CITY OF KITCHENER

FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2025

Prepared by:
Financial Reporting & ERP Solutions Division
Financial Services Department
Kitchener, Ontario, Canada

KITCHENER

A PROGRESSIVE CITY.

About Kitchener

The city of Kitchener is situated on the traditional territory of the Neutral, Anishinaabeg and Haudenosaunee Peoples. We recognize our responsibility to serve as stewards for the land and honour the original caretakers who came before us. Our community is enriched by the enduring knowledge and deep-rooted traditions of the diverse First Nations, Metis and Inuit in Kitchener today.

Kitchener is an innovative, caring and vibrant city. It's a place for everyone. It's a place where people come from across Canada and the world to put down roots. They're joining vibrant neighbourhood communities and enriching them with new businesses, cultures to celebrate and innovative ideas to share. It's a place where people have a passion for citybuilding – they're inspired by what Kitchener is becoming and they want to be a part of its vibrant future. By embracing new people and perspectives, Kitchener has always been on the cutting edge.

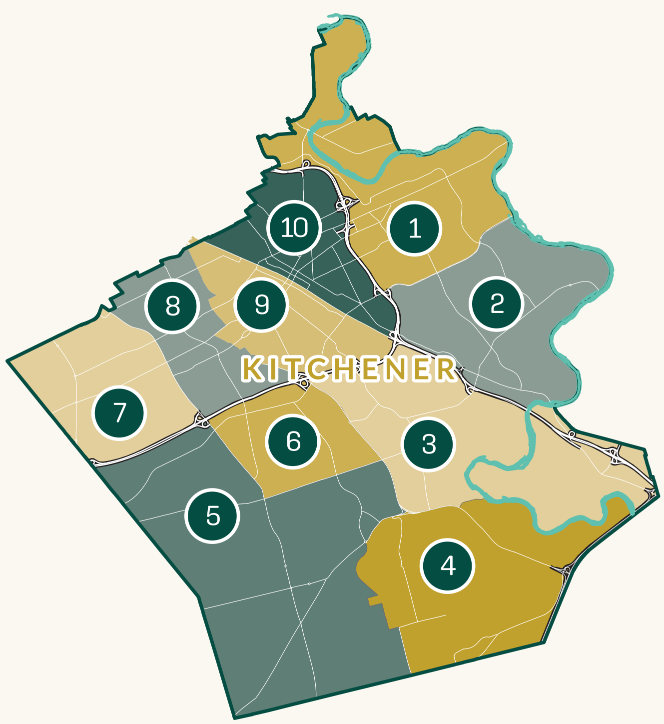
When Kitchener tries something new, the world follows. We're the anchor of Canada's Innovation Corridor, and our startup density is second only to Silicon Valley. We're the fastest growing startup ecosystem in Canada, creating 30,000 tech jobs in the past 20 years.

With a population of approximately 300,000 people, Kitchener is the urban centre of the region. We're connected to the City of Waterloo and part of the Region of Waterloo. The region's post-secondary school system is the core of our tech industry, and with 100,000 students in the region there are new ideas and newer skillsets available every day. This new talent feeds into the world's largest free startup incubator Velocity, located in the Communitech Hub.

Kitchener is a city where beautiful brick factories have been transformed into condos that flank a modern light rail system. It's a city where you can find established, tree-lined neighbourhoods as well as brand-new neighbourhoods creating their own sense of community.

No matter who you are or where you come from, you belong in **Kitchener**.

CITY OF KITCHENER WARD MAP:



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Message from the Mayor

Over the past year, I have had many conversations with neighbours and friends across Kitchener about the challenges they're facing every day. From concerns about the affordability of essentials to future planning and broader economic uncertainty, these pressures are being felt across our community.

Council and I have heard this clearly, and these conversations have shaped every decision we've made. Our focus for 2025 was clear: strike the right balance between affordability, service needs and the pressures of a growing city. I am proud to say we delivered on these priorities.

Council and staff worked carefully to balance rising costs, while continuing to deliver the services and investments our community expects. We stayed focused on responsible financial stewardship and were able to maintain a modest property tax increase in line with inflation. In fact, because of our balanced approach, over the past five years the City of Kitchener has been able to maintain the lowest average property tax increase of all municipalities in the region.

Here are just a few ways our careful investments paid off in 2025:

- Delivered a new Southwest Library branch, **a $14 million project** that expanded access to services, programming and community space.
- Advanced housing and affordability initiatives by supporting t**he development of over 3,000 new homes** across our community.
- Invested over **$200,000 through neighborhood programs** to fund resident-led projects and initiatives across the city.
- Invested **$1.3 million in the Community Canopy program** to plant more trees in underserved neighbourhoods, helping ensure more residents benefit like shade, cleaner air, climate resilience and overall wellbeing.
- Upgraded and built basketball, tennis and pickleball courts through our **$1 million community court investment.**

In Kitchener, we believe in building a city for everyone where, together, we take care of the world around us – and each other. We remain committed to building a city where people can live, work, and belong not just today, but for generations to come.

Berry Vrbanovic
Mayor, City of Kitchener

EFFECTIVE AND RESPONSIVE GOVERNANCE.

City Council

Mayor
Berry Vrbanovic

WARD 1 Councillor
Scott Davey

WARD 2 Councillor
Dave Schnider

WARD 3 Councillor
Jason Deneault

WARD 4 Councillor
Christine Michaud

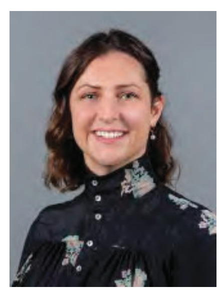
WARD 5 Councillor
Ayo Owodunni

WARD 6 Councillor
Paul Singh

WARD 7 Councillor
Bil Ioannidis

WARD 8 Councillor
Margaret Johnston

WARD 9 Councillor
Debbie Chapman



WARD 10 Councillor
Stephanie Stretch

A TEAM THAT LEADS THE WAY.

Organizational Structure

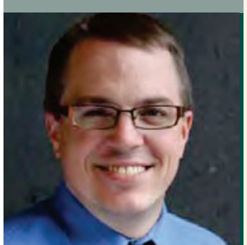
MAYOR AND COUNCIL

Mayor Berry Vrbanovic and Council

OFFICE OF THE CHIEF ADMINISTRATIVE OFFICER (CAO)

Dan Chapman
CAO

COMMUNITY SERVICES DEPARTMENT



Michael May
General Manager & Deputy CAO

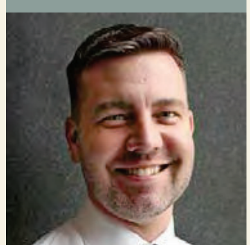
- Bylaw Enforcement Division
- Corporate Customer Service Division
- Fire Division
- Neighbourhood Program & Services Division
- Sport Division

CORPORATE SERVICES DEPARTMENT

Victoria Raab
General Manager

- Corporate Communications & Marketing Division
- Reconciliation, Equity, Diversity & Inclusion Division
- Human Resources Division
- Legal Services Division
- Legislated Services Division
- Technology, Innovation & Services Division

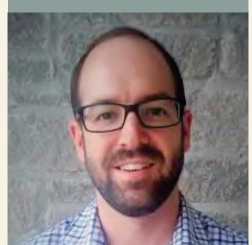
DEVELOPMENT SERVICES DEPARTMENT



Justin Readman
General Manager

- Building Division
- Development & Housing Approvals Division
- Economic Development Division
- Engineering Division
- Planning & Housing Policy Division
- Transportation Services Division

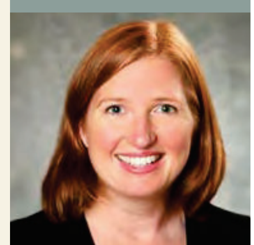
FINANCIAL SERVICES DEPARTMENT



Jonathan Lautenbach
Chief Financial Officer

- Financial Operations Division
- Financial Planning & Asset Management Division
- Financial Reporting & ERP Solutions Division
- Revenue Division

INFRASTRUCTURE SERVICES DEPARTMENT



Denise McGoldrick
General Manager

- Facilities Management Division
- Fleet Division
- Gas & Water Utilities Division
- Operations - Road & Traffic Division
- Parks & Cemeteries Division
- Sanitary & Stormwater Utilities Division

Message from the Chief Financial Officer

I am pleased to present the Annual Financial Report for the City of Kitchener for the year ended December 31, 2025. This report provides Council, residents, and other stakeholders with a comprehensive overview of the City's financial results.

In 2025, the City continued to make strategic investments in the infrastructure and services required to support a growing community. Through thoughtful planning and strong partnerships with other levels of government, we advanced critical projects while maintaining a tax rate increase consistent with inflation. This balanced approach reflects our commitment to both fiscal responsibility and sustainable growth.

An assessment of the key financial indicators outlined in the 2020–2029 Long-Term Financial Plan demonstrates the effectiveness of our disciplined approach. Our continued focus on prudent financial management has enabled the City to maintain a stable and resilient financial position. We are also proud to report that Kitchener once again received the Canadian Award for Financial Reporting for our 2024 Annual Financial Report from the Government Finance Officers Association of the United States and Canada. This recognition reflects our ongoing commitment to transparency, accountability, and excellence in financial reporting.

Looking ahead, we will continue to be guided by these principles as we work toward achieving the goals set out in the City's Strategic Plan and supporting the long-term financial sustainability of our community.

JLautenbach

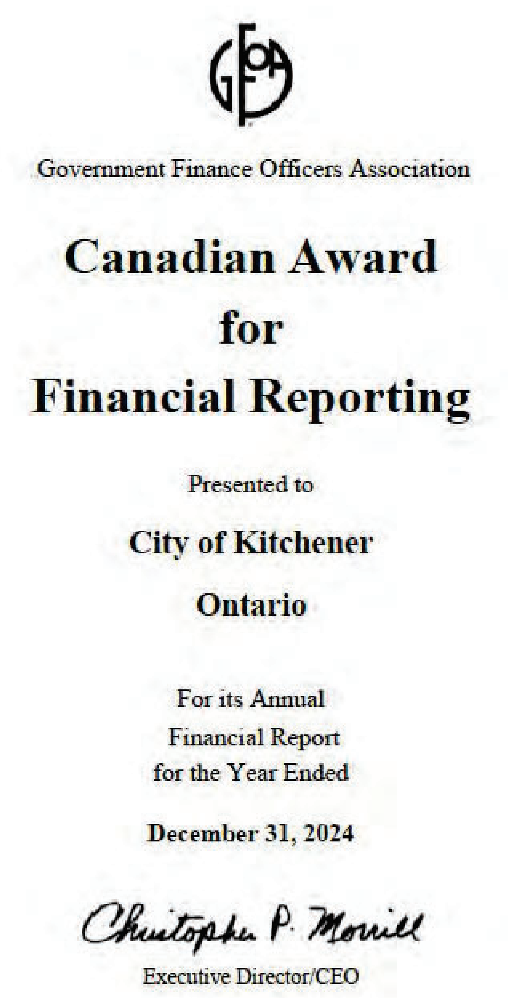
Jonathan Lautenbach, CPA, CGA
Chief Financial Officer and City Treasurer
June 30, 2026

Canadian Award for Financial Reporting

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Canadian Award for Financial Reporting to the City of Kitchener for its annual financial report for the fiscal year ended December 31, 2024. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments, and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Canadian Award for Financial Reporting program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



Government Finance Officers Association

Canadian Award
for
Financial Reporting

Presented to

City of Kitchener
Ontario

For its Annual
Financial Report
for the Year Ended

December 31, 2024

Christopher P. Morrill
Executive Director/CEO

Financial Governance

The financial statements and related information contained in this annual report are the responsibility of the management team of the City of Kitchener. Management has established a system of internal controls intended to safeguard assets and to provide accurate, timely and complete financial information for both internal decision-making and external reporting.

The City has the following foundations in place to ensure appropriate financial controls and accountability are maintained, and to take a proactive approach to identify and address financial challenges.

FOCUS ON EFFECTIVE AND EFFICIENT GOVERNMENT IN STRATEGIC PLANNING

At the beginning of each new four-year term of Council, the City of Kitchener develops a strategic plan to advance the vision, mission, and goals for Kitchener. Shaping the vision for Kitchener's future into a strategic plan started with listening to the community. Kitchener residents, Council members, and local organizations were asked where efforts should be focused to make Kitchener an even more innovative, caring, and vibrant city.

In August 2023, City Council approved our 2023-2026 strategic goals, goal statements, and our actions that we will be taking in the first two years of this strategic plan.

Kitchener's vision for 2043 is: building a city for everyone where, together, we take care of the world around us – and each other. Achieving our vision starts with the pursuit of the goals identified within the 2023-2026 Strategic Plan:

BUILDING A CONNECTED CITY TOGETHER

We live in all kinds of neighbourhoods and types of housing. We work together to ensure that we each have secure and affordable homes. We get around easily, sustainably and safely to the places and spaces that matter most to us.

CULTIVATING A GREEN CITY TOGETHER

We follow a sustainable path to a greener, healthier city. We work together to enhance and protect our parks and natural environment while transitioning to a lowcarbon future. We support businesses and residents to make more climate-positive choices.

CREATING AN ECONOMICALLY THRIVING CITY TOGETHER

We use our collective strengths to grow an agile and diverse local economy powered by talented entrepreneurs, workers and artists. We work together to create opportunities for everyone and a resilient future that propels our city forward.

FOSTERING A CARING CITY TOGETHER

We welcome residents of all ages, backgrounds and lived experiences. We work together on the decisions that matter to us and have a meaningful influence in our community. We're healthy and thriving as we easily access the diverse and inclusive programs and services we need to succeed.

STEWARDING A BETTER CITY TOGETHER

We, the City's employees, are stewards of Kitchener's present and its future. We're responsive, innovative, diverse and accountable public servants who work together efficiently to serve residents. We remove barriers and champion residents' collective vision for a better city and a better world.

The City is committed to being accountable to the community it serves. To support this commitment to accountability, these principles will guide the work we do to support making meaningful progress:

- equity, diversity, inclusion and accessibility
- strong relationships with the community and partners
- innovation as an enabler of success

Our Compass Kitchener Citizen advisory committee will review and assess our progress and will report publicly each year on how well we're doing.

We are taking an adaptive approach to setting actions for this strategic plan in order to better respond to emerging community needs and opportunities over the four-year period. While we have identified initial actions to take in its first years, the plan is a living document rooted firmly in community goals yet offering flexibility for the future actions available to us.

BUDGET PROCESS

City Council approves the annual budget, which is made up of three parts: operating, capital, and reserves. City Council and staff are committed to striking a healthy balance between offering valued services and programs to residents, making strategic investments in community priorities, and keeping property taxes at a reasonable rate.

To provide transparency in the budget process, budget information is posted on the City's website and budget meetings are held in a public forum. Citizens are able to provide their input through a number of channels, including by phone, letter, email, social media, or in person at a public delegation night.

Management staff review their budgets regularly. Detailed variance reports are prepared and presented to Council three times per year. These reports ensure departmental accountability for financial results and are a key tool to allow management to respond to financial pressures during the year.

During 2019, Council approved the City's first ever Long-Term Financial Plan. The 2020-2029 Long-Term Financial Plan titled "Our City, Our Plan, Our Future" highlighted the City's strong financial position and identified emerging trends to be aware of in ensuring the City can maintain this position over time. Of course, the COVID-19 global pandemic was well beyond the scope of issues originally identified. Even still, the Long-Term Financial Plan provided insight into the City's financial governance framework, bringing together and highlighting the City's financial policies and practices.

With a strong reputation for financial stability, Kitchener will strive to be financially responsible, flexible, and sustainable. Guided by these principles, the Long-Term Financial Plan will continue to build on the City's long-standing financial strength and ensure that the City is well positioned both now, and in the future, to meet the needs of a growing community.

INTERNAL AUDIT

Internal Audit is a corporate wide service including both assurance services (i.e., independent assessment of operations) and consulting services (i.e., facilitation and advice). Objectives are to ensure operations are as effective and efficient as possible, controls are adequate to protect assets, and there is compliance with legislation and procedures. Services also include assistance with Lean management and risk management.

EXTERNAL AUDIT

As required by the Municipal Act, 2001, S.O. 2001, c. 25 (Municipal Act, 2001), Council has appointed a public accounting firm, KPMG LLP, to express an independent audit opinion on management's consolidated financial statements. Their reports to the members of Council, inhabitants, and ratepayers of the Corporation of the City of Kitchener accompany the various financial statements in the financial section of this report.

AUDIT COMMITTEE

The audited consolidated financial statements are presented to the Audit Committee for approval. The committee provides a focal point for communications between Council, the external auditor, the internal auditor, and management. It facilitates an impartial, objective, and independent review of management practices through the internal and external audit functions.

Financial Statement Discussion and Analysis

The City of Kitchener's consolidated financial statements have been prepared in accordance with reporting standards set by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. KPMG LLP have audited the financial statements and provided the accompanying auditor's report. The financial statements and auditor's report satisfy a legislated reporting requirement as set out in the *Municipal Act*, 2001.

The following financial statement discussion and analysis has been prepared by management and should be read in conjunction with the audited consolidated financial statements and financial and statistical review.

There are five required financial statements:

- statement of financial position;
- statement of operations;
- statement of remeasurement gains;
- statement of change in net financial assets; and
- statement of cash flow.

The consolidated financial statements reflect the assets, liabilities, reserves, surpluses/deficits, revenues, and expenditures of city funds and governmental functions or entities. These functions and entities comprise a part of the combined city operations based upon control exercised by the City. The exception is the City's government business enterprises, which are accounted for on the modified equity basis of accounting. References to the "City" below include all activity for the consolidated entity.

FINANCIAL HIGHLIGHTS

Consolidated Statement of Financial Position ($ millions)

	2025 Actual	2024 Actual	Change
Financial assets	987	916	71
Liabilities	641	555	86
Net financial assets	**346**	**361**	**(15)**
Non-financial assets	1,902	1,717	185
Accumulated surplus	**2,247**	**2,078**	**170**

Consolidated Statement of Operations ($ millions)

	2025 Budget	2025 Actual	2024 Actual
Revenues	653	683	617
Expenses	518	516	473
Annual surplus	**135**	**168**	**144**

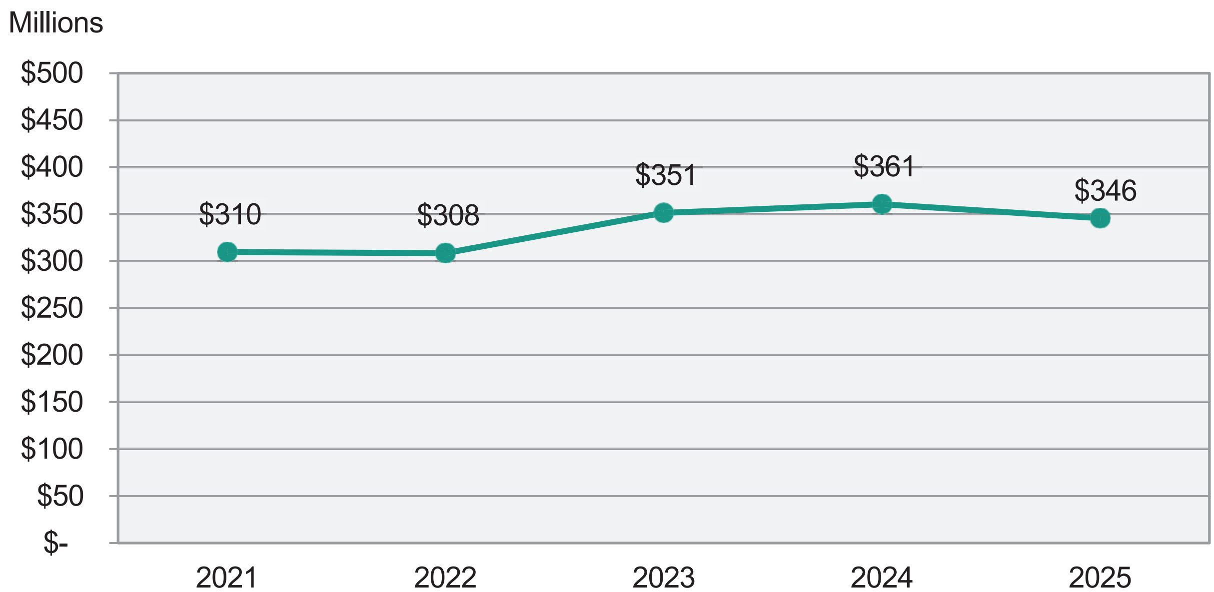
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Consolidated Statement of Financial Position highlights four key figures that together describe the financial position of a government: 1) cash resources, 2) net financial asset position, 3) non-financial assets that are normally held for service provision such as tangible capital assets, and 4) accumulated surplus. The statement is used to evaluate the City's ability to meet its financial obligations and commitments.

The City's net financial asset balance is $346 million, a decrease of $15 million from 2024. This balance is calculated as total financial assets less liabilities and represents the amount available to finance future operations. The decrease year-over-year is due to changes in the various balance sheet accounts which are described in the paragraphs below.

According to the 2025 study conducted by BMA Management Consulting Inc., Kitchener's net financial asset balance per capita is larger than the average balance per capita of the 128 participating Ontario municipalities. This result combined with the fact that Kitchener has grown or maintained its net financial asset balance over the last number of years, demonstrates the City's strong financial position.

NET FINANCIAL ASSETS



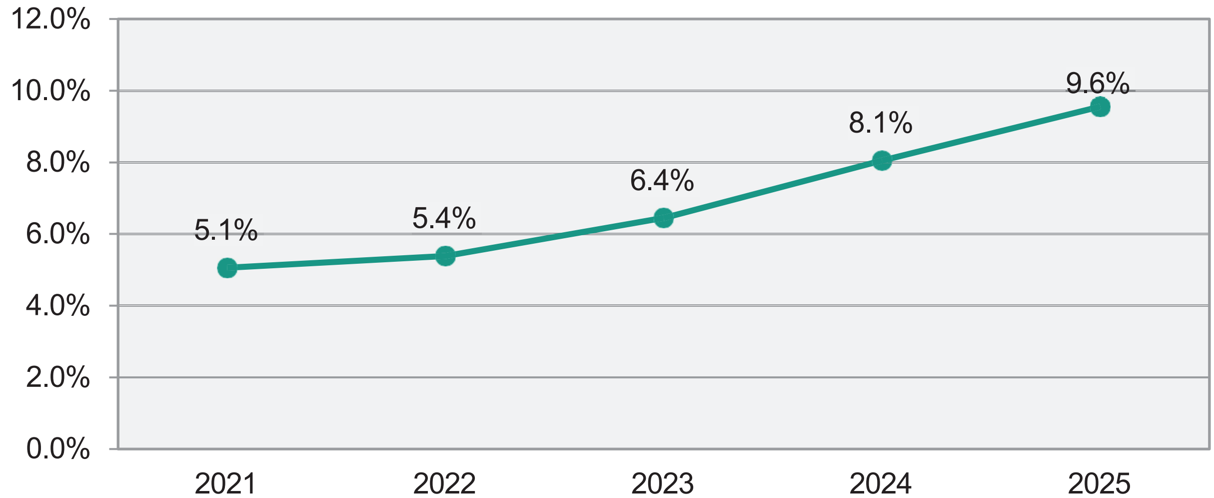
Cash and cash equivalents

The City's cash position is closely managed and remains adequate, along with short-term investments, to meet ongoing cash requirements. The cash position has decreased to $108 million in 2025 from $112 million in 2024. The Consolidated Statement of Cash Flow summarizes the sources and uses of cash in both 2025 and 2024. The decrease in cash is primarily the result of significant inflows relating to operating activities and municipal debt issued offset by significant cash outflows relating to the acquisition of tangible capital assets and the net acquisition of portfolio investments.

Taxes receivable

Taxes receivable increased to $56 million at the end of 2025 from $44 million at the end of 2024. This reflects the increase to taxes billed in 2025, as well as an increase to the overall ratio of taxes being in arrears. In 2025, the ratio of taxes receivable to taxes levied was 9.6%. The City's ratio remains below the threshold of 10% for the low-risk category as defined by the Ministry of Municipal Affairs and Housing.

TAXES RECEIVABLE TO TAXES LEVIED RATIO



Trade and other accounts receivable

Trade and other accounts receivable remained at $102 million at the end of both 2025 and 2024. This was mainly due to an increase in utilities accounts receivable, offset by a decrease in interest receivable.

Development charges receivable

Development charges receivable increased to $32 million at the end of 2025 from $13 million at the end of 2024 primarily due to significant additions of new receivables in the year, partially offset by billings which occur when amounts become due. This was mainly driven by building permits issued for a few new large rental developments.

Portfolio investments

The City invests in a manner that provides financial returns while protecting and preserving capital, maintains liquidity to meet the daily cash flow demands, and conforms to all legislation governing the investment of public funds. There was an increase in portfolio investments to $358 million at the end of 2025 from $317 million at the end of 2024, as the City invested further funds based on an analysis of cash available for investing, market conditions, and short-term cash needs.

Investments in Enova Energy Corporation and Kitchener Generation Corporation

The City's investments in both Enova Energy Corporation and Kitchener Generation Corporation are made up of the City's initial investment and its share of net income and other comprehensive income since acquisition less dividends received. See Notes 8 and 9 to the consolidated financial statements for further details.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities represent the amount of money owed to others for goods or services the City has received. The balance increased to $165 million at the end of 2025 from $146 million at the end of 2024. This was in line with the growth in total expenses adjusted to remove the impact of expenses that do not impact this account (e.g., amortization of tangible capital assets).

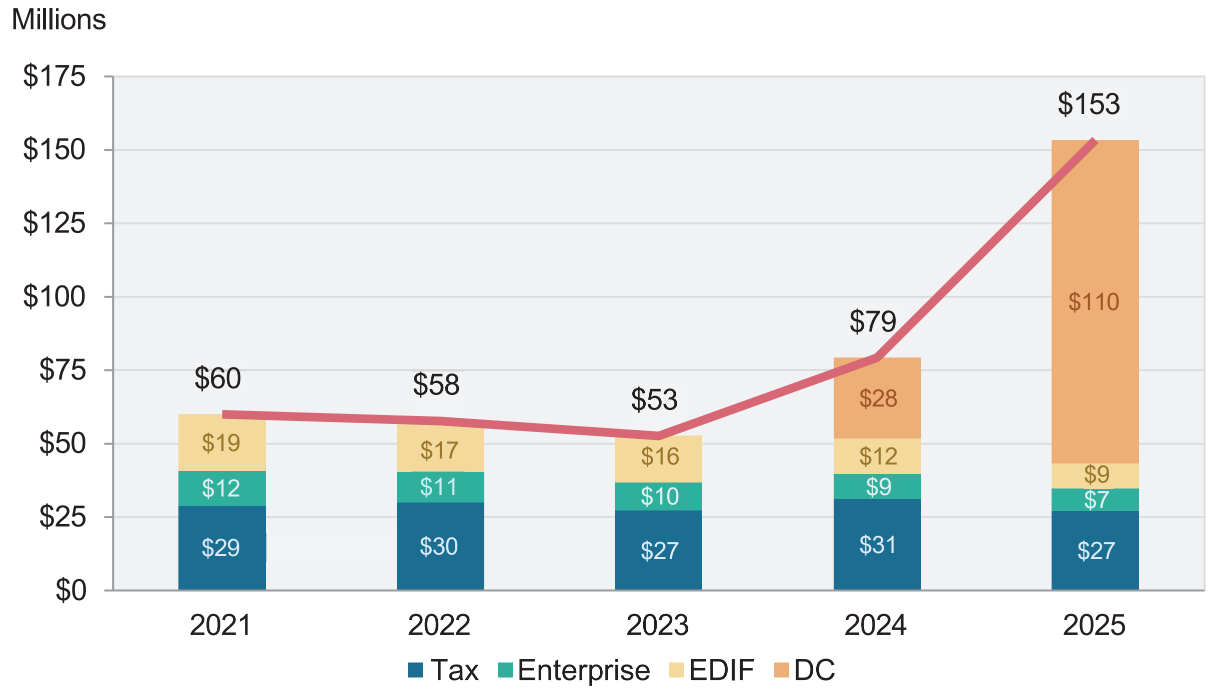
Deferred revenue – obligatory reserve funds

Obligatory reserve funds are monies set aside and legally restricted by legislation, a municipal by-law, or agreement. These include development charges, the Canada Community-Building Fund (CCBF), building permits, and recreational land funds. Under the accounting standards, revenue recognition must be deferred until those funds have been spent on eligible projects. The balance decreased to $83 million at the end of 2025 from $97 million at the end of 2024 primarily due to earned revenue exceeding collections for development charges and building reserve funds. This was partially offset by increases in the CCBF and recreational land reserve funds resulting from collections exceeding earned revenue. Spending on projects funded by the obligatory reserve funds can fluctuate from period to period.

Deferred revenue – other

Certain user fees and charges and government transfers are collected for which the related services have yet to be performed and are recorded under the classification Deferred revenue – other. The liability increased to $64 million at the end of 2025 from $61 million at the end of 2024. This was primarily due to an increase in deferred revenue for government transfers, where funding was received upfront but spending on eligible costs had not yet occurred.

DEBT



Debt

The City has four components that comprise the overall debt total. Debt has been issued to fund:

- a portion of the tax-supported capital program;
- capital improvements to Enterprises, where the debt charges will be funded through user fees or external sources, such as the Parking Enterprise or the Kitchener Rangers;
- the Economic Development Investment Fund (EDIF); and
- growth-related capital projects, where the debt charges will be funded by future development charges.

The City must comply with annual debt and financial obligations limits as outlined in *Ontario Regulation* 403/02. Under this Regulation, the City has an Annual Repayment Limit that caps overall debt charges to 25% of the City's own source revenues. To demonstrate a responsible approach to debt management, the City has established its own debt limits as follows:

- Tax supported debt charges will be limited to 10% of the City's own source revenues;
- Rate supported debt charges will be limited to 10% of the City's rate supported revenues; and
- Capital Pool debt charges will not increase by more than 5% annually.

The City created EDIF in 2004 as a $110 million commitment to invest in catalyst projects to strengthen the local economy and stimulate urban development in Downtown Kitchener. EDIF investments have had a remarkably positive impact on the City, increasing the City's recognition as a location for innovation, entrepreneurship, and a sought-after urban lifestyle.

Municipal debt has increased to $153 million at the end of 2025 from $79 million at the end of 2024. The change in debt is a result of new debt issuance of $87 million offset by repayment of $12 million of existing debt.

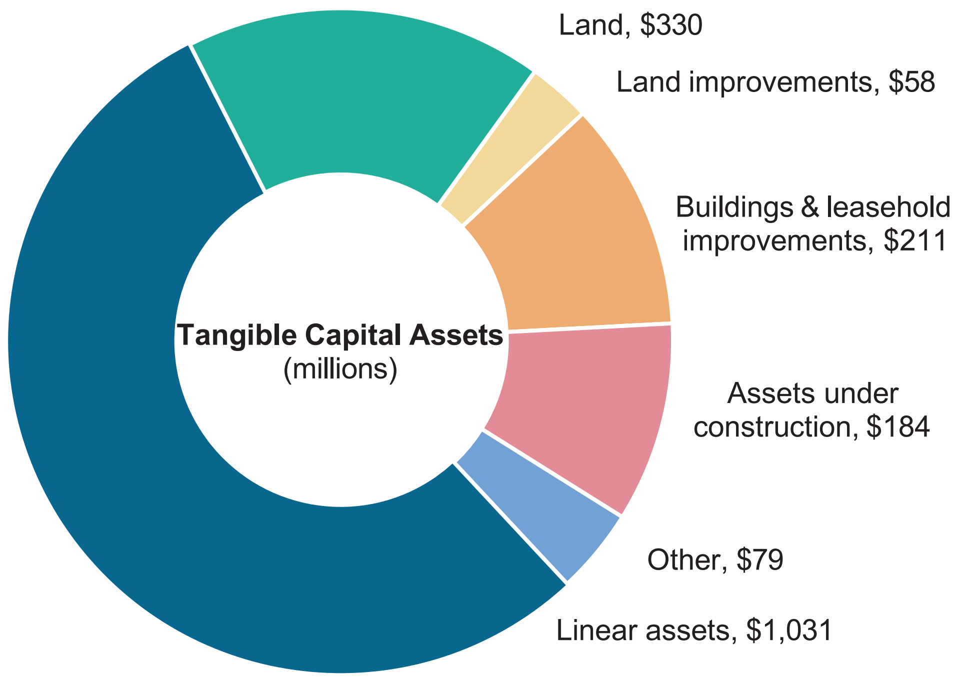
Employee future benefits

Employee future benefits include liabilities for future sick leave costs, retirement benefits and future Workplace Safety and Insurance Board (WSIB) payments. The liability has remained at $55 million at the end of both 2025 and 2024. This is a result of a slight decrease in the liability for retirement benefits offset by slight increases in the liabilities for sick leave costs and WSIB payments. The liabilities are impacted by payments made by the City during the year as well as the benefit expense resulting from current service costs, interest on the obligations, and the amortization of actuarial gains and losses.

Asset retirement obligations

A liability for an asset retirement obligation is recognized as the best estimate required to retire a tangible capital asset when certain criteria are met. These include obligations regarding asbestos in buildings that are owned or leased by the City, underground fuel storage tanks, and gas mains and service lines. Asset retirement obligations increased to $121 million at the end of 2025 from $118 million at the end of 2024. This increase was primarily due to higher estimated future retirement costs resulting from inflation.

TANGIBLE CAPITAL ASSETS BY ASSET TYPE



Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition, construction, development, or betterment of the asset. The cost less residual value of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives ranging from 1 to 100 years.

The net book value of tangible capital assets was $1.89 billion at December 31, 2025, up from $1.71 billion at December 31, 2024. During 2025, the City had additions of $248 million in tangible capital assets (2024 - $197 million). Amortization expense was $67 million (2024 - $66 million). Refer to Note 17 and Schedule A of the consolidated financial statements for a detailed breakdown of tangible capital asset activity for 2025 and 2024.

Accumulated surplus

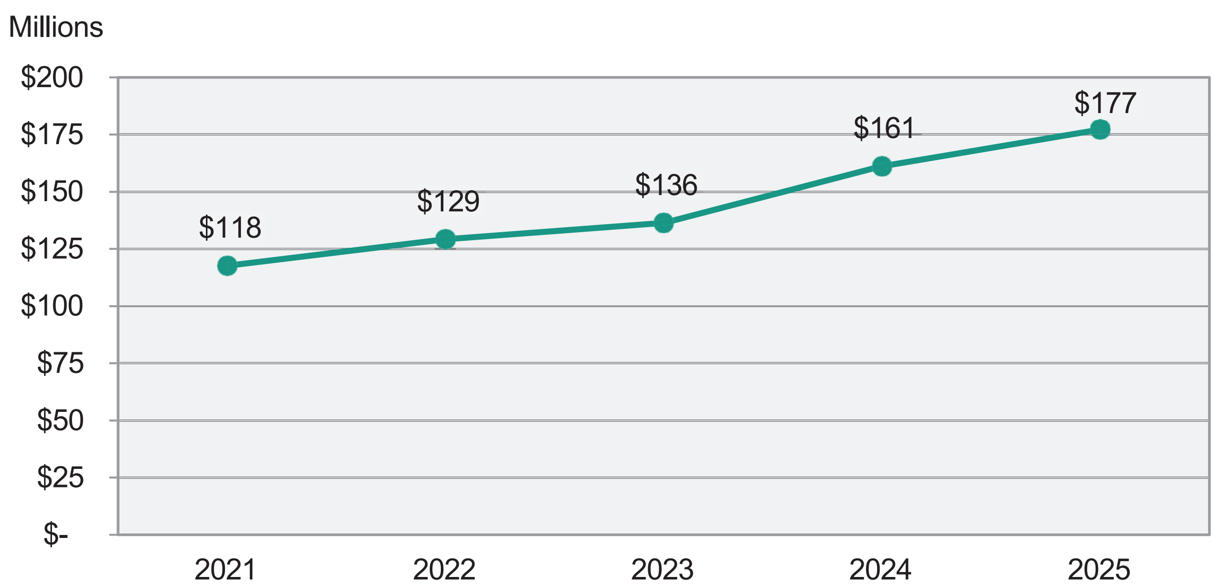
The City’s accumulated surplus at the end of 2025 was $2.25 billion, up from $2.08 billion at the end of 2024. The accumulated surplus reflects the resources that have been built over time at the City. The balance includes items such as tangible capital assets, equity in Enova Energy Corporation and Kitchener Generation Corporation, various reserve funds, and accumulated remeasurement gains.

Reserve funds

Reserve funds are included as part of accumulated surplus and these balances are disclosed in Note 18 of the consolidated financial statements. Total reserve funds at December 31, 2025 were $177 million (2024 - $161 million).

Under the authority of the *Municipal Act*, 2001, the City and some of its consolidated entities have established reserve funds to ensure future liabilities can be met, capital assets are properly maintained, and sufficient financial flexibility exists to respond to economic cycles or unanticipated financial requirements. Council or the Boards of the consolidated entities are responsible for exercising discretion with respect to the use of reserve funds, subject to the terms of their respective policies, as well as statutory and legal requirements. Council's reserve policy contains guiding principles to ensure the reserves continue to support the financial goals and serve the highest priority needs of the City and its citizens.

RESERVE FUNDS



Accumulated remeasurement gains

Accumulated remeasurement gains are included as part of accumulated surplus. Total accumulated remeasurement gains at December 31, 2025 were $4 million (2024 - $2 million). The change in accumulated remeasurement gains is shown in the statement of remeasurement gains (discussed further below).

CONSOLIDATED STATEMENT OF OPERATIONS

The Consolidated Statement of Operations reports the revenue collected by the City, the cost of providing municipal services, and the resulting annual surplus/deficit.

For the 2025 budget, overall assessment growth was 1.77%. While this new assessment creates revenue for the City, there is also a cost to provide services to new development. In addition, increases in costs, public demand for new services, and unreliable revenue sources all place significant pressure on the City budget. The tax rate increase to support 2025 operations was 3.90%.

Revenues

Revenues are received from the following sources: taxation; user fees from gasworks, water, sewer, storm water, and other user fees; government transfers; and other revenues. Kitchener is one of only two municipalities in Ontario that own and operate a natural gas utility.

Taxation revenue was largely in line with budget. The year-over-year increase can be mainly explained by the assessment growth and tax rate increase for the year.

Gasworks revenue was higher than budget by $7 million and increased by $14 million from the prior year due to higher consumption by the City’s customers as a result of colder weather.

Water, sewer, and storm water revenue was greater than budget by $10 million and increased by $8 million from the prior year due to warmer weather and increases in population, resulting in an increased volume of water sold. Additionally, rates charged to customers increased from the prior year.

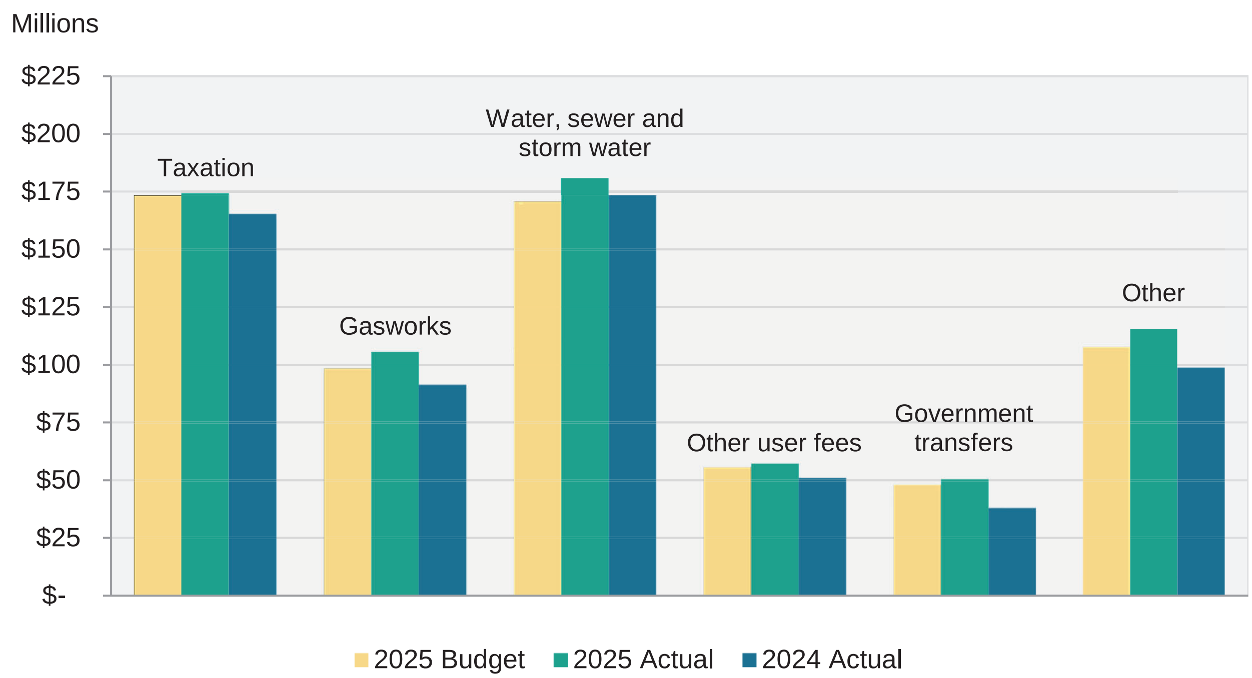
Other user fees were largely in line with budget but increased by $6 million from the prior year due to multiple factors, the largest of which related to external billings for sidewalk construction.

Government transfers were largely in line with budget but increased by $12 million from the prior year due to higher grant revenue earned. Grant revenue is generally earned when the funds are spent on eligible programming or capital asset acquisition, and this can fluctuate from period to period. The increase was mainly due to increases in provincial grants relating to housing and the federal grant for building the Kitchener Southwest Library that opened in 2025. This was partially offset by lower grant revenue for the Cowan Recreation Centre due to the awarded grants being mostly earned in 2024.

The 'Other' category in the Revenue by Type chart below includes contributions of tangible capital assets, investment income, penalties and interest on taxes, development charge revenue recognized, and share of net income of Enova Energy Corporation and Kitchener Generation Corporation. Revenue in this category increased by $17 million in 2025 compared to 2024 primarily due to higher development charge revenue recognized. This revenue can only be earned based on work undertaken for designated growth projects. Spending on these projects can fluctuate significantly from period to period. In 2025, development charge revenue mostly related to the Cowan Recreation Centre.

The overall increase in 'Other' revenues was partially offset by a $14 million decrease in contributions of tangible capital assets. There was also a $4 million decrease in investment income compared to 2024, mainly due to lower market interest rates.

REVENUES BY TYPE

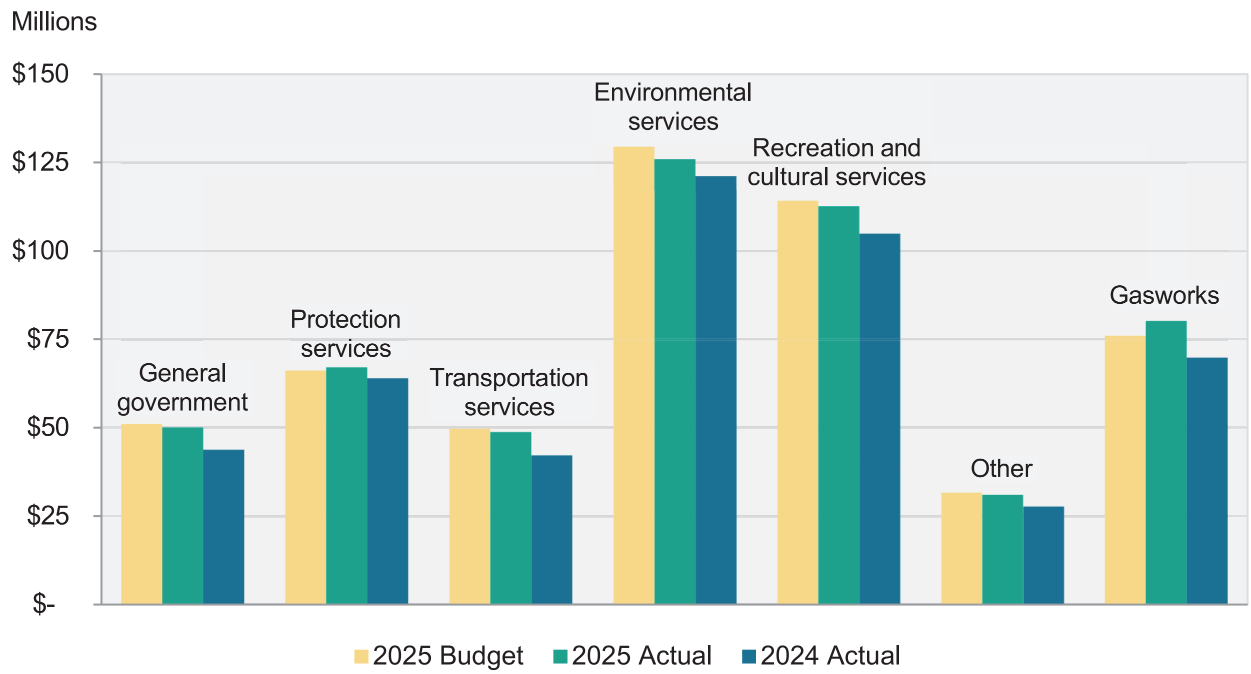


Expenses

The City of Kitchener is a diversified government institution that provides a wide range of services to its citizens including fire, roads, water, sewer, natural gas, libraries, and community services. Schedule B of the consolidated financial statements breaks the expenses into major functional activities, consistent with legislated requirements.

As is common with most Ontario municipalities, the City of Kitchener does not budget for amortization of tangible capital assets or the unfunded accrual for employee future benefits. However, to provide a more meaningful comparison to actuals, the Council-approved budget has been adjusted to include amortization and other accounting adjustments mandated by the Public Sector Accounting Board to express the financial statements on an accrual basis. This provides greater clarity for all readers in assessing budget to actual variances. Note 22 to the consolidated financial statements contains a reconciliation of the approved operating budget surplus to the budget surplus in the consolidated financial statements.

EXPENSES BY FUNCTION



General government expenses were in line with budget but $6 million higher than the prior year, mostly due to increases in salaries, wages, and employee benefits. There were also increases in materials and services for the implementation of new software.

Protection services expenses were largely in line with budget and prior year results.

Transportation services expenses were also in line with budget but $7 million higher than the prior year as a result of record-breaking snowfall levels in the second half of 2025.

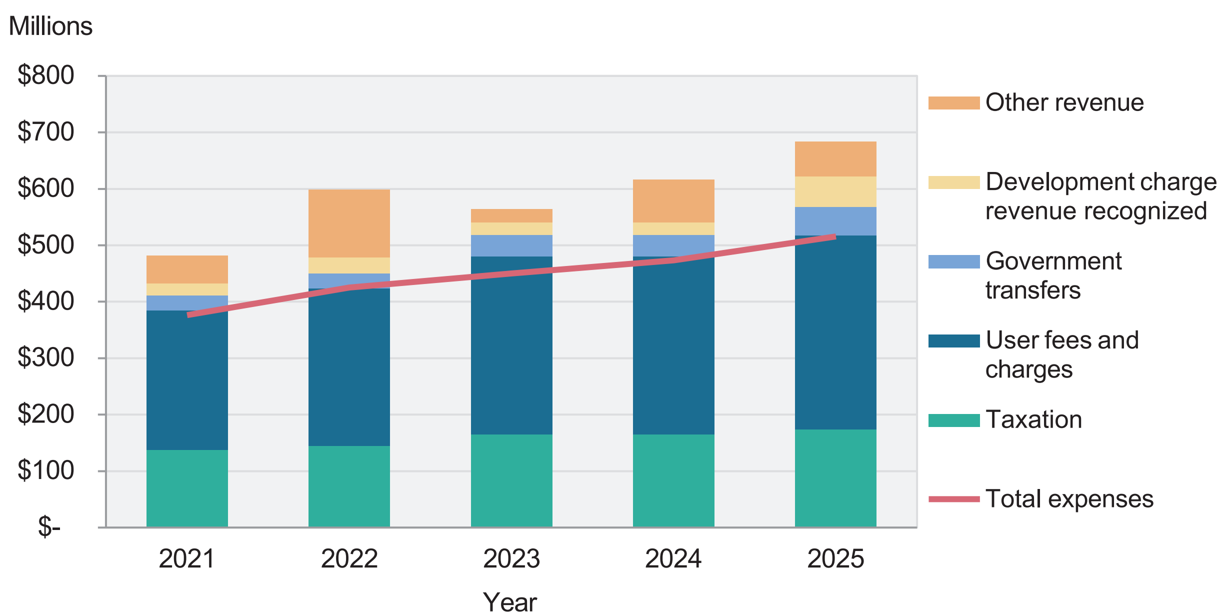
Environmental services expenses were $3 million lower than budget but were $5 million higher than prior year, mostly due to an increase in the volume of water purchased and increases in rates for water purchases and sanitary processing.

Recreation and cultural services expenses were in line with budget but were $8 million higher than the prior year. This was mainly due to increases in salaries, wages, and employee benefits for recreation programs and cultural services. There were also increases in materials and services for the Southwest Library and debt interest for the Cowan Recreation Centre.

The ‘Other’ category in the Expenses by Function chart includes Health services, Housing, social and family services, and Planning and development. This category is largely in line with budget. Expenses in this category increased by $3 million in 2025 compared to 2024, primarily due to higher housing expenses as a result of external transfers relating to affordable rental and housing incentives.

Gasworks expenses were $4 million lower than budget but $10 million higher than prior year due to higher volumes of gas purchased as a result of colder weather.

COMPARISON OF REVENUES AND EXPENSES



Overall, increases in revenues have been consistent with increases in expenses. The annual surplus resulting from revenues exceeding expenses provides funding for the City’s capital rehabilitation and replacement projects and growth-supporting new capital investments.

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS

The Statement of Remeasurement Gains shows the unrealized gains or losses attributable to portfolio investments recorded at fair value, amounts reclassified to the statement of operations, and the City's share of the other comprehensive income or loss of its government business enterprises. These activities are shown as impacting the City's accumulated remeasurement gains, which form part of its accumulated surplus.

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

The Statement of Change in Net Financial Assets explains the difference between a municipality's surplus or deficit for the reporting year and its change in net financial assets in the same reporting year. This statement provides for the reporting of the acquisition of tangible capital assets and other significant items that impact the difference between the annual surplus/deficit and the change in net financial assets.

CONSOLIDATED STATEMENT OF CASH FLOW

The Statement of Cash Flow reports changes in cash and cash equivalents resulting from operating, investing, financing, and capital activities. This statement shows how the City financed its activities during the year and met its cash requirements.

KEY FINANCIAL INDICATORS

The City's Long-Term Financial Plan identifies several key financial indicators which provide an assessment of the City's financial condition. Many of these ratios are presented as part of the Financial Indicator Review provided annually by the Ministry of Municipal Affairs and Housing, The Ministry indicates ranges of ratios that they consider to be low-risk, moderate-risk, or high-risk. Other indicators are commonly used by municipalities with minimum or maximum targets that are also widely accepted as benchmarks.

Financial Indicator	Benchmark	2025	2024	Rating
Financial assets to liabilities	Minimum target: 1.0	1.5	1.6	Above target

This financial indicator provides an assessment of the City's solvency. It compares financial assets (e.g. cash, investments, and accounts receivable) to the City's liabilities (e.g. accounts payable, deferred revenue, and municipal debt). A ratio of 1 or higher ensures that there are enough financial assets to cover off all of the municipality's liabilities. The City's ratio is above this target.

Financial Indicator	Benchmark	2025	2024	Rating
Taxes receivable to taxes levied	Low-risk threshold: 10%	9.6%	8.1%	Low-risk

This ratio indicates the strength of a local economy and the ability of residents to pay their annual taxes. The Ministry of Municipal Affairs and Housing has indicated that a ratio of under 10% puts a municipality in the low-risk category, while a ratio of 10% - 15% would put it in the moderate risk category. The City remains in the low-risk category.

Financial Indicator	Benchmark	2025	2024	Rating
Reserves to expenses	Low-risk threshold: 20%	35%	35%	Low-risk

This ratio gives an indication of how much money is set aside for future needs or contingencies. The Ministry has indicated that a ratio above 20% would be in the low-risk category, while a ratio of 10% to 20% would be in the moderate-risk category. The City remains in the low-risk category.

Financial Indicator	Benchmark	2025	2024	Rating
Debt charges to total revenues (less donated TCAs)	Low-risk threshold: 5%	2.4%	1.8%	Low-risk

This ratio indicates how much of each dollar raised in revenue is spent on paying down existing debt. The Ministry has indicated that a ratio below 5% would be in the low-risk category, while a ratio of 5% to 10% would be in the moderate-risk category. The City remains in the low-risk category.

Financial Indicator	Benchmark	2025	2024	Rating
Debt to reserve ratio	Maximum target: 1.0	0.9	0.5	Below target

This indicator provides a measure for financial prudence by comparing total debt to the total reserve balances. A ratio of 1 or lower reflects that for every dollar of debt there is at least one dollar of reserves. The City’s ratio is below this target.

Consolidated Financial Statements of

THE CORPORATION OF THE CITY OF KITCHENER

And Independent Auditor's Report thereon

Year ended December 31, 2025

KPMG LLP
120 Victoria Street South
Suite 600
Kitchener, ON N2G 0E1
Canada
Telephone 519 747 8800
Fax 519 747 8811

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of The Corporation of the City of Kitchener (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 remeasurement gains for the year then ended
- the consolidated statement of changes in net financial assets 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 remeasurement gains and losses, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Kitchener, Canada

June 30, 2026

THE CORPORATION OF THE CITY OF KITCHENER

Consolidated Statement of Financial Position

As at December 31

	2025	2024
Financial assets		
Cash and cash equivalents	**$ 108,169,876**	$ 112,312,523
Taxes receivable (Note 3)	**56,437,736**	43,887,598
Trade and other accounts receivable (Note 3)	**102,187,407**	101,898,100
Development charges receivable	**31,846,278**	13,409,553
Loans receivable (Note 6)	**4,280,332**	4,838,856
Inventory for resale	**8,836,328**	8,021,989
Portfolio investments (Note 7)	**358,024,193**	316,768,217
Investment in Enova Energy Corporation (Note 8)	**316,108,080**	313,240,059
Investment in Kitchener Generation Corporation (Note 9)	**1,161,258**	1,393,510
	987,051,488	915,770,405
Liabilities		
Accounts payable and accrued liabilities	**164,659,225**	145,588,687
Deferred revenue - obligatory reserve funds (Note 12)	**83,424,781**	96,731,588
Deferred revenue - other	**63,950,346**	60,787,517
Debt (Note 13)	**153,372,698**	79,263,355
Employee future benefits (Note 15)	**55,265,700**	55,214,500
Asset retirement obligations (Note 16)	**120,637,751**	117,632,840
	641,310,501	555,218,487
Net financial assets	**345,740,987**	360,551,918
Non-financial assets		
Tangible capital assets (Note 17)	**1,893,004,821**	1,709,533,110
Inventory of supplies	**4,884,100**	4,751,965
Prepaid expenses	**3,833,539**	2,835,716
	1,901,722,460	1,717,120,791
Accumulated surplus	**$ 2,247,463,447**	$ 2,077,672,709
Accumulated surplus is comprised of:		
Accumulated operating surplus (Note 18)	**2,243,696,199**	2,075,974,817
Accumulated remeasurement gains	**3,767,248**	1,697,892
	$ 2,247,463,447	$ 2,077,672,709

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

THE CORPORATION OF THE CITY OF KITCHENER

Consolidated Statement of Operations

For the Year Ended December 31

	2025 Budget (Note 22)	2025 Actual	2024 Actual
Revenues			
Taxation	$ 173,050,861	$ 174,130,779	$ 165,017,634
User fees and charges			
Gasworks	98,298,680	105,526,520	91,277,760
Water, sewer and storm water	170,489,438	180,557,223	173,027,734
Other	55,622,522	57,300,496	51,067,350
Government transfers (Note 19)	48,223,090	50,485,952	38,074,540
Contributions of tangible capital assets	15,305,094	15,305,094	29,240,620
Investment income	17,267,861	21,405,547	25,589,268
Penalties and interest on taxes	4,878,147	7,637,939	6,340,366
Development charge revenue recognized	54,465,341	54,465,341	22,331,655
Share of net income of Enova Energy Corporation (Note 8)	9,653,446	9,653,446	7,664,668
Share of net income of Kitchener Generation Corporation (Note 9)	21,750	21,750	43,144
Other	5,959,178	6,858,235	7,338,267
Total revenues	653,235,408	683,348,322	617,013,006
Expenses			
General government	51,143,860	50,126,289	43,838,560
Protection services	66,242,246	67,148,745	63,930,796
Transportation services	49,765,582	48,864,542	42,139,908
Environmental services	129,310,428	125,812,945	120,906,421
Health services	3,915,290	3,683,756	3,407,206
Housing, social and family services	5,902,963	6,247,743	3,712,132
Recreation and cultural services	113,950,453	112,432,741	104,789,332
Planning and development	21,955,204	21,209,876	20,654,253
Gasworks	75,983,429	80,100,303	69,788,006
Total expenses	518,169,455	515,626,940	473,166,614
Annual surplus	135,065,953	167,721,382	143,846,392
Accumulated operating surplus, beginning of year	2,075,974,817	2,075,974,817	1,932,128,425
Accumulated operating surplus, end of year (Note 18)	$ 2,211,040,770	$ 2,243,696,199	$ 2,075,974,817

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

THE CORPORATION OF THE CITY OF KITCHENER
Consolidated Statement of Remeasurement Gains
For the Year Ended December 31

		2025		2024
Accumulated remeasurement gains, beginning of year	**$**	**1,697,892**	$	896,958
Unrealized gains attributable to:				
Portfolio investments in equity instruments		**76,562**		88,416
Derivatives		**2,391,038**		752,400
Amounts reclassified to the statement of operations:				
Portfolio investments in equity instruments		**(60,819)**		(30,272)
Other comprehensive loss of:				
Enova Energy Corporation		**(337,425)**		(9,610)
Accumulated remeasurement gains, end of year	**$**	**3,767,248**	$	1,697,892

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

THE CORPORATION OF THE CITY OF KITCHENER

Consolidated Statement of Change in Net Financial Assets

For the Year Ended December 31

	2025	2024
Annual surplus	**$ 167,721,382**	$ 143,846,392
Amortization of tangible capital assets	**67,135,880**	66,322,533
Acquisition of tangible capital assets	**(232,512,010)**	(167,299,808)
Contributions of tangible capital assets	**(15,305,094)**	(29,240,620)
Loss (gain) on disposals of tangible capital assets	**145,708**	(1,634,833)
Proceeds on disposal of tangible capital assets	**1,273,708**	3,311,349
Asset retirement obligations incurred	**(1,283,137)**	(3,486,535)
Asset retirement obligations change in estimate	**(2,926,766)**	(3,844,452)
Acquisition of inventory of supplies	**(8,410,146)**	(6,605,390)
Acquisition of prepaid expenses	**(2,404,386)**	(1,659,042)
Consumption of inventory of supplies	**8,278,012**	6,533,136
Use of prepaid expenses	**1,406,562**	2,177,511
Net remeasurement gains	**2,069,356**	800,934
Change in net financial assets	**(14,810,931)**	9,221,175
Net financial assets, beginning of year	**360,551,918**	351,330,743
Net financial assets, end of year	**$ 345,740,987**	$ 360,551,918

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

THE CORPORATION OF THE CITY OF KITCHENER

Consolidated Statement of Cash Flow

For the Year Ended December 31

	2025	2024
Operating		
Annual surplus	**$ 167,721,382**	$ 143,846,392
Items not involving cash		
Amortization of tangible capital assets	**67,135,880**	66,322,533
Loss (gain) on disposals of tangible capital assets	**145,708**	(1,634,833)
Share of net income of government business enterprises	**(9,675,196)**	(7,707,812)
Change in employee future benefits	**51,200**	554,590
Contributions of tangible capital assets	**(15,305,094)**	(29,240,620)
Change in non-cash assets and liabilities		
Taxes receivable	**(12,550,138)**	(11,188,845)
Trade and other accounts receivable	**(289,307)**	(35,005,839)
Development charges receivable	**(18,436,725)**	1,879,949
Loans receivable	**558,524**	606,366
Inventory for resale	**(814,339)**	3,171,196
Inventory of supplies	**(132,135)**	(72,254)
Prepaid expenses	**(997,823)**	518,469
Accounts payable and accrued liabilities	**19,070,538**	11,828,508
Deferred revenue - obligatory reserve funds	**(13,306,807)**	3,107,894
Deferred revenue - other	**3,162,829**	28,330,356
Asset retirement obligations settled	**(1,204,992)**	(1,033,796)
Cash provided by operating transactions	**185,133,505**	174,282,254
Investing		
Proceeds from redemptions of portfolio investments	**106,739,366**	111,854,199
Portfolio investments purchased	**(145,588,561)**	(191,819,856)
Debt and equity payments received from government business enterprises	**6,702,002**	6,453,196
Cash applied to investing transactions	**(32,147,193)**	(73,512,461)
Financing		
Debt issued	**86,590,715**	35,657,000
Debt repaid	**(12,481,372)**	(9,009,268)
Cash provided by financing transactions	**74,109,343**	26,647,732
Capital		
Acquisition of tangible capital assets	**(232,512,010)**	(167,299,808)
Proceeds on disposal of tangible capital assets	**1,273,708**	3,311,349
Cash applied to capital transactions	**(231,238,302)**	(163,988,459)
Decrease in cash and cash equivalents	**(4,142,647)**	(36,570,934)
Cash and cash equivalents, beginning of year	**112,312,523**	148,883,457
Cash and cash equivalents, end of year	**$ 108,169,876**	$ 112,312,523

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

On June 9, 1912 the village of Berlin was officially designated a city. The Corporation of the City of Kitchener (the “City”) was created in 1916 when Berlin changed its name to Kitchener. The City operates as a lower tier municipal government in the Province of Ontario, Canada. The City provides municipal services such as fire protection, public works, gas distribution, urban planning, recreation and cultural services and other general government services.

1. Significant Accounting Policies

These consolidated financial statements of the City have been prepared by management in accordance with Canadian generally accepted accounting principles for local governments as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The following is a summary of the significant accounting policies followed in the preparation of these consolidated financial statements:

a. Basis of consolidation

i. Consolidated entities

These consolidated financial statements reflect the assets, liabilities, reserves, surpluses/deficits, revenues, and expenditures of those City funds and governmental functions or entities which have been determined to comprise a part of the aggregate City operations based upon control exercised by the City except for the City’s government businesses which are accounted for on the modified equity basis of accounting. The following boards, municipal enterprises and utilities have been included in the consolidated financial statements:

- Kitchener Public Library
- Kitchener Downtown Improvement Area Board of Management
- Belmont Improvement Area Board of Management
- The Centre in the Square Inc.
- Waterworks Enterprise
- Gasworks Enterprise
- Sewer Surcharge Enterprise
- Storm Water Management Enterprise
- Building Enterprise
- Golf Enterprise
- Parking Enterprise

All inter-organizational and inter-fund transactions and balances have been eliminated.

ii. Government business enterprises

Enova Energy Corporation and Kitchener Generation Corporation are not consolidated but are accounted for on the modified equity basis which reflects the City of Kitchener’s investment in the enterprises and its share of net income since acquisition. Under the modified equity basis, the enterprises’ accounting principles are not adjusted to conform to those of the City, and inter organizational transactions and balances are not eliminated. The City's share of other comprehensive income or loss is reported in the statement of remeasurement gains.

iii. Accounting for region and school board transactions

The taxation, other revenue, expenditures, assets and liabilities, with respect to the operations of the school boards and the Regional Municipality of Waterloo, are not reflected in these consolidated financial statements.

iv. Trust funds

Trust funds and their related operations administered by the City are not consolidated.

1. Significant Accounting Policies (continued)

b. Basis of accounting

i. Accrual basis of accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the 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 when an external transfer is due.

ii. Cash and cash equivalents

Cash and cash equivalents include cash on hand and highly liquid investments held for the purpose of meeting short-term cash commitments rather than investing or other purposes. Investments are only classified as cash equivalents when they have a maturity of three months or less from the date of acquisition.

iii. Trade and other accounts receivable

Trade and other accounts receivable are reported net of any allowance for doubtful accounts.

iv. Loans receivable

Loans receivable are reported net of any allowance for doubtful accounts. Interest income is recorded as it accrues. When the value of any loan receivable is identified as impaired, an allowance is set up to offset the carrying amount and any adjustments are included in materials and services expense in the period the impairment is recognized.

v. Inventory for resale

Inventory for resale is valued at the lower of cost or net realizable value on an average cost basis.

vi. Portfolio investments

Portfolio investments are held for purposes other than meeting short-term cash commitments. Portfolio investments in debt instruments are carried at cost or amortized cost with transaction costs added to the carrying value at initial recognition. Portfolio investments in equity instruments are carried at fair value with transaction costs expensed. Interest income is recorded as it accrues. When the value of any portfolio investment is identified as impaired, the carrying amount is adjusted to the estimated realizable amount and any adjustments are included in investment income in the period the impairment is recognized.

vii. Employee future benefits

The contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due. The costs of retirement benefits are recognized when the event that obligates the City occurs. Costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

The costs of retirement benefits are actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation, expected health care costs and plan investment performance. Liabilities are actuarially determined using discount rates that are consistent with the market rates of high quality debt instruments. Any gains or losses from changes in assumptions or experience are amortized over the average remaining service period for active employees.

THE CORPORATION OF THE CITY OF KITCHENER

Notes to the Consolidated Financial Statements

For the Year Ended December 31

1. Significant Accounting Policies (continued)

b. Basis of accounting (continued)

viii. Contaminated sites

Contaminated sites are defined as the result of contamination being introduced into air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environment standard. A liability for remediation of contaminated sites is recognized when, as at the financial reporting date: a) an environmental standard exists, b) contamination exceeds the environmental standard, c) the government is directly responsible or accepts responsibility, d) it is expected that future economic benefits will be given up, and e) a reasonable estimate of the amount can be made.

ix. Asset retirement obligations

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal obligation for the City to incur retirement costs in relation to a tangible capital asset, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at the financial reporting date.

When the cash flows and timing required to fulfill the retirement obligation can be reasonably estimated, a present value technique may be used to account for the obligation. When there is uncertainty about the amount or timing of cash flows to settle the ARO, the present value technique may not be used. Uncertainties about timing and amount to settle an ARO does not remove the obligation but will affect its measurement.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset (or component thereof). The asset retirement cost is amortized over the useful life of the related asset. Where the obligation relates to an asset which is no longer in service, and not providing economic benefit, the obligation is expensed upon recognition.

At each financial reporting date, the City reviews the carrying amount of the liability. Changes to the liability arising from revisions to either the timing or the amount of the original estimate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

The City continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

1. Significant Accounting Policies (continued)

b. Basis of accounting (continued)

x. Non-financial assets

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

a. Tangible capital assets

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

Assets	Amortization Period
Land	The original cost of land is not amortized
Land improvements	10 to 100 years
Buildings & building improvements	15 to 50 years
Leasehold improvements	Over the useful life of the improvement or the lease term, whichever is shorter
Machinery & equipment	1 to 40 years
Computer hardware	5 years
Computer software	5 to 10 years
Linear assets	5 to 100 years
Vehicles	5 to 16 years

b. Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at time of receipt and are recorded as revenue.

c. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all the risks and benefits incidental of ownership are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are recorded as expenses when incurred.

d. Inventory of supplies

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

e. Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

1. Significant Accounting Policies (continued)

b. Basis of accounting (continued)

xi. Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recorded as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Government transfers, contributions, and other amounts are received from third parties pursuant to legislation, regulation, or agreement and may only be used in the conduct of certain programs, in the completion of specific work, or the purchase of tangible capital asset. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible assets are acquired.

Tax revenue is recognized when it is authorized and in the period for which the tax is levied. Tax revenue reported relates to property taxes.

xii. Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. These estimates and assumptions, including employee future benefits payable, legal claims provisions, liability for contaminated sites, the valuation of tangible capital assets and their related useful lives and amortization are based on management’s best information and judgment and may differ significantly from future actual results.

In addition, the City's implementation of PS 3280 Asset Retirement Obligations has resulted in the requirement for management to make estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs, as well as the timing and duration of these retirement costs.

xiii. Foreign currency translation

Foreign currency transactions are translated into Canadian dollars by applying the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in a foreign currency are adjusted to reflect the exchange rate in effect at the financial statement date. Exchange gains and losses are recognized directly in the statement of operations.

1. Significant Accounting Policies (continued)

b. Basis of accounting (continued)

xiv. Financial instruments

Financial instruments are recorded at fair value on initial recognition and subsequently recorded at cost or amortized cost, except for equity investments and derivatives which are recorded at fair value. Amortized cost is determined using the effective interest method. Financial assets measured at cost or amortized cost are assessed for indicators of impairment at each financial statement date. Impairment losses are recognized in the statement of operations.

Financial instruments that are subsequently measured at fair value are classified based on the observability of inputs as follows:

- Level 1 - quoted prices (unadjusted) in active markets;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs that are not based on observable market data (unobservable inputs).

The City evaluates contractual obligations for the existence of embedded derivatives and separately measures the fair value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses in the period they occur. Once realized, the cumulative gain or loss is reclassified to the statement of operations.

2. Change in accounting policy

There were no significant changes in accounting policies during the year.

3. Taxes and accounts receivable

Taxes receivable are reported net of a valuation allowance of $12,465,511 *(2024 - $11,628,537)*. Trade and other accounts receivable are reported net of a valuation allowance of $2,182,704 (*2024 - $2,003,204)*.

4. Operations of school boards and the Regional Municipality of Waterloo

Further to Note 1 a) iii, the taxation, other revenues and requisitions for the school boards and the Regional Municipality of Waterloo are comprised of the following:

	School Boards	Region	Total
Taxation and user charges	$ 88,120,900	$ 403,884,776	$ 492,005,676
Share of payments in lieu of taxes	-	4,168,409	4,168,409
Share of linear properties	45,038	130,285	175,323
Amounts requisitioned	**$ 88,165,938**	**$ 408,183,470**	**$ 496,349,408**

5. Trust funds

Trust funds administered by the City have not been included in the Consolidated Statement of Financial Position, nor have their operations been included in the Consolidated Statement of Operations. The trust funds under administration are comprised of cemetery perpetual care and prepaid interment funds totalling $20,686,642 *(2024 - $19,870,440)*.

6. Loans receivable

Loans receivable are made up of the following:

		2025		2024
Major capital improvement loans receivable	**$**	**4,131,515**	$	4,705,560
Loans receivable with forgiveness provisions		**25,396**		25,396
Minor capital improvement and other loans receivable		**123,421**		107,900
	$	**4,280,332**	$	4,838,856

Major capital improvement loans are individual loans in excess of $500,000 when issued with no forgiveness provision built into the loan. These loans have repayment terms of 10 years *(2024 - 10 to 12 years)*. All major capital improvement loans are unsecured and bear interest at 3.15% *(2024 - 2.50% to 3.15%)*.

Forgivable loans are those initially offered with forgiveness provisions built into the agreement. All loans in this category are unsecured and have repayment terms of 5 years *(2024 - 5 years)*. The forgiveness provisions are 15% *(2024 - 15%)*. The balances recorded are net of the allowance for forgiveness. Interest rates on these loans are 8% *(2024 - 8%)*.

Minor capital improvement and other loans receivable comprise any loan receivable not fitting into the first two categories. There is a variety of terms related to these loans with payment terms ranging from 1 to 5 years *(2024 - 1 to 5 years)*. The majority of these loans are secured by the asset the loan was granted to finance, but others are unsecured. The interest rates on these loans are 0% *(2024 - 0%)*.

7. Portfolio investments

Investments are made up of the following:

		2025 Carrying Value		**2025 Market Value**		2024 Carrying Value		2024 Market Value
Guaranteed investment certificates	**$**	**151,200,988**	**$**	**151,200,988**	$	145,292,441	$	145,292,551
Notice plan accounts		**159,561,360**		**159,561,360**		131,871,724		131,871,724
Bonds and debentures		**43,548,038**		**47,083,787**		38,293,926		38,796,742
Derivatives		**3,143,438**		**3,143,438**		752,400		752,400
Shares		**570,369**		**570,369**		557,726		557,726
	$	**358,024,193**	**$**	**361,559,942**	$	316,768,217	$	317,271,143

Derivatives and shares are carried at fair value. Derivatives are measured as level 2 financial instruments and shares are measured as level 1 financial instruments.

8. Investment in Enova Energy Corporation

Under the provincial government's Electricity Competition Act (Bill 35), Kitchener Power Corp. ("KPC"), a holding company, along with its wholly owned subsidiaries, including Kitchener-Wilmot Hydro Inc. ("KWHI"), was incorporated on July 1, 2000.

On August 1, 2000, under by-laws passed by the City and the Township of Wilmot ("Wilmot"), the net assets of the former Hydro-Electric Commission of Kitchener-Wilmot were transferred to the new corporation. The City took back a 92.25% share in the common shares of KPC and a 92.25% share in long-term notes payable by the affiliates for the assets transferred. Certain surplus property assets and cash funds were excluded from the transfer and turned over to the City and Wilmot.

Mergers of the holding companies, KPC and Waterloo North Hydro Holding Corporation ("WNHC"), and the local distribution companies, KWHI and Waterloo North Hydro Inc. ("WNHI") were approved by the Councils of the City, Wilmot, the City of Waterloo, the Township of Woolwich, and the Township of Wellesley in 2021. A Mergers, Amalgamations, Acquisitions and Divestitures application was filed with the Ontario Energy Board on February 4, 2022 and approved on June 28, 2022.

The merger of KPC and WNHC closed on September 1, 2022 and the new holding company continues as Enova Energy Corporation, a corporation amalgamated under the laws of Ontario. The City obtained a 53.39% share of the common shares and 92.25% of the Class A special shares. As a result of the transaction, the City recorded a gain of $71,288,452 on dilution from its prior interest in KPC. The long-term notes payable were re-issued at the same amount and rates. Immediately following, KWHI and WNHI legally amalgamated on September 1, 2022 and the new local distribution company continues as Enova Power Corp., a corporation amalgamated under the laws of Ontario. Enova Power Corp. is 100% owned by Enova Energy Corporation.

In April 2023, the Class A special shares were remeasured to $163 per share for post-closing adjustments. As a result, the City recorded a gain of $1,503,675. The shares were immediately redeemed.

The City's investment in Enova Energy Corporation is comprised of the following:

	2025	2024
Common shares	**$ 174,183,807**	$ 174,183,807
Long-term notes receivable	**70,997,576**	70,997,576
Share of net income and prior period adjustments due to changes in accounting policies since acquisition, net of dividends	**70,575,925**	67,370,479
Share of other comprehensive income since acquisition	**350,772**	688,197
	$ 316,108,080	$ 313,240,059

The Enova Energy Corporation notes are unsecured and bear interest at the rate of 3.23% *(2024 - 3.23%)*. There are no repayment terms and there is no intent to redeem the notes or the shares.

The continuity of the City's investment in Enova Energy Corporation is as follows:

	2025	2024
Balance, beginning of year	**$ 313,240,059**	$ 311,762,801
Share of net income for year	**9,653,446**	7,664,668
Share of other comprehensive loss for year	**(337,425)**	(9,610)
Dividends received during year	**(6,448,000)**	(6,177,800)
Balance, end of year	**$ 316,108,080**	$ 313,240,059

8. Investment in Enova Energy Corporation (continued)

The following table provides condensed financial information with respect to Enova Energy Corporation:

	2025	2024
Financial position		
Current assets	**$ 101,451,000**	$ 89,770,000
Non-current assets	**816,541,000**	784,875,000
Regulatory assets	**53,564,000**	56,972,000
Total assets	**971,556,000**	931,617,000
Current liabilities	**241,031,000**	96,819,000
Long-term debt	**117,566,000**	230,918,000
Regulatory liabilities	**17,526,000**	15,475,000
Other liabilities	**136,014,000**	134,358,000
Total liabilities	**512,137,000**	477,570,000
Net assets	**$ 459,419,000**	$ 454,047,000

	2025	2024
Results of operations		
Revenues	**$ 541,241,000**	$ 519,151,000
Expenses	**(523,160,000)**	(504,795,000)
Net income	**18,081,000**	14,356,000
City's share of net income - 53.39%	**$ 9,653,446**	$ 7,664,668

9. Investment in Kitchener Generation Corporation

Under the provincial government's Business Corporation Act, Kitchener Generation Corporation was incorporated on December 9, 2011.

Effective January 1, 2012, the City transferred the solar roof asset constructed on the surface of the Kitchener Operations Facility to Kitchener Generation Corporation in exchange for 100% of its common shares and interest bearing debt.

The investment in Kitchener Generation Corporation is comprised of the following:

	2025	2024
Common shares	**$ 116,126**	$ 139,351
Long-term notes receivable	**1,045,132**	1,254,159
	$ 1,161,258	$ 1,393,510

The notes receivable are unsecured and bear interest at the rate of 5.01%. To the extent that Kitchener Generation Corporation has positive annual cash flows after any dividend payment, the cash will be returned to the City as repayment of the outstanding debt and return of capital. The proportion to which they contribute is 90% debt, 10% equity.

9. Investment in Kitchener Generation Corporation (continued)

The continuity of the City's investment in Kitchener Generation Corporation is as follows:

	2025	2024
Balance, beginning of year	**$ 1,393,510**	$ 1,625,762
Share of net income for year	**21,750**	43,144
Dividends received during year	**(21,750)**	(43,144)
Return of capital	**(23,225)**	(23,225)
Repayment of outstanding debt	**(209,027)**	(209,027)
Balance, end of year	**$ 1,161,258**	$ 1,393,510

The following table provides condensed financial information with respect to Kitchener Generation Corporation:

	2025	2024
Financial position		
Current assets	**$ 1,993**	$ 2,751
Capital assets	**1,161,256**	1,393,509
Total assets	**1,163,249**	1,396,260
Current liabilities	**1,991**	2,749
Long-term debt	**1,045,132**	1,254,159
Total liabilities	**1,047,123**	1,256,908
Net assets	**$ 116,126**	$ 139,352

	2025	2024
Results of operations		
Revenues	**$ 323,250**	$ 361,247
Expenses	**(301,500)**	(318,103)
Net income	**21,750**	43,144
City's share of net income - 100%	**$ 21,750**	$ 43,144

10. Insurance pool

Accounts payable and accrued liabilities include an amount of $15,534,667 *(2024 - $12,883,468)* which represents funds belonging to the Waterloo Region Municipalities Insurance Pool (the "Pool") and administered by the City on behalf of the Pool's members. The members entered an agreement in 1998 to purchase property damage and public liability insurance on a group basis and share a retained level of risk.

The members pay an actuarially determined annual levy to fund insurance, prefund expected losses and contribute to a surplus. The Pool has purchased insurance to fund losses above a predetermined deductible and any losses above a predetermined total in any year.

The City's share of Pool levies is 27.46% *(2024 - 25.27%)* and its share of the Pool's cumulative surplus as at May 31, 2025 was $2,264,428 *(2024 - $2,232,819).* The City's share of the Pool's cumulative surplus has not been included in the Consolidated Statement of Financial Position.

11. Contaminated sites

Accounts payable and accrued liabilities include a liability for remediation of contaminated sites of $5,085,000 *(2024 - $5,378,000)*. The liability was based on environmental assessments, or estimates for those sites where an assessment has not been conducted. This estimate is subject to significant measurement uncertainty due to the possible variation in activities required to complete the remediation. Estimated recoveries are expected to be $nil *(2024 - $nil)*.

12. Deferred revenue - obligatory reserve funds

Obligatory deferred revenue is comprised of the following:

		2025		2024
Development charges	$	**33,256,103**	$	53,495,388
Canada Community-Building Fund		**16,460,312**		12,050,778
Building		**10,916,688**		12,728,632
Recreational land		**22,791,678**		18,456,790
	$	**83,424,781**	$	96,731,588

The continuity of obligatory deferred revenue is as follows:

	Development charges	Canada Community-Building Fund	Building	Recreational land	Total
Balance, January 1, 2025	**$ 53,495,388**	**$ 12,050,778**	**$ 12,728,632**	**$ 18,456,790**	**$ 96,731,588**
Collections	**35,442,310**	**8,413,016**	**20,000**	**3,602,338**	**47,477,664**
Investment income (interest expense)	**(1,216,254)**	**85,250**	**463,482**	**703,393**	**35,871**
Deferred revenue recognized	**(54,465,341)**	**(4,088,732)**	**(2,295,426)**	**29,157**	**(60,820,342)**
Balance, December 31, 2025	**33,256,103**	**16,460,312**	**10,916,688**	**22,791,678**	**83,424,781**
Balance, January 1, 2024	55,957,838	8,043,263	14,212,512	15,410,081	93,623,694
Collections	19,677,055	8,191,726	-	2,868,638	30,737,419
Investment income (interest expense)	192,150	15,371	758,740	439,642	1,405,903
Deferred revenue recognized	(22,331,655)	(4,199,582)	(2,242,620)	(261,571)	(29,035,428)
Balance, December 31, 2024	$ 53,495,388	$ 12,050,778	$ 12,728,632	$ 18,456,790	$ 96,731,588

13. Debt

Debt is comprised of the following:

	2025	2024
Serial debentures	**$ 125,526,587**	$ 78,954,648
Sinking fund debentures	**28,408,836**	-
Loan from trust funds	**250,560**	308,707
	154,185,983	79,263,355
Less: unamortized issuance costs	**(813,285)**	-
	$ 153,372,698	$ 79,263,355

The City has assumed responsibility for the payment of principal and interest charges on certain long-term debt issued by other municipalities.

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

The annual principal repayments are:

2026	**$ 15,648,456**
2027	**12,838,676**
2028	**11,962,693**
2029	**11,104,565**
2030	**10,976,612**
2031 and thereafter	**90,841,696**
	$ 153,372,698

Of the future principal repayments, it is estimated that $3,627,665 will be funded by investment income earned on the sinking fund. The sinking fund is managed by the Region of Waterloo and the actual return will be subject to market conditions. Annual sinking fund contributions of $2,478,117 will begin in 2036 and conclude in 2045.

The debt carries interest rates ranging from 1.00% to 4.95% *(2024 - 0.85% to 5.15%)*. Interest charges for 2025 relating to debt totalled $3,833,682 *(2024 - $1,675,564)*.

14. Pension plan

The City makes contributions to the Ontario Municipal Employees' Retirement System (OMERS), which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employee contributions are matched by the City. Contributions were required on account of current service in 2025 amounting to $15,502,369 *(2024 - $14,011,606)*.

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, based on actuarial liabilities of $151.3 billion and actuarial assets of $150.0 billion. The City does not recognize any share of the pension plan deficit since this is a joint responsibility for all Ontario municipalities and their employees. Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements. As at December 31, 2025, the City has no obligation under the past service provisions of the OMERS agreement.

15. Employee future benefits

The continuity of accrued benefit liability is as follows:

	Sick Leave	Retirement	WSIB	Total
Balance, January 1, 2025	**$ 20,957,900**	**$ 25,405,600**	**$ 8,851,000**	**$ 55,214,500**
Benefit expenses				
Service cost	**1,266,500**	**1,057,800**	**2,617,600**	**4,941,900**
Amortization of actuarial (gain) loss	**(519,000)**	**(361,500)**	**106,500**	**(774,000)**
Interest cost	**764,600**	**1,050,800**	**531,700**	**2,347,100**
	1,512,100	**1,747,100**	**3,255,800**	**6,515,000**
Benefit payments	**(1,492,700)**	**(1,821,800)**	**(3,149,300)**	**(6,463,800)**
Balance, December 31, 2025	**20,977,300**	**25,330,900**	**8,957,500**	**55,265,700**
Balance, January 1, 2024	21,053,287	24,851,723	8,754,900	54,659,910
Benefit expenses				
Service cost	1,210,800	1,001,500	2,563,700	4,776,000
Amortization of plan improvement	-	316,000	-	316,000
Amortization of actuarial (gain) loss	(352,200)	(30,600)	96,100	(286,700)
Interest cost	745,313	1,022,777	548,000	2,316,090
	1,603,913	2,309,677	3,207,800	7,121,390
Benefit payments	(1,699,300)	(1,755,800)	(3,111,700)	(6,566,800)
Balance, December 31, 2024	$ 20,957,900	$ 25,405,600	$ 8,851,000	$ 55,214,500

Significant actuarial assumptions

	Sick Leave and Retirement Benefits		Workplace Safety and Insurance Board	
	2025	2024	**2025**	2024
Discount rate	**4.70**	4.60	**4.80**	4.40
Salary growth assumptions	**3.00**	3.00	**N/A**	N/A
CPI increase assumptions	**2.50**	2.50	**2.50**	2.50
Health care initial trend rate	**5.50**	5.50	**N/A**	N/A
Health care ultimate trend rate	**4.00**	4.00	**N/A**	N/A
Dental care initial trend rate	**4.00**	4.00	**N/A**	N/A
Dental care ultimate trend rate	**4.00**	4.00	**N/A**	N/A

THE CORPORATION OF THE CITY OF KITCHENER

Notes to the Consolidated Financial Statements

For the Year Ended December 31

15. Employee future benefits (continued)

a. Sick leave benefit plan

Under the sick leave benefit plan, unused sick leave can accumulate and certain employees may become entitled to cash payments when they leave the City's employment. The amount of benefits paid during the year were $1,492,700 *(2024 - $1,699,300).*

A reserve fund to provide for this liability is included in accumulated surplus, in the amount of $6,228,665 *(2024 - $6,228,995)*.

The actuarial valuation of the future liability for sick leave assumes a discount rate of 4.70% *(2024 - 4.60%)*. The last actuarial valuation for this liability was completed at December 31, 2023.

The actuarial expense for the current year was $1,512,100 *(2024 - $1,603,913)*.

As at December 31, 2025, the unamortized actuarial gains were $4,454,300 *(2024 - $4,854,500)* and are amortized over 12 to 14 years *(2024 - 12 to 14 years)*.

b. Retirement benefits

The City pays certain health, dental and life insurance benefits on behalf of its retired employees up to the age of 65 if they have at least ten years of service with the City. The amount of benefits paid during the year were $1,821,800 *(2024 - $1,755,800).*

The City holds no reserve to meet this liability.

The actuarial valuation of the future liability for retirement benefits assumes a discount rate of 4.70% *(2024 - 4.60%)* and inflation rates for benefit premiums of 4.0% to 5.5% *(2024 - 4.0% to 5.5%)*. The last actuarial valuation for this liability was completed at December 31, 2023.

The actuarial expense for the current year was $1,747,100 *(2024 - $2,309,677)*.

As at December 31, 2025, the unamortized actuarial gains were $2,581,600 *(2024 - $2,709,000)* and are amortized over 11 to 14 years *(2024 - 11 to 14 years)*.

c. Workplace Safety and Insurance Board

The Workplace Safety and Insurance Board (WSIB) administers injured worker benefits payments on behalf of the City as a Schedule 2 employer. The amount of benefits paid during the year were $3,149,300 *(2024 - $3,111,700).*

A reserve fund to provide for this liability is included in accumulated surplus, in the amount of $2,750,788 *(2024 - $4,388,205)*.

The actuarial valuation of the future liability for WSIB assumes a discount rate of 4.80% *(2024 - 4.40%)*. The last actuarial valuation for this liability was completed at December 31, 2025.

The actuarial expense for the current year was $3,255,800 *(2024 - $3,207,800)*.

As at December 31, 2025, the unamortized actuarial losses were $5,096,300 *(2024 - $2,189,700)* and are amortized over 13 years *(2024 - 13 years)*.

16. Asset retirement obligations

The City's asset retirement obligations are comprised of the following:

a. Asbestos obligations

The City owns or leases several buildings that are known to have asbestos, which represents a health hazard upon demolition or renovation of the building. The Occupational Health and Safety Regulations, 1996 outlines the legal obligation to remove it. The City recognized an obligation relating to the removal of the asbestos in these buildings.

b. Underground fuel storage tanks

The City owns and operates several fuel storage tanks which represents a risk of ground contamination due to leaks and corrosion. The Environmental Protection Act outlines the legal obligation to remove the tanks and clean up the surrounding soil. The City recognized an obligation relating to the removal of the tanks and the surrounding soil remediation.

c. Gas mains and service lines

The City owns and operates a network of gas mains and service lines that deliver gas to customers throughout the city. When these assets have reached the end of their useful life or when they have been identified for replacement, they are typically abandoned in place rather than removed.

The Canadian Standards Association CSA Standard Z662 covers the design, construction, operation, maintenance, deactivation, and abandonment of oil and gas industry pipeline systems. The City recognized an obligation relating to the abandonment of these gas mains and service lines.

The continuity of asset retirement obligations is as follows:

	Buildings and Leasehold Improvements (Asbestos)	Machinery and Equipment (Storage Tanks)	Linear Assets (Gas Mains and Service Lines)	Total
Balance, January 1, 2025	**$ 14,816,554**	**$ 520,000**	**$ 102,296,286**	**$ 117,632,840**
Liabilities incurred	**19,364**	**-**	**1,263,773**	**1,283,137**
Liabilities settled	**(105,773)**	**-**	**(1,099,219)**	**(1,204,992)**
Change in estimate	**(952,533)**	**18,720**	**3,860,579**	**2,926,766**
Balance, December 31, 2025	**13,777,612**	**538,720**	**106,321,419**	**120,637,751**
Balance, January 1, 2024	13,990,265	500,000	96,845,384	111,335,649
Liabilities incurred	273,776	-	3,212,759	3,486,535
Liabilities settled	(3,059)	-	(1,030,737)	(1,033,796)
Change in estimate	555,572	20,000	3,268,880	3,844,452
Balance, December 31, 2024	$ 14,816,554	$ 520,000	$ 102,296,286	$ 117,632,840

17. Tangible capital assets

The continuity schedule of tangible capital assets is presented in Schedule A.

Assets under construction having a value of $184,223,245 *(2024 - $82,871,747)* have not been amortized. Amortization of these assets will commence when the assets are put into service.

Contributed tangible capital assets of $15,305,094 *(2024 - $29,240,620)* have been recognized at fair market value at the date of contribution. The contributed assets include land rights of way as well as developer created linear assets such as water, sanitary, storm, and road assets.

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

The amount of interest capitalized was $nil *(2024 - $nil)*.

18. Accumulated operating surplus

The accumulated operating surplus consists of individual fund surpluses/(deficits) and reserve funds as follows:

	2025	2024
Surplus:		
Invested in tangible capital assets	**$1,893,004,821**	$1,709,533,110
Other	**32,469,713**	64,135,619
Investment in Enova Energy Corporation	**315,757,308**	312,551,862
Investment in Kitchener Generation Corporation	**1,161,258**	1,393,510
Employee future benefits	**(55,265,700)**	(55,214,500)
Asset retirement obligations	**(120,637,751)**	(117,632,840)
Total surplus	**2,066,489,649**	1,914,766,761
Reserve funds set aside for specific purposes by Council for:		
Capital	**88,954,964**	77,867,204
Stabilization	**63,272,379**	56,668,964
Program specific	**9,614,506**	10,662,715
Corporate	**11,620,622**	13,200,980
	173,462,471	158,399,863
Reserve funds set aside for specific purposes by consolidated entities:		
Kitchener Public Library	**949,729**	449,336
Kitchener Downtown Improvement Area Board of Management	**50,000**	50,000
The Centre in the Square Inc.	**2,744,350**	2,308,857
	3,744,079	2,808,193
Total reserve funds	**177,206,550**	161,208,056
Accumulated operating surplus	**$2,243,696,199**	$2,075,974,817

19. Government transfers

Government transfers are comprised of the following:

		2025		2024
Federal				
Conditional grants	$	**2,385,725**	$	1,254,263
Capital grants		**15,063,084**		18,095,482
		17,448,809		19,349,745
Provincial				
Conditional grants		**2,826,454**		2,179,528
Capital grants		**20,694,755**		8,125,086
		23,521,209		10,304,614
Municipal				
Revenue from other municipalities		**9,342,568**		7,635,890
Revenue from other municipalities for capital projects		**173,366**		784,291
		9,515,934		8,420,181
Total government transfers	$	**50,485,952**	$	38,074,540

20. Contingent liabilities

a. Legal claims

Legal actions have been undertaken against the City relating to a number of contract disputes and other matters. The outcome of these actions is not presently determinable. It is management's opinion that the City's insurance will adequately cover any potential liability arising from these contract disputes and other matters. Should any liability be determined and not covered by insurance it will be recognized in the period when it is determined.

b. Expropriations

The city is involved in a number of expropriation matters mainly related to infrastructure capital projects. Expenditures associated with these expropriations are recorded in the year in which settlements are reached.

21. Segmented information

The City of Kitchener is a diversified municipal government institution that provides a wide range of services to its citizens, including fire, roads, water, sewer, storm sewer, gasworks, libraries, and community services.

Segmented information has been presented in Schedule B by major functional classification of activities provided, consistent with the Consolidated Statement of Operations and provincially legislated requirements.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

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.

22. Budget figures

The budget figures reflected in these consolidated financial statements are those approved by Council at a meeting on December 12, 2024. Budget figures have been translated to reflect Public Sector Accounting Board standards as follows:

		2025
Approved operating budget surplus	$	-
Adjustments		
Reserve budget revenues net of expenses		69,480,939
Non-tangible capital asset portion of capital budget		1,471,094
Consolidated entity budget deficits		(1,578,691)
Share of net income of government business enterprises		9,675,196
Waterloo Region Small Business Centre		(195,295)
Contributions of tangible capital assets		15,302,843
Amortization of tangible capital assets		(64,571,592)
Unfunded accrual for employee future benefits		(51,200)
Net transfers to capital and reserve funds		102,340,086
Debt principle repayments net of recoveries		3,192,573
Consolidated financial statement budget surplus	$	135,065,953

23. Financial instruments

The City is exposed to various risks through its financial instruments and continues to monitor, evaluate, and manage these risks. The following analysis provides information about the City's risk exposure and concentration as at December 31, 2025.

a. 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 City is exposed to credit risk from its financial assets including cash and cash equivalents, trade and other accounts receivable, development charges receivable, loans receivable, and portfolio investments. The carrying amounts of financial assets represent the City's maximum credit exposure. The City manages its exposure to this risk by:

- Maintaining its funds in creditworthy organizations and financial institutions;
- Requiring minimum S&P credit rating of A- (or equivalent rating) for all portfolio investments;
- Assessing the quality of its counterparties, taking into account their creditworthiness and reputation, past experience and other factors; and
- Reviewing collectability and establishing allowances for doubtful accounts.

Accounts receivable of $2,821,670 *(2024 - $4,301,855)* was more than 60 days past due. The City has a broad base of customers which minimizes the concentration of credit risk. Valuation allowances for accounts receivable are disclosed in Note 3. There are no provisions for impairment of development charges receivable, loans receivable, or portfolio investments.

23. Financial instruments (continued)

b. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The City is exposed to liquidity risk from accounts payable and accrued liabilities and debt. The City manages its exposure to this risk through monitoring projected and actual cash flows and anticipated investing in order to maintain sufficient funds for meeting obligations as they come due.

Accounts payable and accrued liabilities are generally due within 30 days. The annual repayment obligations for debt are disclosed in Note 13.

c. 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 prices. Market risk is comprised of currency risk, interest rate risk, and other price risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The City is not exposed to significant currency risk.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The City manages its interest rate risk by maintaining a mix of fixed income investments which meet the criteria outlined in the Investment Policy. The sensitivity of the cash and notice plan account balances to a 1% decrease in the interest rate would be a reduction in interest income of $3,043,803 for the year (*2024 - $2,570,093*). The fair value of portfolio investments and debt with fixed rates is directly impacted by changes in market rates. However, the investments are measured at cost or amortized cost so there is no impact on the operational results of the City. Debt has interest rates fixed for long periods of time with the debt intended to be repaid in accordance with the terms of the respective loans.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk. Certain of the City's investments are exposed to other price risk because they are equity indexed. A decrease in the market price of the underlying equity instrument would result in a decrease in the unrealized gains attributable to derivatives reported on the statement of remeasurement gains. However, it would not result in unrealized losses since the investments are principal protected.

24. Comparative figures

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

25. Subsequent events

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditor's report which provide additional evidence relating to conditions that existed as at year end. Management completed this assessment and did not identify any significant adjustments.

THE CORPORATION OF THE CITY OF KITCHENER

Schedule A - Tangible Capital Assets

For the Year Ended December 31, 2025

	General								Infrastructure				
	Land	Land Improvements	Buildings	Leasehold Improvements	Machinery & Equipment	Computer Software	Computer Hardware	Vehicles	Land	Buildings	Linear Assets	Assets Under Construction	Total
Cost													
Balance, beginning of year	$ 69,988,788	$ 91,070,702	$ 314,358,749	$ 5,843,405	$ 63,573,173	$ 34,016,582	$ 11,305,868	$ 29,565,713	$ 224,687,592	$ 96,588,990	$1,444,433,782	$ 82,871,747	$2,468,305,091
Additions	10,898,622	3,513,809	6,743,991	7,862,578	9,998,153	253,999	3,162,792	11,829,282	24,946,400	-	43,932,080	124,675,398	247,817,104
Transfers	138,502	525,775	7,263,108	16,510	(995,870)	-	1,082,116	-	(36,743)	227,780	15,066,824	(23,288,002)	-
Disposals	(146,787)	(1,305,537)	(74,654)	(105,643)	(6,115,124)	(2,319,325)	(1,881,150)	(2,494,187)	(238,104)	(43,622)	(14,132,590)	(35,898)	(28,892,621)
Asset retirement obligations incurred	-	-	14,500	-	-	-	-	-	-	4,864	1,263,773	-	1,283,137
Asset retirement obligations change in estimate	-	-	(1,209,576)	21,170	18,720	-	-	-	-	235,873	3,860,579	-	2,926,766
Balance, end of year	80,879,125	93,804,749	327,096,118	13,638,020	66,479,052	31,951,256	13,669,626	38,900,808	249,359,145	97,013,885	1,494,424,448	184,223,245	2,691,439,477
Accumulated amortization													
Balance, beginning of year	-	(32,207,989)	(174,038,858)	(1,838,364)	(27,779,231)	(28,492,132)	(5,298,283)	(10,932,795)	-	(41,144,282)	(437,040,047)	-	(758,771,981)
Disposals	-	1,298,336	73,387	105,643	5,915,634	2,156,809	1,881,148	2,320,928	-	43,622	13,677,698	-	27,473,205
Amortization expense	-	(5,028,309)	(6,609,718)	(125,324)	(5,138,764)	(2,446,921)	(1,925,269)	(2,624,065)	-	(2,943,589)	(40,293,921)	-	(67,135,880)
Balance, end of year	-	(35,937,962)	(180,575,189)	(1,858,045)	(27,002,361)	(28,782,244)	(5,342,404)	(11,235,932)	-	(44,044,249)	(463,656,270)	-	(798,434,656)
Net book value, end of year	80,879,125	57,866,787	146,520,929	11,779,975	39,476,691	3,169,012	8,327,222	27,664,876	249,359,145	52,969,636	1,030,768,178	184,223,245	1,893,004,821
Net book value, beginning of year	$ 69,988,788	$ 58,862,713	$ 140,319,891	$ 4,005,041	$ 35,793,942	$ 5,524,450	$ 6,007,585	$ 18,632,918	$ 224,687,592	$ 55,444,708	$1,007,393,735	$ 82,871,747	$1,709,533,110

THE CORPORATION OF THE CITY OF KITCHENER

Schedule A - Tangible Capital Assets (Continued)

For the Year Ended December 31, 2024

	General								Infrastructure				
	Land	Land Improvements	Buildings	Leasehold Improvements	Machinery & Equipment	Computer Software	Computer Hardware	Vehicles	Land	Buildings	Linear Assets	Assets Under Construction	Total
Cost													
Balance, beginning of year	$ 60,262,964	$ 78,215,858	$ 311,146,267	$ 3,619,692	$ 56,531,804	$ 34,281,764	$ 8,243,174	$ 32,890,758	$ 182,976,196	$ 72,202,004	$1,411,771,614	$ 48,726,778	$2,300,868,873
Additions	8,953,598	6,261,949	1,899,398	2,201,095	9,331,292	92,743	3,989,596	5,758,927	42,358,779	-	56,670,632	59,022,419	196,540,428
Transfers	796,912	7,250,616	852,665	-	2,384,014	-	-	-	(646,912)	24,889,805	(10,649,650)	(24,877,450)	-
Disposals	(24,686)	(657,721)	(243,873)	-	(4,693,937)	(357,925)	(926,902)	(9,083,972)	(471)	(605,257)	(19,840,453)	-	(36,435,197)
Asset retirement obligations incurred	-	-	273,776	-	-	-	-	-	-	-	3,212,759	-	3,486,535
Asset retirement obligations change in estimate	-	-	430,516	22,618	20,000	-	-	-	-	102,438	3,268,880	-	3,844,452
Balance, end of year	69,988,788	91,070,702	314,358,749	5,843,405	63,573,173	34,016,582	11,305,868	29,565,713	224,687,592	96,588,990	1,444,433,782	82,871,747	2,468,305,091
Accumulated amortization													
Balance, beginning of year	-	(28,704,648)	(166,016,226)	(1,755,614)	(27,611,563)	(26,364,284)	(4,853,132)	(16,739,311)	-	(32,317,897)	(422,845,454)	-	(727,208,129)
Transfers	-	(1,112)	-	-	-	-	-	-	-	(6,684,280)	6,685,392	-	-
Disposals	-	657,721	239,250	-	4,497,542	357,925	926,902	8,390,298	-	300,729	19,388,314	-	34,758,681
Amortization expense	-	(4,159,950)	(8,261,882)	(82,750)	(4,665,210)	(2,485,773)	(1,372,053)	(2,583,782)	-	(2,442,834)	(40,268,299)	-	(66,322,533)
Balance, end of year	-	(32,207,989)	(174,038,858)	(1,838,364)	(27,779,231)	(28,492,132)	(5,298,283)	(10,932,795)	-	(41,144,282)	(437,040,047)	-	(758,771,981)
Net book value, end of year	69,988,788	58,862,713	140,319,891	4,005,041	35,793,942	5,524,450	6,007,585	18,632,918	224,687,592	55,444,708	1,007,393,735	82,871,747	1,709,533,110
Net book value, beginning of year	$ 60,262,964	$ 49,511,210	$ 145,130,041	$ 1,864,078	$ 28,920,241	$ 7,917,480	$ 3,390,042	$ 16,151,447	$ 182,976,196	$ 39,884,107	$ 988,926,160	$ 48,726,778	$1,573,660,744

THE CORPORATION OF THE CITY OF KITCHENER

Schedule B - Segmented Information

For the Year Ended December 31, 2025

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Housing, Social and Family Services	Recreation and Cultural Services	Planning and Development	Gasworks	Total
Revenues										
Taxation	$ 25,371,880	$ 49,323,407	$ 21,982,175	$ 2,274,011	$ 436,555	$ 2,499,946	$ 61,472,266	$ 10,770,539	$ -	$ 174,130,779
User fees and charges	2,343,150	13,761,616	6,971,536	180,269,313	2,010,801	477,442	28,078,193	3,945,668	105,526,520	343,384,239
Government transfers	405,990	2,805,859	8,172,775	9,750,332	-	11,692,059	16,714,779	883,294	60,864	50,485,952
Contributions of tangible capital assets	-	-	11,626,689	4,139,126	-	-	(221,134)	(239,587)	-	15,305,094
Investment income	17,595,333	561,324	161,231	2,600,844	427,385	3,897	329,125	459,540	(733,132)	21,405,547
Penalties and interest on taxes	7,637,939	-	-	-	-	-	-	-	-	7,637,939
Development charge revenue recognized	2,707,525	(5,512,266)	1,456,183	11,287,403	3,893	-	43,396,005	1,126,598	-	54,465,341
Share of net income of Enova Energy Corporation	9,653,446	-	-	-	-	-	-	-	-	9,653,446
Share of net income of Kitchener Generation Corporation	21,750	-	-	-	-	-	-	-	-	21,750
Other	954,096	743,672	782,751	676,845	52,409	11,667	2,507,584	411,425	717,786	6,858,235
Total revenues	66,691,109	61,683,612	51,153,340	210,997,874	2,931,043	14,685,011	152,276,818	17,357,477	105,572,038	683,348,322
Expenses										
Salaries, wages and employee benefits	50,620,155	54,287,824	17,338,745	15,719,968	2,031,764	3,017,079	58,037,529	9,790,268	8,373,128	219,216,460
Materials and services	28,345,565	7,287,280	10,730,397	81,640,113	619,422	1,314,265	30,038,411	4,488,944	50,456,622	214,921,019
Interest	231,371	232,863	480,799	772,919	46,680	-	1,859,159	209,891	-	3,833,682
Interfunctional adjustments	(35,060,272)	3,087,880	4,609,953	11,599,923	769,961	80,414	6,756,675	1,501,777	6,653,689	-
External transfers	205,482	59,205	39,730	653,312	-	1,757,504	3,033,090	4,736,202	35,374	10,519,899
Amortization of tangible capital assets	5,783,988	2,193,693	15,664,918	15,426,710	215,929	78,481	12,707,877	482,794	14,581,490	67,135,880
Total expenses	50,126,289	67,148,745	48,864,542	125,812,945	3,683,756	6,247,743	112,432,741	21,209,876	80,100,303	515,626,940
Annual surplus	$ 16,564,820	$ (5,465,133)	$ 2,288,798	$ 85,184,929	$ (752,713)	$ 8,437,268	$ 39,844,077	$ (3,852,399)	$ 25,471,735	$ 167,721,382

THE CORPORATION OF THE CITY OF KITCHENER

Schedule B - Segmented Information (Continued)

For the Year Ended December 31, 2024

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Housing, Social and Family Services	Recreation and Cultural Services	Planning and Development	Gasworks	Total
Revenues										
Taxation	$ 25,829,927	$ 46,226,836	$ 18,995,641	$ 2,588,071	$ 426,683	$ 2,375,867	$ 58,739,133	$ 9,835,476	$ -	$ 165,017,634
User fees and charges	1,996,969	11,428,011	5,064,780	172,743,427	2,010,131	561,882	25,073,210	5,216,674	91,277,760	315,372,844
Government transfers	525,206	2,042,653	10,881,942	5,650,293	-	821,397	15,925,098	1,846,605	381,346	38,074,540
Contributions of tangible capital assets	-	-	20,962,517	6,406,638	-	-	981,878	889,587	-	29,240,620
Investment income	22,511,815	688,184	202,950	1,997,658	466,173	5,833	223,507	391,583	(898,435)	25,589,268
Penalties and interest on taxes	6,340,366	-	-	-	-	-	-	-	-	6,340,366
Development charge revenue recognized	2,640,905	6,590,728	(1,657,402)	6,203,119	125,441	-	8,382,848	46,016	-	22,331,655
Share of net income of Enova Energy Corporation	7,664,668	-	-	-	-	-	-	-	-	7,664,668
Share of net income of Kitchener Generation Corporation	43,144	-	-	-	-	-	-	-	-	43,144
Other	1,823,507	7,473	41,995	(127,840)	4,167	32,327	4,273,763	681,571	601,304	7,338,267
Total revenues	69,376,507	66,983,885	54,492,423	195,461,366	3,032,595	3,797,306	113,599,437	18,907,512	91,361,975	617,013,006
Expenses										
Salaries, wages and employee benefits	45,926,539	52,341,607	14,952,219	14,896,008	1,963,241	2,647,994	54,964,423	8,771,277	8,737,937	205,201,245
Materials and services	25,086,330	6,197,928	7,796,991	78,094,607	497,418	655,219	26,929,225	4,625,882	40,822,309	190,705,909
Interest	198,673	174,224	265,348	61,483	22,965	-	685,841	267,030	-	1,675,564
Interfunctional adjustments	(32,645,728)	2,999,753	3,427,580	11,555,514	746,951	76,088	6,437,047	1,436,744	5,966,051	-
External transfers	199,287	46,088	8,725	670,311	-	256,026	2,996,544	5,049,904	34,478	9,261,363
Amortization of tangible capital assets	5,073,459	2,171,196	15,689,045	15,628,498	176,631	76,805	12,776,252	503,416	14,227,231	66,322,533
Total expenses	43,838,560	63,930,796	42,139,908	120,906,421	3,407,206	3,712,132	104,789,332	20,654,253	69,788,006	473,166,614
Annual surplus	$ 25,537,947	$ 3,053,089	$ 12,352,515	$ 74,554,945	$ (374,611)	$ 85,174	$ 8,810,105	$ (1,746,741)	$ 21,573,969	$ 143,846,392

Financial Statements of

THE CORPORATION OF THE CITY OF KITCHENER TRUST FUNDS

And Independent Auditor’s Report thereon

Year ended December 31, 2025

KPMG LLP
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Kitchener, ON N2G 0E1
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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the Corporation of the City of Kitchener Trust Funds (the Entity), which comprise:

- the balance sheet as at December 31, 2025
- the statement of continuity 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 its results of operations, its remeasurement gains and losses and its 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 the 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.

KPMG

- 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

Kitchener, Canada

June 30, 2026

THE CORPORATION OF THE CITY OF KITCHENER TRUST FUNDS

Balance Sheet

As at December 31

		2025		2024
Assets				
Cash	**$**	**20,462,055**	$	-
Accounts receivable		**-**		32,611
Interest receivable		**-**		132,578
Loans receivable (Note 2)		**250,560**		308,707
Portfolio investments (Note 3)				
Short-term		**-**		2,610,672
Long-term		**-**		16,785,872
		20,712,615		19,870,440
Liabilities				
Due to the City of Kitchener		**25,973**		-
Fund balance		**20,686,642**		19,870,440
	$	**20,712,615**	$	19,870,440

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

THE CORPORATION OF THE CITY OF KITCHENER TRUST FUNDS

Statement of Continuity

For the Year Ended December 31

		2025		2024
Receipts				
Perpetual care funds	**$**	**543,072**	$	548,608
Interest earned		**647,030**		711,339
Other		**318,821**		352,472
		1,508,923		1,612,419
Expenditures				
Transfer to cemeteries operations		**692,721**		721,146
		692,721		721,146
Net change in fund		**816,202**		891,273
Balance, beginning of year		**19,870,440**		18,979,167
Balance, end of year	**$**	**20,686,642**	$	19,870,440

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

THE CORPORATION OF THE CITY OF KITCHENER TRUST FUNDS

Notes to the Financial Statements

For the Year Ended December 31

1. **Summary of significant accounting policies**

These financial statements of the Corporation of the City of Kitchener Trust Funds (the "Trust Funds") have been prepared in accordance with Canadian generally accepted accounting principles for public sector entities as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The following is a summary of the significant accounting policies followed in the preparation of these financial statements:

a. **Basis of accounting**

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

b. **Financial instruments**

Financial instruments are recorded at fair value on initial recognition and subsequently recorded at cost or amortized cost. Amortized cost is determined using the effective interest method. As all financial instruments are recorded at cost or amortized cost, a statement of remeasurement gains and losses has not been included.

Financial assets measured at cost or amortized cost are assessed for indicators of impairment at each financial statement date. Impairment losses are recognized in the statement of operations.

The Trust Funds evaluate contractual obligations for the existence of embedded derivatives and separately measure the fair value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself.

2. **Loans receivable**

During 2019, under authorization of the Bereavement Authority of Ontario, the Woodland Cemetery Perpetual Care Trust issued a loan to the Corporation of the City of Kitchener in the amount of $575,000. The loan bears interest at 3% and will be repaid over ten years beginning in February 2020.

3. **Portfolio investments**

The long-term investments of $nil *(2024 - $16,785,872)* reported on the Balance Sheet at amortized cost, have a market value of $nil *(2024 - $16,733,033)*.

4. **Statement of cash flow**

A separate statement of cash flow is not presented, since cash flows from operating, investing, and financing activities are readily apparent from the other financial statements.

5. Financial instruments

The Trust Funds are exposed to various risks through their financial instruments and continue to monitor, evaluate, and manage these risks. The following analysis provides information about the Trust Funds’ risk exposure and concentration as at December 31, 2025.

a. 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 Trust Funds are exposed to credit risk from their financial assets including cash, loans receivable, and portfolio investments. The carrying amounts of financial assets represent the Trust Funds' maximum credit exposure. The Trust Funds manage their exposure to this risk by:

- Maintaining their funds in creditworthy organizations and financial institutions
- Requiring minimum S&P credit rating of A- (or equivalent rating) for all portfolio investments;
- Assessing the quality of their counterparties, taking into account their creditworthiness and reputation, past experience and other factors.

There were no provisions for impairment or losses.

b. 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 prices. Market risk is comprised of currency risk, interest rate risk, and other price risk.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The sensitivity of cash and short-term investments to a 1% decrease in the interest rate would be a reduction in interest income of $67,673 for the year *(2024 - $75,394)*.

6. Comparative figures

Certain of the prior year’s comparative figures have been reclassified to conform to the current year’s presentation.

THE CORPORATION OF THE CITY OF KITCHENER TRUST FUNDS

Schedule of Continuity by Fund

For the Year Ended December 31

	Balance December 31, 2024	Perpetual care funds	Interest earned	Other receipts	Transfer to cemeteries operations	Balance December 31, 2025
Perpetual Care Funds						
Mount Hope Cemetery	$ 608,516	$ 1,186	$ 19,440	$ 1,700	$ 19,440	$ 611,402
Woodland Cemetery	5,931,738	75,628	191,768	13,100	182,507	6,029,727
Bridgeport Cemetery	175,370	5,631	5,722	400	5,722	181,401
Williamsburg Cemetery	5,913,727	420,369	195,802	40,500	195,802	6,374,596
St. Peter's Cemetery	500,513	-	15,991	1,100	15,991	501,613
Kinzie Biehn Cemetery	-	40,258	477	200	477	40,458
Cemetery Trusts						
F. E. Tremain	15,550	-	496	-	496	15,550
Florence V. Cober	8,783	-	280	-	280	8,783
L. F. Glick	20,664	-	659	-	659	20,664
Edna Atherton	1,331	-	42	-	42	1,331
George Wright Estate	42,614	-	1,359	-	1,359	42,614
E. L. Goetz	1,357	-	43	-	43	1,357
E. Weiderhold	38,065	-	1,214	-	1,214	38,065
Prepaid Interments	6,612,212	-	213,737	261,821	268,689	6,819,081
	$ 19,870,440	**$ 543,072**	**$ 647,030**	**$ 318,821**	**$ 692,721**	**$ 20,686,642**

Financial Statements of

THE CENTRE IN THE SQUARE INC.

And Independent Auditor's Report thereon

Year ended December 31, 2025

KPMG LLP
120 Victoria Street South
Suite 600
Kitchener, ON N2G 0E1
Canada
Telephone 519 747 8800
Fax 519 747 8811

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Centre In The Square Inc.

Opinion

We have audited the financial statements of The Centre In The Square Inc. (the Entity), which comprise:

- the statement of financial position as at December 31, 2025
- the statement of operations and changes in accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of remeasurement gains for the year then ended
- the statement of cash flows 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 its results of operations, its changes in net financial assets, its remeasurement of gains and losses, and its 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 the 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

Kitchener, Canada

April 22, 2026

THE CENTRE IN THE SQUARE INC.

Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Financial assets:		
Cash and cash equivalents	$ 7,391,968	$ 5,672,181
Accounts receivable (note 2)	115,210	587,858
Interest receivable	815	872
Costs to be recovered	194,825	250,790
Investments (note 5)	1,367,672	1,269,983
Due from the City of Kitchener	149,905	2,790
	9,220,395	7,784,474
Financial liabilities:		
Accounts payable and accrued liabilities	3,428,130	2,680,123
Asset retirement obligations (note 7)	210,105	205,985
Deferred revenue (note 8)	2,933,108	2,639,371
	6,571,343	5,525,479
Net financial assets	2,649,052	2,258,995
Non-financial assets:		
Tangible capital assets (note 6)	17,521,550	17,604,420
Inventories (note 4)	73,094	70,992
Prepaid expenses	295,242	236,165
	17,889,886	17,911,577
Net assets	$ 20,538,938	$ 20,170,572
Accumulated surplus:		
Operating fund activities (note 3)	$ -	$ -
Reserves - Capital (note 14)	1,689,971	1,293,444
Reserves - Sustainability (note 14)	226,826	219,795
Reserves - Restricted (note 14)	827,553	795,618
Invested in tangible capital assets	17,521,550	17,604,420
	20,265,900	19,913,277
Accumulated remeasurement gains	273,038	257,295
	$ 20,538,938	$ 20,170,572

See accompanying notes to financial statements.

On behalf of the Board:

______________________________ Director ______________________________ Director

THE CENTRE IN THE SQUARE INC.

Statement of Operations and Changes in Accumulated Surplus

Year ended December 31, 2025, with comparative information for 2024

	2025 Budget	2025 Actual	2024 Actual
Revenue:			
Performances	$ 8,144,514	$ 5,905,896	$ 5,304,346
Grants from City of Kitchener - operating	2,138,203	2,138,203	2,084,019
Other revenue (note 9)	558,675	1,018,134	637,606
Grant from the City of Kitchener - capital	553,135	553,135	83,372
Ticket surcharge (note 14)	434,000	447,679	404,031
Sponsorships and memberships	227,478	148,766	126,777
Rent - Kitchener Waterloo Art Gallery	113,851	111,618	111,618
Grants from other governments - operating	50,000	108,533	-
Donations	38,050	90,535	56,768
Investment income	36,000	234,109	260,035
Gain on sale of investments	30,000	60,819	30,272
Grants from other governments - capital	-	-	498,939
Capital fund donations	-	2,250	147,958
Gain on sale of assets	-	7,796	-
	12,323,906	10,827,473	9,745,741
Expenses:			
Performances	6,149,257	3,844,539	3,498,990
Salaries and wages	3,132,372	3,011,085	2,741,655
Amortization of tangible capital assets	1,255,000	1,237,220	1,254,010
Administration and box office	950,481	1,218,793	914,526
Occupancy	852,811	824,020	757,773
Marketing	150,900	281,643	94,957
Sponsorship and membership expenses	70,950	44,830	43,470
Reserve expenditures (note 14)	13,034	12,563	11,779
Capital costs	500	157	12,313
	12,575,305	10,474,850	9,329,473
Excess (deficiency) of revenue over expenses	(251,399)	352,623	416,268
Accumulated surplus, beginning of year	19,913,277	19,913,277	19,497,009
Accumulated surplus, end of year	$ 19,661,878	$ 20,265,900	$ 19,913,277

See accompanying notes to financial statements.

THE CENTRE IN THE SQUARE INC.

Statement of Changes in Net Financial Assets

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Excess of revenue over expenses	$ 352,623	$ 416,268
Acquisition of tangible capital assets	(1,154,350)	(1,531,832)
Amortization of tangible capital assets	1,237,220	1,254,010
	435,493	138,446
Acquisition of inventories	(2,102)	(12,933)
Acquisition of prepaid expenses	(59,077)	(18,490)
	(61,179)	(31,423)
Increase in net financial assets	374,314	107,023
Net financial assets, beginning of year	2,258,995	2,097,867
Increase in accumulated remeasurement gain	15,743	58,144
Increase in asset retirement obligation	-	(4,039)
Net financial assets, end of year	$ 2,649,052	$ 2,258,995

See accompanying notes to financial statements.

THE CENTRE IN THE SQUARE INC.
Statement of Remeasurement Gains

Year ended December 31, 2025, with comparative information for 2024

		2025		2024
Accumulated remeasurement gains, beginning of year	$	257,295	$	199,151
Realized (gains) losses reclassified to statement of operations:				
Investments - Equity instruments		(60,819)		(30,272)
Unrealized gains (losses) attributable to:				
Investments - Equity instruments		76,562		88,416
Accumulated remeasurement gains, end of year	$	273,038	$	257,295

See accompanying notes to financial statements.

THE CENTRE IN THE SQUARE INC.

Statement of Cash Flows

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 352,623	$ 416,268
Items not involving cash:		
Amortization	1,237,220	1,254,010
Gain on disposal of tangible capital assets	(7,796)	-
Gain on sale of investments	(60,819)	(30,272)
Asset retirement obligation accretion	4,120	-
Changes in non-cash operating working capital	1,362,123	586,050
	2,887,471	2,226,056
Capital activities:		
Cash used to acquire tangible capital assets	(1,154,350)	(1,531,832)
Cash proceeds on disposal of tangible capital assets	7,796	-
	(1,146,554)	(1,531,832)
Investing activities:		
Cash used in purchasing of investments	(375,300)	(352,259)
Cash received on sale of investments	354,170	923,299
	(21,130)	571,040
Increase in cash and cash equivalents	1,719,787	1,265,264
Cash and cash equivalents, beginning of year	5,672,181	4,406,917
Cash and cash equivalents, end of year	$ 7,391,968	$ 5,672,181

See accompanying notes to financial statements.

THE CENTRE IN THE SQUARE INC.

Notes to Financial Statements

Year ended December 31, 2025

Nature of operations:

The Centre In The Square Inc. ("The Centre”), is to create memorable experiences. It is incorporated as a not-for-profit corporation without share capital, is exempt from income taxes under the Income Tax Act, and is a registered charity. The Centre is a governed by a Board of Directors and receives an operating grant from the City of Kitchener (the "City”).

1. **Significant accounting policies:**

The financial statements of The Centre are the representation of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments as established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

(a) Basis of accounting:

The Centre follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(b) Revenue recognition:

Performance revenue is recognized when the show occurs. Deferred gift certificate revenue is an estimate based upon gift certificate sales during the period from July 1 to December 31 of the current year.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recorded as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Government transfers, contributions, and other amounts are received from third parties pursuant to legislation, regulation, or agreement and may only be used in the conduct of certain programs, in the completion of specific work, or the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible assets are acquired.

1. Significant accounting policies (continued):

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method (or effective interest rate method).

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

1. Significant accounting policies (continued):

(d) Employee future benefits:

The costs of multi-employer defined contribution pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period.

(e) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year.

(i) 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 the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Buildings	5 - 100 years
Computer software	3 years
Computer	3 - 10 years
Machinery and equipment	5 -100 years
Site	2 - 50 years

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

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

(ii) Inventories:

Bar stock inventories are valued at the most recent replacement cost. Supplies inventories are valued at the lower of cost and net realizable value on a first-in, first-out basis. Net realizable value is defined as replacement cost.

1. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, asset retirement obligations, and useful lives of tangible capital assets. Actual results could differ from these estimates.

(g) 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.

A liability for the removal of asbestos in the building owned by the Centre has been recognized based on estimated future expenses on closure of the site and post-closure care.

(h) Deferred revenue:

Deferred revenue represents unspent funds subject to external restrictions as to how the funds are disbursed. These amounts are subsequently included in revenue when the related expenditures are made.

2. Accounts receivable:

	2025	2024
Accounts receivable	$ 115,210	$ 587,858
Allowance for doubtful accounts	-	-
	$ 115,210	$ 587,858

3. Operating fund activities:

	2025 Budget	2025 Actual	2024 Actual
Revenue:			
Performances	$ 8,144,514	$ 5,905,896	$ 5,304,346
Grants from City of Kitchener	2,138,203	2,138,203	2,084,019
Grants, other governments	50,000	108,533	-
Donations	38,050	88,297	54,015
Investment income	36,000	179,077	199,589
Sponsorships and memberships	227,478	148,766	126,777
Rent - Kitchener-Waterloo Art Gallery	113,851	111,618	111,618
Sale of asset	-	7,796	-
Other	558,675	1,018,134	637,606
	11,306,771	9,706,320	8,517,970
Expenses:			
Performances	6,149,257	3,844,539	3,498,990
Administration and box office	950,481	1,218,793	914,526
Marketing	150,900	281,643	94,957
Occupancy	852,811	824,020	757,773
Salaries and wages	3,132,372	3,011,085	2,741,655
Sponsorship	70,950	44,830	43,470
	11,306,771	9,224,910	8,051,371
Operating fund net revenues before amortization	-	481,410	466,599
Transfer from restricted reserve funds	-	47,253	-
Transfer to reserve funds (note 14)	-	(528,663)	(466,599)
	-	-	-
	$ -	$ -	$ -

4. Inventories:

Inventories consist of the following:

		2025		2024
Bar stock	$	70,322	$	68,090
Supplies		2,772		2,902
	$	73,094	$	70,992

5. Investments:

Investments consist of:

		2025		2024
Assets measured at amortized cost:				
Guaranteed Investment Certificates	$	226,827	$	219,796
		-		-
Investments measured at fair value:				
Equity instruments, quoted in an active market		570,369		557,726
Fixed income		570,476		492,461
	$	1,367,672	$	1,269,983

THE CENTRE IN THE SQUARE INC.

Notes to Financial Statements (continued)

Year ended December 31, 2025

6. Tangible capital assets:

2025		Land	Building	Equipment	Computers	Software	Site	Work in progress	Total
Cost									
Balance, beginning of year	$	975,300	$ 19,236,931	$ 8,712,757	$ 164,260	$ 36,868	$ 1,955,605	$ 89,037	$ 31,170,758
Additions		-	143,466	512,204	20,537	44,603	190,880	242,660	1,154,350
Disposals		-	(2,128)	(339,314)	-	-	(14,755)	-	(356,197)
Transfers		-	-	86,247	-	-	-	(86,247)	-
Cost, end year		975,300	19,378,269	8,971,894	184,797	81,471	2,131,730	245,450	31,968,911
Accumulated amortization									
Balance, beginning of year		-	7,653,306	4,579,943	140,395	36,868	1,155,826	-	13,566,338
Amortization		-	711,432	417,432	13,501	14,868	79,987	-	1,237,220
Disposals		-	(2,128)	(339,314)	-	-	(14,755)	-	(356,197)
Accumulated amortization, end of year		-	8,362,610	4,658,061	153,896	51,736	1,221,058	-	14,447,361
Net book value, end of year	$	975,300	$ 11,015,659	$ 4,313,833	$ 30,901	$ 29,735	$ 910,672	$ 245,450	$ 17,521,550

6. **Tangible capital assets (continued):**

2024	Land	Building	Equipment	Computers	Software	Site	Work in progress	Total
Cost								
Balance, beginning of year	$ 975,300	$ 19,101,274	$ 7,347,095	$ 165,187	$ 36,868	$ 2,005,605	$ 1,142,435	$ 30,773,764
Additions	-	110,190	1,319,151	13,454	-	-	89,037	1,531,832
Asset retirement obligation	-	4,039	-	-	-	-	-	4,039
Disposals	-	(38,891)	(1,035,605)	(14,381)	-	(50,000)	-	(1,138,877)
Transfers	-	60,319	1,082,116	-	-	-	(1,142,435)	-
Cost, end year	975,300	19,236,931	8,712,757	164,260	36,868	1,955,605	89,037	31,170,758
Accumulated amortization								
Balance, beginning of year	-	6,898,790	5,239,884	142,188	36,868	1,133,475	-	13,451,205
Amortization	-	793,407	375,664	12,588	-	72,351	-	1,254,010
Disposals	-	(38,891)	(1,035,605)	(14,381)	-	(50,000)	-	(1,138,877)
Accumulated amortization, end of year	-	7,653,306	4,579,943	140,395	36,868	1,155,826	-	13,566,338
Net book value, end of year	$ 975,300	$ 11,583,625	$ 4,132,814	$ 23,865	$ -	$ 799,779	$ 89,037	$ 17,604,420

7. Asset retirement obligations:

The Centre owns and operates a building that is known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. The building had an estimated remaining useful life of 30 years.

	2025	2024
Opening balance	$ 205,985	$ 201,946
Asset retirement obligation additions at adoption of standard	-	-
Plus: additional obligations incurred during the year	-	4,039
Plus: accretion of asset retirement	4,120	-
Closing balance	$ 210,105	$ 205,985

8. Deferred revenue:

Deferred revenue consists of the following:

	2025	2024
Performances	$ 2,681,996	$ 2,397,059
Gift certificates	47,032	34,483
Sponsorships	25,000	53,810
Other	64,220	130,534
Membership	19,860	23,485
Grants	95,000	-
	$ 2,933,108	$ 2,639,371

9. Other revenue:

Other Revenue comprises of external ticketing clients box office charges, show recovery charges and parking charges.

10. Economic dependence:

The Centre is economically dependent on the City of Kitchener to provide sufficient funds to continue operations and capital projects. During the year ended December 31, 2025 the Centre earned $2,691,338 (2024 - $2,167,391) of revenue from the City of Kitchener. The City of Kitchener is considered to be a related party of the Centre.

11. Budget:

The original budgeted figures were approved by the Board of Directors at their meeting August 21, 2024, and included certain expenses and offsetting recoveries on a net basis.

12. Pension agreements:

The Centre belongs to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of the members of its staff. This plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are the joint responsibility of Ontario municipal organizations and their employees. As a result, The Centre does not recognize any share of the OMERS pension surplus or deficit.

The latest available report for the OMERS plan was December 31, 2025. At that time the plan reported a $1.3 billion actuarial deficit (2024 - $4.2 billion actuarial deficit), based on actuarial liabilities of $146.5 billion (2024 - $134.6 billion) and actuarial assets of $145.2 billion (2024 - $130.4 billion). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

The 2025 employer portion of OMERS pension contributions was $249,422 (2024 - $225,693).

13. Financial risks:

(a) Market risk:

Market risk is the risk that changes in market prices, foreign exchange rates or interest rates will affect the Centre's surplus or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters.

(b) Credit risk:

Credit risk is the risk that counterparties fail to perform as contracted, resulting in a financial loss. The Centre is exposed to credit risk with respect to its accounts receivable and cash. The Centre assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Centre at December 31, 2025 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts at December 31, 2025 is $Nil (2024 - $Nil).

13. Financial risks (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Centre will not be able to meet all cash outflow obligations as they come due. The Centre mitigates this risk by monitoring cash activities and expected outflows.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

There have been no other significant changes from the previous period in the exposure to risk or policies, procedures and methods used to measure the risk.

(d) Interest rate risk:

The Centre does not have any interest bearing amounts payable and therefore is not exposed to interest rate risk.

14. Schedule of reserve funds:

(a) Capital Reserve Fund:

The Capital Reserve Fund represents the collection of a surcharge from the sale of tickets.

At the direction of the Board of Directors, expenditures from the Capital Reserve Fund are made to finance, in whole or in part, major capital items, replacements and major maintenance projects.

In 2025, The Centre’s Board of Directors approved transfers out of the Capital Reserve Fund for major capital asset projects of $1,154,350 (2024 - $1,535,871).

(b) Sustainability Reserve Fund:

Revenues from the Sustainability Reserve Fund come from fundraising contributions. At the direction of the Board of Directors, funds are allocated for specific capital projects and programming initiatives.

14. Schedule of reserve funds (continued):

(c) Restricted Fund:

The Restricted Fund was set up by the Board of Directors of The Centre in 2000 by a transfer of investments from the Sustainability Reserve Fund in accordance with the Restricted Fund Policy. Income from this fund is to be used for capital requirements, special projects and/or new programming initiatives that help further The Centre's mandate.

	Capital	Sustainability	Restricted	Total Funds
Revenue:				
Donations and sundry	$ 2,250	$ -	$ 2,238	$ 4,488
Grants from City of Kitchener	553,135	-	-	553,135
Ticket surcharge	447,679	-	-	447,679
Investment income	19,307	7,031	28,694	55,032
Gain on investments	-	-	60,819	60,819
	1,022,371	7,031	91,751	1,121,153
Expenses:				
Professional fees	-	-	12,563	12,563
Capital costs	157	-	-	157
	157	-	12,563	12,720
Excess of revenue over expenses	1,022,214	7,031	79,188	1,108,433
Balance, beginning of year	1,293,444	219,795	795,618	2,308,857
Transfer to accumulated surplus - tangible capital assets (note 14 (b))	(1,154,350)	-	-	(1,154,350)
Other transfers	528,663	-	(47,253)	481,410
Balance, end of year	$ 1,689,971	$ 226,826	$ 827,553	$ 2,744,350

Financial Statements of

KITCHENER PUBLIC LIBRARY

And Independent Auditor's Report thereon

Year ended December 31, 2025

KPMG LLP
120 Victoria Street South
Suite 600
Kitchener, ON N2G 0E1
Canada
Telephone 519 747 8800
Fax 519 747 8811

INDEPENDENT AUDITOR'S REPORT

To the Members of Kitchener Public Library

Opinion

We have audited the financial statements of Kitchener Public Library (the Board), which comprise:

- the statement of financial position as at December 31, 2025
- the statement of operations and changes in accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows 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 Board as at December 31, 2025 and its results of operations its changes in net financial assets and its 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 Board 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 Board'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 Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board'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 the 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 Board'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 Board'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 Board 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

Kitchener, Canada

April 17, 2026

KITCHENER PUBLIC LIBRARY

Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Financial assets:		
Cash	$ 3,848,832	$ 3,641,544
Accounts receivable	171,262	345,139
Due from City of Kitchener	341,525	627,473
Investments (note 2)	-	175,000
Endowment investments (note 2)	275,000	100,000
	4,636,619	4,889,156
Financial liabilities:		
Accounts payable and accrued liabilities	1,420,273	1,202,329
Due to Early Literacy Alliance of Waterloo Region	758,638	750,001
Deferred revenue (note 4)	597,021	554,033
Capital advance from Federal Government (note 5)	830,424	1,855,393
	3,606,356	4,361,756
Net financial assets	1,030,263	527,400
Non-financial assets:		
Tangible capital assets (note 3)	5,455,185	5,027,905
Prepaid expenses	21,736	21,000
	5,476,921	5,048,905
Accumulated surplus (note 9)	$ 6,507,184	$ 5,576,305

See accompanying notes to financial statements.

On behalf of the Board:

______________________________ Director ______________________________ Director

KITCHENER PUBLIC LIBRARY

Statement of Operations and Changes in Accumulated Surplus

Year ended December 31, 2025, with comparative information for 2024

	2025 Budget	2025 Actual	2024 Actual
Revenue:			
Grants:			
The City of Kitchener – Operating	$ 14,199,881	$ 14,199,881	$ 12,688,968
The City of Kitchener – Capital and special (note 6)	-	1,149,304	1,058,310
Province of Ontario	306,980	306,980	306,980
Other (note 7)	-	244,687	365,033
Interest and miscellaneous	40,000	305,533	205,331
Rentals	115,000	135,654	129,473
Photocopy	45,000	71,778	65,389
Partnerships	56,585	58,867	56,470
Lost and damaged fees	25,000	33,665	30,905
	14,788,446	16,506,349	14,906,859
Expenses:			
Personnel costs (Schedule 1)	11,271,145	10,592,039	10,284,654
Resource materials	1,375,110	1,409,997	1,394,136
Facilities costs (Schedule 2)	1,008,845	1,101,731	860,732
Equipment (Schedule 3)	510,756	1,063,948	898,525
Administrative (Schedule 4)	414,090	487,151	445,463
Processing/bindery	110,000	124,100	114,645
Programs and publicity (Schedule 5)	86,500	96,563	61,906
General library	12,000	13,846	19,221
Expenditures related to capital funding (note 6)	-	441,408	306,715
Required expenditures related to special grants (note 7)	-	244,687	365,033
	14,788,446	15,575,470	14,751,030
Excess of revenue over expenses	-	930,879	155,829
Accumulated surplus, beginning of year	5,576,305	5,576,305	5,420,476
Accumulated surplus, end of year	$ 5,576,305	$ 6,507,184	$ 5,576,305

See accompanying notes to financial statements.

KITCHENER PUBLIC LIBRARY

Statement of Changes in Net Financial Assets

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Excess of revenue over expenses	$ 930,879	$ 155,829
Acquisition of tangible capital assets	(1,665,359)	(1,423,677)
Amortization of tangible capital assets	1,238,079	1,266,730
Acquisition of prepaid expenses	(736)	(21,000)
Change in net financial assets	502,863	(22,118)
Net financial assets, beginning of year	527,400	549,518
Net financial assets, end of year	$ 1,030,263	$ 527,400

See accompanying notes to financial statements.

KITCHENER PUBLIC LIBRARY

Statement of Cash Flows

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 930,879	$ 155,829
Item not involving cash:		
Amortization of tangible capital assets	1,238,079	1,266,730
Changes in non-cash operating working capital:		
Accounts receivable	173,877	(86,074)
Accounts payable and accrued liabilities	217,944	18,801
Due to Early Literacy Alliance of Waterloo Region	8,637	23,340
Deferred revenue	42,988	(1,699)
Due from City of Kitchener	285,948	257,606
Prepaid expenses	(736)	(21,000)
Capital advance from federal government	(1,024,969)	1,174,020
	1,872,647	2,787,553
Investing activities:		
Purchase of investments	-	(85,000)
Investments	175,000	-
Endowment investments	(175,000)	-
	-	(85,000)
Capital activities:		
Cash used to acquire tangible capital assets	(1,665,359)	(1,423,677)
Increase in cash	207,288	1,278,876
Cash, beginning of year	3,641,544	2,362,668
Cash, end of year	$ 3,848,832	$ 3,641,544

See accompanying notes to financial statements.

KITCHENER PUBLIC LIBRARY

Notes to Financial Statements

Year ended December 31, 2025

Kitchener Public Library (the "Board") was incorporated as a not-for-profit organization, without share capital, under the laws of Ontario, and accordingly is exempt from income taxes. It is a Board of the City of Kitchener (the "City") and is dependent on the City for a significant portion of its operating and capital funding.

The Board contributes to the community as a resource and a gateway with sources of information and works of imagination.

1. Significant accounting policies:

The financial statements of the Board are the representation of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The following is a summary of the significant accounting policies followed in the preparation of these financial statements.

(a) Basis of accounting:

The Board follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(b) Revenue recognition:

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recorded as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Government transfers, contributions, and other amounts are received from third parties pursuant to legislation, regulation, or agreement and may only be used in the conduct of certain programs, in the completion of specific work, or the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible assets are acquired.

1. Significant accounting policies (continued):

(c) Endowment investments and income:

Endowment investments received are recorded as financial assets which have the principal restricted for use. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss.

Income earned on the endowment is used for the purpose specified by the donor. Any unspent funds earned during the year are deferred for future use.

(d) Deferred revenue:

Deferred revenue represents unspent funds subject to external restrictions as to how the funds are disbursed. These amounts are subsequently included in revenue when the related expenditures are made.

(e) Employee future benefits:

The costs of multi-employer defined contribution pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period.

(f) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year.

(g) 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 the tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Books and audio visual resources	2-10 years
Computers	3-10 years
Furniture, fixtures and equipment	10-30 years
Other equipment and vehicles	8 years

1. Significant accounting policies (continued):

(g) Tangible capital assets (continued):

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

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

(h) Asset retirement obligations:

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
- reasonable estimate of the amount can be made.

As of December 31, 2025, the Board did not identify or record any asset retirement obligation.

(i) Use of estimates:

The preparation of 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 financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities and useful lives of tangible capital assets.

Actual results could differ from these estimates.

(j) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

1. Significant accounting policies (continued):

(j) Financial instruments (continued):

The Board's financial instruments include cash, accounts receivable, due from City of Kitchener, investments, endowment investments, accounts payable and accrued liabilities, due to Early Literacy Alliance Waterloo Region, and deferred revenue. The carrying value of cash, accounts receivable, due from City of Kitchener, accounts payable and accrued liabilities, due to Early Literacy Alliance Waterloo Region, and deferred revenue approximate their fair values due to the short-term nature of these financial assets and liabilities.

The following is a list of the Board's financial instruments and their related measurement basis as at December 31, 2025.

Financial Assets	Measurement Basis
Cash	Cost
Accounts receivable	Cost
Due from City of Kitchener	Cost
Investments	Amortized cost
Endowment investments	Amortized cost

Financial Liabilities	Measurement Basis
Accounts payable and accrued liabilities	Cost
Due to Early Literacy Alliance Waterloo Region	Cost
Deferred revenue	Cost

As all financial instruments are measured at cost or amortized cost, there have been no remeasurement gains or losses. Therefore, the Statement of Remeasurement Gains and (Losses) has been excluded.

Transaction costs are incremental costs directly attributable to the acquisition or issue of a financial asset or a financial liability. Transaction costs are added to the carrying value of the instruments when they are initially recognized.

1. Significant accounting policies (continued):

(j) Financial instruments (continued):

At year end, the Board assesses whether there are any indications that a financial asset measured at cost or amortized cost may be impaired. For purposes of impairment testing, each individually significant asset is assessed individually; the balance of the assets are grouped on the basis of similar credit risk characteristics. When there is an indication of impairment, the Board determines whether a significant adverse change has occurred during the year in the expected timing or amount of future cash flows from the financial asset. When there has been a significant adverse change, the carrying amount of the asset is reduced to the highest of the present value of expected cash flows; the amount that could be realized by selling the asset; and the amount that could be realized by exercising the Board's right to any collateral held as security.

When the extent of impairment decreases and the decrease can be related to an event occurring after the impairment was recognized, the impairment is reversed to the extent of the improvement in the year the reversal occurs.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Board determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying amount of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Board expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement.

2. Investments:

	2025 Amortized cost	2025 Market Value	2024 Amortized cost	2024 Market Value
Investments:				
Guaranteed Investment Certificate	$ -	$ -	$ 150,000	$ 150,207
Endowment investments:				
Waterloo Region Community Foundation	275,000	302,787	125,000	144,347
	$ 275,000	$ 302,787	$ 275,000	$ 294,554

KITCHENER PUBLIC LIBRARY

Notes to Financial Statements (continued)

Year ended December 31, 2025

3. Tangible capital assets:

2025	Books and audio visual resources	Computers	Furniture, fixtures and equipment	Other equipment and vehicles	Total
Cost:					
Balance, beginning of year	$ 7,099,562	$ 3,253,161	$ 2,385,608	$ 241,332	$ 12,979,663
Additions	716,568	416,606	447,665	84,520	1,665,359
Disposals	(1,381,442)	(126,545)	(314,654)	(14,486)	(1,837,127)
Balance, end year	$ 6,434,688	$ 3,543,222	$ 2,518,619	$ 311,366	$ 12,807,895
Accumulated amortization:					
Balance, beginning of year	$ 4,071,034	$ 2,445,199	$ 1,410,366	$ 25,159	$ 7,951,758
Amortization	788,888	336,700	101,503	10,988	1,238,079
Disposals	(1,381,442)	(126,545)	(314,654)	(14,486)	(1,837,127)
Balance, end of year	3,478,480	2,655,354	1,197,215	21,661	7,352,710
Net book value, end of year	$ 2,956,208	$ 887,868	$ 1,321,404	$ 289,705	$ 5,455,185

3. Tangible capital assets (continued):

2024	Books and audio visual resources	Computers	Furniture, fixtures and equipment	Other equipment and vehicles	Total
Cost:					
Balance, beginning of year	$ 7,060,058	$ 2,973,105	$ 2,350,805	$ 236,485	$ 12,620,453
Additions	1,019,503	357,022	42,305	4,847	1,423,677
Disposals	(979,999)	(76,966)	(7,502)	-	(1,064,467)
Balance, end year	$ 7,099,562	$ 3,253,161	$ 2,385,608	$ 241,332	$ 12,979,663
Accumulated amortization:					
Balance, beginning of year	$ 4,252,585	$ 2,186,559	$ 1,296,180	$ 14,171	$ 7,749,495
Amortization	798,448	335,606	121,688	10,988	1,266,730
Disposals	(979,999)	(76,966)	(7,502)	-	(1,064,467)
Balance, end of year	$ 4,071,034	$ 2,445,199	$ 1,410,366	$ 25,159	$ 7,951,758
Net book value, end of year	$ 3,028,528	$ 807,962	$ 975,242	$ 216,173	$ 5,027,905

Amortization for the year amounted to $1,238,079. This amount is allocated as follows: $788,888 is recorded in resource materials expenses, and $449,191 is recorded in equipment expenses.

4. **Deferred revenue:**

The deferred revenues, reported on the statement of financial position, are made up of the following:

	2025	2024
Deferred capital grants	$ 597,021	$ 554,033

Continuity of deferred capital grants is as follows:

	2025	2024
Balance, beginning of year	$ 554,033	$ 528,737
Receipt of grant	287,675	390,329
Contributions realized as revenue	(244,687)	(365,033)
Balance, end of year	$ 597,021	$ 554,033

5. **Capital advance from Federal Government:**

On August 31, 2023, Kitchener Public Library ("KPL") entered into an agreement with the Federal Government to receive funding related to the construction of the new Southwest Community Library. The funding is provided to KPL to support the project; however, the construction and ownership of the facility are the responsibility of the City of Kitchener.

The balance represents the remaining cash advance received from the Federal Government that has not yet been applied against eligible construction costs incurred by the City of Kitchener. As KPL does not own or control the library facility, no building asset related to the Southwest Community Library is recorded in KPL's tangible capital assets.

The agreement with the Federal Government is set to end on March 31, 2026.

6. Capital funding:

The capital funding approved for 2025 includes $108,200 (2024 - $122,078) for general renovations and maintenance, $408,585 (2024 - $400,574) for technology and communication upgrades, $31,532 (2024 - $30,914) for accessibility upgrades and $61,550 (2024 - $60,343) for resources, furniture and equipment.

The portion of these grants and previous year grants that are included in revenue in 2025 is $1,149,304 (2024 - $1,058,310).

7. Special grants:

As directed by the funding agency or terms of any applicable agreements, expenditures are made to finance, in whole or in part, capital items, replacements and maintenance projects.

In 2025, the Board received various special non-recurring grants and donations totaling $287,675 (2024 - $390,329). The portion of these grants and previous year special grants that are included in revenue in 2025 is $244,687 (2024 - $365,033). The remainder is included in deferred revenue.

8. Pension plan:

The Board makes contributions to the OMERS, which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rate of pay.

During the year, the Board incurred expenses equal to $733,326 (2024 - $694,854) for current service on behalf of its staff.

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, based on actuarial liabilities of $151.4 billion and actuarial assets of $150 billion. Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements. As at December 31, 2025, the Board has no obligation under the past service provisions of the OMERS agreement.

9. Accumulated surplus:

The accumulated surplus consists of surplus and reserve funds as follows:

	2025	2024
Reserves set aside by the Board:		
Capital fund	$ 344,460	$ 344,460
HR fund	237,000	37,000
Inclusion fund	67,876	67,876
Stabilization fund	300,393	-
Total reserves	949,729	449,336
Investment in tangible capital assets	5,455,185	5,027,905
Accumulated surplus – unrestricted	102,270	99,064
Accumulated surplus	$ 6,507,184	$ 5,576,305

10. Financial risks and concentration of risk:

(a) Market risk:

Market risk is the risk that changes in market prices, foreign exchange rates or interest rates will affect the Board's surplus or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters.

(b) Credit risk:

Credit risk is the risk that counterparties fail to perform as contracted, resulting in a financial loss. The Board is exposed to credit risk with respect to its accounts receivable and cash. The Board assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Board at December 31, 2025 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts at December 31, 2025 is $Nil (2024 - $Nil).

10. Financial risks and concentration of risk (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Board will not be able to meet all cash outflow obligations as they come due. The Board mitigates this risk by monitoring cash activities and expected outflows.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

There have been no other significant changes from the previous period in the exposure to risk or policies, procedures and methods used to measure the risk.

Concentration of risk:

(a) Limited counterparties:

A substantial portion of the Board's revenue is derived from funding by the City. The loss of this relationship would have a significant impact on the Board's revenue.

11. Comparative information

Certain comparative information have been reclassified from those previously presented to conform to the presentation of the 2025 financial statements.

12. Future accounting standards:

The Board is in the process of assessing the impact of the upcoming new accounting standards and the extent of the impact of their adoption on its financial statements.

New accounting standards applicable for fiscal years beginning on or after April 1, 2026 (in effect for the Board as of January 1, 2027 for the year ending December 31, 2027). The following accounting standards must be implemented at the same time:

(a) New Public Sector Accounting Standards ("PSAS") Conceptual Framework:

This new model is a comprehensive set of concepts that underlie and support financial reporting.

The main changes are:

- Additional guidance to improve understanding and clarity.
- Non-substantive changes to terminology/definitions.
- Financial statement objectives foreshadow changes in the Reporting Model.
- Relocation of recognition exclusions to the Reporting Model.
- Consequential amendments throughout the Public Sector Accounting Handbook.
- The framework is expected to be implemented prospectively.

(b) Reporting Model - PS 1202 Financial Statement Presentation:

This reporting model provides guidance on how information should be presented in the financial statements and will replace PS 1201 Financial Statement Presentation. The model is expected to be implemented retroactively with restatement of prior year amounts.

KITCHENER PUBLIC LIBRARY

Schedules

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Schedule 1 - Personnel Costs		
Salaries	$ 8,464,728	$ 8,117,396
Pension benefits	1,174,667	1,102,850
Health benefits	606,961	615,621
Employment insurance	166,693	152,931
Sick leave	70,000	210,000
Staff training	76,665	59,892
WSIB	32,325	25,964
	$ 10,592,039	$ 10,284,654
Schedule 2 - Facilities Costs		
Facilities expenses	$ 808,215	$ 625,159
Main utilities	293,516	235,573
	$ 1,101,731	$ 860,732
Schedule 3 - Equipment		
Amortization	$ 448,995	$ 468,283
Technology	596,381	410,582
Equipment maintenance	18,572	19,660
	$ 1,063,948	$ 898,525
Schedule 4 - Administrative		
Professional services	$ 151,390	$ 227,830
General business expense	120,827	113,864
Stationery	50,893	53,146
Insurance	29,340	21,636
Telephone	25,778	24,214
Postage and delivery	7,941	4,773
Community Connections	100,982	-
	$ 487,151	$ 445,463
Schedule 5 - Programs and Publicity		
Public programs	$ 43,769	$ 33,563
Promotional expenses	49,086	28,343
Events	3,708	-
	$ 96,563	$ 61,906

Financial Statements of

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

And Independent Auditor's Report thereon

Year ended December 31, 2025

KPMG LLP
120 Victoria Street South
Suite 600
Kitchener, ON N2G 0E1
Canada
Telephone 519 747 8800
Fax 519 747 8811

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Kitchener Downtown Improvement Area Board of Management

Opinion

We have audited the financial statements of Kitchener Downtown Improvement Area Board of Management (the Entity), which comprise:

- the statement of financial position as at December 31, 2025
- the statement of revenue and expenses and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows 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 its results of operations, its changes in net financial assets and its 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 the 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

Kitchener, Canada

May 8, 2026

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Financial assets:		
Cash	$ 133,594	$ 265,270
Short term investments (note 2)	453,009	512,068
Accounts receivable	112,559	108,141
	699,162	885,479
Financial liabilities:		
Accounts payable and accrued liabilities	248,960	244,984
Due to the City of Kitchener (note 4)	36,405	67,659
	285,365	312,643
Net financial assets	413,797	572,836
Non-financial assets:		
Prepaid expenses	18,619	14,733
Tangible capital assets (note 5)	587,622	651,340
	606,241	666,073
Commitments (note 3)		
Accumulated surplus	$ 1,020,038	$ 1,238,909
Accumulated surplus:		
Reserve for rate stabilization	$ 50,000	$ 50,000
Accumulated net revenue	382,416	537,569
Invested in tangible capital assets	587,622	651,340
	$ 1,020,038	$ 1,238,909

See accompanying notes to financial statements.

On behalf of the Board:

______________________________ Director ______________________________ Director

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Revenue and Expenses and Accumulated Surplus

Year ended December 31, 2025, with comparative information for 2024

	2025 Budget	2025 Actual	2024 Actual
	(note 6)		
Revenue:			
Assessments	$ 1,895,230	$ 1,895,230	$ 1,816,000
Interest	-	11,937	17,962
Other income	-	30,049	126,275
	1,895,230	1,937,216	1,960,237
Expenses:			
Promotions and advertising	882,000	946,881	1,021,764
Salaries, wages and benefits	584,500	639,115	568,652
Administration	158,730	154,504	142,143
Meetings and seminars	25,000	13,772	11,310
Safety and beautification	245,000	271,338	112,205
Member relations	-	12,351	14,555
Amortization	-	81,721	77,404
	1,895,230	2,119,682	1,948,033
Net revenue before other items	-	(182,466)	12,204
Less:Net assessment write-offs (note 4)	-	36,405	67,659
Annual deficit	-	(218,871)	(55,455)
Accumulated surplus, beginning of year	1,238,909	1,238,909	1,294,364
Accumulated surplus, end of year	$ 1,238,909	$ 1,020,038	$ 1,238,909

See accompanying notes to financial statements.

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Changes in Net Financial Assets

Year ended December 31, 2025, with comparative information for 2024

	2024	2023
Annual deficit	$ (218,871)	$ (55,455)
Acquisition of tangible capital assets	(18,003)	(63,790)
Amortization of tangible capital assets	81,721	77,404
Change in prepaid expenses	(3,886)	1,599
Change in net financial assets	(159,039)	(40,242)
Net financial assets, beginning of year	572,836	613,078
Net financial assets, end of year	$ 413,797	$ 572,836

See accompanying notes to financial statements.

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Cash Flows

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operating activities:		
Annual deficit	$ (218,871)	$ (55,455)
Item not involving cash:		
Amortization	81,721	77,404
Changes in non-cash operating working capital:		
Accounts receivable	(4,418)	(49,618)
Prepaid expenses	(3,886)	1,599
Accounts payable and accrued liabilities	3,976	(506)
Due to the City of Kitchener	(31,254)	12,845
	(172,732)	(13,731)
Capital activities:		
Acquisition of tangible capital assets	(18,003)	(63,790)
Investing activities:		
Purchase of investments	(10,161)	(17,962)
Sale of investments	69,220	-
	59,059	(17,962)
Decrease in cash	(131,676)	(95,483)
Cash, beginning of year	265,270	360,753
Cash, end of year	$ 133,594	$ 265,270

See accompanying notes to financial statements.

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements

Year ended December 31, 2025

Nature of operations:

Kitchener Downtown Improvement Area Board of Management (the "Board") is established for the main purpose of revitalizing the Central Business District of the City of Kitchener. It is designated as a Business Improvement Area (BIA) through the Ontario Municipal Act and a City of Kitchener by-law enacted in 1977.

1. Significant accounting policies:

The financial statements of the Board are the representation of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgment.

(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 the tangible capital assets, excluding land and landfill sites, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Computers	4 years
Furniture and fixtures	7 years
Leasehold improvements	7 years
Event equipment	10 years
Patio equipment	5-12 years
Structures	5 years

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

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

1. **Significant accounting policies (continued):**

(b) Accrual basis of accounting:

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

(c) Revenue recognition:

Revenues are recognized as follows:

The Board Assessment revenue is recorded on an annual basis using the proportionate share of the total number of businesses for the year and an annually established rate per business. Revenue is recognized when assessed.

Other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.

(d) Use of estimates:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses. When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

As there were no remeasurement gains or losses, the statement of remeasurement gains and losses have been excluded from these financial statements.

2. Short term investments:

The short term investments consist of the following:

Guranteed investment certificate, maturing in April 2026 at interest rate of 2.25%	$	57,111
Investment saving account		395,898
	$	453,009

3. Commitments:

The Board executed a new lease agreement effective January 1, 2023. The lease expires on December 31, 2027. The Board is committed to the following minimum payments under the agreement:

2025	$	58,304
2026		64,325
2027		69,327

4. City of Kitchener:

The Board receives assessment income from the City of Kitchener for its operations. During the year, assessment write-offs were incurred for $36,405 (2024 - $67,659).

5. Tangible capital assets:

	Opening balance	Additions	Disposals/ transfers	Write-down	Balance, end of year	Accumulated amortization, beginning of year	Net book value, beginning of year	Deletions	Amortization	Accumulated amortization, end of year	Net book value, end of year
Computers	$ 48,037	$ 3,766	$ -	$ -	$ 51,803	$ 39,358	$ 8,679	$ -	$ 4,655	$ 44,013	$ 7,790
Furniture	67,870	-	-	-	67,870	67,090	780	-	206	67,296	574
leasehold improvements	3,498	-	-	-	3,498	3,498	-	-	-	3,498	-
Event equipment	111,965	14,237	-	-	126,202	52,640	59,325	-	9,927	62,567	63,635
Patio equipment	790,734	-	-	-	790,734	214,290	576,444	-	62,859	277,149	513,585
Structures	20,372	-	-	-	20,372	14,260	6,112	-	4,074	18,334	2,038
	$ 1,042,476	$ 18,003	$ -	$ -	$ 1,060,479	$ 391,136	$ 651,340	$ -	$ 81,721	$ 472,857	$ 587,622

6. Budget figures:

The budget figures shown in the financial statements were approved by the Board at a meeting on October 23, 2024.

7. Comparative information:

Certain comparative information has been reclassified from those previously presented to conform to the presentation of the 2025 financial statements.

Financial Statements of

BELMONT IMPROVEMENT AREA BOARD OF MANAGEMENT

And Independent Auditors' Report thereon

Year ended December 31, 2025

KPMG LLP
120 Victoria Street South
Suite 600
Kitchener, ON N2G 0E1
Canada
Telephone 519 747 8800
Fax 519 747 8811

INDEPENDENT AUDITOR'S REPORT

To the Members of Belmont Improvement Area Board of Management

Opinion

We have audited the financial statements of Belmont Improvement Area Board of Management (the Entity), which comprise:

- the statement of financial position as at December 31, 2025
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flow 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 its results of operations, its remeasurement of gains and losses, its changes in net debt and its 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 the 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

Kitchener, Canada

May 28, 2026

BELMONT IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Financial Position

As at December 31

		2025		2024
Financial assets				
Cash	**$**	**7,892**	$	19,091
Liabilities				
Accounts payable and accrued liabilities		**21,918**		10,170
Deferred revenue		**-**		7,404
		21,918		17,574
Net financial assets (debt)		**(14,026)**		1,517
Non-financial assets				
Tangible capital assets (Note 2)		**33,128**		40,391
Prepaid expenses		**2,182**		1,734
		35,310		42,125
Net assets		**21,284**		43,642
Accumulated surplus				
Accumulated net revenue (loss)		**(11,844)**		3,251
Invested in tangible capital assets		**33,128**		40,391
Total accumulated surplus	**$**	**21,284**	$	43,642

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

BELMONT IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Operations

For the Year Ended December 31

		2025		2024
Revenues				
Assessments	$	49,596	$	48,624
Grants		7,404		-
Other revenue		3,172		6,495
		60,172		55,119
Expenses				
Administration		9,367		9,881
Amortization		7,263		8,420
Events		6,543		11,459
Marketing		9,844		6,320
Repairs and maintenance		48,880		28,115
Streetscaping		633		1,819
		82,530		66,014
Annual deficit		(22,358)		(10,895)
Accumulated surplus, beginning of year		43,642		54,537
Accumulated surplus, end of year	$	21,284	$	43,642

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

BELMONT IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Change in Net Financial Assets (Debt)

For the Year Ended December 31

		2025		2024
Annual deficit	**$**	**(22,358)**	$	(10,895)
Amortization of tangible capital assets		**7,263**		8,420
Net change in prepaid expenses		**(448)**		(387)
Change in net financial assets (debt)		**(15,543)**		(2,862)
Net financial assets, beginning of year		**1,517**		4,379
Net financial assets (debt), end of year	**$**	**(14,026)**	$	1,517

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

BELMONT IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Cash Flow

For the Year Ended December 31

		2025		2024
Operating				
Annual deficit	$	(22,358)	$	(10,895)
Item not involving cash				
Amortization		7,263		8,420
Change in non-cash assets and liabilities				
Prepaid expenses		(448)		(387)
Accounts payable and accrued liabilities		11,748		5,544
Deferred revenue		(7,404)		-
Net change in cash from operating activities		(11,199)		2,682
Net change in cash		(11,199)		2,682
Cash, beginning of year		19,091		16,409
Cash, end of year	$	7,892	$	19,091

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

BELMONT IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements

For the Year Ended December 31

1. Summary of significant accounting policies

The financial statements of the Belmont Improvement Area Board of Management (the "Board") have been prepared by management in accordance with Canadian generally accepted accounting principles for local governments as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The following is a summary of the significant accounting policies followed in the preparation of these financial statements:

a. Accrual basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the 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.

b. Tangible capital assets

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

Assets	Amortization Period
Machinery & equipment	5 to 15 years
Computer hardware	2 years

Tangible capital assets received as contributions are recorded at their fair value at time of receipt and are recorded as revenue.

c. Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. These estimates and assumptions, including the valuation of tangible capital assets and their related useful lives and amortization are based on management’s best information and judgment and may differ significantly from future actual results.

d. Financial instruments

Financial instruments are recorded at fair value on initial recognition and subsequently recorded at cost or amortized cost. Amortized cost is determined using the effective interest method. As all financial instruments are recorded at cost or amortized cost, a statement of remeasurement gains and losses has not been included.

Financial assets measured at cost or amortized cost are assessed for indicators of impairment at each financial statement date. Impairment losses are recognized in the statement of operations.

The Board evaluates contractual obligations for the existence of embedded derivatives and separately measures the fair value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself.

2. Tangible capital assets

	Machinery & Equipment	Computer Hardware	Total
Cost			
Balance, beginning of year	$ 64,917	$ 5,989	$ 70,906
Additions	-	-	-
Balance, end of year	**64,917**	**5,989**	**70,906**
Accumulated amortization			
Balance, beginning of year	(25,685)	(4,830)	(30,515)
Amortization expense	(6,104)	(1,159)	(7,263)
Balance, end of year	**(31,789)**	**(5,989)**	**(37,778)**
Net book value, end of year	**33,128**	**-**	**33,128**
Net book value, beginning of year	**$ 39,232**	**$ 1,159**	**$ 40,391**

3. Financial instruments

The Board is exposed to various risks through its financial instruments and continues to monitor, evaluate, and manage these risks. The following analysis provides information about the Board’s risk exposure and concentration as at December 31, 2025.

a. 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 Board is exposed to credit risk from its cash balance. The Board manages its exposure to this risk by maintaining its funds in a creditworthy financial institution.

b. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Board is exposed to liquidity risk from its accounts payable and accrued liabilities. The Board manages its exposure to this risk through monitoring cash flows in order to maintain sufficient funds for meeting obligations as they come due.

Concentration of risk

a. Limited counterparties

A substantial portion of the Board’s revenue is derived from funding by the City of Kitchener. The loss of this relationship would have a significant impact on the Board’s revenue.

Financial Statements of

THE CORPORATION OF THE CITY OF KITCHENER GASWORKS ENTERPRISE

And Independent Auditor’s Report thereon

Year ended December 31, 2025

KPMG LLP
120 Victoria Street South
Suite 600
Kitchener, ON N2G 0E1
Canada
Telephone 519 747 8800
Fax 519 747 8811

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the statement of operations and accumulated surplus for the year ended December 31, 2025 of the Corporation of the City of Kitchener Gasworks Enterprise (the Entity) (Hereinafter referred to as the "financial statement").

In our opinion, the accompanying financial statement presents fairly, in all material respects, the statement of operations and accumulated surplus for the year ended December 31, 2025 in accordance with Canadian public sector accounting standards relevant to preparing such a financial statement.

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 the 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

Kitchener, Canada

June 30, 2026

THE CORPORATION OF THE CITY OF KITCHENER
GASWORKS ENTERPRISE

Statement of Operations and Accumulated Surplus

For the Year Ended December 31

	2025 Budget	2025 Actual	2024 Actual
DELIVERY OPERATIONS			
Gas delivery			
Revenue	$ 51,018,347	$ 53,735,556	$ 48,533,020
Expenses	31,251,641	31,327,315	28,295,791
	19,766,706	22,408,241	20,237,229
Other programs			
(Dispatch and rental water heaters)			
Revenue	15,324,530	15,627,522	15,428,075
Expenses	11,674,633	11,318,637	11,322,728
	3,649,897	4,308,885	4,105,347
Excess of revenue over expenses	23,416,603	26,717,126	24,342,576
Accumulated surplus - Delivery			
Balance, beginning of year	155,100,542	155,100,542	146,473,386
Interest revenue	267,617	188,407	131,506
Transfer to gas investment reserve	(15,846,926)	(15,846,926)	(15,846,926)
Excess of revenue over expenses	23,416,603	26,717,126	24,342,576
Balance, end of year	162,937,836	166,159,149	155,100,542
SUPPLY OPERATIONS			
Revenue	33,367,364	37,697,907	29,479,973
Expenses	34,837,057	39,444,775	32,442,217
Excess/(deficiency) of revenue over expenses	(1,469,693)	(1,746,868)	(2,962,244)
Accumulated surplus - Supply			
Balance, beginning of year	5,649,349	5,649,349	8,148,005
Interest revenue	308,334	217,073	463,588
Excess/(deficiency) of revenue over expenses	(1,469,693)	(1,746,868)	(2,962,244)
Balance, end of year	$ 4,487,990	$ 4,119,554	$ 5,649,349

Financial Statements of

Enova Energy Corporation

(Consolidated)

Year ended December 31, 2025
(Expressed in thousands of dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Enova Energy Corporation

Opinion

We have audited the consolidated financial statements of Enova Energy Corporation (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2025
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in 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 material 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 financial performance and its consolidated cash flows for the year then ended in accordance with IFRS 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 IFRS 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 the 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

Kitchener, Canada

April 17, 2026

ENOVA ENERGY CORPORATION

Consolidated Statement of Financial Position

As at December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

	Note		December 31, 2025		December 31, 2024
ASSETS					
Current					
Cash		$	3,385	$	-
Accounts receivable	*4*		44,275		42,776
Unbilled revenue			40,865		35,911
Income Tax Receivable			-		509
Inventories			10,459		8,322
Prepaid expenses			2,360		2,146
Current portion of lease receivables			108		106
Total current assets		**$**	**101,452**	**$**	**89,770**
Non-current assets					
Derivative asset			244		248
Property, plant and equipment	*5*		648,802		622,695
Intangible assets	*6*		24,481		19,148
Goodwill	*7*		140,077		140,077
Long term portion of lease receivables			561		574
Deferred tax asset	*8*		1,160		1,697
Investments in subsidiaries	*15*		-		436
Notes receivable			370		-
Total non-current assets		**$**	**815,695**	**$**	**784,875**
Total assets			917,147		874,645
Regulatory deferral account debit balances	*9*		53,564		56,972
Total assets and regulatory deferral account debit balances		**$**	**970,711**	**$**	**931,617**

ENOVA ENERGY CORPORATION

Consolidated Statement of Financial Position

As at December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

	Note	**December 31, 2025**	**December 31, 2024**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Bank overdraft		$ -	$ 13,770
Accounts payable and accrued liabilities		62,426	56,498
Demand loan payable	*10*	161,466	9,176
Current portion of lease liabilities	*17*	98	97
Income tax payable		933	-
Current portion of deferred revenue	*15*	2,744	2,527
Current portion of customer deposits	*13*	13,364	14,751
Total current liabilities		**$ 241,031**	**$ 96,819**
Long-term			
Notes payable to shareholders	*11*	110,254	110,254
Long-term bank debt	*10*	-	120,000
Long-term notes payable		-	200
Long term portion of customer deposits	*13*	6,710	7,623
Long term portion of lease liabilities	*17*	602	664
Deferred revenue	*15*	93,457	87,288
Employee future benefits	*12*	9,261	8,097
Deferred tax liability	*8*	33,296	31,150
Total long-term liabilities		**$ 253,580**	**$ 365,276**
Total liabilities		494,611	462,095
Shareholders' equity			
Share capital	*14*	326,248	326,248
Retained earnings		131,669	126,510
Accumulated other comprehensive income (loss)	*12*	657	1,289
Total shareholders' equity		**$ 458,574**	**$ 454,047**
Total liabilities and shareholders' equity		**$ 953,185**	**$ 916,142**
Regulatory deferral account credit balances	*9*	5,522	4,311
Deferred taxes associated with regulatory accounts	*8*	12,004	11,164
Total equity, liabilities and regulatory deferral account credit balances		**$ 970,711**	**$ 931,617**

Subsequent Event 10

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

2025 Signatures:

On behalf of the Board:

Rosa Lupo, Chair ***Tim Martin, Vice-Chair***

ENOVA ENERGY CORPORATION

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

	Note		2025		2024
REVENUES					
Energy sales	15	$	435,077	$	404,551
Cost of energy sold			427,015		413,302
			8,062		(8,751)
Other operating revenue					
Distribution revenue	15		97,166		103,675
Other income	15		8,419		8,035
Net operating revenue		**$**	**113,647**	**$**	**102,959**
EXPENSES					
Operations and maintenance			22,172		21,919
Customer services			9,089		9,063
Administration			18,519		19,443
Amortization	5		25,353		25,279
			75,133		75,704
Other					
Energy conservation program revenue			(134)		(117)
Energy conservation program expense			120		168
Net energy conservation programs			**(14)**		**51**
Finance income	16		(449)		(425)
Finance charges	16		10,227		12,155
Unrealized loss (gain) on derivative			4		147
Net finance costs			**9,782**		**11,877**
Income before income taxes		**$**	**28,746**	**$**	**15,327**
Income tax expense	8		6,051		3,466
Income for the period before movements in regulatory deferral account balances and other comprehensive income		**$**	**22,695**	**$**	**11,861**
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement	9		(5,459)		2,205
Other comprehensive income (loss), net of taxes	12		(632)		(18)
Non-controlling interest					-
Net comprehensive income for the period		**$**	**16,604**	**$**	**14,048**

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

ENOVA ENERGY CORPORATION

Consolidated Statement of Changes in Equity

For the year ended December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

	Note	Share Capital	Non-Controlling Interest	Accumulated Other Comprehensive Income (loss)	Retained Earnings	Total
Balance at December 31, 2023		**$ 326,248**	**$ 842**	**$ 1,307**	**$ 123,725**	**$ 452,122**
Net income and net movement in regulatory balances		-	-	(18)	14,066	**14,048**
Non-controlling interest		-	(842)	-	290	**(552)**
Dividends paid	*14*	-	-	-	(11,571)	**(11,571)**
Balance at December 31, 2024		**$ 326,248**	**$ -**	**$ 1,289**	**$ 126,510**	**$ 454,047**
Net income and net movement in regulatory balances		-	-	(632)	17,236	**16,604**
Dividends paid	*14*	-	-		(12,077)	**(12,077)**
Balance at December 31, 2025		**$ 326,248**	**$ -**	**$ 657**	**$ 131,669**	**$ 458,574**

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

ENOVA ENERGY CORPORATION

Consolidated Statement of Cash Flows

For the year ended December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

	Note		**2025**		**2024**
OPERATING ACTIVITIES					
Net income			16,604	$	14,048
Add (deduct) charges to operations not requiring a current cash payment:					
Amortization	*5*		26,786		26,853
Amortization of deferred revenue	*15*		(2,633)		(2,447)
Loss on sale of investment	*15*		100		
Gain on disposal of property, plant and equipment	*15*		(120)		(308)
Income tax expense	*8*		6,051		3,466
Income tax expense included in OCI			(228)		(7)
Net interest (revenue) expense on lease liabilities/ receivables			(30)		(47)
Change in investments in subsidiaries	*15*		(58)		(64)
Decrease/ (Increase) in employee future benefits liability	*12*		1,164		(10)
Unrealized gain on derivatives			4		147
			47,640		41,631
Net change in non-cash operating working capital					
Accounts receivable			(1,499)		(4,968)
Unbilled revenue			(4,954)		(2,434)
Inventories			(2,137)		432
Income taxes paid			(1,698)		(1,450)
Prepaid expenses			(214)		(74)
Accounts payable and accrued liabilities			5,928		7,969
Regulatory deferral account debit balances			3,408		(6,334)
Regulatory deferral account credit balances			2,051		4,129
Cash provided by operating activities		**$**	**48,525**	**$**	**38,901**
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	*5*		(50,655)		(48,867)
Purchase of intangible assets	*6*		(7,571)		(4,785)
Proceeds from sale of investment	*15*		394		-
Proceeds on disposal of property, plant and equipment			120		424
Cash used in investing activities		**$**	**(57,712)**	**$**	**(53,228)**
FINANCING ACTIVITIES					
Proceeds from settlement of derivatives			-		-
Net change in customer deposits			(2,300)		(1,001)
Increase in demand loan payable	*10*		2,000		1,500
Increase/ (Repayment) of short-term debt	*10*		90		(469)
Increase/ (Repayment) of long-term debt	*10*		30,000		10,000
Issuance of notes receivable			(370)		-
Dividends paid	*14*		(12,077)		(11,571)
Capital contributions received	*15*		9,019		6,489
(Payment)/ receipt of principal on lease assets / liabilities			(50)		(22)
Net receipt (payment) of interest on lease assets / liabilities			30		47
Cash provided by financing activities		**$**	**26,342**	**$**	**4,973**
Net cash used during period			**17,155**		**(9,354)**
Cash and cash equivalents (bank overdraft), beginning of period			(13,770)		(4,416)
Cash/ (Bank overdraft), end of period		**$**	**3,385**	**$**	**(13,770)**

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

ENOVA ENERGY CORPORATION

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

1. Reporting Entity

Enova Energy Corporation ("the Corporation") is wholly owned by the Cities of Kitchener and Waterloo, and the Townships of Wellesley, Wilmot and Woolwich. The Corporation oversees the operations of Enova Power Corp. ("EPC"), a regulated distribution company, and Enova Energy Services Inc. ("EESI"), an unregulated retail services company, and Alliance Metering Solutions Inc. ("AMS"), a submetering service provider, and Grand River Energy Solutions Corp. ("GRE"), a generation and renewable energy solutions company.

The Corporation is located in the Regional Municipality of Waterloo. The address of the Corporation's registered head office is 301 Victoria Street South, Kitchener, Ontario, Canada.

The financial statements are for the Corporation as at and for the period ended December 31, 2025.

2. Basis of Presentation

(a) Statement of compliance

The Corporation's financial statements have been prepared following IFRS Accounting Standards ("IFRS").

The financial statements were approved by the Board of Directors of the Corporation on April 10, 2026.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

(i) Where held, financial instruments at fair value through profit or loss, including those held for trading, are measured at fair value.

(ii) Contributed assets are initially measured at fair value.

The methods used to measure fair values are discussed further in Note 22.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

2. Basis of Presentation (continued)

(d) Use of estimates and judgments (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about judgments made in applying accounting policies that have the most material effect on the amounts recognized in these financial statements is included in the following notes:

(i) Note 3(b) – Revenue Recognition – determination of the performance obligation for contributions from customers and the related amortization period
(ii) Note 3(d) – Capital assets (Property, plant and equipment) – determination of the useful life of assets and the related amortization period
(iii) Note 12 – Employee future benefits – determination of discount rate, benefit cost increase trends and sick time utilization
(iv) Note 18 – Commitments and contingencies – determination of the likelihood of loss realization and estimate of present value of anticipated losses

Management has classified the shareholder debentures as non-current liabilities based on the requirement that at least twelve months' notice must be provided prior to demand for repayment. Management has determined that it has the right to defer settlement for more than twelve months as at the reporting date. Revenue recognition for electricity sales involves estimates of customer consumption for the period between meter readings. Management applies judgment in estimating unbilled revenue and believes that it is highly probable that a significant reversal of recognized revenue will not occur.

(e) Rate regulation

The Corporation is regulated by the Ontario Energy Board ("OEB"), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies ("LDCs"), such as the Corporation, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

Rate setting

Distribution revenue

For the distribution revenue included in electricity sales, the Corporation files a "Cost of Service" ("COS") rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenses, debt and shareholder's equity required to support the Corporation's business. The Corporation estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each

2. Basis of Presentation (continued)

(e) Rate regulation (continued)

customer class. The COS application is reviewed by the OEB and intervenors. Rates are approved based on this review including any required revisions.

In the intervening years, an Incentive Rate Mechanismapplication ("IRM") is filed. An IRM application results in a formulaic adjustment to distribution rates set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand ("GDP IPI-FDD") net of a "stretch factor" determined by the relative efficiency of an electricity distributor.

As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, under regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

In February 2022, KWHI and WNHI filed a Mergers, Acquisitions, Amalgamations and Divestitures ("MAADs") application (the "MAADs Application") with the OEB under the Handbook to Electricity Distributor and Transmitter Consolidation (the "MAADs Handbook") seeking approval for the Amalgamation Transaction. The MAADs Application included a request for OEB approval for the continuation of regulated rates and charges of the predecessor LDCs of the Corporation.

On June 28, 2022, the OEB issued its Decision and Order in respect of the MAADs Application. The OEB granted the requested approvals and also approved a rebasing deferral period of 10 years, under which the Corporation will operate individual "rate zones" (based on the continuing rates and underlying cost structures of the predecessor LDCs).

As provided within the OEB Report of the Board: Rate-Making Associated with Distributor Consolidation, the rate zones of the Corporation will continue on the Price Cap IR method. At its option, ENOVA ENERGY CORPORATION is permitted to apply for: (a) inflationary increases to rates, adjusted for an efficiency factor; and (b) ICM rate adjustments that provide financing and recovery of incremental discrete capital projects.

The predecessor utilities to the Corporation filed separate applications for the approval of electricity distribution rates as follows:

- KWHI filed an annual Cost of Service Application with the OEB on April 30, 2019 for distribution rates effective January 1, 2020 to December 31, 2020.
- WNHI filed an annual Cost of Service Application with the OEB on June 30, 2020 for distribution rates effective January 1, 2021 to December 31, 2021.

In 2024, the Corporation filed its joint 2025 IRM application requesting new rates effective January 1, 2025. The application also included requests for recovery of the latest flowthrough retail service and transmission rates, disposition of Group 1 Deferral and Variance accounts and other regulatory balances. On December 17, 2024, the OEB issued its Decision and Order approving the annual

2. Basis of Presentation (continued)

(e) Rate regulation (continued)

adjustment of 3.30% and disposition of deferral and variance accounts as requested, effective January 1, 2025.

In 2025, the Corporation filed its joint 2026 IRM application requesting new rates ef fective January 1, 2026. The application also included requests for recovery of the latest f lowthrough retail service and transmission rates, disposition of Group 1 Deferral and Variance accounts and other regulatory balances. On December 17, 2025, the OEB issued its Decision and Order approving the annual adjustment of 3.40% and disposition of def erral and variance accounts as requested, effective January 1, 2026.

Electricity rates

The OEB sets electricity prices for low-volume consumers based on an estimate of how much it will cost to supply the province with electricity for the next year. All low-volume customers without a contract with an energy retailer are charged the OEB-mandated rate for electricity. If a customer (regardless of volume) has a retailer agreement, then retailer rates are charged instead. All remaining consumers pay the market price for electricity. The Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a markup.

3. Material Accounting Policies

The accounting policies set out below have been applied consistently in all periods presented in these f inancial statements, except where otherwise described in Note 24 – Changes in Accounting Policies.

(a) Basis of Consolidation

These consolidated f inancial statements include the accounts of the Corporation and its wholly owned subsidiaries: (i) EPC; (ii) EESI; (iii) AMS, and (iv) GRE. The Corporation’s investment in Eyedro is accounted for in the consolidated f inancial statements using the equity method of accounting.

Subsidiaries are entities controlled by the Corporation. The f inancial statements of the subsidiaries are included in these consolidated financial statements from the date on which control commences until the date on which control ceases.

Associates are investments over which the Corporation has significant influence. Significant influence is the power to participate in the f inancial and operating policy decisions of the investee. Equity accounting involves recording the investment in associates initially at cost, and adjusting the carrying value of the investment from the date of acquisition based on the Corporation’s share of the profit or loss of the associates included in the consolidated income statement.

All significant inter-company accounts and transactions have been eliminated.

(b) Financial instruments

At initial recognition, the Corporation measures its financial assets at fair value. In the case of a f inancial asset not at fair value through profit or loss, transaction costs that are directly attributable

3. Material Accounting Policies (continued)

(b) Financial instruments (continued)

to the acquisition of the financial asset are included in the initial measurement. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement of the financial asset depends on the classification determined on initial recognition. Financial assets are classified as either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified after their initial recognition unless the Corporation changes its business model for managing financial assets.

Financial liabilities are initially measured at fair value, net of transaction costs incurred. They are subsequently carried at amortized cost using the effective interest rate method; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as an adjustment to interest expense over the period of the borrowings.

(c) Revenue recognition

Sale and distribution of electricity

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined based on cyclical meter readings plus estimated customer usage from the last meter reading date to the end of the period and represents the amount that the Corporation has the right to bill. Revenue includes the cost of electricity supply, distribution, and any other regulatory charges. The related cost of power is recorded based on power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Capital contributions

Developers are required to contribute towards the capital cost of construction of distribution assets to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions, received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Certain customers are also required to contribute towards the capital cost of construction of distribution assets to provide ongoing service. These contributions fall within the scope of IFRS 15 *Revenue from Contracts with Customers*. The contributions are received to obtain a connection to

3. Material Accounting Policies (continued)

(c) Revenue recognition (continued)

the distribution system to receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the lif eof the relationship withthe customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful lif e of the related asset.

Other revenue

Revenue earned f rom the provision of services is recognized as the service is rendered. Government grants and the related performance incentive payments under CDM programs are recognized as revenue in the period when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

Contract balances

Contract assets primarily relate to unbilled revenue arising from satisfied performance obligations for which the Company does not yet have an unconditional right to consideration. Due to the timing of billing cycles, these balances are typically owed and collected in full in during the following year, with the new balance representing balances earned in the previous month. Contract liabilities primarily relate to deferred revenue representing capital contributions received f rom customers that are recognized as revenue over time as the related obligations are satisfied.

(d) Inventory

Inventories consist of repair parts, supplies, and materials held for future capital expansion and are valued at lower of weighted average cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

(e) Property, Plant and Equipment

Property, plant and equipment (“PP&E”) are measured at cost, or, where the item is transferred from customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

When parts of an item of PP&E have different useful lives, they are accounted for and depreciated as separate items (major components) of PP&E.

Gains and losses on the disposal of an item of PP&E are determined by comparing the proceeds f rom disposal, if any, with the carrying amount of the item of PP&E and are recognized net within other income in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

(Expressed in thousands of dollars)

3. Material Accounting Policies (continued)

(e) Property, Plant and Equipment (continued)

Depreciation is calculated on the cost basis of the asset and is recognized in profit or loss on a straight-line basis over the estimated useful life of each part or component of an item of PP&E. Land and land rights are not depreciated. Construction-in-progress assets are not depreciated until the projects are complete and in service. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate.

The estimated useful lives are as follows:

Buildings	20-50 years
Transformer and substation equipment	15-50 years
Supervisory control and data acquisition (SCADA) equipment	15 years
Distribution system	25-60 years
Meters	15-25 years
General equipment	3-10 years

(f) Intangible assets

(i) Computer Software

Computer software that is acquired or developed by the Corporation, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

(ii) Land Rights

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access, and right of use over land for which the Co rporation does not hold title and are not amortized. Land rights are measured at cost less accumulated amortization and accumulated impairment losses.

(iii) Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, f rom the date that they are available for use. The estimated useful lives are:

Computer software	3-10 years
Land rights	100 years

Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate.

(g) Goodwill

Goodwill arising on the acquisition of subsidiaries or on amalgamation is measured at cost and not amortized.

3. Material Accounting Policies (continued)

(h) Impairment

(i) Financial assets measured at amortized cost:

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for the asset.

(ii) Non-financial assets:

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indicationexists, then the asset's recoverable amount is estimated. Goodwill and intangible assets with indefinite lives are tested annually for impairment and when circumstances indicate that the carrying value may be impaired.

For impairment testing, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses relating to CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs and then to reduce the carrying amounts of the other assets in the CGUs on a pro-rata basis.

(i) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(j) Regulatory deferral accounts

Regulatory deferral account debit balances represent costs incurred over amounts billed to the customer at OEB-approved rates. These amounts have been accumulated and deferred in anticipation of their future recovery in electricity distribution rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB-approved rates over costs incurred by the Corporation.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in profit and loss. The debit balance

3. Material Accounting Policies (continued)

(j) Regulatory deferral accounts (continued)

is reduced by the amount of customer billings as electricity is delivered to the customer and the customer is billed at rates approved by the OEB for the recovery of the capitalized costs.

Regulatory deferral account credit balances are recognized if it is probable that future billings in an amount at least equal to the credit balance will be reduced as a result of rate-making activities. The offsetting amount is recognized in profit and loss. The credit balance is reduced by the amounts returned to customers as electricity is delivered to the customer at rates approved by the OEB for the return of the regulatory account credit balance.

The probability of recovery or repayment of the regulatory account balances is assessed annually based on the likelihood that the OEB will approve the change in rates to recover or repay the balance. Any resulting impairment loss is recognized in profit and loss in the period incurred.

Regulatory deferral accounts attract interest at OEB-prescribed rates. Except for the regulatory deferral account for Pension and Other Future benefits (OPEBs), from January to March 2025 the rate was 3.64%, from April to June the rate was 3.16% and from July to December the rate was 2.91%.

The interest rate for the regulatory OPEB account from January to December 2025 was 4.23%.

(k) Employee future benefits

(i) Pension Plan

The Corporation provides a pension plan for its employees through the Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund (the "Fund") and provides pensions for employees of Ontario municipalities, local boards, public utilities, and school boards. To the extent that the Fund finds itself in an underfunded position, additional contribution rates may be assessed to participating employers and members.

The Fund is a contributory defined benefit pension plan, which is financed by equalcontributions from participating employers and employees and by the investment earnings of the Fund (note 20). The Corporation recognizes the expense related to this plan as contributions are made.

(ii) Future Benefits, other than pension

Future benefits provided by the Corporation include health, dental, and life insurance benefits. These plans provide benefits for some of its retired employees. Future benefit expense is recognized in the period in which the employees render the services.

Future benefits are recorded on an accrualbasis. The accrued benefit obligations and current service cost are calculated using the projected benefits method pro -rated on service and based on assumptions that reflect management's best estimate. The current service cost for a period is equal to the actuarial present value of benefits attributed to employees' services rendered in the period. Gains and losses are recognized in the current period. Actuarial gains and losses arising from defined benefit plans are recognized immediately in other comprehensive income and reported in accumulated other comprehensive income.

3. Material Accounting Policies (continued)

(k) Employee future benefits (continued)

The future health, dental, and lif e insurance benefits were provided to retired employees of KWHI and WNHI as separate entities and as such, are not identical offerings. These plans have been maintained in their original offerings.

(l) Deferred revenue and assets transferred from customers

Certain customers and developers are required to contribute towards the capital cost of construction to provide ongoing service. When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as deferred revenue. Deferred revenue represents the Corporation's obligation to continue to provide customers access to the supply of electricity and is amortized to income on a straight-line basis over the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

(m) Leased assets

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method f rom the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of a right-of-use asset is determined on the same basis as those for property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

(n) Interest income and interest costs

Interest income is recognized as it accrues in profit or loss, using the effective interest method. Interest income comprises interest earned on cash and cash equivalents, and on regulatory assets.

Interest costs comprise interest expense on borrowings, f inance lease obligations, customer deposits and regulatory liabilities, and unwinding of the discount on provisions and impairment losses on f inancial assets. Interest costs are recognized as an expense unless they are capitalized as part of the cost of qualifying assets.

(o) Corporate Income taxes

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

3. Material Accounting Policies (continued)

(k) Corporate income taxes (continued)

The current tax-exempt status of the Corporation under the Income Tax Act (Canada) and the Companies Tax Act (Ontario) reflects the fact that the Corporation is wholly owned by municipalities. This tax-exempt status might be lost in a number of circumstances, including if the shareholder (municipalities) ceases to own 90% or more of the shares or capital of the Corporation, or if a non-government entity has rights immediately or in the future, either absolutely or contingently, to acquire more than 10% of the shares of the Corporation.

Commencing October 1, 2001, the Corporation is required, under the Electricity Act, 1998, to make payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation. These payments are calculated under the rules for computing income and other relevant amounts contained in the Income Tax Act (Canada) and the Companies Tax Act (Ontario) as modified by the Electricity Act, 1998 and related regulations.

As a result of becoming subject to payments in lieu of corporate income taxes (“PILs”), the Corporation’s taxation period was deemed to have ended immediately beforehand, and a new taxation period was deemed to have commenced immediately thereafter. The Corporation was therefore deemed to have disposed of each of its assets at its then fair market value and to have reacquired such assets at that same amount for purposes of computing its future income subject to PILs. For purposes of certain provisions, the Corporation was deemed to be a new company and, as a result, tax credits or tax losses not previously utilized by the Corporation would not be available to it after the change in tax status. Essentially, the Corporation was taxed as though it had a “fresh start” at the time of its change in tax status.

Current tax is the tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognized using the balance sheet method. Under this method, deferred income taxes ref lect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future periods that are likely to be realized. Deferred tax assets and liabilities are measured using enacted or substantively enacted rates, at the reporting date, expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

(Expressed in thousands of dollars)

4. Accounts Receivable

		December 31, 2025		December 31, 2024
Trade receivables	$	35,006	$	37,241
IESO receivable		134		-
Miscellaneous receivables		5,248		3,234
Allowance for bad debt		(713)		(800)
Other		4,600		3,101
Total Accounts Receivable	**$**	**44,275**	**$**	**42,776**

5. Property, Plant and Equipment

(a) Cost or deemed cost

		Distribution Equipment		Land & Building		Other Fixed Assets		Construction in Progress		Right-of-use assets		Total
Balance at January 1, 2025	$	639,355	$	54,506	$	23,928	$	10,769	$	1,456	$	730,014
Additions		41,003		691		2,774		6,187		-		50,655
Disposals / retirements		(1,426)		(9)		(2,108)		-		-		(3,543)
Balance at December 31, 2025	**$**	**678,932**	**$**	**55,188**	**$**	**24,594**	**$**	**16,956**	**$**	**1,456**	**$**	**777,126**

		Distribution Equipment		Land & Building		Other Fixed Assets		Construction in Progress		Right-of-use assets		Total
Balance at January 1, 2024	$	606,128	$	53,714	$	22,423	$	11,110	$	1,417	**$**	**694,792**
Additions		44,548		821		3,839		(341)		-		**48,867**
Disposals / retirements		(11,321)		(29)		(2,334)		-		39		**(13,645)**
Balance at December 31, 2024	**$**	**639,355**	**$**	**54,506**	**$**	**23,928**	**$**	**10,769**	**$**	**1,456**	**$**	**730,014**

(b) Accumulated depreciation

		Distribution		Land &		Other Fixed Assets		Construction in Progress		Right-of-use Assets		Total
Balance at January 1, 2024	$	92,820	$	8,333	$	5,872	$	-	$	294	$	107,319
Depreciation charge		19,431		1,621		3,440		-		56		24,548
Disposals / retirements		(1,426)		(9)		(2,108)		-		-		(3,543)
Balance at December 31, 2025	**$**	**110,825**	**$**	**9,945**	**$**	**7,204**	**$**	**-**	**$**	**350**	**$**	**128,324**

		Distribution Equipment		Land & Building		Other Fixed Assets		Construction in Progress		Right-of-use Assets		Total
Balance at January 1, 2023	$	84,769	$	6,756	$	4,944	$	-	$	171	**$**	**96,640**
Depreciation charge		19,372		1,606		3,146		-		123		**24,247**
Disposals / retirements		(11,321)		(29)		(2,218)		-		-		**(13,568)**
Balance at December 31, 2024	**$**	**92,820**	**$**	**8,333**	**$**	**5,872**	**$**	**-**	**$**	**294**	**$**	**107,319**

(c) Carrying amounts

		Distribution Equipment		Land & Building		Other Fixed Assets		Construction in Progress		Right-of-use Assets		Total
At December 31, 2025	$	568,107	$	45,243	$	17,390	$	16,956	$	1,106	**$**	**648,802**
At December 31, 2024	$	546,535	$	46,173	$	18,056	$	10,769	$	1,162	**$**	**622,695**

(Expressed in thousands of dollars)

5. Property, Plant and Equipment (continued)

(d) Security

At December 31, 2025, the Corporation had zero properties subject to a general security agreement.

(e) Borrowing costs

During the period, borrowing costs of $ nil were capitalized as part of the cost of property, plant and equipment.

(f) Allocation of depreciation and amortization

The depreciation of property, plant and equipment and the amortization of intangible assets have been allocated to profit or loss as follows:

	Operations and maintenance expense	Customer services expense	General and administration expense	Amortization	Total
December 31, 2025:					
Depreciation of property, plant and equipment	$ 1,427	$ -	$ 6	$ 23,115	**$ 24,548**
Amortization of intangible assets	-	-	-	2,238	**2,238**
	$ 1,427	**$ -**	**$ 6**	**$ 25,353**	**$ 26,786**
December 31, 2024:					
Depreciation of property, plant and equipment	$ 1,568	$ -	$ 6	$ 22,673	**$ 24,247**
Amortization of intangible assets	-	-	-	2,606	**2,606**
	$ 1,568	**$ -**	**$ 6**	**$ 25,279**	**$ 26,853**

(Expressed in thousands of dollars)

6. Intangible Assets

(a) Cost or deemed cost

	Computer Software	Land Rights	FIT Contracts	Work in Progress	Total
Balance at January 1, 2025	$ 16,622	$ 1,320	$ 3,906	$ 3,898	**$ 25,746**
Additions	1,496	25	6,050	-	**7,571**
Disposals / retirements	(933)	-	-	-	**(933)**
Balance at December 31, 2025	**$ 17,185**	**$ 1,345**	**$ 9,956**	**$ 3,898**	**$ 32,384**

	Computer Software	Land Rights	FIT Contracts	Work in Progress	Total
Balance at January 1, 2024	$ 16,080	$ 1,303	$ 3,906	$ 252	**$ 21,541**
Additions	1,122	17	-	3,646	**4,785**
Disposals / retirements	(580)	-	-	-	**(580)**
Balance at December 31, 2024	**$ 16,622**	**$ 1,320**	**$ 3,906**	**$ 3,898**	**$ 25,746**

(b) Accumulated amortization

	Computer Software	Land Rights	FIT Contracts	Work in Progress	Total
Balance at January 1, 2025	$ 5,840	$ 8	$ 750	$ -	$ 6,598
Amortization charge	2,238	-	-	-	2,238
Disposal/retirements	(933)	-	-	-	(933)
Balance at December 31, 2025	**$ 7,145**	**$ 8**	**$ 750**	**$ -**	**$ 7,903**

	Computer Software	Land Rights	FIT Contracts	Work in Progress	Total
Balance at January 1, 2024	$ 4,135	$ 8	$ 429	$ -	$ 4,572
Amortization charge	2,285	-	321	-	2,606
Disposal/retirements	(580)	-	-	-	(580)
Balance at December 31, 2024	**$ 5,840**	**$ 8**	**$ 750**	**$ -**	**$ 6,598**

(c) Carrying amounts

	Computer Software	Land Rights	FIT Contracts	Work in Progress	Total
At December 31, 2025	$ 10,040	$ 1,337	$ 9,206	$ 3,898	**$ 24,481**
At December 31, 2024	$ 10,782	$ 1,312	$ 3,156	$ 3,898	**$ 19,148**

7. Goodwill

Goodwill of $140,077 (2024 – $140,077) is allocated in its entirety to the Corporation's subsidiary Enova Power Company's Waterloo North Rate Zone ("WNRZ") cash-generating unit ("CGU"), which represents the lowest level at which goodwill is monitored for internal management purposes.

The subsidiary performs an annual impairment test of goodwill as at December 31, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. The impairment test compares the carrying amount of the CGU, including goodwill, with its recoverable amount.

The recoverable amount of the CGU has been determined based on a value-in-use calculation. The value-in-use model is based on projected cash flows derived from management-approved budgets and forecasts covering a five-year period. Cash flows beyond the forecast period are extrapolated using a terminal growth rate.

The key assumptions used in the value-in-use calculation are as follows:

Pre-tax discount rate: 5.57% (2024 – 4.93%)

Terminal enterprise value as a multiple of rate base: 1.37x (2024 – 1.37x)

Forecast period: five years

The discount rate reflects management's assessment of the time value of money and the risks specific to the CGU. The terminal multiple rate does not exceed the long -term average growth rate for the electricity distribution industry in which the subsidiary operates.

Management believes that the assumptions used in the impairment assessment are reasonable and consistent with external sources of information and historical performance.

As at December 31, 2025, the recoverable amount of the CGU exceeded its carrying amount. No impairment loss was recognized.

Management has determined that no reasonably possible change in the key assumptions would cause the carrying amount of the CGU to exceed its recoverable amount.

(Expressed in thousands of dollars)

8. Income Tax Expense

	2025	2024
Current period	$ 2,817	$ 982
Adjustment for prior periods	161	(741)
Deferred	3,073	3,225
Income tax expense	**$ 6,051**	**$ 3,466**

Reconciliation of effective tax rate:

	2025	2024
Income from operations before income taxes	$ 28,746	$ 15,327
Statutory Canadian federal and provincial income tax rate	26.50%	26.50%
Expected taxes on income	**$ 7,618**	**$ 4,062**
Changes in income taxes resulting from:		
Permanent differences	33	37
Other temporary differences	998	217
Change in unrecognized tax asset	(2,755)	
Adjustment for prior periods	157	(850)
	$ (1,567)	**$ (596)**
Income tax expense	**$ 6,051**	**$ 3,466**

Significant components of the Corporation's deferred tax balances are as follows:

	December 31, 2025	December 31, 2024
Deferred tax assets (liabilities):		
Plant and equipment	$ (61,716)	$ (57,516)
Deferred revenue	25,481	23,797
Employee future benefits	2,454	2,146
Non-vested sick leave	307	307
Allowance for doubtful accounts	186	146
Other - regulated	(6)	(3)
Other - non-regulated	1,158	1,670
	$ (32,136)	**$ (29,453)**
Regulatory deferred tax asset	$ 45,298	$ 37,278
Deferred taxes associated with regulatory accounts	(12,004)	(9,879)

Unrecognized deferred tax asset

Deferred tax assets are recognized based on assessment as to whether sufficient future taxable income will be generated to permit the use of existing deferred tax assets. The Corporation has assessed that it is more likely than not that the benefit from these deferred tax assets will not be realized and therefore, a deferred tax asset has not been recorded. The unrecognized tax losses are comprised of non-capital losses of $3,753 (2024 – nil) that will expire between 2037 – 2044, and capital losses of $482 (2024 - $482) with no expiry.

	2025	2024
Tax losses - gross amount	4,235	482
Tax losses - tax effect	1,058	64

8. Income Tax Expense (continued)

In 2022, the legacy WNHI entity underwent a PILs audit from the Ministry of Finance (the "Ministry") for the taxation years of 2017 and 2018. The audit resulted in two significant adjustments. The following items were previously accrued as uncertain tax treatments and remain so at December 31, 2025:

<u>CCA classification of meters</u>

The Ministry disagreed with WNHI's assessment that these assets should be reported under Class 8 and made an adjustment to move the assets to Class 47. This is a similar adjustment that was made to taxations years 2013 to 2016 which were audited in previous periods. WNHI made an accrual in fiscal year 2022 to accrue future adjustments for the years 2017 to 2020. The accrual for unaudited years has been recorded in income taxes payable as a contingent liability. WNHI issued a joint court appeal with KWHI to overrule the decision with other distributors in Ontario who had similar adjustments made. The appeal remains unresolved as of the date of these statements.

<u>Disallowed interest expense to the parent company</u>

The Ministry determined that the amount of interest paid during 2017 and 2018 to WNHC exceeded a reasonable amount. Therefore, the Ministry adjusted the interest expense allowable to the OEB-deemed rate that was applicable during the period of 4.54%. WNHI appealed the decision through a Notice of Objection which remains unresolved as of the date of these statements. An amount anticipated to be disallowed in future audits for the taxation years of 2019 to 2022 has been recorded in income taxes payable as an uncertain tax treatment.

(Expressed in thousands of dollars)

9. Regulatory Deferral Account Balance

The following is a reconciliation of the carrying amount for each class of regulatory deferral account:

	2025 Opening	Balances arising in the period	Transfer between accounts	Recovery / reversal	2025 Ending	Recovery / reversal period (years)
Regulatory deferral account debit balances						
Group 1 accounts	$ 12,993	$ 1,931	$ (7,770)	$ (920)	$ 6,234	Note 1
Regulatory asset recovery account	231	(57)	-	(114)	60	Note 1
Regulatory asset associated with deferred tax liability	42,127	3,171	-	-	45,298	Note 2
Other regulated accounts	1,621	351	-	-	1,972	5 - 9 years
Total amount related to regulatory deferral account debit balances	**$ 56,972**	**$ 5,396**	**$ (7,770)**	**$ (1,034)**	**$ 53,564**	

	2025 Opening	Balances arising in the period	Transfer between accounts	Recovery / reversal	2025 Ending	Recovery / reversal period (years)
Regulatory deferral account credit balances						
Group 1 accounts	$ 3,714	$ 9,861	$ (7,770)	$ (897)	$ 4,908	Note 1
Regulatory asset recovery account	-	-	-	-	-	Note 1
Other regulated accounts	597	17	-	-	614	5 - 9 years
Total amount related to regulatory deferral account credit balances	**$ 4,311**	**$ 9,878**	**$ (7,770)**	**$ (897)**	**$ 5,522**	

	2024 Opening	Balances arising in the period	Transfer between accounts	Recovery / reversal	2024 Ending	Recovery / reversal period (years)
Regulatory deferral account debit balances						
Group 1 accounts	$ 12,000	$ 9,109	$ (4,230)	$ (3,886)	$ 12,993	Note 1
Regulatory asset recovery account	-	10,968	(28)	(10,709)	231	Note 1
Regulatory asset associated with deferred tax liability	37,278	4,849			42,127	Note 2
Other regulated accounts	1,360	261			1,621	5 - 9 years
Total amount related to regulatory deferral account debit balances	**$ 50,638**	**$ 25,187**	**$ (4,258)**	**$ (14,595)**	**$ 56,972**	

	2024 Opening	Balances arising in the period	Transfer between accounts	Recovery / reversal	2024 Ending	Recovery / reversal period (years)
Regulatory deferral account credit balances						
Group 1 accounts	$ 856	$ 254	$ (4,230)	$ 6,834	$ 3,714	Note 1
Regulatory asset recovery account	28	-	(28)		-	Note 1
Other regulated accounts	583	14			597	5 - 9 years
Total amount related to regulatory deferral account credit balances	**$ 1,467**	**$ 268**	**$ (4,258)**	**$ 6,834**	**$ 4,311**	

	2025	2024
Movements in regulatory accounts		
Net change in regulatory deferral account debit and credit balances	$ (4,619)	$ 3,490
Less movement related to the balance sheet		
Change in regulatory asset associated with deferred tax liability	(3,171)	(4,849)
Deferred income tax	2,331	3,564
Deferred revenue		-
Net movement in regulatory deferral account balances related to profit or loss and the related deferral tax movement	**$ (5,459)**	**$ 2,205**

Note 1: The Corporation has been approved for collection of these amounts in its 2025 f ilings for 2026 rates.

Note 2: The Corporation has not sought approval for the disposition of this amount as changes in underlying assumptions may reduce the amounts recorded in the account. Enova may seek refunds in the future.

10. Long-Term Debt

The Corporation has a credit facility (“Credit Facility #1”) with a Canadian Chartered bank. The facility is an uncommitted demand facility for working capital and capital funding, with a maximum amount of $5,000. The Corporation can draw on the facility by way of prime rate loans, or adjusted term CORRA + 0.8%. Interest is payable monthly. As at December 31, 2025, the Corporation had $4,500 drawn on Credit Facility #1 as CORRA loans (2024 - $2,500).

A consolidated subsidiary of the Corporation has a second credit facility (“Credit Facility #2”) with a Canadian Chartered bank. The facility includes a demand revolving loan witha maximumof $200,000 inclusive of an overdraft component of $45,000 (Note 22(c)). The Corporation amended the facility in June 2024 to amend the withdrawals to be by of Prime Rate Advances or Term CORRA advances at Adjusted Term CORRA + 0.8%. It was also amended to require 12 months advance notice of demand. Principal is due on maturity, June 13, 2026, with interest payments due monthly. As at December 31, 2025, the Corporation had drawn $150,000 as a revolving demand loan at CORRA + 0.8% (2024 - $120,000).

The credit agreement contains the following financial covenants:

i) Maximum ratio of Senior Funded Debt to Capitalization of <= 50%
ii) Minimum Interest Coverage Ratio of >= 3.0x
iii) Maximum ratio of Total Funded Debt to Capitalization of <= 60%

Enova is obligated to issue a certificate of compliance on a quarterly basis. Enova consistently monitors the financial ratios and incorporates them in financial planning. As of December 31, 2025, Enova is in compliance with the above covenants and there are no facts or circumstances that suggest Enova will have difficulty with compliance in the future.

A consolidated subsidiary of the Corporation has a third credit facility (“Credit Facility #3”) with a Canadian Chartered Bank. The Credit Facility is a demand revolving credit facility, which provides funding for: (i) up to $11,700 for capital expenditures; and (ii) $1,800 US for interest rate hedging. Loans advanced under the credit facility are amortized on a mortgage style basis over a period which is the lesser of: (a) 20 years; or (b) the length of the revenue contract underlying the asset. Interest on the loan(s) are at Prime or Bankers acceptances plus 1%.

As of December 31, 2025, the Corporation had the following loans outstanding under the credit facilities:

(Expressed in thousands of dollars)

10. Long-Term Debt (continued)

Facility	Bank loans	Swap Rate	Monthly Payments	Term	2025	2024
Facility 3	Term loan 1	4.205%	$ 30	August 15, 2035	$ 2,722	$ 2,945
Facility 3	Term loan 2	3.845%	$ 18	December 21, 2034	$ 1,521	$ 1,660
Facility 3	Term loan 3	2.510%	$ 11	July 31, 2040	$ 1,511	$ 1,597
Facility 3	Term loan 4	2.365%	$ 4	July 31, 2035	$ 435	$ 474
Facility 4	Line of Credit	variable	$ 6	31-Aug-35	$ 577	$ -
Facility 1	Line of Credit	variable	N/A	undefined	$ 4,500	$ 2,500
Facility 2	Revolving Demand	variable	N/A	June 13, 2026	$ 150,000	$ 120,000
N/A	Note Payable	N/A	N/A	undefined	$ 200	$ -
Total					**$ 161,466**	**$ 129,176**
Less: Current Portion (Demand loan payable)					$ 161,466	$ 9,176
Long-Term Debt					**$ -**	**$ 120,000**

The aggregate amount of expected principal repayments required under the Credit Facility are as follows:

	2025	2024
2026	$ 150,705	$ 487
2027	526	505
2028	544	526
2029	564	544
Thereafter	4,050	4,050
Undefined	5,077	122,500
	$ 161,466	**$ 129,176**

Interest rate swaps

The Corporation has entered into interest swap agreements with a Canadian chartered bank for the purpose of eliminating the risk of f luctuating interest rates and removing the economic impact of interest rate volatility on its debt. The instruments result in the Corporation receiving interest at the 30-day bankers' acceptance floating rate and require the Corporation to pay the f ixed rate in the swap instrument.

The term of each individual swap instrument matches the amortization period of the corresponding bank loan although, each instrument can be terminated in 30 days, due to the Credit Facility being a demand revolving bank loan.

The swaps have a put provision whereby on the five-year anniversary of each swap, either party can unilaterally elect to terminate the contract requiring a cash payment upon settlement based on the fair value of the swap instrument on that date.

IFRS requires the Corporation to determine and record the fair value of its interest rate swap agreements in the Statement of Financial Position, with changes in fair values being recorded in unrealized gains (losses) frominterest rate swaps in the Statement of Comprehensive Income (Loss). As a result, the Corporation has recorded interest rate swap assets of $260 (2024 - $249) and recognized a corresponding unrealized loss on interest rate swaps of $5 (2024 – $147).

There is no impact on current PILs. Over the term of the debt, the non-cash charges and assets are expected to reverse into income.

(Expressed in thousands of dollars)

10. Long-Term Debt (continued)

Subsequent Events

Subsequent to December 31, 2025, on January 21, 2026, a consolidated subsidiary of the Corporation issued $250,000 principal amount of 3.596% Senior Unsecured Debentures, Series 2026-1, maturing on January 21, 2031. Interest on the debentures is payable semi-annually in arrears.

This financing transaction occurred after the reporting period and, as such, has not been reflected in the subsidiary's statement of financial position as at December 31, 2025.

Net proceeds after issuance costs of approximately $888 were $249,112.

The net proceeds from the debenture issuance were used to repay in full the subsidiary's $150,000 revolving demand loan, together with accrued interest, and for general corporate purposes.

Concurrent with the repayment of the revolving demand loan, the subsidiary resized its existing credit facility. The amended facility has a maximum availability of $50,000 and matures on June 13, 2026.

Subsequent to December 31, 2025 on April 7, 2026, a consolidated subsidiary of the Corporation entered into a credit facility ("Credit Facility #5") with a Canadian Chartered Bank. The Credit Facility is a demand revolving credit facility of up to $5,000, which provides funding for capital expenditures and general corporate purposes. Interest on the loan(s) are at CORRA plus 1.05%.

This financing transaction occurred after the reporting period and, as such, has not been reflected in the subsidiary's statement of financial position as at December 31, 2025.

11. Notes Payable to Shareholder

	2025	2024
Senior unsecured debentures:		
City of Kitchener	$ 70,998	$ 70,998
City of Waterloo	27,404	27,404
Township of Woolwich	3,355	3,355
Township of Wilmot	5,965	5,965
Township of Wellesley	2,532	2,532
Total shareholder debt	**$ 110,254**	**$ 110,254**

Unsecured promissory notes, which have an interest rate of 3.23% per annum. Interest is payable in quarterly installments, in arrears, on March 31, June 30, September 30, and December 31. Due on demand with at least 12 months notice.

(Expressed in thousands of dollars)

12. Employee Future Benefits

The Corporation pays certain medical and lif e insurance benefits on behalf of some of its retired employees. These benefits are provided through group-defined benefit plans. There are two defined benefit plans for the retirees of the legacy companies. A full actuarial valuation of the plans was performed as at December 31, 2025. The Corporation recognizes these post-retirement costs in the period in which employees' services were rendered. The accrued benefit liability at December 31, 2025 is $9,261 and includes both legacy plans.

Changes in the present value of the aggregate defined benefit unfunded obligation and the aggregate accrued benefit liability are as follows:

	2025	2024
Accrued benefit obligation		
Balance, beginning of period	$ 8,097	$ 8,107
Current service cost	247	247
Interest cost	363	363
Benefits paid	(766)	(645)
Past service cost	472	
Actuarial gains recognized in other comprehensive income	848	25
Accrued benefit liability, end of period	**$ 9,261**	**$ 8,097**

Components of net benefit expense recognized are a follows:

	2025	2024
Current service cost	$ 247	$ 247
Interest cost	363	363
Past service cost	472	-
Net benefit expense recognized	**$ 1,082**	**$ 610**

Actuarial losses recognized in other comprehensive income

	2025	2024
Cumulative amount at beginning of period	$ 1,289	$ 1,307
Recognized during the period (net of tax)	(632)	(18)
Cumulative amount at end of period	**$ 657**	**$ 1,289**

(Expressed in thousands of dollars)

12. Employee Future Benefits (continued)

The significant actuarial assumptions used in the valuation are as follows (weighted average):

		2025	2024
General inflation:			
Changes in the Consumer Price Index		2.75%	3.00%
Accrued obligation:			
Discount rate		4.90%	4.65%
Salary increases		2.75%	3.00%
Benefit cost for the period:	Age		
Withdrawal rate	18-29	3.10%	2.75%
	30-34	2.50%	2.20%
	35-39	2.20%	1.65%
	40-49	1.80%	1.40%
	50-54	1.25%	1.20%
Assumed health care cost trend rates:			
Initial health care cost trend rate	Health	4.20%	4.70%
	Dental	4.30%	4.90%

The approximate effect on the accrued benefit obligation of the entire plan and the estimated net benefit expense of the entire plan if the health care trend rate assumption was increased or decreased by 1%, and all other assumptions were held constant, is as follows:

	2025	2024
1% increase in trend rate	$ 667	$ 526
1% decrease in trend rate	(547)	(442)

(Expressed in thousands of dollars)

13. Customer Deposits and IESO Deposits

Customer deposits represent cash deposits from electricity distribution customers and retailers, as well as construction deposits.

Deposits from electricity distribution customers are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Corporation under policies set out by the OEB or upon termination of their electricity distribution service.

Construction deposits represent cash prepayments for the estimated cost of capital projects recoverable from customers and developers. Upon completion of the capital project, these deposits are transferred to deferred revenue.

Customer deposits comprise:

	2025	2024
Current		
Customer deposits	$ 1,438	$ 1,432
Construction deposits	11,726	13,119
Performance bond	200	200
	$ 13,364	**$ 14,751**
Long-term		
IESO deposit for energy conservation programs	-	-
Customer deposits - long-term	6,710	7,623
	$ 6,710	**$ 7,623**

(Expressed in thousands of dollars)

14. Share Capital

			2025		2024
Authorized					
Unlimited	Common shares				
None	Class A special shares				
None	Class B special shares				
Issued					
100,000	Common shares	$	326,248	$	326,248
-	Class A special shares		-		-
-	Class B common shares		-		-
100,000	**Total Shares**	**$**	**326,248**	**$**	**326,248**

Common shares are issued as follows:

- 53,390 are issued to the Corporation of the City of Kitchener
- 30,830 shares are issued to the Corporation of the City of Waterloo
- 8,510 shares are issued to the Corporation of the Township of Woolwich
- 4,490 shares are issued to the Corporation of the Township of Wilmot
- 2,780 shares are issued to the Corporation of the Township of Wellesley

Class A special shares were issued as follows:

- 9,225 shares are issued to the Corporation of the City of Kitchener
- 775 shares are issued to the Corporation of the Township of Wilmot

Class B special shares were issued as follows:

- 7,320 shares are issued to the Corporation of the City of Waterloo
- 2,020 shares are issued to the Corporation of the Township of Woolwich
- 660 shares are issued to the Corporation of the Township of Wellesley

The special shares were issued as part of the Amalgamation Transaction on September 1, 2022 to effect post-closing adjustments provided for in corresponding agreements. In April 2023, the shares were revalued as follows:

- Class A shares were revalued to $0.163 per share amounting to $1,630 total
- Class B shares were revalued to $0.000001 per share amounting to $0 total

The shares were redeemed and then immediately cancelled.

Dividends

The holder of the common shares is entitled to receive dividends as declared from time to time.

The Corporation declared and paid $12,077 in dividends during the period.

(Expressed in thousands of dollars)

15. Revenue

		2025		2024
Revenue from contracts with customers	$	532,243	$	508,226
Other revenue				
Specific service charges		2,562		2,580
Deferred revenue recognized		2,633		2,447
Scrap sales		310		376
Net gain (loss) on disposal of capital assets		120		308
Non-Utility operations		2,608		2,020
Retailer services		67		67
Sundry		161		173
Income from subsidiaries		58		64
Loss on sale of investment		(100)		-
Total other revenue	**$**	**8,419**	**$**	**8,035**
Total revenues	**$**	**540,662**	**$**	**516,261**

In the following table, revenue from contracts with customers is disaggregated by type of customer.

		2025		2024
Residential	$	210,727	$	210,568
Commercial		299,537		277,300
Large users		11,900		11,437
Other		10,079		8,921
	$	**532,243**	**$**	**508,226**

In the following table, deferred revenues are broken down by contributions received and revenues recognized:

		2025		2024
Balance, beginning of period	$	89,815	$	85,773
Capital contributions received		9,019		6,489
Deferred revenue recognized		(2,633)		(2,447)
Balance, end of period	**$**	**96,201**	**$**	**89,815**
Current portion	$	2,744	$	2,527
Long-term portion		93,457		87,288
Total Deferred Revenues	**$**	**96,201**	**$**	**89,815**

(Expressed in thousands of dollars)

15. Revenue (continued)

Sale of investment

On July 1, 2025, Eyedro Green Solutions Inc. ("Eyedro") repurchased all shares owned by the Corporation for proceeds of $394. The shares had a net book value of $494, resulting in a loss on sale of $100. Proceeds f rom Eyedro were received in the form of a promissory note, payable in quarterly installments over 5 years with interest calculated at 6.0% per annum. In 2025, the Corporation received $24 in principal repayments, leaving $370 outstanding as of December 31, 2025.

16. Interest Income and Expense

	2025	2024
Interest income on bank deposits	$ (372)	$ (338)
Interest income intercompany	-	-
Interest income on capital lease	(66)	(87)
Interest income other	(11)	-
	$ (449)	**$ (425)**
Interest on shareholder debt	$ 3,566	$ 3,564
Interest expense on long term debt	5,609	6,893
Interest expense on short tem debt	699	1,136
Interest expense on deposits	317	522
Interest expense on capital lease	36	40
Interest expense other	-	-
	$ 10,227	**$ 12,155**

17. Lease Liabilities

The Corporation has entered into a lease agreement for solar PV equipment representing right-of-use assets (Note 5). The right-of-use assets are recognized at the present value of the minimum lease payments, plus any extensions estimated to be exercised, with the corresponding equivalent lease liability recognized. The Corporation has determined the lease terms based on all available information as at the reporting date.

Maturity analysis - contractual undiscounted cash flows	2025	2024
Less than one year	$ 98	$ 97
One - five years	395	394
More than five years	370	469
Total undiscounted lease liabilities at period end	**$ 863**	**$ 960**
Interest included on the liabilities included in the statement of financial position at December 31	(163)	(199)
Lease Liabilities - current	**$ 98**	**$ 97**
Lease Liabilities - non-current	**$ 602**	**$ 664**

(Expressed in thousands of dollars)

18. Commitments and Contingencies

General

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations, or ability to carry on any of its business activities.

General Liability Insurance

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the periods in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2025, no assessments have been made.

19. Pension Agreement

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. From January 1, 2025 to December 31, 2025, the Corporation made employer contributions of $3,499 to OMERS and estimates contributions of $3,554 in 2026. In total, the OMERS pension fund has net assets of $145,200,000 and accrued obligations of $146,700,000 for a deficit of $1,500,000. The Corporation's net benefit expense has been allocated as follows:

(a) $1,050 capitalized as part of labour in PP&E and

(b) $2,449 recorded as an expense against net income.

20. Employee Benefits

		2025		2024
Salary, wages and benefits	$	44,457	$	37,764
CPP and EI remittances		1,840		1,709
Contributions to OMERS		3,499		3,235
Expenses related to employee future benefits		1,082		611
Total employee expenditures	**$**	**50,878**	**$**	**43,319**
Employee costs capitalized		12,603		10,133
Employee costs in Operations, Maintenance, Customer Service and Administration expenses	**$**	**38,275**	**$**	**33,186**

(Expressed in thousands of dollars)

21. Related Party Transactions

(a) Parent and ultimate controlling party

The Corporation is wholly owned by the Cities of Kitchener and Waterloo, and the Townships of Wilmot, Wellesley and Woolwich. The Cities and the Townships produce f inancial statements that are available for public use.

(b) Entity with significant influence

The Cities of Kitchener and Waterloo control and exercise significant influence over the Corporation through their indirect ownership interest in the Corporation of 53.4% and 30.8% respectively.

(c) Key management personnel

The key management personnel of the Corporation have been defined as members of its Board of Directors and executive management team members, and are summarized below:

	2025	2024
Directors' fees	$ 414	$ 491
Executive compensation and benefits	2,058	2,424
	$ 2,472	**$ 2,915**

(d) Transactions with entities with significant influence

In the ordinary course of business, the Corporation may issue dividends to the shareholders.

(e) Transactions with ultimate shareholders (the Cities and Townships)

In 2025 the Corporation had the following significant transactions with its ultimate shareholders, all of which are government entities:

The Corporation delivers electricity to the Cities of Kitchener and Waterloo and the Townships of Wellesley, Wilmot and Woolwich and its related organizations throughout the period for their electricity needs. Electricity delivery charges are at prices and under terms approved by the OEB.

The Corporation also provides the following services to the Cities of Kitchener and Waterloo and the Townships of Wellesley, Wilmot and Woolwich:

- streetlight maintenance services
- streetlight construction services

For the City of Kitchener and the Township of Wilmot, these services are contracted through Enova Energy Services Inc. The Corporation conducted transactions with related parties during the period ended December 31, 2025. These transactions are in the normal course of operations and are measured at fair value.

22. Financial Instruments and Risk Management

Fair value disclosure

Cash and cash equivalents are measured at fair value. The carrying value of receivables, unbilled energy receivable, accounts payable, and accrued charges approximate fair value due to the short maturity of these instruments. The carrying value of the customer deposits approximate fair value since the amounts are payable on demand.

The Corporation's activities provide for a variety of risks, particularly credit risk, market risk, and liquidity risk.

The fair value of the long-term debt approximates its carrying value due to the short maturity and/or the variable interest rates.

Financial risks

The Corporation understands the risks inherent in its business and defines thembroadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk and liquidity risk, as well as related mitigation strategies, are discussed below.

(a) Credit risk

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the Cities of Kitchener and Waterloo, and the Townships of Wellesley, Wilmot and Woolwich. No single customer accounts for a balance over 1.24% of total accounts receivable.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in net income. Subsequent recoveries of receivables previously provisioned are credited to net income. The balance of the allowance for expected credit losses at December 31, 2025 is $700 (2024 - $800).

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2025, approximately $1,770 is considered 60 days past due. The Corporation has over 163,000 customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers under directions provided by the OEB. As at December 31, 2025, the Corporation holds security deposits in the amount of $8,148.

(b) Market risk

Market risks primarily refer to the risk of loss resulting fromchanges in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. The Corporation's long-term debt as of December 31, 2025 is at a variable interest rate.

22. Financial Instruments and Risk Management (continued)

(c) Liquidity risk

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a $45,000 overdraft facility (Credit Facility #2 - Note 10) and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they come due. As at December 31, 2025, nil (2024 – $13,770) had been drawn under BMO's $45M operating credit facility.

In 2025 the Corporation was assigned an Issuer Rate of A, Stable, from DBRS Limited. The Corporation's financial risk profile is reasonable with key metrics supporting the "A" rating.

The Corporation also has a bilateral facility for $5,000 (Credit Facility #2 – Note 10) to issue letters of credit mainly to support the prudential requirements of the IESO of which the $5,000 has been drawn and posted with the IESO.

The majority of accounts payable, as reported on the balance sheet, are due within 30 days.

(d) Capital disclosures

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2025, shareholder's equity amounts to $459,419 (2024 - 454,047) and long-term debt including shareholder debt amounts to $110,254 (2024 - $230,254).

23. Comparative Figures

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

24. Changes in Accounting Policies

The International Accounting Standards Board (IASB) has issued the following Standards, Interpretations and Amendments to Standards that were adopted by the Company effective January 1, 2025:

(a). Lack of Exchangeability - Amendments to IAS 21

The amendments and clarifications did not have a material impact on the financial statements.

25. Future Changes in Accounting Policy and Disclosures

The following new and amended standards are effective for annual periods beginning after January 1, 2026 and earlier application is permitted. The Company has not early adopted any of these new and amended standards and does not expect that they will have a significant impact on the Company's financial statements when they become effective.

i. Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

ii. Presentation and disclosure in financial statements (IFRS 18)

iii. Subsidiaries without public accountability disclosures (IFRS 19)

iv. Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)

Financial statements of

KITCHENER GENERATION CORPORATION

And Management Report thereon

For the year ended December 31, 2025

MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

The accompanying financial statements of Kitchener Generation Corporation are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards. The significant accounting policies followed by Kitchener Generation Corporation are described in the Significant Accounting Policies contained in Note 2 of the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been prepared within reasonable limits of materiality and in light of information available up to June 29, 2026.

Management maintained a system of internal controls designed to provide reasonable assurance that the assets were safeguarded and that reliable information was available on a timely basis. The system included formal policies and procedures and an organizational structure that provided for the appropriate delegation of authority and segregation of responsibilities.

KITCHENER GENERATION CORPORATION

On behalf of management,

JLautenbach

Jonathan Lautenbach, CPA, CGA
Chief Financial Officer and City Treasurer

June 29, 2026
Kitchener, Canada

KITCHENER GENERATION CORPORATION

Statement of Financial Position

As at December 31
(Unaudited)

		2025		2024
Financial assets				
Accounts receivable	$	1,993	$	2,751
		1,993		2,751
Liabilities				
Due to the Corporation of the City of Kitchener		1,991		2,749
Long-term debt (Note 3)		1,045,132		1,254,159
		1,047,123		1,256,908
Net financial debt		(1,045,130)		(1,254,157)
Non-financial assets				
Tangible capital assets (Note 4)		1,161,256		1,393,508
		1,161,256		1,393,508
Shareholder's equity (Note 5)	$	116,126	$	139,351

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

KITCHENER GENERATION CORPORATION

Statement of Operations

For the Year Ended December 31

(Unaudited)

	2025 Budget	2025	2024
Revenue			
Sale of electricity	$ 385,000	$ 323,250	$ 361,247
Total revenue	385,000	323,250	361,247
Expenses			
Maintenance	20,000	6,145	12,545
Amortization of tangible capital assets	232,252	232,252	232,252
Total expenses	252,252	238,397	244,797
Surplus before interest and provision for payments-in-lieu of corporate income taxes	132,748	84,853	116,450
Interest expense	63,103	63,103	73,306
Surplus before provision for payments-in-lieu of corporate income taxes	69,645	21,750	43,144
Provision for payments-in-lieu of corporate income taxes	-	-	-
Annual surplus	$ 69,645	$ 21,750	$ 43,144

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

KITCHENER GENERATION CORPORATION

Statement of Change in Net Financial Debt

For the Year Ended December 31
(Unaudited)

	2025	2024
Annual surplus	**$ 21,750**	$ 43,144
Change in share capital	**(23,225)**	(23,225)
Dividends	**(21,750)**	(43,144)
Amortization of tangible capital assets	**232,252**	232,252
Change in net financial debt	**209,027**	209,027
Net financial debt, beginning of year	**(1,254,157)**	(1,463,184)
Net financial debt, end of year	**$ (1,045,130)**	$ (1,254,157)

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

KITCHENER GENERATION CORPORATION

Statement of Cash Flow

For the Year Ended December 31
(Unaudited)

	2025	2024
Operating		
Annual surplus	$ **21,750**	$ 43,144
Items not involving cash		
Amortization of tangible capital assets	**232,252**	232,252
Change in non-cash assets and liabilities		
Trade and other accounts receivable	**758**	1,726
Due to the Corporation of the City of Kitchener	**(758)**	(1,726)
Net change in cash from operating activities	**254,002**	275,396
Financing		
Change in share capital	**(23,225)**	(23,225)
Change in long-term debt	**(209,027)**	(209,027)
Dividends paid	**(21,750)**	(43,144)
Net change in cash from financing activities	**(254,002)**	(275,396)
Net change in cash and cash equivalents	**-**	-
Cash and cash equivalents, beginning of year	**-**	-
Cash and cash equivalents, end of year	$ **-**	$ -

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

1. Incorporation

On December 9, 2011 Kitchener Generation Corporation (the "Company") was incorporated under the Business Corporations Act (Ontario). Effective January 1, 2012, the Corporation of the City of Kitchener transferred the solar roof asset constructed on the surface of the Kitchener Operations Facility to the Company in exchange for 100% of the Company's common shares and interest bearing debt.

2. Summary of significant accounting policies

These financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles for public sector entities as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The following is a summary of the significant accounting policies followed in the preparation of these financial statements:

a. Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the 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 when an external transfer is due.

b. Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost less residual value of the solar roof asset is amortized on a straight-line basis over its estimated useful life of nineteen years.

c. Revenue recognition

The Company records revenue from the sale of electricity on the basis of regular meter readings and estimates of energy generation since the last meter reading to the end of the year.

d. Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. These estimates and assumptions, including the valuation of tangible capital assets and their related useful lives and amortization are based on management’s best information and judgment and may differ significantly from future actual results.

e. Financial instruments

Financial instruments are recorded at fair value on initial recognition and subsequently recorded at cost or amortized cost. Amortized cost is determined using the effective interest method. As all financial instruments are recorded at cost or amortized cost, a statement of remeasurement gains and losses has not been included.

Financial assets measured at cost or amortized cost are assessed for indicators of impairment at each financial statement date. Impairment losses are recognized in the statement of operations.

The Company evaluates contractual obligations for the existence of embedded derivatives and separately measures the fair value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself.

3. Long-term debt

Effective January 1, 2012 the Company issued an unsecured promissory note payable to the Corporation of the City of Kitchener. Payments are made annually including interest and principal. Interest is calculated at the fixed rate of 5.01% per annum. Interest paid in 2025 amounted to $63,103 *(2024 - $73,306)*.

4. Tangible capital assets

	Cost	Accumulated Amortization	Net Book Value
Opening balance	$ 4,412,784	$ (3,019,276)	$ 1,393,508
Additions	-	-	-
Amortization	-	(232,252)	(232,252)
Disposals	-	-	-
Ending balance	**$ 4,412,784**	**$ (3,251,528)**	**$ 1,161,256**

5. Shareholder's equity

Shareholder's equity consists of the following:

	2025	2024
Share capital - common shares (Note 6)	**$ 116,126**	$ 139,351
Retained earnings	**-**	-
	$ 116,126	$ 139,351

6. Share capital

Authorized
Unlimited common shares
Issued
1,000 common shares

7. Financial instruments

The Company is exposed to various risks through its financial instruments and continues to monitor, evaluate, and manage these risks. The following analysis provides information about the Company's risk exposure and concentration as at December 31, 2025.

a. 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 Company is exposed to credit risk from its financial assets, which consists of accounts receivable from a government organization. The carrying amount represents the Company's maximum credit exposure. There is no allowance for doubtful accounts since the Company has historically had no difficulty collecting.

7. Financial instruments (continued)

b. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to liquidity risk from its long-term debt, which it manages by preparing budget and cash forecasts in order to maintain sufficient funds for meeting obligations as they come due.

c. 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 prices. Market risk is comprised of currency risk, interest rate risk, and other price risk. The Company is not exposed to significant market risk since it does not have foreign currency transactions or floating interest rates. The fair value of long-term debt with a fixed interest rate is directly impacted by changes in market interest rates. However, the Company is not exposed to significant interest rate risk as the long-term debt has an interest rate fixed for a long period of time with the debt intended to be repaid in accordance with the terms of the loan.

Concentration of risk

a. Limited counterparties

A substantial portion of the Company's revenue is derived from Enova Power Corp. The loss of this relationship would have a significant impact on the Company's revenue.

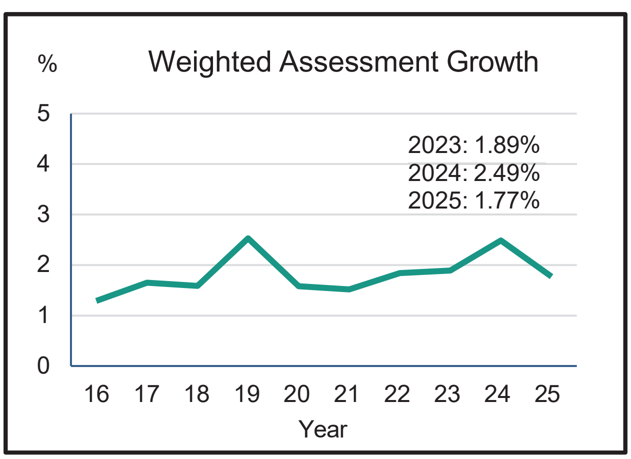
THE CORPORATION OF THE CITY OF KITCHENER

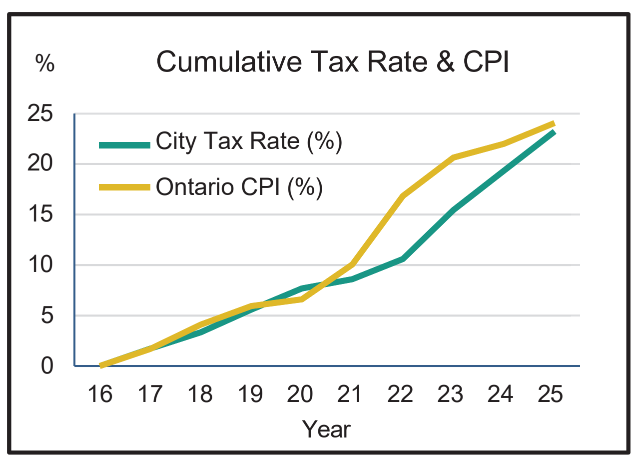
Financial and Statistical Review

As at December 31 (unaudited)

	2025	2024	2023	2022	2021
1. GENERAL STATISTICS					
Population[1]	**295,330**	293,470	292,240	277,910	270,840
Households[1]	**112,670**	109,670	107,580	104,310	101,100
Full-time municipal employees	**1,541**	1,506	1,466	1,423	1,387
2. TAXABLE ASSESSMENT ($000's)					
Residential and farm	**30,599,600**	30,039,678	29,219,911	28,552,568	27,938,484
Commercial and industrial	**4,516,613**	4,440,534	4,371,848	4,346,051	4,328,278
Total	**35,116,214**	34,480,212	33,591,759	32,898,619	32,266,762
3. TAX RATES - FULL					
Residential and Farm					
City	**0.40233**	0.38731	0.37276	0.35557	0.34864
Region	**0.80133**	0.73251	0.68629	0.63256	0.60450
School Boards	**0.15300**	0.15300	0.15300	0.15300	0.15300
Total	**1.35666**	1.27283	1.21205	1.14112	1.10614
Commercial and Industrial					
City	**0.78455**	0.75526	0.72689	0.69336	0.67984
Region	**1.56258**	1.42840	1.33827	1.23348	1.17878
School Boards	**0.88000**	0.88000	0.88000	0.88000	0.88000
Total	**3.22713**	3.06366	2.94516	2.80684	2.73862
4. COLLECTION STATISTICS ($000's)					
Taxes levied, net of adjustments	**590,643**	545,153	507,270	465,806	443,206
Total collections	**562,993**	523,968	493,470	461,456	438,272
Total collections as a % of taxes levied	**95.3%**	96.1%	97.3%	99.1%	98.9%
Taxes receivable, net of allowance	**56,438**	43,888	32,699	25,077	22,423
Taxes receivable as a % of taxes levied	**9.6%**	8.1%	6.4%	5.4%	5.1%

1. Source: Planning, Development and Legislative Services Department, Regional Municipality of Waterloo





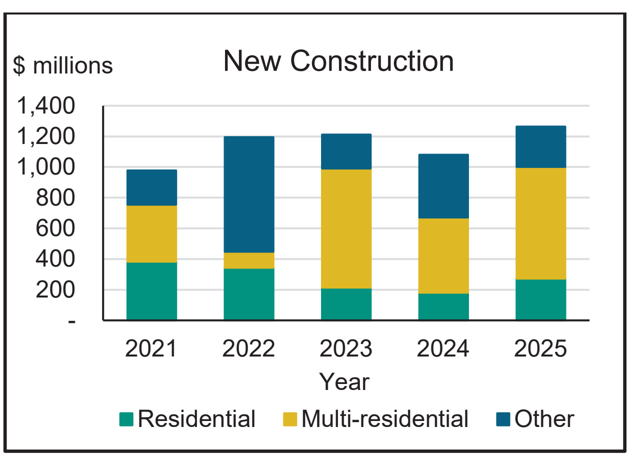
THE CORPORATION OF THE CITY OF KITCHENER

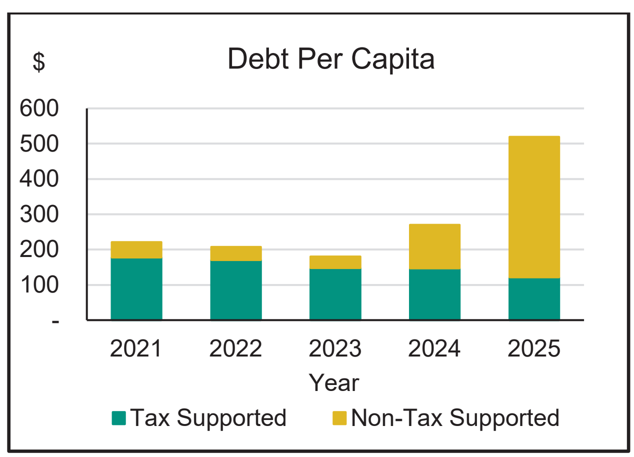
Financial and Statistical Review

As at December 31 (unaudited)

	2025	2024	2023	2022	2021
5. NEW CONSTRUCTION					
Value of construction ($000's)	**1,264,278**	1,079,469	1,212,345	1,194,747	978,353
Number of building permits	**2,698**	2,550	2,515	3,247	3,201
Number of residential dwelling starts	**1,869**	1,876	3,073	1,720	2,668
6. ANALYSIS OF LONG-TERM DEBT ($000's)					
Gross debt outstanding	**153,373**	79,263	52,616	57,725	59,962
Less debt recoverable from:					
Unconsolidated entities	**2,700**	3,030	3,347	3,651	4,411
All others	**114,950**	33,166	6,173	6,779	7,361
Net debt to be repaid from property taxes	**35,723**	43,067	43,096	47,295	48,190
Net debt per capita ($'s)	**121**	147	147	170	178
Repayment of principal & interest	**16,315**	10,685	11,187	15,616	12,449
Annual repayment limit[2]	**105,268**	100,572	88,354	84,401	87,621
7. NET FINANCIAL ASSETS ($000's)	**345,741**	360,552	351,331	308,486	309,589
8. ACCUMULATED SURPLUS ($000's)					
Invested in tangible capital assets	**1,893,005**	1,709,533	1,573,661	1,503,217	1,389,634
Investment in government business enterprises	**316,919**	313,945	312,691	308,829	233,332
Employee future benefits	**(55,266)**	(55,215)	(54,660)	(54,650)	(54,235)
Asset retirement obligations	**(120,638)**	(117,633)	(111,336)	(102,916)	–
Reserve funds	**177,207**	161,208	136,346	129,183	117,652
Other	**32,470**	64,136	75,426	34,774	18,816
Accumulated operating surplus	**2,243,696**	2,075,975	1,932,128	1,818,437	1,705,199
Accumulated remeasurement gains	**3,767**	1,698	897	–	–
Accumulated Surplus	**2,247,463**	2,077,673	1,933,025	1,818,437	1,705,199

2. The annual repayment limit is based on the Financial Information Return from the second immediate preceding year.





THE CORPORATION OF THE CITY OF KITCHENER

Financial and Statistical Review

For the Year Ended December 31 (unaudited)

($000's)	2025	2024	2023	2022	2021
9. TANGIBLE CAPITAL ASSETS					
Acquisition of tangible capital assets	**232,512**	167,300	105,147	116,734	98,324
Contributions of tangible capital assets	**15,305**	29,241	22,638	20,158	23,915
Total additions	**247,817**	196,540	127,786	136,892	122,239
10. CONSOLIDATED REVENUES					
Taxation	**174,131**	165,018	154,786	144,745	137,949
User fees and charges	**343,384**	315,373	299,341	278,711	246,917
Government transfers	**50,486**	38,075	27,328	27,203	26,074
Development charge revenue recognized	**54,465**	22,332	21,591	27,601	21,836
Other revenue	**60,882**	76,215	61,639	120,166	49,077
Total revenues	**683,348**	617,013	564,685	598,426	481,853
11. CONSOLIDATED EXPENSES					
Expenses by Function					
General government	**50,126**	43,839	39,785	38,263	34,740
Protection services	**67,149**	63,931	58,166	56,477	56,490
Transportation services	**48,865**	42,140	41,367	41,232	37,767
Environmental services	**125,813**	120,907	112,722	105,556	99,583
Health services	**3,684**	3,407	3,045	2,834	3,844
Housing, social and family services	**6,248**	3,712	3,553	3,125	2,358
Recreation and cultural services	**112,433**	104,789	93,336	84,396	70,949
Planning and development	**21,210**	20,654	19,363	16,868	11,695
Gasworks	**80,100**	69,788	78,807	76,564	58,899
Total expenses	**515,627**	473,167	450,144	425,315	376,325
Expenses by Object					
Salaries, wages and employee benefits	**219,216**	205,201	183,392	175,506	160,718
Materials and services	**214,921**	190,706	189,998	175,384	153,414
Interest	**3,834**	1,676	1,704	1,888	1,604
External transfers	**10,520**	9,261	10,153	7,373	5,000
Amortization of tangible capital assets	**67,136**	66,323	64,897	65,164	55,589
Total expenses	**515,627**	473,167	450,144	425,315	376,325
12. ANNUAL SURPLUS	**167,721**	143,846	114,541	173,111	105,528

THE CORPORATION OF THE CITY OF KITCHENER

Financial and Statistical Review

As at December 31 (unaudited)

12. PRINCIPAL CORPORATE TAXPAYERS

2025 Taxable Assessment Value ($000's)

DREWLO HOLDINGS INC	373,126
16191576 CANADA INC	277,840
ACTIVA HOLDINGS INC	117,141
HOMESTEAD LAND HOLDINGS LIMITED	115,098
EUROPRO (KITCHENER) GP INC	112,115
ONTARIO MINISTER OF ENERGY & INFRASTRUCTURE	93,467
KILLAM PROPERTIES SGP LTD	92,246
THE INCC CORP	88,489
VOISIN DEVELOPMENTS LIMITED	82,446
SCHLEGEL URBAN DEVELOPMENTS CORP	82,250
KITCHENER HOUSING INC	74,319
CATALYST 137 KITCHENER INC	71,226
MORGUARD NAR (ONTARIO) HOLDINGS LIMITED	71,057
GF 200 OLD CARRIAGE DRIVE LTD	68,542
CONESTOGA COLD STORAGE LIMITED	66,393

FINANCIAL REPORT • 2025

KITCHENER