026
Amortization of tangible capital assets	-	-	1,861	29,001	16,367	53,472	37,802	44,680	-	183,183
Disposals	-	-	-	(191)	(8,554)	(8,145)	(211)	(11,838)	-	(28,939)
BALANCE, END OF YEAR	-	1,199	19,645	465,229	118,274	676,153	854,583	802,187	-	2,937,270
NET BOOK VALUE, END OF YEAR	160,159	-	26,509	717,256	88,113	415,509	2,083,396	883,170	859,745	5,233,857

The Regional Municipality of Durham

Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2024

(in thousands of dollars)

Schedule 2

	Land	Landfills	Land improvements	Buildings and building improvements	Vehicles	Machinery and equipment	Water and wastewater - infrastructure	Roads - infrastructure	Work in progress	2024 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST										
Balance, beginning of year	103,053	1,199	34,820	1,093,960	161,392	992,697	2,681,633	1,570,115	607,428	7,246,297
Additions	12,074	-	4,802	60,738	28,466	84,414	105,230	27,290	422,358	745,372
Contributed tangible capital assets	-	-	-	-	-	-	58,170	-	-	58,170
Work in progress completed	-	-	-	-	-	-	-	-	(322,637)	(322,637)
Disposals	-	-	-	(9,107)	(2,913)	(23,920)	(8,345)	(2,446)	-	(46,731)
BALANCE, END OF YEAR	115,127	1,199	39,622	1,145,591	186,945	1,053,191	2,836,688	1,594,959	707,149	7,680,471
ACCUMULATED AMORTIZATION										
Balance, beginning of year	-	1,199	16,139	416,149	99,195	608,287	783,204	724,476	-	2,648,649
Amortization of tangible capital assets	-	-	1,645	27,131	14,118	46,077	36,103	46,370	-	171,444
Disposals	-	-	-	(6,861)	(2,852)	(23,538)	(2,315)	(1,501)	-	(37,067)
BALANCE, END OF YEAR	-	1,199	17,784	436,419	110,461	630,826	816,992	769,345	-	2,783,026
NET BOOK VALUE, END OF YEAR	115,127	-	21,838	709,172	76,484	422,365	2,019,696	825,614	707,149	4,897,445

The Regional Municipality of Durham

Consolidated Schedule of Segment Disclosure

Year ended December 31, 2025

(in thousands of dollars)

Schedule 3

	General Government	Protection to Persons and Property	Transportation Services	Transit	Environmental Services	Health Services	Social and Family Services	Social Housing	Unallocated	2025 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES										
Property taxes	-	-	-	-	-	-	-	-	1,019,549	1,019,549
User fees	6,165	9,854	2,626	40,687	360,317	1,156	25,886	8,178	-	454,869
Government transfers	3,508	13,870	11,373	5,780	10,106	79,459	479,660	57,137	-	660,893
Deferred revenue earned	1,187	2,535	54,853	21,536	38,233	748	-	16,544	-	135,636
Fines	-	10,878	-	-	-	-	-	-	-	10,878
Contributed tangible capital assets	-	-	-	-	36,929	-	-	-	-	36,929
Other	3	322	3,784	1	9,344	30	27	399	231,786	245,696
TOTAL REVENUES	10,863	37,459	72,636	68,004	454,929	81,393	505,573	82,258	1,251,335	2,564,450
EXPENSES										
Salaries, wages and benefits	82,813	291,264	30,552	80,245	89,868	128,105	207,835	8,980	-	919,662
Operating materials and supplies	27,076	36,720	21,062	29,094	105,078	12,353	26,050	11,740	-	269,173
Contracted services	18,816	6,434	3,974	17,089	57,266	2,380	261,087	7,256	-	374,302
Rents and financial services	5,059	4,316	3,043	941	8,491	751	2,169	3,305	-	28,075
Government transfers	15,074	10,279	-	5,155	-	-	106,862	71,047	-	208,417
Amortization of tangible capital assets	5,686	11,981	53,796	10,847	85,303	5,458	7,572	2,540	-	183,183
Accretion	-	2	57	21	575	-	15	1,137	-	1,807
Interfunctional charges	(22,552)	2,113	(504)	3,836	14,999	1,311	1,074	(277)	-	-
Debenture interest	-	1,270	-	-	1,224	-	754	-	-	3,248
TOTAL EXPENSES	131,972	364,379	111,980	147,228	362,804	150,358	613,418	105,728	-	1,987,867
ANNUAL SURPLUS	(121,109)	(326,920)	(39,344)	(79,224)	92,125	(68,965)	(107,845)	(23,470)	1,251,335	576,583

The Regional Municipality of Durham

Consolidated Schedule of Segment Disclosure

Year ended December 31, 2024

(in thousands of dollars)

Schedule 3

	General Government	Protection to Persons and Property	Transportation Services	Transit	Environmental Services	Health Services	Social and Family Services	Social Housing	Unallocated	2024 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES										
Property taxes	-	-	-	-	-	-	-	-	930,733	930,733
User fees	4,631	9,640	3,174	38,551	344,159	1,151	24,843	7,966	-	434,115
Government transfers	11,937	14,361	850	4,792	4,540	75,802	423,801	33,518	-	569,601
Deferred revenue earned	1,102	4,482	56,591	18,537	26,248	5,329	655	13,607	-	126,551
Fines	-	11,110	-	-	-	-	-	-	-	11,110
Contributed tangible capital assets	-	-	-	-	47,628	-	-	-	-	47,628
Other	4	362	197	20	8,405	138	3	556	254,268	263,953
TOTAL REVENUES	17,674	39,955	60,812	61,900	430,980	82,420	449,302	55,647	1,185,001	2,383,691
EXPENSES										
Salaries, wages and benefits	73,674	255,471	28,382	70,710	84,398	121,252	201,067	8,364	-	843,318
Operating materials and supplies	24,691	31,394	16,411	28,548	95,249	12,223	25,198	13,240	-	246,954
Contracted services	22,193	6,334	3,255	15,135	69,686	2,245	216,199	6,882	-	341,929
Rents and financial services	2,503	3,671	1,009	242	25,682	726	1,856	3,286	-	38,975
Government transfers	8,998	11,283	-	4,188	-	-	96,144	72,236	-	192,849
Amortization of tangible capital assets	5,823	9,823	53,162	10,651	79,961	3,755	6,765	1,504	-	171,444
Accretion	-	-	53	21	559	-	27	1,116	-	1,776
Interfunctional charges	(20,530)	2,332	(935)	3,350	13,681	1,224	140	738	-	-
Debenture interest	176	1,187	-	-	1,321	-	523	-	-	3,207
TOTAL EXPENSES	117,528	321,495	101,337	132,845	370,537	141,425	547,919	107,366	-	1,840,452
ANNUAL SURPLUS	(99,854)	(281,540)	(40,525)	(70,945)	60,443	(59,005)	(98,617)	(51,719)	1,185,001	543,239

Trust Funds Financial Statements

For the year ended December 31, 2025

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of
the Regional Municipality of Durham

Opinion

We have audited the financial statements of the trust funds of the Regional Municipality of Durham, which comprise the statement of financial position as at December 31, 2025, and the statements of financial activities and fund balance and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the trust funds of the Regional Municipality of Durham as at December 31, 2025, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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 Regional Municipality of Durham'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 Regional Municipality of Durham or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the trust funds of the Regional Municipality of Durham'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 GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trust funds of the Regional Municipality of Durham'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 Regional Municipality of Durham'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 Regional Municipality of Durham to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
May 1, 2026

The Regional Municipality of Durham

Trust Funds: Statement of Financial Position

December 31, 2025

(in thousands of dollars)

	2025					2024
	Long-Term Care				Total	Total
	Residents	Donations	Bequests	Other		
\$	\$	\$	\$	\$	\$	
FINANCIAL ASSETS						
Cash	227	174	92	727	1,220	1,144
Other current assets	-	-	-	23	23	23
	227	174	92	750	1,243	1,167
FINANCIAL LIABILITIES						
Accrued liabilities	-	-	-	-	-	-
NET FINANCIAL ASSETS	227	174	92	750	1,243	1,167
FUND BALANCES	227	174	92	750	1,243	1,167

The Regional Municipality of Durham

Trust Funds: Statement of Financial Activities and Fund Balances

Year ended December 31, 2025

(in thousands of dollars)

	2025					2024
	Long-Term Care				Total	Total
	Residents	Donations	Bequests	Other		
\$	\$	\$	\$	\$	\$	
CONTRIBUTIONS AND BENEFITS						
Residents	1,062	5	-	-	1,067	1,220
Recipients	-	-	-	1,687	1,687	1,638
Interest earned	-	7	4	23	34	41
TOTAL REVENUES	1,062	12	4	1,710	2,788	2,899
WITHDRAWALS ON BEHALF OF						
Residents	1,074	-	-	-	1,074	1,229
Recipients	-	-	-	1,638	1,638	1,541
TOTAL EXPENSES	1,074	-	-	1,638	2,712	2,770
NET REVENUES/(EXPENSES)	(12)	12	4	72	76	129
FUND BALANCES, BEGINNING OF YEAR	239	162	88	678	1,167	1,038
FUND BALANCES, END OF YEAR	227	174	92	750	1,243	1,167

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

The Regional Municipality of Durham

Notes to the Trust Funds Financial Statements

December 31, 2024
(in thousands of dollars)

1. Accounting Policies

The financial statements of the trust funds of the Regional Municipality of Durham are the representations of management and are prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following policies:

(a) *Basis of Accounting*

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

(b) *Use of Estimates*

The preparation of the periodic financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 amount of revenues and expenses during the period. Actual results may differ from these estimates.

(c) *Financial Instruments*

Financial instruments reported on the Statement of Financial Position are measured as follows:

<u>Financial Instrument</u>	<u>Measurement</u>
Cash	Cost
Other current assets	Cost
Accrued liabilities	Cost

2. Statement of Cash Flows

A statement of cash flows has not been included in these financial statements as the information that would be provided is readily available from the information presented.

The Regional Municipality of Durham

Notes to the Trust Funds Financial Statements

December 31, 2024
(in thousands of dollars)

3. Risk Management

Risks and Concentrations

The trust funds are exposed to a variety of financial risks, including interest rate risk and liquidity risk.

(a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The trust funds do not hold any investment or debt instruments that are exposed to interest rate risk. There was no change in exposure from the prior year.

(b) Liquidity risk

Liquidity risk is the risk that the trust funds will encounter difficulty in meeting obligations associated with financial liabilities. The trust funds are exposed to this risk mainly with respect to accrued liabilities incurred on behalf of the clients. The objective of the trust funds is to have sufficient liquidity to settle the liabilities when due, and cash balances and cash flows are monitored to meet this requirement. There was no change in exposure from the prior year.

4. Comparative Figures

Certain prior year figures have been reclassified to conform to the financial statement presentation adopted in the current year.