Audited Financial Statements
and Other Financial Information of

The Corporation of the City of Kingston

Year Ended December 31, 2025

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of the City of Kingston (the "City") are the responsibility of the City's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies is described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

The Administrative Policies Committee meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to council approval of the consolidated financial statements.

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

Lanie Hurdle
Chief Administrative Officer

Desirée Kennedy
Chief Financial Officer and
City Treasurer

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the City of Kingston

Opinion

We have audited the consolidated financial statements of The Corporation of the City of Kingston (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2025
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated schedule of municipal equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2025, and its consolidated results of operations, its consolidated changes in net debt, its consolidated municipal equity 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 Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity 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.
- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

September 1, 2026

The Corporation of the City of Kingston

Consolidated Statement of Financial Position

December 31, 2025, with Comparative Figures for 2024

In Thousands of Dollars	2025	2024
Financial Assets:		
Cash and short-term investments	$ 189,805	$ 245,240
Taxes receivable	11,177	11,891
Accounts receivable	88,269	79,047
Inventories for resale	24,092	20,949
Notes receivable from government business enterprises (note 14(c))	18,311	18,311
Long-term investments (note 4)	179,487	175,981
Investment in government business enterprises (note 14(a))	45,363	43,272
Total Financial Assets	556,504	594,691
Liabilities:		
Accounts payable and accrued liabilities	93,900	99,788
Due to government business enterprises:		
Utilities Kingston (note 14(b))	16,510	14,011
Kingston Hydro Corporation (note 14(b))	13,362	6,047
Employee future benefit obligations (note 8(d))	4,951	4,819
Deferred revenue - obligatory reserve funds (note 10)	44,693	69,277
Deferred revenues	15,218	12,781
Accrued interest on long-term debt	4,990	5,212
Long-term liabilities (note 9)	447,892	465,463
Employee future benefit obligations (note 8(d))	86,013	78,959
Asset retirement obligations (note 18(b))	25,111	24,507
Total Liabilities	752,640	780,864
Net Financial Debt	(196,136)	(186,173)
Non-Financial Assets:		
Tangible capital assets (note 15)	2,177,900	2,097,751
Inventories of supplies	2,348	1,716
Prepaid expenses	3,581	5,679
Total Non-Financial Assets	2,183,829	2,105,146
Municipal Equity	$1,987,693	$1,918,973

Contingent liabilities (note 11)

Commitments (note 12)

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

The Corporation of the City of Kingston

Consolidated Statement of Operations

Year Ended December 31, 2025, with Comparative Figures for 2024

In Thousands of Dollars	Budget 2025*	Actual 2025	Actual 2024
Revenue:			
Property taxation	$ 311,344	$ 312,390	$ 292,127
Taxation from other governments	18,546	19,069	18,800
User charges	183,423	188,598	181,889
User charges – gas commodity	25,000	15,252	14,251
Government grants	115,506	118,458	109,935
Grants from other municipalities	5,632	6,773	5,626
Investment income	13,257	13,831	20,484
Other	8,696	2,584	4,228
Transfers from deferred obligatory reserve funds (note 10)	6,489	7,132	4,842
Government business enterprises net earnings (note 14)	-	2,091	1,806
Total Revenues	687,893	686,178	653,988
Expenses (note 16):			
General government	58,601	58,680	55,693
Protection services	111,808	113,372	102,749
Transportation services	106,699	115,662	107,109
Environmental services	97,830	103,278	99,233
Health services	33,799	36,922	31,637
Social and family services	114,431	109,441	98,391
Social housing	41,708	41,117	43,343
Recreational and cultural services	63,852	62,529	65,515
Planning and development	12,905	11,734	14,335
Gas utility	35,797	27,930	26,762
Total Expenses	677,430	680,665	644,767
Net Revenues before the under noted items	10,463	5,513	9,221
Other Revenue:			
Grants and transfers related to capital:			
Government and municipal capital grants		19,755	25,671
Transfers from deferred obligatory reserve funds (note 10)		40,612	28,100
Donations and other		768	82
Contributed tangible capital assets (note 15(a))		2,072	11,079
Total Other Revenue		63,207	64,932
Annual Surplus		68,720	74,153
Municipal Equity, Beginning of Year		1,918,973	1,844,820
Municipal Equity, End of Year		$ 1,987,693	$ 1,918,973

∗ Budget 2025 (note 13)

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

The Corporation of the City of Kingston

Consolidated Statement of Changes in Net Debt

Year Ended December 31, 2025, with Comparative Figures for 2024

In Thousands of Dollars	Budget 2025*	Actual 2025	Actual 2024
Annual Surplus	$ 10,463	$ 68,720	$ 74,153
Amortization of tangible capital assets	82,000	94,103	88,519
Acquisition of tangible capital assets	-	(180,030)	(157,559)
Contributed tangible capital assets		(2,071)	(11,079)
Recognition of asset retirement obligation	-	(474)	366
Loss on tangible capital assets transactions	-	8,323	7,283
Sub-total	92,463	(11,429)	1,683
Acquisition of prepaid expenses	-	2,098	(393)
Acquisition of supplies inventories	-	(632)	36
Decrease in Net Debt	92,463	(9,963)	1,326
Net Debt, Beginning of Year		(186,173)	(187,499)
Net Debt, End of Year		$ (196,136)	$ (186,173)

∗ Budget 2025 (note 13)

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

The Corporation of the City of Kingston

Consolidated Schedule of Municipal Equity

Year Ended December 31, 2025, with Comparative Figures for 2024

In Thousands of Dollars	2025	2024
Current Fund Surplus (Deficit):		
General operating surplus	$ 2,366	$ 1,363
Accumulated operating surplus - water	3,449	763
Accumulated operating (deficit) surplus - sewer	3,340	(464)
Accumulated operating surplus - gas	5,163	4,809
Downtown Business Improvement Area	-	(11)
Kingston & Frontenac Housing Corporation	11,302	2,265
Southeast Public Health	507	43
Kingston Frontenac Public Library Board	437	329
Total Current Fund Surplus	26,564	9,097
Investment in Tangible Capital Assets:		
Tangible capital assets (note 15)	2,177,900	2,097,751
Long-term liabilities (note 9)	(447,892)	(465,463)
Unfinanced capital expenditures:		
To be financed from long-term liabilities	(2,600)	-
To be financed from taxation or user charges	(9,078)	(2,109)
Accrued interest on long-term debt	(4,990)	(5,212)
Asset retirement obligation (note 18)	(25,111)	(24,507)
Total Investment in Tangible Capital Assets	1,688,229	1,600,460
Investment in Government Business Enterprises (note 14(a))	45,363	43,272
Unfunded Liabilities:		
Employee future benefit obligations (note 8(d))	(87,535)	(80,414)
Total Unfunded Liabilities	(87,535)	(80,414)
Reserves and Reserve Funds:		
Reserves set aside for specific purpose:		
Operating reserves	29,856	29,580
Reserve funds set aside for specific purpose:		
Replacement of equipment	24,691	31,006
Replacement & renewal of facilities	11,095	11,847
Municipal capital replacement & renewal	1,706	24,457
Sanitary sewer system	54,280	62,571
Storm sewer system	434	420
Parks and recreation	3,445	4,398
Libraries	4,489	4,723
Waterworks system	86,763	86,990
Planning and development	290	347
Transit	30,012	29,986
Gas utility	7,980	7,510
Sick leave	11,375	11,377
Protective services	21,695	15,538
Environmental services	754	779
Social and family services	238	231
Social housing	4,687	4,622
Parking	21,282	20,176
Total Reserves and Reserve Funds	315,072	346,558
Municipal Equity	$ 1,987,693	$ 1,918,973

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

The Corporation of the City of Kingston

Consolidated Statement of Cash Flows

Year Ended December 31, 2025, with Comparative Figures for 2024

In Thousands of Dollars	2025	2024
Operations transactions:		
Annual surplus	$ 68,720	$ 74,153
Net change in non-cash working capital items:		
Decrease (Increase) in taxes receivable	714	(2,696)
Increase in accounts receivable	(9,222)	(2,436)
Increase in inventories for resale	(3,143)	(3,205)
(Increase) Decrease in inventories of supplies	(632)	36
Decrease (Increase) in prepaid expenses	2,098	(393)
(Decrease) Increase in accounts payable and accrued liabilities	(8,388)	2,315
Increase in due to government business enterprises	9,946	6,472
Decrease in deferred revenue obligatory reserve funds	(24,584)	(12,188)
Increase (Decrease) in deferred revenues	4,937	(16,831)
Decrease in accrued interest on long-term debt	(222)	(206)
Sub-total	(28,496)	(29,132)
Items not involving cash:		
Amortization of tangible capital assets	94,103	88,519
Contributed tangible capital assets	(2,071)	(11,079)
Loss on tangible capital assets transactions	8,323	7,283
Change in asset retirement obligations	130	205
Change in employee future benefit obligations	7,054	5,137
Investment in government business enterprise from net earnings	(2,091)	(1,806)
Sub-total	105,448	88,259
Net change in cash from operating transactions	145,672	133,280
Capital transactions:		
Purchase of tangible capital assets	(180,030)	(157,559)
Investment transactions:		
Purchase of long-term investments	(3,506)	(1,891)
Financing transactions:		
Proceeds from new debt issue	5,762	7,112
Debt principal repayments	(23,333)	(22,176)
Net change in cash from financing transactions	(17,571)	(15,064)
Decrease in cash and short-term investments	(55,435)	(41,234)
Cash and short-term investments, beginning of year	245,240	286,474
Cash and short-term investments, end of year	$ 189,805	$ 245,240

The City considers cash and short-term investments to be highly liquid investments with original maturities of three months or less.

1. Summary of Accounting Policies

The consolidated financial statements of The Corporation of the City of Kingston (the "City") are prepared by management in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the City are as follows:

(a) Reporting Entity:

i. The consolidated financial statements reflect the assets, liabilities, revenue, and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards which are accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City. Interdepartmental and inter-organizational transactions and balances between these organizations have been eliminated.

These consolidated financial statements include:

Downtown Business Improvement Area

Kingston-Frontenac Public Library Board

Kingston & Frontenac Housing Corporation

Southeast Public Health (proportionately consolidated)

1425447 Ontario Limited (consolidated on a modified equity basis)

Kingston Hydro Corporation (consolidated on a modified equity basis)

ii. Consolidated by proportionate consolidation:
Southeast Public Health is accounted for using the proportionate consolidation method of accounting and reporting, whereby the City's pro-rata share of each of the assets, liabilities, revenue, and expenses is combined on a line-by-line basis in the consolidated financial statements.

iii. Consolidated on a modified equity basis:
The City's investment in 1425447 Ontario Limited and Kingston Hydro Corporation is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprises' accounting principles are not adjusted to conform to those of the City, and inter-organizational transactions and balances are not eliminated.

1. Summary of Accounting Policies (continued):

(a) Reporting Entity (continued):

The City recognizes its equity interest in the annual income or loss of 1425447 Ontario Limited and Kingston Hydro Corporation in its Consolidated Statement of Operations with a corresponding increase or decrease in its investment asset account on the Consolidated Statement of Financial Position. Any dividends that the City may receive from 1425447 Ontario Limited and Kingston Hydro Corporation will be reflected as reductions in the investment asset account.

iv. The charges for long-term liabilities assumed by consolidated entities or by individuals in the case of the drainage loans are reflected in the consolidated financial statements.

v. Accounting for school board transactions:
The taxation, other revenue, expenses, assets, and liabilities with respect to the operations of the school boards are not reflected in the municipal fund balances of these consolidated financial statements.

vi. Trust funds:
Trust funds and their related operations administered by the City are not included in these consolidated financial statements but are reported on separately on the Trust Funds Statement of Continuity and Statement of Financial Position.

(b) Basis of Accounting:

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the period in which transactions or events occurred that gave rise to the revenue; expenses are recognized in the period the goods and services are acquired and/or there is a legal obligation to pay.

(c) Deferred Revenue – Obligatory Reserve Funds:

The City receives restricted contributions under the authority of federal and provincial legislation and City by-laws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

1. Summary of Accounting Policies (continued):

(d) Deferred Revenues:

Deferred revenue represents certain user charges and fees which have been collected but for which the related services have yet to be performed. Deferred revenue also represents contributions that the City has received pursuant to legislation, regulation or agreement that may only be used for certain programs or in the completion of specific work. These amounts are recognized as revenue in the fiscal year the services are performed, or the related service obligations are met.

(e) Employee Future Benefit Obligations:

The City accrues for certain employee benefits which will require funding in future periods. These benefits include sick leave, life insurance, extended health and dental benefits for early retirees and benefits under the *Workplace Safety and Insurance Board Act*.

The costs of these benefits earned by employees are actuarially determined using management’s best estimate of salary escalation, retirement ages of employees, accumulated sick days, expected health care costs and long term inflation rates and discount rates.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as compensated absences and health, dental and life insurance benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group.

Any actuarial gains and losses, which can arise from changes in actuarial assumptions, are amortized over the expected average remaining service life of the employee group.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are amortized over the average term of the liabilities.

1. Summary of Accounting Policies (continued):

(f) Tangible Capital Assets:

i. Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development, or betterment of the asset. The City does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

ii. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt or transfer with an offsetting amount recorded as revenue. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over estimated useful lives as follows:

Asset	Useful Life – Years
Land improvements	18 to 75
Buildings and structures	40
Vehicles, machinery, and equipment	4 to 20
Furniture and fixtures	20 to 40
Transportation:	
Roads and related	18 to 50
Bridges and structures	60
Streetlights and traffic signals	35 to 40
Storm sewer networks	50
Water and sewer facilities:	
Building structures	50
Building fixtures	15
Electrical and mechanical equipment	10 to 25
Tankage	75
Water and sewer pipes	50 to 80
Water and sewer equipment, meters, hydrants, manholes	15 to 75
Gas facilities	40
Gas mains and services	50
Gas regulator stations & other equipment	5 to 20

Assets under construction or development are classified as capital works in progress and are not amortized until the asset is available for productive use.

1. Summary of Accounting Policies (continued):

iii. When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the Consolidated Statement of Operations in the year of disposal. Transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

iv. When conditions indicate that a tangible capital asset no longer contributes to the City's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the Consolidated Statement of Operations.

v. The City has a capitalization threshold of $10,000. Individual tangible capital assets of lesser value are expensed, unless they are pooled when, collectively, they have a significant value.

(g) Inventories:

Natural gas inventories for resale are stated at the lower of weighted average cost and net realizable value. Land held for resale is recorded at cost which includes amounts to prepare the land for sale or servicing.

Inventories of supplies held for consumption are stated at the lower of cost and replacement cost.

(h) Government Transfers:

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

1. Summary of Accounting Policies (continued):

(i) Use of Estimates:

The preparation of the consolidated financial statements 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 consolidated financial statements and the reported amounts of revenue and expenses during the period. Significant estimates include the carrying value of tangible capital assets, employee future benefit and asset retirement obligations. Actual results could differ from those estimates.

(j) Asset Retirement Obligations:

An asset retirement obligation (ARO) 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 recognition of asset retirement costs results in an accompanying increase to the respective tangible capital assets, which is then amortized over the asset's estimated useful life.

The liability for closure of operational sites and post-closure care relating to landfill sites has been recognized based on estimated future expenses. The liability is discounted using a present value calculation and adjusted annually for accretion expense. Assumptions used in the subsequent calculations are revised yearly.

The liability for the removal of asbestos in buildings owned by the City and for the decommissioning of fuel storage tanks has been recognized based on estimated undiscounted future expenses. Assumptions used in the subsequent calculations are revised yearly.

1. Summary of Accounting Policies (continued):

(k) Financial Instruments:

The Financial Instruments standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will be measured at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not made this election.

Unrealized changes in fair value are recognized in the Consolidated Statement of Remeasurement Gains and Losses until they are realized, at which point they are transferred to the Consolidated Statement of Operations. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

All financial assets are assessed for impairment on an annual basis. Where a decline is determined to be other than temporary, the amount of the loss is reported in the Consolidated Statement of Operations and any unrealized gain (loss) is adjusted through the Consolidated Statement of Remeasurement Gains and Losses. On sale, the accumulated remeasurement gains and losses associated with that instrument are reversed and recognized in the Consolidated Statement of Operations.

A Consolidated Statement of Remeasurement Gains and Losses has not been provided as there are no significant unrealized gains or losses at December 31, 2025 or 2024.

Establishing fair value:

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

1. Summary of Accounting Policies (continued):

Fair value hierarchy:

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 - fair value measurements are those derived from quoted prices (unadjusted)·in active markets for identical assets or liabilities;

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

(l) Exchange Transactions:

The City recognizes revenue distinguishing between exchange transactions (where performance obligations exist) and non-exchange transactions (where no such obligations exist). Revenues from exchange transactions are recognized as the City satisfies performance obligations. Performance obligations are enforceable promises to provide specific goods or services to a specific payor.

2. Operations of School Boards

The Province of Ontario sets the tax rates to be applied to property assessment to generate tax levies to be collected and remitted to the school boards. The amounts collected and remitted are summarized below:

In Thousands of Dollars	2025	2024
Taxation and user charges	$ 49,889	$ 48,670
Payments in lieu	259	259
Amount transferred to school boards	$ 50,148	$ 48,929

3. Bank Indebtedness

The City’s financial agreement with its bank provides for an operating credit facility of up to $10,000,000 to finance expenses, pending receipt of property taxes and other income. Interest on funds drawn is charged at the bank’s prime rate less 0.5%. As at December 31, 2025, there was $Nil (2024 - $Nil) drawn on the operating credit facility.

4. Long-term Investments

Long-term investments, valued at cost are Level 2 instruments in the fair value hierarchy (note 1(k)). They consist primarily of government and financial institution bonds, and have a market value of $180,261,943 at December 31, 2025 (2024 - $177,534,841). During the year, there were no transfers between fair value hierarchy levels.

5. Trust Funds

Trust funds administered by the municipality amount to $320,297 (2024 - $171,072) as at December 31, 2025.

6. Provincial Grants

Certain provincial grants are subject to annual final reviews and approvals by the respective Provincial Ministry. Any adjustments resulting from the review will be reflected in the year of Ministry approval as an adjustment to government grant revenues on the Consolidated Statement of Operations.

7. Pension Agreements

The City makes contributions to the Ontario Municipal Employees Retirement System Pension Fund (OMERS), which is a multi-employer plan, on behalf of its’ employees. The plan is a contributory defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employers and employees contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the City does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements. The latest available report for the OMERS plan was as at December 31, 2025. At that time, the plan reported a $1.3 billion actuarial deficit (2024- $2.9 billion actuarial deficit).

The amount contributed to OMERS for 2025 was $17,615,597 (2024 - $15,729,180) for current service and is included as an expense on the Consolidated Statement of Operations.

8. Employee Future Benefit Obligations

(a) Extended Health Care, Dental, Life Insurance and Sick Leave Benefits:

The City pays certain life insurance benefits on behalf of the retired employees as well as extended health and dental benefits for early retirees to age 65. In addition, the City provides for an accumulated sick leave benefit plan for certain employees whereby unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the City's employment. The City recognizes these post-employment and post-retirement costs in the period in which the employees rendered the services. An independent actuarial study of these benefits was undertaken at December 31, 2025, in order to determine the estimated accrued benefit liability to be reported in these consolidated financial statements. As a result of the study an actuarial gain of $6,262,000 (2024 - $10,339,500) was realized due primarily to an update in the retiree claims cost assumptions as well as an update in the OMERS termination and retirement rates assumptions.

Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employee groups, which is estimated to be 10 years (2024 – 10 years).

At December 31, 2025, the City's accrued benefit liability relating to post-retirement and post-employment benefit plans is $60,900,583 (2024 - $60,962,180).

The significant actuarial assumptions adopted in estimating the City's accrued benefit liability for extended health, dental, life insurance and sick leave benefits are as follows:

Discount rate	4.5% per annum (2024 – 4.6%)
Salary escalation	3.0% per annum (2024 – 3.0%)
Dental benefits escalation	6.7% in 2025, decreasing to 4.5% over 11 years (2024 – 6.3%)
Health benefits escalation	6.95% per annum in 2025, decreasing to 4.50% over 21 years (2024 – 6.87%)

An independent actuarial valuation was also completed by 1425445 Ontario Limited (operating as Utilities Kingston) for the water, sewer and gas utilities employees' post-employment and post-retirement costs as at December 31, 2025. This liability is reported on these consolidated financial statements as an amount due to 1425445 Ontario Limited (operating as Utilities Kingston) in respect of costs incurred by them to manage the City's utility services.

8. Employee Future Benefit Obligations (continued):

(a) Extended Health Care, Dental, Life Insurance and Sick Leave Benefits (continued):

The significant actuarial assumptions adopted in estimating the accrued benefit liability for extended health, dental, life insurance and sick leave benefits for 1425445 Ontario Limited (operating as Utilities Kingston) water, sewer and gas employees are as follows:

Discount rate	4.70% per annum (2024 – 4.60%)
Salary escalation	3.30% per annum (2024 – 3.30%)
Dental benefits escalation	4.20% per annum (2024 – 5.10%)
Health benefits escalation	4.20% per annum (2024 – 5.10%)

Consolidated information with respect to the City's post-retirement and post-employment obligations is as follows:

In Thousands of Dollars	2025	2024
Accrued benefit liability, January 1	$ 60,962	$ 58,645
Expense recognized for the period	5,249	5,273
Benefits paid for the period	(3,384)	(3,418)
Amortization of actuarial gains	(1,926)	462
Accrued benefit liability, December 31	$ 60,901	$ 60,962

The accrued benefit liability at December 31 includes the following components:

In Thousands of Dollars	2025	2024
Accrued benefit obligation	$ 50,461	$ 53,927
Unamortized actuarial gains/(losses)	10,440	7,035
Accrued benefit liability, December 31	$ 60,901	$ 60,962

(b) *Workplace Safety and Insurance Board Act* ("WSIB"):

With respect to responsibilities under provisions of the *Workplace Safety and Insurance Board Act*, the City has elected to be treated as a Schedule 2 employer and remits payments to the WSIB as required to fund disability payments. An independent actuarial study of the Workplace Safety and Insurance Board liabilities was undertaken at December 31, 2025 in order to determine the estimated liability reported in these consolidated financial statements. As a result of the study an actuarial loss of $2,876,200 (2024 - $6,741,900) was realized due to higher than expected claims and longer claim durations.

8. Employee Future Benefit Obligations (continued):

(b) *Workplace Safety and Insurance Board Act* ("WSIB") (continued):

Actuarial gains and losses are amortized on a straight-line basis over the average term of the liabilities which is estimated to be 9 years (2024 – 8 years).

At December 31, 2025, the City's accrued benefit liability relating to future WSIB claims is $26,891,400 (2024 - $19,893,200).

The significant actuarial assumptions adopted in estimating the City's accrued benefit obligation for WSIB claims are as follows:

Discount rate	4.5% per annum (2024 – 4.6%)
Inflation rate	2.0% per annum (2024 – 3.0%)
Health benefits escalation	4.0% per annum (2024 – 4.0%)
Administration costs	19.0% of compensation expense (2024 – 19.0%)

Information with respect to the City's Workplace Safety and Insurance Board future payments is as follows:

In Thousands of Dollars	2025	2024
Accrued benefit liability, beginning of year	$ 19,893	$ 16,535
Expense recognized for the period	10,585	5,879
Benefits paid for the period	(4,705)	(3,639)
Amortization of net actuarial losses	1,118	1,118
Accrued benefit liability, end of year	$ 26,891	$ 19,893

The accrued benefit liability at December 31 includes the following components:

In Thousands of Dollars	2025	2024
Accrued benefit obligation	$ 35,179	$ 26,424
Unamortized actuarial losses	(8,288)	(6,531)
Accrued benefit liability, end of year	$ 26,891	$ 19,893

(c) Liability for vacation credits:

Compensated vacation expense is accrued for employees as entitlement to these payments is earned in accordance with the City's benefit plans for vacation time. Vacation credits earned as at December 31, 2025 amount to $2,937,492 (2024 - $2,651,959).

8. Employee Future Benefit Obligations (continued):

(d) Total employee benefit obligations:

In Thousands of Dollars	2025	2024
Employee benefit obligations are comprised of:		
Health benefits and sick leave - City of Kingston	$ 56,341	$ 56,546
Workplace safety and insurance	26,891	19,893
Vacation credits	2,543	2,232
Pension payable	238	288
Sub-total	86,013	78,959
Health benefits and sick leave – water, sewer, and gas utilities (1)	4,557	4,416
Vacation credits – water, sewer, and gas utilities	394	403
Sub-total	4,951	4,819
Total employee benefit obligations	90,964	83,778
Amounts previously funded from operating revenues	(3,429)	(3,364)
Unfunded employee future benefit obligations	$ 87,535	$ 80,414
To be recovered from reserve funds	$11,375	$ 11,376
To be recovered from future municipal and utility revenues	76,160	69,038
Unfunded employee future benefit obligations	$ 87,535	$ 80,414

(1) Health benefits and sick leave – water, sewer, and gas utilities (note 14(a))

The City has established reserve funds to mitigate the future impact of certain sick leave obligations.

Employee future benefit obligations for water, sewer and gas utilities are payable to 1425445 Ontario Limited (operating as Utilities Kingston) and relate to accrued employee costs incurred by Utilities Kingston in managing these utility operations for the City.

8. Long-term Liabilities

(a) The long-term liabilities reported on the Consolidated Statement of Financial Position are made up of the following:

In Thousands of Dollars	2025	2024
Long-term liabilities incurred by the City, including those incurred on behalf of other municipalities and municipal enterprises, with varying maturities up to 2052 and a weighted average interest rate of 4.12% (2024 - 4.2%)	$ 425,299	$ 440,918
Long-term liabilities incurred by Kingston & Frontenac Housing Corporation, with interest rates ranging from 1.0% to 5.97% (2024-1.0% to 6.5%) and varying maturities up to 2071	31,190	32,558
Proportionate share of South Eastern Public Health long-term debt fully paid upon merger 2024 interest rate 5.8%, maturing in 2028	-	1,561
Total long-term liabilities	$ 456,489	$ 475,037
Less long-term borrowings from own funds	$ (8,597)	$ (9,574)
Long-term liabilities to be recovered from future revenues	$ 447,892	$ 465,463
Of the municipal debt shown above, the responsibility for payment of principal and interest charges for the tile drainage loans has been assumed by individuals	$ (3)	$ (10)

(b) Principal due on total long-term liabilities is summarized as follows:

In Thousands of Dollars	2026	2027	2028	2029	2030	2031+	Total
Tax sources	$9,833	$9,473	$9,300	$9,615	$9,942	$105,109	$153,272
Utility user fees	7,914	7,837	7,658	7,929	8,212	132,386	171,936
Other user fees	4,606	4,812	5,031	5,260	5,500	74,882	100,091
Housing Corporation	15,010	1,546	2,893	383	395	10,963	31,190
Total	$37,363	$23,668	$24,882	$23,187	$24,049	$323,340	$456,489

9. Long-term Liabilities (continued):

(c) The long-term liabilities in (a), issued in the name of the City, have been approved by either the Ontario Municipal Board or by by-law. 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 & Housing.

(d) Approval by by-law has also been obtained for pending issues of long-term liabilities and commitments to be financed by revenues beyond the term of Council. The principal and interest payments required to service pending issues and commitments are also within the debt repayment limit prescribed by the Ministry of Municipal Affairs & Housing.

(e) Total debt charges incurred during the year with respect to the long-term liabilities in (a) are as follows:

In Thousands of Dollars	2025	2024
Principal payments	$ 23,333	$ 22,176
Interest	17,842	18,432
Total	$ 41,175	$ 40,608

Interest charges are included on the Consolidated Statement of Operations, classified under the appropriate functional expense headings.

10. Deferred Revenue – Obligatory Reserve Funds

A requirement of the public sector accounting standards of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial and municipal legislation restricts how these funds may be used.

The balances in the obligatory reserve funds of the City are summarized below:

In Thousands of Dollars	2025	2024
Balance, beginning of year	$ 69,277	$ 81,465
Revenues:		
Development contributions	7,476	6,335
Canada Community-Building Fund	8,678	8,453
Provincial gas tax funding	3,266	3,218
Recreational Land (*Planning Act*)	1,334	35
Community Benefits Charges	371	653
Investment income	2,035	2,060
Utilization:		
Transfers to operating	(7,132)	(4,842)
Transfers to capital	(40,612)	(28,100)
Balance, end of year	$ 44,693	$ 69,277

In Thousands of Dollars	2025	2024
Analyzed as follows:		
Development charges	$ 15,799	$ 36,396
Cash in lieu of parkland	2,772	2,542
Community Benefits Charges	1,024	653
Canada Community-Building Fund	13,209	14,501
Provincial gas tax funding	4,123	7,226
Building Code Act	7,766	7,959
Balance, end of year	$ 44,693	$ 69,277

In accordance with the *Development Charges Act*, the City entered into arrangements with developers to defer the payment of the underlying development charges to a future date. The amounts are repayable between 2026 and 2029. The total value of these arrangements is $4.1M (2024 - $6.2M) which is included as revenue in the Development contributions above with a corresponding amount in accounts receivable on the Consolidated Statement of Financial Position.

11. Contingent Liabilities

(a) The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims at December 31, 2025, management believes that the City has valid defenses and appropriate and adequate insurance coverages in place. In the event any claims are successful, the amount of any potential liability is not determinable, therefore no amount has been accrued in the consolidated financial statements.

(b) The City operated a coal gasification plant within the downtown area of the City from the mid-1800’s through to the 1950’s. Coal tar, a by-product of the coal gasification process, may have led to the contamination of soils and groundwater in the area of the former plant.

In some cases, private properties may have coal tar or coal compounds in the deep groundwater beneath them in which case some years ago the City provided written notice to the owner and at the same time confirmed that there were no risks to human health related to coal tar. The City has a community improvement brownfields program in place that may provide funding for incremental costs, if any, that are directly related to coal tar. In addition, the City may enter into agreements that provide for indemnities to landowners against any third-party claims or Ministry of Environment orders should any such claim or order arise.

Existing agreements related to coal tar do not establish any current financial obligation for the City. The amount of any potential liability or the likelihood thereof with respect to any potentially contaminated properties is not determinable, therefore no amount has been accrued in the consolidated financial statements.

12. Commitments

(a) A contract was entered into with Waste Management effective February 1, 2021, for a five-year term to handle waste transfer and disposal. A contract for recycling collection and disposal was entered into with Environmental 360 Solutions Ltd effective July 1, 2021, and expired in 2025 upon transfer of services to the producer responsibility model. Annual charges for garbage collection and disposal are determined by reference to certain waste volumes. Annual charges for recycling are based on the number of stops made. Payments made for collection and disposal of garbage and recycling for the 2025 fiscal year were $3,526,761 (2024 - $4,433,012).

12. Commitments (continued):

(b) 1425445 Ontario Limited (operating as Utilities Kingston) has entered into operating contracts to provide gas transportation, gas storage and purchases of natural gas as part of the management agreement with the City of Kingston. Costs incurred have been reimbursed and are reported as expenses on the Consolidated Statement of Operations.

(c) In 2021, the City committed $25.0 million over ten years, beginning in 2022, to the University Hospitals Kingston Foundation in support of the capital campaign for local hospital expansion/renewal. The outstanding commitment at December 31, 2025 was $15,000,000 (2024 - $17,500,000).

(d) The Corporation of the City of Kingston and 1425445 Ontario Limited (operating as Utilities Kingston) on behalf of the City have previously entered into the following capital contracts and funding commitments:

Description of project	Capital Commitment ($000)	Costs Incurred to Date ($000)
Stormwater System & Road Rehabilitation	17,720	9,031
Road Reconstruction	18,000	16,324
Culligan Pool Enclosure	21,706	-
Taylor Kidd Fire Station	13,051	-
309 Queen Mary Road Renovation	9,386	1,688
Road Intersection Widening & Pathways	7,675	6,461
610 Montreal Renovation	5,182	572
Isabel Turner Library Renovation	5,277	4,576

13. Budget Process

The City completes a review of its operating and capital budgets each year. The capital budget is set on a project-oriented basis, the costs of which may be carried over one or more fiscal years and therefore is not included in the budget disclosure.

The budget amounts presented in the consolidated financial statements are based on the 2025 operating and capital budgets adopted by Council on January 22, 2025. The following table reconciles the approved budget to the budget amounts presented in the consolidated financial statements using the accrual basis of accounting, in accordance with Canadian public sector accounting standards.

In Thousands of Dollars	Budget Amount
Approved operating budget revenues	$ 631,243
County of Frontenac requisition	17,757
Hospital Foundation Levy	2,500
Consolidated external agency budgets	26,604
Approved PSAB reporting adjustments:	
Reserve fund revenues	10,000
Budget amendments and reallocations	1,303
Less transfers from reserves / reserve funds	(1,514)
Net operating budget revenues	687,893
Approved operating budget expenses	631,243
County of Frontenac requisition	17,757
Hospital Foundation Levy	2,500
Consolidated external agency budgets	22,674
Approved PSAB reporting adjustments:	
Amortization of tangible capital assets	82,000
Reserve fund expenditures for debt interest	19,000
Unfunded accruals (1)	5,250
Budget amendments and reallocations	1,303
Non-tangible capital asset expenditures	33,641
Less transfers to reserves and reserve funds	(137,885)
Less debt principal repayments	(53)
Net operating budget expenses	677,430
Net revenues before capital investment	$ 10,463

(1) Unfunded accruals for employee future benefit obligations, asset retirement obligation liabilities and accrued interest on long term debt.

14. Investment in Government Business Enterprises

(a) 1425447 Ontario Limited and Kingston Hydro Corporation (formerly Kingston Electricity Distribution Limited) are government business enterprises of the City and accounted for on a modified equity basis in these consolidated financial statements.

The principal business of Kingston Hydro Corporation is to distribute electric power to City residents and to manage the City's electric distribution system. 1425447 Ontario Limited holds the shares of 1425445 Ontario Limited (operating as Utilities Kingston), which manages the electric operations for Kingston Hydro Corporation and the water, sewer, and gas operations for the City of Kingston. 1425445 Ontario Limited (operating as Utilities Kingston) also owns and operates the fiber optics business.

Kingston Hydro Corporation reports using International Financial Reporting Standards (IFRS).

The following table provides condensed supplementary financial information for 1425447 Ontario Limited, which includes the operations of 1425445 Ontario Limited (operating as Utilities Kingston), and for Kingston Hydro Corporation:

14. Investment in Government Business Enterprises (continued):

(a) (continued)

In Thousands of Dollars	2025	2024
Financial position:		
Current assets	$ 25,448	$ 24,198
Due from City of Kingston:		
Utilities Kingston	16,510	14,011
Kingston Hydro Corporation	13,362	6,047
Post-employment benefit obligation (note 8(d))	4,557	4,416
Accrued vacation liabilities	540	530
Capital assets	80,575	77,084
Other assets	(2,195)	475
Total assets	138,797	126,761
Current liabilities	38,119	30,588
Post-employment benefit obligation	6,435	6,420
Accrued vacation and pension liabilities	136	169
Accrued liabilities non-current	6,662	6,650
Long-term loan payable	23,771	21,351
Long-term notes payable to City of Kingston (note 14(c))	18,311	18,311
Total liabilities	93,434	83,489
Net assets	$ 45,363	$ 43,272
Common shares	$ 12,381	$ 12,381
Accumulated other comprehensive income	(368)	(379)
Accumulated earnings	33,350	31,270
Investment in government business enterprises	$ 45,363	$ 43,272
Results of operations:		
Net utility revenues	$ 155,731	$ 116,009
Operating expenses	(144,597)	(108,340)
Interest on debt	(1,843)	(1,654)
Depreciation	(3,932)	(3,838)
Net earnings before under noted items	5,359	2,177
Net movement in regulatory deferral accounts	(810)	(919)
Payments in lieu of corporate income taxes	(1,636)	1,166
Net earnings	2,913	2,424
Dividends on common shares	(833)	(325)
Accumulated earnings, beginning of year	31,270	29,171
Accumulated earnings, end of year	$ 33,350	$ 31,270

14. Investment in Government Business Enterprises (continued):

(b) In accordance with related party reporting requirements, 1425445 Ontario Limited (operating as Utilities Kingston) reported contract expense recoveries during the year from Kingston Hydro Corporation and the City in the amounts of $15,720,907 (2024 - $13,320,989) and $114,584,878 (2024 - $81,837,237) respectively.

In addition, the City contracted to provide financial, human resources, legal and information technology services to both 1425445 Ontario Limited (operating as Utilities Kingston) and Kingston Hydro Corporation in the amount of $2,280,798 (2024 - $2,258,422).

As at December 31, 2024, the City had a balance owing to the Companies 1425445 Ontario Limited (operating as Utilities Kingston) in the amount of $16,509,985 (2024 - $14,010,779) and a balance owing to Kingston Hydro Corporation in the amount of $13,361,771 (2024 - $6,047,176), representing the net balance of cash receipts and disbursements processed on behalf of the Companies.

Charges for the above services are recorded at exchange amounts established and agreed to by the related parties.

(c) On January 1, 2000, the City took a note payable for an amount equivalent to 50% of the value of net assets transferred for both Kingston Hydro Corporation and 1425445 Ontario Limited (operating as Utilities Kingston). As at December 31, 2025, the City had a note payable from Kingston Hydro in the amount of $10,880,619 (2024 - $10,880,619), bearing interest at 5.87% (2024 - 5.87%) per annum and a note payable from 1425445 Ontario Limited (operating as Utilities Kingston) in the amount of $965,010 (2024 - $965,010), bearing interest at 7.25% (2024 – 7.25%) per annum. Both notes payable have no fixed terms of repayment subsequent to year-end.

On January 1, 2010, the City exchanged the investment of $3,000,000 in Class D shares held in 1425445 Ontario Limited (operating as Utilities Kingston) for a $3,000,000 note payable bearing interest at 5% with no fixed terms of repayment.

On September 22, 2014, the investment of $965,008 in Class B shares and $2,500,000 in Class C shares, held by the City, were exchanged for a note payable in the amount of $3,465,008 bearing interest at 5% with no fixed terms of repayment.

15. Tangible Capital Assets

In Thousands of Dollars	Cost	Accumulated amortization	2025 Net book value	2025 Net book value
General Assets				
Land	$ 97,787	$ -	$ 97,787	$ 95,749
Land improvements	118,545	42,481	76,064	74,660
Buildings and structures	598,995	249,345	349,650	317,122
Vehicles and machinery	139,196	82,613	56,583	50,523
Furniture, fixtures, and equipment	219,873	119,017	100,856	101,050
Infrastructure Assets				
Land	11,474	-	11,474	11,474
Land improvements	42,536	26,206	16,330	16,177
Plants and facilities	523,953	239,491	284,462	297,569
Roads	517,657	289,229	228,428	215,964
Bridges and culverts	249,619	28,343	221,276	222,462
Utility networks	528,807	147,875	380,932	378,911
Other	405,551	150,044	255,507	211,136
Sub-total	3,453,993	1,374,644	2,079,349	1,992,797
Assets under construction	98,551	-	98,551	104,954
Total	$ 3,552,544	$ 1,374,644	$ 2,177,900	$ 2,097,751

The Consolidated Schedule of Tangible Capital Assets provides additional information on the tangible capital assets and accumulated amortization of the City by major asset class and by business segment. The following information relates to other valuation and reporting aspects of the City's tangible capital assets.

(a) Contributed tangible capital assets:

The City records all tangible capital assets contributed by an external party at fair value on the earlier of the date received or the date of transfer of risk and responsibility. In 2025, a total of $2,071,449 (2024 - $11,078,979) was recorded as tangible capital asset additions with respect to contributed capital assets which was comprised of roads infrastructure in the amount of $971,449 (2024 - $6,554,024), Kingston-Frontenac Housing Corporation assets in the amount of $1,100,000 (2024-$Nil), water and wastewater infrastructure in the amount of $Nil (2024 - $3,987,907), and parks infrastructure in the amount of $Nil (2024 - $537,048).

(b) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was $Nil (2024 $Nil).

15. Tangible Capital Assets (continued):

(c) Works of art and historical treasures:

The definition of tangible capital assets specifically excludes museum and gallery collections and other works of art. The City owns a number of paintings, other pieces of artwork and museum artifacts that are displayed in various City buildings. These assets are not recorded as tangible capital assets and are not amortized.

(d) Capitalization of interest:

As per City policy, interest costs incurred with respect to financing the acquisition or construction of a tangible capital asset up to the date that the asset goes into use are not capitalized. In 2025, these interest costs are included as expenses on the Consolidated Statement of Operations in the amount of $1,187,409 (2024 - $902,316).

16. Segmented information

The City is a municipal government institution, responsible for providing a range of services to its citizens. For management reporting purposes the City's 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 City and expanded disclosure by object has been reflected in the Consolidated Schedule of Segment Information.

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. 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.

A brief description of each segment follows:

(a) General government: Includes corporate services and governance of the City. Administration as a segment includes operating and maintaining city owned buildings, human resource management, legal, communications, information systems and technology, support to Council for policy, and by-law development, tax billing and collection responsibilities, financial and budget management and reporting, and frontline reception and customer service.

16. Segmented information (continued):

(b) Protection services: Includes policing, fire protection, conservation authority, protective inspection and control and emergency measures. The mandate of the police services is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. Fire protection includes inspection, extinguishing and suppression services; emergency medical first response; and prevention education and training programs. Inspection and control includes building inspection, by-law enforcement and dog control services.

(c) Transportation services: Includes administration and operation of traffic, parking, and transit services. Also includes, road maintenance and winter control services, repair and the construction of the municipal roads system including bridges and culverts, as well as operation and maintenance of the corporate fleet of vehicles and equipment.

(d) Environmental services: Includes waste collection, disposal, and recycling services.

(e) Wastewater: Includes operation of wastewater facilities and infrastructure within specific areas of the municipality.

(f) Water: Includes operation of a water treatment and distribution network within specific areas of the municipality.

(g) Health services: Provides funding for local Public health organizations and land ambulance operations.

(h) Social and family services and housing: Manages social assistance as well as funding for childcare and housing. In addition, the municipality owns and operates a long term care residence for seniors.

(i) Recreation and cultural services: Provides services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure programs and facilities including community halls, libraries, parks, recreation fields, museums, arenas, the Grand Theatre, and the Slush Puppy Place.

(j) Planning and development services: Manages development for business interests, environmental concerns, heritage matters, local neighbourhoods, and community development. Also facilitates economic development by providing services for the approval of all land development plans and the application and enforcement of the zoning by-law and official plan.

(k) Gas works: Own and operate a natural gas distribution network within specific areas of the municipality.

17. Financial Risks and Concentration of Risks

The City has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, and market risk (foreign currency risk, interest rate risk, and other price risk).

a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The City is exposed to credit risk with respect to accounts receivable, taxes receivable and notes receivable from government business enterprises (collectively its “receivables”) on the Consolidated Statement of Financial Position.

The City assesses, on a continuous basis, its receivables and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the City at December 31, 2025 is the carrying value of these assets. The carrying amount of receivables is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Consolidated Statement of Operations. Subsequent recoveries of impairment losses related to receivables are credited to the Consolidated Statement of Operations.

In Thousands of Dollars	Current	Past due	Gross receivable	Allowance	Net receivable
Accounts receivable	$ 89,536	$ 3,244	$ 92,780	$ (4,511)	$ 88,269
Taxes receivable	6,030	$ 6,720	$ 12,750	$ (1,573)	$ 11,177
Notes receivable	$ 18,311	-	$ 18,311	-	$ 18,311

Amounts past due with no related allowance are deemed by management to be collectible based on historical experience regarding collections.

The City follows an investment policy approved by Council with respect to its long term investments. The maximum exposure to credit risk with respect to portfolio investments of the City at December 31, 2025 is the carrying value of the investments.

17. Financial Risks and Concentration of Risks (continued)

b) Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and other price risks, will affect the City's net results of operations or the fair value of its holdings of financial instruments. Market risk includes three types of risk: currency risk, interest rate risk and other price risk.

(i) Currency risk:

Currency risk arises from the City's operations in different currencies and converting non-Canadian earnings at different points in time at different foreign currency levels when adverse changes in foreign currency rates occur. The City does not have any material transactions or financial instruments denominated in foreign currencies.

(ii) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the City to this risk.

The City is exposed to this risk through its interest-bearing investments. As at December 31, 2025, had prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve with all other variables held constant, the estimated impact on the market value of investments would be approximately \$1.8M (2024 - \$1.8M). This risk is mitigated by the City's intention to hold these investments to maturity.

In addition to the above, the City is exposed to interest rate risk as it has long-term liabilities bearing interest at a fixed rate as described in note 9. As prevailing interest rates fluctuate, the market value of these debts will fluctuate. This risk is mitigated by the City's intention to hold the debt to maturity.

(iii) Other price risk:

Other price risk arises when the fair value of equity funds changes due to a decrease in a stock market index or other risk variables. The City does not have any equity instruments in the investment portfolio and, accordingly, is not exposed to this risk.

c) Liquidity Risk

Liquidity risk is the risk that the City will not be able to meet all of its cash outflow obligations as they come due. The City mitigates this risk by monitoring cashflow. Accounts payable and accrued liabilities are all current and the terms of long-term liabilities are disclosed in note 9.

There have been no significant changes to these risk exposures in the past year.

18. Asset retirement obligation

The City's financial statements include obligations associated with the retirement of tangible capital assets controlled by the City for landfill closure and post-closure care requirements, future asbestos remediation, and the retirement of underground fuel storage tanks.

(a) Landfill obligations:

The City owns three inactive landfills - Kingston West (McAdoo's Lane), Belle Park and the Pittsburgh site. As at December 31, 2025, these landfills have no remaining useful life (2024 – nil). The City has recognized an obligation related to the closure and post-closure care of the landfills for a 25-year period. These costs are discounted using a discount rate of 4% per annum (2024 – 4%) and escalated at a rate of 2% per annum (2024 – 3%).

(b) Asbestos and other obligations:

The City owns buildings that are known or expected to contain asbestos as well as underground fuel storage tanks. The City recognized an obligation relating to the removal of the asbestos in these buildings as well as obligations relating to the decommissioning of storage tanks and surrounding soil remediation. Costs, based upon presently known obligations obtained through assessments, are added to the respective tangible capital asset cost and amortized over the asset's estimated useful life. These costs were not discounted due to uncertainty surrounding the expected timing of cash outflows.

An asset retirement obligation of $25,111,024 (2024 - $24,507,154) is recognized as a liability in the Consolidated Statement of Financial Position.

In Thousands of Dollars	Landfill	Asbestos and other removal	2025 Total	2024 Total
Balance, beginning of year	$ 5,668	$ 18,839	$ 24,507	$ 24,669
Revisions in estimate	(35)	157	122	(728)
New obligations recognized	-	482	482	566
Balance, end of year	$ 5,633	$ 19,478	$ 25,111	$ 24,507

19. Kingston, Frontenac and Lennox & Addington Merger to Form Southeast Health Unit

Effective January 1, 2025, Southeast Public Health (“SEPH”) was established pursuant to the *Health Protection and Promotion Act* through the merger of KFL&A Public Health; Hastings Prince Edward Public Health; and Leeds, Grenville and Lanark District Health Unit. The responsibilities of SEPH remain the same as those of the legacy agencies. The establishment of SEPH was accounted for as a government restructuring. Assets and liabilities transferred to the merged entity were recorded at their carrying values and no gains or losses were recognized as a result of the merger.

The City, together with twelve other participating municipalities, share governance of the SEPH through representation on the Board of Health. The participating municipalities jointly fund the municipal share of SEPH’s operations in accordance with applicable legislation and funding agreements.

Similar to the City's interest in the legacy agency, KFL&A Public Health, SEPH is considered a government partnership as defined by Canadian Public Sector Accounting Standards. Accordingly, the City accounts for its interest in SEPH using the proportionate consolidation method. The City's proportionate interest is determined based on its proportionate share of the population served by SEPH.

The establishment of the SEPH represents a change in the organizational structure for the delivery of regional public health services. This change does not affect the City's accounting policy for determining and reporting its interest in government partnerships.

The City’s share of the assets, liabilities, revenues and expenses of SEPH have been included in these consolidated financial statements based on a proportionate share of 24%. Comparative information for 2024 reflects the City's 66% proportionate interest in the predecessor KFL&A Public Health. As SEPH was established effective January 1, 2025, the 2024 comparative amounts are not directly comparable.

20. Comparative Information

Certain comparative information has been reclassified to conform to the current year financial statement presentation.

The Corporation of the City of Kingston

Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2025

General Assets (In Thousands of Dollars)	**Land**	**Land Improvements**	**Buildings**	**Vehicles and Machinery**	**Furniture, Fixtures and Equipment**	**Total General Assets**
Cost:						
Balance, beginning of year	$95,749	$113,892	$550,300	129,694	$210,681	$1,100,316
Add: Additions	2,270	4,825	49,834	14,227	14,442	85,598
Less: Disposals	(232)	(172)	(1,613)	(4,725)	(5,250)	(11,992)
Recognition of asset retirement obligation	-	-	474	-	-	474
Balance, end of year	$97,787	$118,545	$598,995	$139,196	$219,873	$1,174,396
Accumulated Amortization:						
Balance, beginning of year	-	$39,232	$233,178	$79,171	$109,631	$461,212
Add: Amortization	-	3,432	17,079	7,914	14,109	42,534
Less: Accumulated amortization on disposals	-	(183)	(912)	(4,472)	(4,723)	(10,290)
Balance, end of year	-	$42,481	$249,345	$82,613	$119,017	$493,456
Net Book Value of Tangible Capital Assets	**$97,787**	**$76,064**	**$349,650**	**$56,583**	**$100,856**	**$680,940**

The Corporation of the City of Kingston

Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2025

Infrastructure Assets (In Thousands of Dollars)	**Land**	**Land Improvements**	**Plants and Facilities**	**Roads**	**Bridges and Culverts**	**Utility Networks**	**Other**	**Total Infrastructure Assets**
Cost:								
Balance, beginning of year	$11,474	$42,148	$522,705	$494,032	$245,970	$521,069	$355,043	$2,192,441
Add: Additions	-	388	4,203	27,204	3,694	12,051	55,366	102,906
Less: Disposals	-	-	(2,955)	(3,579)	(45)	(4,313)	(4,858)	(15,750)
Balance, end of year	11,474	42,536	523,953	517,657	249,619	528,807	405,551	2,279,597
Accumulated Amortization:								
Balance, beginning of year,	-	25,971	225,136	278,068	23,508	142,158	143,907	838,748
Add: Amortization	-	235	15,452	14,146	4,876	8,041	8,819	51,569
Less: Accumulated amortization on disposals	-	-	(1,097)	(2,985)	(41)	(2,324)	(2,682)	(9,129)
Balance, end of year	-	26,206	239,491	289,229	28,343	147,875	150,044	881,188
Net Book Value of Tangible Capital Assets	**$11,474**	**$16,330**	**$284,462**	**$228,428**	**$221,276**	**$380,932**	**$255,507**	**$1,398,409**

The Corporation of the City of Kingston

Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2025, with Comparative Figures for 2024

Totals (In Thousands of Dollars)	**2025 Total General Assets**	**2025 Total Infrastructure Assets**	**2025 Capital Works in Progress**	**2025 Total General and Infrastructure Assets**	**2024 Total General and Infrastructure Assets**
Cost:					
Balance, beginning of year	$1,100,316	$2,192,441	$104,954	$3,397,711	$3,253,634
Add: Additions	85,598	102,906	(6,403)	182,101	168,638
Less: Disposals	(11,992)	(15,750)	-	(27,742)	(23,775)
Recognition of asset retirement obligation	474	-	-	474	(786)
Balance, end of year	1,174,396	2,279,597	98,551	3,552,544	3,397,711
Accumulated Amortization:					
Balance, beginning of year	461,212	838,748	-	1,299,960	1,228,353
Add: Amortization	42,534	51,569	-	94,103	88,519
Less: Accumulated amortization on disposals	(10,290)	(9,129)	-	(19,419)	(16,492)
Recognition of asset retirement obligation	-	-	-	-	(420)
Balance, end of year	493,456	881,188	-	1,374,644	1,299,960
Net Book Value of Tangible Capital Assets	**$680,940**	**$1,398,409**	**$98,551**	**$2,177,900**	**$2,097,751**

The Corporation of the City of Kingston

Consolidated Schedule of Segmented Information

Year ended December 31, 2025

(In Thousands of Dollars)

Schedule of Segmented Information	General Government	Protection Services	Transportation Services	Environmental Services	Waste Water	Water
Revenue:						
Government grants	3,339	3,549	16,581	1,450	-	-
Other municipalities	-	230	718	147	-	-
User fees and service charges	11,680	7,833	27,571	3,174	44,504	38,411
User fees - gas commodity	-	-	-	-	-	-
Other	2,585	566	22,255	1,358	8,843	11,669
Total Revenue	**17,604**	**12,178**	**67,125**	**6,129**	**53,347**	**50,080**
Expenses:						
Salaries, wages & employee benefits	35,170	91,258	41,540	7,855	-	-
Materials	3,834	6,172	20,434	1,413	196	307
Contracted services	13,822	7,716	10,222	11,846	21,519	16,230
Gas commodity purchases	-	-	-	-	-	-
Rents and financial expenses	7,684	693	4,618	126	6,050	4,419
External transfers	3,668	3,178	4,061	390	-	-
Amortization	7,737	5,003	30,807	3,771	14,237	10,360
Inter-departmental charges	(13,235)	(648)	3,980	3,292	637	630
Total Expenses	**58,680**	**113,372**	**115,662**	**28,693**	**42,639**	**31,946**
Excess of revenue over expenses (expenses over revenues)	**(41,076)**	**(101,194)**	**(48,537)**	**(22,567)**	**10,708**	**18,134**

The Corporation of the City of Kingston

Consolidated Schedule of Segmented Information

Year ended December 31, 2025

(In Thousands of Dollars)

Schedule of Segmented Information Continued	Health Services	Social and Family Services and Housing	Recreation and Cultural Services	Planning and Development Services	Gas Works
Revenue:					
Government grants	15,444	96,586	906	357	-
Other municipalities	2,753	1,909	1,016	-	-
User fees and service charges	-	15,660	16,069	5,782	17,915
User fees - gas commodity	-	-	-	-	15,252
Other	355	1,234	3,611	691	-
Total Revenue	**18,552**	**115,389**	**21,602**	**6,830**	**33,167**
Expenses:					
Salaries, wages & employee benefits	12,441	33,774	25,903	5,363	-
Materials	5,941	5,191	9,559	927	10
Contracted services	43	12,031	9,432	620	6,260
Gas commodity purchases	-	-	-	-	15,252
Rents and financial expenses	-	79	3,419	(3,228)	2,064
External transfers	18,101	89,069	1,630	8,260	-
Amortization	396	6,781	11,123	-	3,889
Inter-departmental charges	-	3,633	1,463	(208)	455
Total Expenses	**36,922**	**150,558**	**62,529**	**11,734**	**27,930**
Excess of revenue over expenses (expenses over revenues)	**(18,370)**	**(35,169)**	**(40,927)**	**(4,904)**	**5,237**

The Corporation of the City of Kingston

Consolidated Schedule of Segmented Information

Year ended December 31, 2025, with Comparative Figures for 2024

(In Thousands of Dollars)

Schedule of Segmented Information Totals	Total 2025	Total 2024
Revenue:		
Government grants	138,213	135,606
Other municipalities	6,773	5,627
User fees and service charges	188,598	181,888
User fees - gas commodity	15,252	14,251
Other	53,168	48,331
Total Revenue	**402,004**	**385,703**
Expenses:		
Salaries, wages & employee benefits	253,304	234,053
Materials	53,984	51,955
Contracted services	114,227	109,045
Gas commodity purchases	10,766	14,251
Rents and financial expenses	25,924	31,556
External transfers	128,357	115,388
Amortization	94,103	88,519
Inter-departmental charges	-	-
Total Expenses	**680,665**	**644,767**
Excess of revenue over expenses	**(278,661)**	**(259,064)**
Taxation	312,390	292,127
Payments in Lieu	19,069	18,800
Investment in Government Business Enterprise	2,091	1,806
Investment Income	13,831	20,484
Taxation and Investment Revenue	**347,381**	**333,217**
Annual Surplus	**68,720**	**74,153**

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the City of Kingston

Opinion

We have audited the Statement of Trust Funds of the Corporation of the City of Kingston (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2025
- the statement of continuity of trust funds for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2025, and the continuity of trust funds for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Statement"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the Statement in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

September 1, 2026

The Corporation of the City of Kingston

Trust Funds

Year Ended December 31, 2025, with comparative figures for 2024

Statement of Financial Position

Name of Fund	Rideaucrest Residents Fund	Pinegrove Cemetery	Other	Total 2025	Total 2024
Assets					
Cash	$20,803	$ 157,825	$141,669	$320,297	$171,072
Total	$20,803	$ 157,825	$141,669	$320,297	$171,072
Fund Balances					
Unexpendable trust	$ -	$ -	$ 65,400	$ 65,400	$65,400
Capital/ earned surplus	20,803	157,825	76,269	254,897	105,672
Total	$20,803	$157,825	$141,669	$320,297	$171,072

Statement of Continuity

Name of Fund	Rideaucrest Residents Fund	Pinegrove Cemetery	Other	Total 2025	Total 2024
Balances, beginning of year	$25,647	$6,882	$138,543	$171,072	$168,300
Donations and other revenue	28,916	148,657	-	177,573	32,182
Interest earned	-	2,286	4,399	6,685	7,144
Sub-Total	$54,563	$157,825	$142,942	$355,330	$207,626
Expenses	33,760	-	1,273	35,033	36,554
Balances, end of year	$20,803	$157,825	$141,669	$320,297	$171,072

1. Summary of Accounting Policies:

The financial statements of The Corporation of the City of Kingston "Trust Funds" are prepared by management in accordance with Canadian public sector accounting standards.

(a) Basis of Accounting:

These statements reflect the assets, liabilities, revenue, and expenses of the Trust Funds.

(b) Revenue Recognition:

Revenue and expenses are recorded on an accrual basis.

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

(c) Financial instruments:

The Financial Instruments standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not made this election.

Unrealized changes in fair value are recognized in the Consolidated Statement of Remeasurement Gains and Losses until they are realized, at which point they are transferred to the Statement of Continuity. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

All financial assets are assessed for impairment on an annual basis. Where a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Continuity and any unrealized gain (loss) is adjusted through the Consolidated Statement of Remeasurement Gains and Losses. On sale, the accumulated remeasurement gains and losses associated with that instrument are reversed and recognized in the Statement of Continuity.

A Consolidated Statement of Remeasurement Gains and Losses has not been provided as there are no unrealized gains or losses at December 31, 2025 or 2024.

1. **Summary of accounting policies (continued):**

Establishing fair value:

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

Fair value hierarchy:

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted)·in active markets for identical assets or liabilities;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

2. **Statement of Cash Flows:**

A statement of cash flows has not been included in these financial statements as it would not provide additional meaningful information.