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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 consolidated financial statements of the Corporation of the City of Kitchener (the Entity), which comprise:

- the consolidated statement of the financial position as at December 31, 2022
- the consolidated statement of operations for the year then ended
- the consolidated statement of change 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 "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022, and its consolidated results of operations, its changes in consolidated net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the 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 Consolidated Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada
DRAFT

THE CORPORATION OF THE CITY OF KITCHENER

Consolidated Statement of Financial Position

As at December 31, 2022

	2022	2021
Financial assets		
Cash and cash equivalents	**$ 113,065,078**	$ 111,256,413
Taxes receivable (Note 2)	**25,076,645**	22,423,158
Trade and other accounts receivable (Note 2)	**75,530,531**	52,836,081
Loans receivable (Note 5)	**5,994,236**	6,126,258
Inventory for resale	**9,956,554**	13,728,401
Investments (Note 6)	**229,381,003**	219,049,058
Investment in Enova Energy Corporation (Note 7)	**306,970,957**	231,241,809
Investment in Kitchener Generation Corporation (Note 8)	**1,858,014**	2,090,266
	767,833,018	658,751,444
Liabilities		
Accounts payable and accrued liabilities	**132,650,726**	109,127,802
Deferred revenue - obligatory reserve funds (Note 10)	**82,750,528**	83,114,403
Deferred revenue - other	**27,908,681**	42,722,904
Municipal debt (Note 11)	**57,724,950**	59,962,275
Employee future benefits (Note 13)	**54,650,290**	54,235,095
	355,685,175	349,162,479
Net financial assets	**412,147,843**	309,588,965
Non-financial assets		
Tangible capital assets (Note 14)	**1,467,695,615**	1,389,634,219
Inventory of supplies	**3,689,246**	3,999,201
Prepaid expenses	**2,298,465**	1,976,293
	1,473,683,326	1,395,609,713
Accumulated surplus (Note 15)	**$ 1,885,831,169**	$ 1,705,198,678

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, 2022

	2022 Budget	2022	2021
Revenue			
Taxation	**$ 143,965,701**	**$ 144,746,539**	$ 137,949,043
User fees and charges			
Gasworks	**86,122,269**	**95,397,822**	79,217,208
Water, sewer and storm water	**135,528,005**	**143,636,140**	138,271,884
Other	**43,950,692**	**41,389,583**	30,682,192
Government transfers	**27,999,550**	**25,852,681**	25,443,264
Contributions of tangible capital assets	**20,157,534**	**20,157,534**	23,914,606
Investment income	**7,650,474**	**10,290,584**	6,577,291
Penalties and interest on taxes	**3,348,964**	**4,087,007**	3,783,814
Development charge revenue recognized	**15,214,013**	**27,600,867**	21,836,143
Share of net income of Enova Energy Corporation (Note 7)	**10,870,521**	**10,870,521**	10,327,388
Gain on dilution from prior interest in Kitchener Power Corp. and its affiliates (Note 7)	**71,288,452**	**71,288,452**	-
Share of net income of Kitchener Generation Corporation (Note 8)	**49,318**	**49,318**	64,114
Other	**3,346,548**	**5,275,715**	4,136,861
Total revenue	**569,492,041**	**600,642,763**	482,203,808
Expenses			
General government	**46,132,803**	**38,310,563**	34,604,817
Protection services	**56,706,841**	**56,443,685**	56,441,084
Transportation services	**44,170,722**	**42,723,395**	39,002,183
Environmental services	**106,373,867**	**105,546,179**	99,840,274
Health services	**2,652,111**	**2,811,452**	3,842,758
Social and family services	**2,866,525**	**2,613,823**	2,234,620
Recreation and cultural services	**81,882,467**	**82,058,805**	69,607,865
Planning and development	**16,639,323**	**18,247,365**	11,777,358
Gasworks	**67,246,826**	**71,255,005**	59,325,103
Total expenses	**424,671,485**	**420,010,272**	376,676,062
Annual surplus	**144,820,556**	**180,632,491**	105,527,746
Accumulated surplus, beginning of year	**1,705,198,678**	**1,705,198,678**	1,599,670,932
Accumulated surplus, end of year (Note 15)	**$ 1,850,019,234**	**$ 1,885,831,169**	$ 1,705,198,678

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, 2022

	2022 Budget	2022	2021
Annual surplus	**$ 144,820,556**	**$ 180,632,491**	$ 105,527,746
Amortization of tangible capital assets	**56,628,375**	**56,628,375**	55,588,593
Acquisition of tangible capital assets	**(99,302,508)**	**(135,277,969)**	(122,238,702)
Gain on disposals of tangible capital assets	**(3,905,892)**	**(3,905,892)**	(900,085)
Proceeds on disposal of tangible capital assets	**4,494,090**	**4,494,090**	1,916,825
Acquisition of inventory of supplies	**-**	**(8,140,732)**	(7,155,383)
Acquisition of prepaid expenses	**-**	**(1,827,271)**	(1,906,707)
Consumption of inventory of supplies	**-**	**8,450,687**	6,674,597
Use of prepaid expenses	**-**	**1,505,099**	1,796,008
Change in net financial assets	**102,734,621**	**102,558,878**	39,302,892
Net financial assets, beginning of year	**309,588,965**	**309,588,965**	270,286,073
Net financial assets, end of year	**$ 412,323,586**	**$ 412,147,843**	$ 309,588,965

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, 2022

	2022	2021
Operating		
Annual surplus	**$ 180,632,491**	$ 105,527,746
Items not involving cash		
Amortization of tangible capital assets	**56,628,375**	55,588,593
Gain on disposals of tangible capital assets	**(3,905,892)**	(900,085)
Share of net income of Enova Energy Corporation	**(10,870,521)**	(10,327,388)
Gain on dilution from prior interest in Kitchener Power Corp. and its affiliates	**(71,288,452)**	-
Share of net income of Kitchener Generation Corporation	**(49,318)**	(64,114)
Change in employee future benefits	**415,195**	(26,656)
Contributions of tangible capital assets	**(20,157,534)**	(23,914,606)
Change in non-cash assets and liabilities		
Taxes receivable	**(2,653,487)**	(46,650)
Trade and other accounts receivable	**(22,694,450)**	(17,321,420)
Loans receivables	**132,022**	163,576
Inventory for resale	**3,771,847**	(30,132)
Inventory of supplies	**309,955**	(480,786)
Prepaid expenses	**(322,172)**	(110,699)
Accounts payable and accrued liabilities	**23,522,923**	1,926,517
Deferred revenue - obligatory reserve funds	**(363,875)**	22,436,744
Deferred revenue - other	**(14,814,223)**	22,459,007
Net change in cash from operating activities	**118,292,884**	154,879,647
Investing		
Dividends received from Kitchener Power Corp.	**6,429,825**	4,045,600
Debt and equity payments received from Kitchener Generation Corporation	**281,570**	290,762
Net acquisition of investments	**(10,331,945)**	(89,231,985)
Net change in cash from investing activities	**(3,620,550)**	(84,895,623)
Financing		
Municipal debt issued	**11,490,000**	8,069,000
Municipal debt repaid	**(13,727,325)**	(10,845,849)
Net change in cash from financing activities	**(2,237,325)**	(2,776,849)
Capital		
Acquisition of tangible capital assets	**(115,120,434)**	(98,324,096)
Proceeds on disposal of tangible capital assets	**4,494,090**	1,916,825
Net change in cash from capital activities	**(110,626,344)**	(96,407,271)
Net change in cash and cash equivalents	**1,808,665**	(29,200,096)
Cash and cash equivalents, beginning of year	**111,256,413**	140,456,509
Cash and cash equivalents, end of year	**$ 113,065,078**	$ 111,256,413

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 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. Summary of 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 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.

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.

1. Summary of significant accounting policies (continued)

a. Basis of consolidation (continued)

iv. Trust funds

Trust funds and their related operations administered by the City are not consolidated (see Note 4).

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 with original maturity of 90 days or less as at the end of the year.

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. Investments

Portfolio investments are carried at cost, net of accumulated amortization on premiums and discounts. Premiums and discounts are amortized on a straight line basis over the term to maturity. 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.

1. Summary of significant accounting policies (continued)

b. Basis of accounting (continued)

vii. Deferred revenue

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 for the purchase of tangible capital assets. A requirement of the Public Sector Accounting Board of the Chartered Professional Accountants of Canada is that obligatory reserves be reported as deferred revenue. Obligatory reserves include development charges, the Canada Community-Building Fund, building permits, and recreational land. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These are recorded under the classification Deferred revenue - other. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

viii. Employee future benefits

The contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due. The costs of post-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 post-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.

ix. 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. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination. As of December 31, 2022, no liability is recorded on the Consolidated Statement of Financial Position.

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.

1. Summary of significant accounting policies (continued)

b. Basis of accounting (continued)

x. Non-financial assets (continued)

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 15 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 financial statements.

1. Summary of 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.

2. Taxes and accounts receivable

Taxes receivable are reported net of a valuation allowance of $10,071,810 (*2021* - $*9,321,997*). Trade and other accounts receivable are reported net of a valuation allowance of $1,531,662 (*2021* - $*1,283,294*).

3. 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	**$ 80,331,067**	**$ 301,602,371**	**$ 381,933,438**
Share of payments in lieu of taxes	**559**	**3,272,976**	**3,273,535**
Share of linear properties	**45,038**	**125,279**	**170,317**
Amounts requisitioned	**$ 80,376,664**	**$ 305,000,626**	**$ 385,377,290**

4. 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 $18,313,775 *(2021 - $17,616,272)*.

5. Loans receivable

Loans receivable are made up of the following:

	2022	2021
Major capital improvement loans receivable	**$ 5,832,783**	$ 5,929,891
Loans receivable with forgiveness provisions	**25,396**	25,396
Minor capital improvement and other loans receivable	**136,057**	170,971
	$ 5,994,236	$ 6,126,258

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 ranging from 10 to 12 years *(2021 - 10 to 12 years)*. All major capital improvement loans are unsecured and bear interest at rates ranging from 1.32% to 4.10% *(2021 - 1.32% to 2.95%)*.

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 *(2021 - 5 years)*. The forgiveness provisions are 15% *(2021 - 15%)*. The balances recorded are net of the allowance for forgiveness. Interest rates on these loans are 8% *(2021 - 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 *(2021 - 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% *(2021 - 0%)*.

6. Investments

Investments are made up of the following:

	2022 Cost	**2022 Market Value**	2021 Cost	2021 Market Value
Guaranteed investment certificates	**$ 199,795,915**	**$ 202,088,102**	$ 186,525,161	$ 188,613,269
Bonds and debentures	**29,177,482**	**25,733,632**	32,242,655	31,993,486
Shares	**407,606**	**556,284**	281,242	564,401
	$ 229,381,003	**$ 228,378,018**	$ 219,049,058	$ 221,171,156

7. 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 Kitchener Power Corp. 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 of Enova Energy Corporation and the long-term notes payable were re-issued at the same amount and rates. As a result of the transaction, the City recorded a gain of $71,288,452 on dilution from its prior interest in KPC. 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.

The City's investment in Enova Energy Corporation *(2021 - KPC)* is comprised of the following:

	2022	2021
Common shares	**$ 174,183,807**	$ 61,244,208
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	**61,789,574**	99,000,025
	$ 306,970,957	$ 231,241,809

The Enova Energy Corporation notes are unsecured and bear interest at the rate of 3.23% *(2021 - 3.23%)*. There are no repayment terms and there is no intent to redeem the notes or the shares.

7. Investment in Enova Energy Corporation (continued)

The continuity of the City's investment in Enova Energy Corporation *(2021 - KPC)* for the year ended December 31, 2022 is as follows:

	2022
Balance, beginning of year	**$ 231,241,809**
Share of net income of Kitchener Power Corp. and its affiliates for the period from January 1, 2022 to August 31, 2022	**6,306,210**
Dividends received from Kitchener Power Corp. from January 1, 2022 to August 31, 2022	**(6,429,825)**
Balance, September 1, 2022	**231,118,194**
Gain on dilution from prior interest in Kitchener Power Corp. and its affiliates	**71,288,452**
Share of net income of Enova Energy Corporation for the period from September 1, 2022 to December 31, 2022	**4,564,311**
Dividends received from Enova Energy Corporation from September 1, 2022 to December 31, 2022	**-**
Balance, end of year	**$ 306,970,957**

	2021
Balance, beginning of year	$ 224,960,021
Share of net income for year	10,327,388
Dividends received during year	(4,045,600)
Balance, end of year	$ 231,241,809

The following table provides condensed financial information with respect to Enova Energy Corporation *(2021 - KPC)* for its fiscal 2022 year:

	2022	2021
Financial position		
Current assets	**$ 93,352,000**	$ 46,263,000
Non-current assets	**731,509,000**	291,824,000
Regulatory assets	**51,872,000**	25,396,000
Total assets	**876,733,000**	363,483,000
Current liabilities	**71,051,000**	42,578,000
Long-term debt	**228,630,000**	76,963,000
Regulatory liabilities	**14,717,000**	4,543,000
Other liabilities	**119,031,000**	64,813,000
Total liabilities	**433,429,000**	188,897,000
Net assets	**$ 443,304,000**	$ 174,586,000

7. Investment in Enova Energy Corporation (continued)

	For the period January 1, 2022 to August 31, 2022	**For the period September 1, 2022 to December 31, 2022**	2021
Results of operations			
Revenues	**$ 183,695,000**	**$ 155,208,000**	$ 257,588,000
Expenses	**(176,859,000)**	**(146,659,000)**	(246,393,000)
Net income	**6,836,000**	**8,549,000**	11,195,000
City's share of net income - 53.39% *(2021 - 92.25%)*	**$ 6,306,210**	**$ 4,564,311**	$ 10,327,388

8. 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:

	2022	2021
Common shares	**$ 185,801**	$ 209,027
Long-term notes receivable	**1,672,213**	1,881,239
Share of net income since acquisition, net of dividends	**-**	-
	$ 1,858,014	$ 2,090,266

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.

8. Investment in Kitchener Generation Corporation (continued)

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

	2022	2021
Balance, beginning of year	**$ 2,090,266**	$ 2,316,914
Share of net income for year	**49,318**	64,114
Dividends received during year	**(49,318)**	(56,589)
Return of capital	**(23,226)**	(23,417)
Repayment of outstanding debt	**(209,026)**	(210,756)
Balance, end of year	**$ 1,858,014**	$ 2,090,266

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

	2022	2021
Financial position		
Current assets	**$ 11,478**	$ 7,676
Capital assets	**1,858,012**	2,090,264
Total assets	**1,869,490**	2,097,940
Current liabilities	**11,476**	7,674
Long-term debt	**1,672,213**	1,881,239
Total liabilities	**1,683,689**	1,888,913
Net assets	**$ 185,801**	$ 209,027

	2022	2021
Results of operations		
Revenues	**$ 386,220**	$ 401,175
Expenses	**(336,902)**	(337,061)
Net income	**49,318**	64,114
City's share of net income - 100%	**$ 49,318**	$ 64,114

9. Insurance pool

Accounts payable and accrued liabilities include an amount of $12,733,568 *(2021 - $10,581,610)* 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 26.19% *(2021 - 23.02%)* and its share of the Pool's cumulative surplus as at May 31**,** 2022 was $1,644,228 *(2021 - $1,805,325).* The City's share of the Pool's cumulative surplus has not been included in the Consolidated Statement of Financial Position.

10. Deferred revenue - obligatory reserve funds

Obligatory deferred revenue is comprised of the following:

	2022	2021
Development charges	**$ 45,833,994**	$ 46,022,757
Canada Community-Building Fund	**10,881,638**	12,773,507
Building	**13,703,780**	14,657,882
Recreational land	**12,331,116**	9,660,257
	$ 82,750,528	$ 83,114,403

The continuity of obligatory deferred revenue is as follows:

	Development charges	**Canada Community-Building Fund**	**Building**	**Recreational land**	**Total**
Balance, January 1, 2022	**$ 46,022,757**	**$ 12,773,507**	**$ 14,657,882**	**$ 9,660,257**	**$ 83,114,403**
Collections	**27,003,435**	**7,396,672**	**1,761,269**	**2,896,115**	**39,057,491**
Interest earned	**408,670**	**77,324**	**294,048**	**189,588**	**969,630**
Deferred revenue recognized	**(27,600,868)**	**(9,365,865)**	**(3,009,419)**	**(414,844)**	**(40,390,996)**
Balance, December 31, 2022	**45,833,994**	**10,881,638**	**13,703,780**	**12,331,116**	**82,750,528**
Balance, January 1, 2021	35,029,877	6,302,509	13,818,330	5,526,943	60,677,659
Collections	32,829,023	14,507,301	704,789	4,128,995	52,170,108
Interest earned	-	89,115	144,637	87,161	320,913
Deferred revenue recognized	(21,836,143)	(8,125,418)	(9,874)	(82,842)	(30,054,277)
Balance, December 31, 2021	$ 46,022,757	$ 12,773,507	$ 14,657,882	$ 9,660,257	$ 83,114,403

11. Municipal debt

The City has assumed responsibility for the payment of principal and interest charges on certain long-term debt issued by other municipalities. At the end of the year, the outstanding principal amount of this liability is $57,724,950 *(2021 - $59,962,275).*

The annual principal repayments are:

2023	$	**9,483,327**
2024		**8,662,268**
2025		**9,069,372**
2026		**8,830,468**
2027		**5,815,174**
2028 and thereafter		**15,864,341**
	$	**57,724,950**

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

The municipal debt carries interest rates ranging from 0.30% to 5.65% *(2021 - 0.30% to 5.65%)*. Interest charges for 2022 relating to municipal debt totalled $1,888,318 *(2021 - $1,603,561)*.

12. 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 2022 amounting to $11,994,340 *(2021 - $11,460,767).*

The latest available report for the OMERS plan was as at December 31, 2022. At that time the plan reported a $6.7 billion actuarial deficit, based on actuarial liabilities of $130.3 billion and actuarial assets of $123.6 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, 2022, the City has no obligation under the past service provisions of the OMERS agreement.

13. Employee future benefits

The estimated liability for employee future benefits is comprised of the following:

		2022		2021
Sick leave benefit plan	$	**21,048,254**	$	20,869,210
Post-retirement benefits		**24,344,236**		23,658,385
Future payments to WSIB		**9,257,800**		9,707,500
	$	**54,650,290**	$	54,235,095

13. Employee future benefits (continued)

Significant actuarial assumptions

	Workplace Safety Insurance Board		Sick Leave & Post-Retirement Benefits	
	2022	2021	**2022**	2021
Discount rate	**5.00**	2.75	**5.00**	2.75
Salary growth assumptions	**N/A**	N/A	**3.00**	3.00
CPI increase assumptions	**2.50**	2.00	**2.50**	2.50
Health care initial trend rate	**N/A**	N/A	**5.90**	5.90
Health care ultimate trend rate	**N/A**	N/A	**4.50**	4.50
Dental care initial trend rate	**N/A**	N/A	**4.00**	4.00
Dental care ultimate trend rate	**N/A**	N/A	**4.00**	4.00

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 $1,953,862 *(2021 - $2,550,997).*

A reserve fund to provide for this liability is included in accumulated surplus, in the amount of $6,473,313 *(2021 - $6,332,903)*.

Anticipated undiscounted payments to employees who are eligible to retire are:

2023	**$ 3,473,703**
2024	**916,480**
2025	**990,076**
2026	**830,231**
2027	**788,047**
2028 and thereafter	**5,129,171**
	$ 12,127,708

The actuarial valuation of the future liability for sick leave assumes a discount rate of 5.00% *(2021 - 2.75%)*. The last actuarial valuation for this liability was completed at December 31, 2020.

13. Employee future benefits (continued)

a. Sick leave benefit plan (continued)

The actuarial expense for the current year was $2,132,906 *(2021 - $2,158,899)* and is comprised of the following items:

		2022		2021
Current period benefit cost	**$**	**1,286,234**	$	1,324,175
Amortization of actuarial losses		**276,463**		339,204
Sick leave benefit expense		**1,562,697**		1,663,379
Sick leave benefit interest expense		**570,209**		495,520
Total expenses related to sick leave benefits	**$**	**2,132,906**	$	2,158,899

As at December 31, 2022, the unamortized actuarial gains (losses) were $3,761,247 *(2021 - $443,601)* and are amortized over 11 to 13 years *(2021 - 11 to 13 years)*.

b. Post-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 $1,185,801 *(2021 - $1,257,388).*

The City holds no reserve to meet this liability.

The actuarial valuation of the future liability for post-retirement benefits assumes a discount rate of 5.00% *(2021 - 2.75%)* and inflation rates for benefit premiums of 4.0% to 5.9% *(2021 - 4.0% to 5.9%)*. The last actuarial valuation for this liability was completed at December 31, 2020.

The actuarial expense for the year was $1,871,652 *(2021 - $2,252,930)* and is comprised of the following items:

		2022		2021
Current period benefit cost	**$**	**1,126,425**	$	1,199,344
Amortization of actuarial losses		**113,028**		516,731
Post-retirement benefit expense		**1,239,453**		1,716,075
Post-retirement benefit interest expense		**632,199**		536,855
Total expenses related to post-retirement benefits	**$**	**1,871,652**	$	2,252,930

As at December 31, 2022, the unamortized actuarial gains (losses) were $6,059,480 *(2021 - $1,202,863)* and are amortized over 11 to 13 years *(2021 - 11 to 13 years)*.

13. Employee future benefits (continued)

c. WSIB

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 $2,465,700 *(2021 - $2,366,600).*

A reserve fund to provide for this liability is included in accumulated surplus, in the amount of $5,248,311 *(2021 - $4,789,470)*.

The actuarial valuation of the future liability for WSIB assumes a discount rate of 5.00% *(2021 - 2.75%)*. The last actuarial valuation for this liability was completed at December 31, 2022.

The actuarial expense for the current year was $2,016,000 *(2021 - $1,736,500)* and is comprised of the following items:

		2022		2021
Current period benefit cost	**$**	**996,400**	$	912,400
Amortization of actuarial losses		**702,300**		573,800
WSIB benefit expense		**1,698,700**		1,486,200
WSIB benefit interest expense		**317,300**		250,300
Total expenses related to WSIB benefits	**$**	**2,016,000**	$	1,736,500

As at December 31, 2022, the unamortized actuarial losses were $2,296,900 *(2021 - $2,066,000)* and are amortized over 12 years *(2021 - 12 years)*.

14. Tangible capital assets

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

Assets under construction having a value of $68,956,354 *(2021 - $53,812,220)* have not been amortized. Amortization of these assets will commence when the assets are put into service.

Contributed tangible capital assets of $20,157,534 *(2021 - $23,914,606)* 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 *(2021 - $nil)*.

The amount of interest capitalized was $nil *(2021 - $nil)*.

15. Accumulated surplus

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

	2022	2021
Surplus:		
Invested in tangible capital assets	**$ 1,467,695,615**	$ 1,389,634,219
Other	**34,773,543**	18,815,880
Investment in Enova Energy Corporation	**306,970,957**	231,241,809
Investment in Kitchener Generation Corporation	**1,858,014**	2,090,266
Employee future benefits (unfunded)	**(54,650,290)**	(54,235,095)
Total surplus	**1,756,647,839**	1,587,547,079
Reserve funds set aside for specific purposes by Council for:		
Capital	**61,688,848**	53,324,641
Stabilization	**38,734,604**	37,986,430
Program specific	**11,890,075**	10,059,829
Corporate	**14,366,049**	13,631,628
	126,679,576	115,002,528
Reserve funds set aside for specific purposes by consolidated entities:		
Kitchener Public Library	**584,339**	735,262
Kitchener Downtown Improvement Area Board of Management	**50,000**	50,000
The Centre in the Square Inc.	**1,869,415**	1,863,809
	2,503,754	2,649,071
Total reserve funds	**129,183,330**	117,651,599
Accumulated surplus	**$ 1,885,831,169**	$ 1,705,198,678

16. Contingent liabilities

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.

17. 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.

18. Budget figures

The budget figures reflected in these consolidated financial statements are those approved by Council at a meeting on December 13, 2021. Budget figures have been translated to reflect Public Sector Accounting Board standards.

19. Comparative figures

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

20. Subsequent events

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

THE CORPORATION OF THE CITY OF KITCHENER

Schedule A - Tangible Capital Assets

For the Year Ended December 31, 2022

	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	$ 52,173,899	$ 73,536,839	$ 272,077,320	$ 3,054,251	$ 52,545,912	$ 34,697,738	$ 10,322,448	$ 30,031,465	$ 164,900,232	$ 67,843,049	$ 1,146,997,501	$ 53,812,220	$ 1,961,992,873
Additions	312,376	2,613,840	1,431,789	-	4,759,501	70,718	1,266,435	2,936,229	12,048,571	1,676,135	70,054,584	38,107,791	135,277,969
Transfers	75,001	39,528	275,111	-	221,786	-	-	-	(75,001)	87,095	22,340,136	(22,963,656)	-
Disposals	(30,435)	(341,982)	(28,735)	-	(3,191,076)	(342,499)	(1,432,407)	(2,248,300)	(118,985)	-	(10,588,730)	-	(18,323,149)
Balance, end of year	52,530,841	75,848,225	273,755,485	3,054,251	54,336,123	34,425,957	10,156,476	30,719,394	176,754,817	69,606,279	1,228,803,491	68,956,355	2,078,947,693
Accumulated amortization													
Balance, beginning of year	-	(22,866,414)	(141,487,664)	(1,069,909)	(25,451,519)	(21,912,360)	(5,006,449)	(13,941,241)	-	(25,337,162)	(315,285,936)	-	(572,358,654)
Disposals	-	341,982	17,426	-	3,074,075	342,499	1,432,407	2,105,953	-	-	10,420,609	-	17,734,951
Amortization expense	-	(3,865,932)	(7,014,900)	(60,132)	(4,444,649)	(2,595,538)	(1,775,173)	(2,342,161)	-	(2,185,695)	(32,344,195)	-	(56,628,375)
Balance, end of year	-	(26,390,364)	(148,485,138)	(1,130,041)	(26,822,093)	(24,165,399)	(5,349,215)	(14,177,449)	-	(27,522,857)	(337,209,522)	-	(611,252,078)
Net book value, end of year	52,530,841	49,457,861	125,270,347	1,924,210	27,514,030	10,260,558	4,807,261	16,541,945	176,754,817	42,083,422	891,593,969	68,956,355	1,467,695,615
Net book value, beginning of year	$ 52,173,899	$ 50,670,425	$ 130,589,656	$ 1,984,342	$ 27,094,393	$ 12,785,378	$ 5,315,999	$ 16,090,224	$ 164,900,232	$ 42,505,887	$ 831,711,565	$ 53,812,220	$ 1,389,634,219

THE CORPORATION OF THE CITY OF KITCHENER

Schedule A - Tangible Capital Assets (Continued)

For the Year Ended December 31, 2021

	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	$ 49,052,146	$ 71,207,447	$ 263,049,945	$ 3,054,251	$ 49,745,572	$ 34,864,700	$ 10,307,904	$ 29,530,098	$ 161,155,561	$ 67,476,797	$ 1,111,872,727	$ 53,677,837	$ 1,904,994,984
Additions	3,123,168	2,269,002	8,760,147	-	5,770,413	233,658	1,895,634	1,846,416	3,743,525	348,229	57,160,817	36,687,781	121,838,790
Transfers	(1,146)	176,320	370,277	-	-	171,383	29,635	-	1,146	18,023	35,787,760	(36,553,398)	-
Disposals	(269)	(115,930)	(103,049)	-	(2,970,073)	(572,003)	(1,910,725)	(1,345,049)	-	-	(57,823,803)	-	(64,840,901)
Balance, end of year	52,173,899	73,536,839	272,077,320	3,054,251	52,545,912	34,697,738	10,322,448	30,031,465	164,900,232	67,843,049	1,146,997,501	53,812,220	1,961,992,873
Accumulated amortization													
Balance, beginning of year	-	(19,288,697)	(134,146,926)	(1,009,777)	(23,998,067)	(19,826,812)	(5,152,296)	(12,690,173)	-	(23,164,966)	(341,716,420)	-	(580,994,134)
Disposals	-	115,930	62,236	-	2,853,381	572,003	1,910,725	1,255,638	-	-	57,454,160	-	64,224,073
Amortization expense	-	(3,693,647)	(7,402,974)	(60,132)	(4,306,833)	(2,657,551)	(1,764,878)	(2,506,706)	-	(2,172,196)	(31,023,676)	-	(55,588,593)
Balance, end of year	-	(22,866,414)	(141,487,664)	(1,069,909)	(25,451,519)	(21,912,360)	(5,006,449)	(13,941,241)	-	(25,337,162)	(315,285,936)	-	(572,358,654)
Net book value, end of year	52,173,899	50,670,425	130,589,656	1,984,342	27,094,393	12,785,378	5,315,999	16,090,224	164,900,232	42,505,887	831,711,565	53,812,220	1,389,634,219
Net book value, beginning of year	$ 49,052,146	$ 51,918,750	$ 128,903,019	$ 2,044,474	$ 25,747,505	$ 15,037,888	$ 5,155,608	$ 16,839,925	$ 161,155,561	$ 44,311,831	$ 770,156,307	$ 53,677,837	$ 1,324,000,850

THE CORPORATION OF THE CITY OF KITCHENER

Schedule B - Segmented Information

For the Year Ended December 31, 2022

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Gasworks	Total
Revenue										
Taxation	$ 22,754,716	$ 41,745,916	$ 19,104,608	$ 2,177,308	$ 363,092	$ 1,664,700	$ 48,491,129	$ 8,445,070	$ -	$ 144,746,539
User fees and charges	2,183,744	10,242,436	5,954,287	143,425,770	1,869,811	256,988	16,390,416	4,617,461	95,482,632	280,423,545
Government transfers	3,421,910	1,637,671	9,067,882	5,363,305	-	811,582	4,894,626	655,705	-	25,852,681
Contributions of tangible capital assets	-	-	14,149,270	5,695,888	-	-	312,376	-	-	20,157,534
Investment income	8,134,602	231,760	131,913	842,987	284,376	4,466	263,084	202,040	195,356	10,290,584
Penalties and interest on taxes	4,087,007	-	-	-	-	-	-	-	-	4,087,007
Development charge revenue recognized	1,430,332	-	4,226,547	13,393,637	68,755	(282,392)	8,180,866	583,122	-	27,600,867
Share of net income of Enova Energy Corporation	10,870,521	-	-	-	-	-	-	-	-	10,870,521
Gain on dilution from prior interest in Kitchener Power Corp. and its affiliates	71,288,452	-	-	-	-	-	-	-	-	71,288,452
Share of net income of Kitchener Generation Corporation	49,318	-	-	-	-	-	-	-	-	49,318
Other	1,320,036	261,263	224,058	707,654	2,229	42,992	1,360,061	382,778	974,644	5,275,715
Total revenue	125,540,638	54,119,046	52,858,565	171,606,549	2,588,263	2,498,336	79,892,558	14,886,176	96,652,632	600,642,763
Operating expenses										
Salaries, wages and employee benefits	40,418,173	45,952,835	14,929,506	13,110,991	1,636,954	1,935,323	43,422,787	7,147,008	6,952,304	175,505,881
Materials and services	22,799,486	5,491,026	8,617,919	67,216,548	505,553	516,932	19,133,416	3,320,425	49,396,248	176,997,553
Municipal debt interest	158,826	163,684	322,895	1,118	44,592	-	903,972	293,231	-	1,888,318
Interfunctional and program support	(30,593,428)	2,803,759	4,511,338	10,885,135	471,208	75,687	4,958,772	1,336,622	5,550,907	-
External transfers	118,599	64,214	70,000	517,806	-	8,983	2,241,425	4,351,560	-	7,372,587
Amortization of tangible capital assets	5,479,297	2,010,195	14,214,735	13,690,833	145,819	76,898	11,195,462	449,258	9,365,878	56,628,375
Loss (gain) on disposals of tangible capital assets	(70,390)	(42,028)	57,002	123,748	7,326	-	202,971	1,349,261	(10,332)	1,617,558
Total expenses	38,310,563	56,443,685	42,723,395	105,546,179	2,811,452	2,613,823	82,058,805	18,247,365	71,255,005	420,010,272
Annual surplus	$ 87,230,075	$ (2,324,639)	$ 10,135,170	$ 66,060,370	$ (223,189)	$ (115,487)	$ (2,166,247)	$ (3,361,189)	$ 25,397,627	$ 180,632,491

THE CORPORATION OF THE CITY OF KITCHENER

Schedule B - Segmented Information (Continued)

For the Year Ended December 31, 2021

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Gasworks	Total
Revenue										
Taxation	$ 22,870,430	$ 39,453,756	$ 18,232,028	$ 2,200,632	$ 311,833	$ 1,584,474	$ 45,460,282	$ 7,835,608	$ -	$ 137,949,043
User fees and charges	1,977,601	8,791,952	5,057,016	138,124,155	2,005,797	58,486	8,888,145	4,050,109	79,218,023	248,171,284
Government transfers	8,233,245	1,745,521	9,762,361	2,505,890	943,750	805,517	1,321,722	99,644	25,614	25,443,264
Contributions of tangible capital assets	-	-	5,885,611	7,161,827	-	-	10,867,168	-	-	23,914,606
Investment income	5,434,409	103,167	74,565	358,273	264,420	2,624	83,095	126,165	130,573	6,577,291
Penalties and interest on taxes	3,783,814	-	-	-	-	-	-	-	-	3,783,814
Development charge revenue recognized	1,404,578	-	1,906,638	15,009,027	68,222	-	3,001,201	446,477	-	21,836,143
Share of net income of Kitchener Power Corp. and its affiliates	10,327,388	-	-	-	-	-	-	-	-	10,327,388
Share of net income of Kitchener Generation Corporation	64,114	-	-	-	-	-	-	-	-	64,114
Other	946,623	167,965	269,150	1,071,042	2,525	5,413	563,456	153,351	957,336	4,136,861
Total revenue	55,042,202	50,262,361	41,187,369	166,430,846	3,596,547	2,456,514	70,185,069	12,711,354	80,331,546	482,203,808
Operating expenses										
Salaries, wages and employee benefits	38,110,171	45,621,805	13,125,255	12,038,707	1,536,608	1,781,170	37,220,494	5,315,942	5,968,134	160,718,286
Materials and services	18,295,780	5,951,138	7,006,899	64,989,441	1,577,133	307,915	14,473,470	2,035,954	39,097,905	153,735,635
Municipal debt interest	(253,492)	106,760	343,365	4,808	36,685	-	1,015,103	350,332	-	1,603,561
Interfunctional and program support	(28,128,732)	3,202,903	3,621,609	9,432,421	532,517	62,299	4,548,000	1,363,206	5,365,777	-
External transfers	100,731	15,814	135,000	503,234	-	6,314	1,844,425	2,362,458	32,796	5,000,772
Amortization of tangible capital assets	6,625,854	1,602,970	14,809,662	12,628,094	161,388	76,922	10,585,084	422,751	8,675,868	55,588,593
Loss (gain) on disposals of tangible capital assets	(145,495)	(60,306)	(39,607)	243,569	(1,573)	-	(78,711)	(73,285)	184,623	29,215
Total expenses	34,604,817	56,441,084	39,002,183	99,840,274	3,842,758	2,234,620	69,607,865	11,777,358	59,325,103	376,676,062
Annual surplus	$ 20,437,385	$ (6,178,723)	$ 2,185,186	$ 66,590,572	$ (246,211)	$ 221,894	$ 577,204	$ 933,996	$ 21,006,443	$ 105,527,746

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

- the balance sheet as at December 31, 2022
- 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 balance sheet of the Entity as at December 31, 2022, and the statement of continuity 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.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

DRAFT

THE CORPORATION OF THE CITY OF KITCHENER TRUST FUNDS

Balance Sheet

As at December 31, 2022

	2022	2021
Assets		
Accounts receivable	**$ 36,485**	$ 47,141
Interest receivable	**131,586**	140,846
Loans receivable (Note 2)	**419,968**	473,180
Investments (Note 3)		
Short-term	**2,865,512**	1,528,320
Long-term	**14,860,224**	15,426,785
	18,313,775	17,616,272
Fund Balance	**$18,313,775**	$17,616,272

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, 2022

		2022		2021
Receipts				
Perpetual care funds	**$**	**461,298**	$	559,284
Interest earned		**428,059**		421,771
Other		**72,115**		111,157
		961,472		1,092,212
Expenditures				
Transfer to cemeteries operations		**263,969**		262,380
		263,969		262,380
Net change in fund		**697,503**		829,832
Balance, beginning of year		**17,616,272**		16,786,440
Balance, end of year	**$**	**18,313,775**	$	17,616,272

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, 2022

1. Summary of significant accounting policies

These financial statements of the Corporation of the City of Kitchener 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.

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. Investments

The long-term investments of $14,860,224 *(2021 - $15,426,785)* reported on the Balance Sheet at cost, have a market value of $14,431,282 *(2021 - $15,963,621)*.

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.

THE CORPORATION OF THE CITY OF KITCHENER TRUST FUNDS

Schedule of Continuity by Fund

For the Year Ended December 31, 2022

	Balance December 31, 2021	Perpetual care funds	Interest earned	Other receipts	Transfer to cemeteries operations	Disbursements	Balance December 31, 2022
Perpetual Care Funds							
Mount Hope Cemetery	$ 602,094	$ 1,956	$ 13,925	$ 800	$ 13,925	$ -	$ 604,850
Woodland Cemetery	5,545,984	95,502	133,825	17,300	119,630	-	5,672,981
Bridgeport Cemetery	169,356	1,406	3,926	300	3,926	-	171,062
Williamsburg Cemetery	4,650,771	362,434	112,045	38,550	112,045	-	5,051,755
St. Peter's Cemetery	496,713	-	11,479	1,400	11,479	-	498,113
Cemetery Trusts							
F. E. Tremain	15,550	-	359	-	359	-	15,550
Florence V. Cober	8,783	-	203	-	203	-	8,783
L. F. Glick	20,664	-	477	-	477	-	20,664
Edna Atherton	1,331	-	31	-	31	-	1,331
George Wright Estate	42,614	-	984	-	984	-	42,614
E. L. Goetz	1,357	-	31	-	31	-	1,357
E. Weiderhold	38,065	-	879	-	879	-	38,065
Prepaid Interments	6,022,990	-	149,895	13,765	-	-	6,186,650
	$ 17,616,272	$ 461,298	$ 428,059	$ 72,115	$ 263,969	$ -	$ 18,313,775

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INDEPENDENT AUDITOR'S REPORT

To the Members of the 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, 2022
- 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
- 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, 2022, and its results of operations, and its changes in net financial assets for the year then ended 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.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

DRAFT

BELMONT IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Financial Position

As at December 31, 2022

	2022	2021
Financial assets		
Cash	**$ 18,491**	$ 19,992
Accounts receivable	**-**	6,025
	18,491	26,017
Financial liabilities		
Accounts payable and accrued liabilities	**12,254**	7,000
Net financial assets (liabilities)	**6,237**	19,017
Non-financial assets		
Tangible capital assets (Note 2)	**51,030**	43,057
Prepaid expenses	**1,195**	1,056
	52,225	44,113
Net assets	**58,462**	63,130
Accumulated Surplus		
Accumulated net revenue (deficit)	**7,432**	20,073
Invested in tangible capital assets	**51,030**	43,057
Total accumulated surplus	**$ 58,462**	$ 63,130

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

BELMONT IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Revenue and Expenses and Accumulated Surplus

For the Year Ended December 31, 2022

	2022	2021
Revenue		
Assessments	**$ 41,890**	$ 40,670
Grants	**-**	18,000
Other revenue	**48,938**	5,840
	90,828	64,510
Expenses		
Streetscaping	**39,552**	15,277
Audit	**1,808**	1,808
Insurance	**3,117**	2,129
Winter maintenance	**27,758**	16,127
Advertising	**9,599**	12,485
Miscellaneous	**8,280**	5,028
Amortization	**5,382**	4,434
	95,496	57,288
Net surplus (deficit) for year	**(4,668)**	7,222
Accumulated surplus, beginning of year	**63,130**	55,908
Accumulated surplus, end of year	**$ 58,462**	$ 63,130

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

BELMONT IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Change in Net Financial Assets

For the Year Ended December 31, 2022

		2022		2021
Net surplus (deficit) for year	$	**(4,668)**	$	7,222
Acquisition of tangible capital assets		**(13,355)**		(903)
Amortization of tangible capital assets		**5,382**		4,434
Acquisition of prepaid expenses		**(139)**		(138)
Change in net financial assets		**(12,780)**		10,615
Net financial assets, beginning of year		**19,017**		8,402
Net financial assets (liabilities), end of year	$	**6,237**	$	19,017

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, 2022

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.

2. Tangible capital assets

	Machinery & Equipment	Computer Hardware	Total
Cost			
Balance, beginning of year	$ 60,426	$ 1,356	$ 61,782
Additions	13,355	-	13,355
Balance, end of year	73,781	1,356	75,137
Accumulated amortization			
Balance, beginning of year	(17,708)	(1,017)	(18,725)
Disposals	-	-	-
Amortization expense	(5,043)	(339)	(5,382)
Balance, end of year	(22,751)	(1,356)	(24,107)
Net book value, end of year	51,030	-	51,030
Net book value, beginning of year	$ 42,718	$ 339	$ 43,057

3. Related party transactions

During the year the Board paid operational support fees of $25,000 (2021 - $5,650) to the Corporation of the City of Kitchener, its utlimate controlling party. These are included in streetscaping expenses on the Statement of Revenue and Expenses and Accumulated Surplus.

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.

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INDEPENDENT AUDITOR'S REPORT

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, 2022
- 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, 2022, 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 24, 2023

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Financial Position

Year ended December 31, 2022, with comparative information for 2021

		2022		2021
Financial Assets				
Cash	$	642,649	$	346,072
Term deposits (note 2)		116,537		115,670
Accounts receivable		77,853		406,075
Prepaid expenses		17,249		8,120
		854,288		875,937
Financial Liabilities				
Accounts payable and accrued charges		437,303		428,758
Due to the City of Kitchener (note 4)		21,606		29,972
		458,909		458,730
Net financial assets		395,379		417,207
Non-Financial Assets				
Tangible capital assets (note 5)		724,560		610,999
Net assets	$	1,119,939	$	1,028,206
Accumulated Surplus				
Reserve for rate stabilization	$	50,000	$	50,000
Accumulated net revenue		345,379		367,207
Invested in tangible capital assets		724,560		610,999
Total accumulated surplus	$	1,119,939	$	1,028,206

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, 2022, with comparative information for 2021

	Budget 2022 (note 7)	Actual 2022	Actual 2021
Revenue:			
Assessments	$ 1,379,000	$ 1,379,000	$ 1,379,000
Interest	–	867	749
Other income (note 6)	95,000	81,669	372,885
	1,474,000	1,461,536	1,752,634
Expenses:			
Promotions and advertising	759,000	639,669	380,610
Salaries, wages and benefits	417,500	428,782	398,447
Administration	106,500	111,435	90,670
Meetings and seminars	4,000	4,428	183
Safety and beautification	97,000	86,453	82,276
Member relations	10,000	8,339	7,388
Amortization	–	69,091	44,904
	1,394,000	1,348,197	1,004,478
Net revenue before other items	80,000	113,339	748,156
Net assessment write-offs (note 4)	45,000	21,606	29,972
Annual surplus	35,000	91,733	718,184
Accumulated surplus, beginning of year	1,028,206	1,028,206	310,022
Accumulated surplus, end of year	$ 1,063,206	$ 1,119,939	$ 1,028,206

See accompanying notes to financial statements.

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Changes in Net Financial Assets

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Annual surplus	$ 91,733	$ 718,184
Acquisition of tangible capital assets	(182,652)	(634,453)
Amortization of tangible capital assets	69,091	44,904
Change in net financial assets	(21,828)	128,635
Net financial assets, beginning of year	417,207	288,572
Net financial assets, end of year	$ 395,379	$ 417,207

See accompanying notes to financial statements.

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 91,733	$ 718,184
Item not involving cash:		
Amortization	69,091	44,904
Changes in non-cash assets and liabilities:		
Accounts receivable	328,222	(373,684)
Prepaid expenses	(9,129)	1,701
Accounts payable and accrued liabilities	8,545	238,733
Due to the City of Kitchener	(8,366)	(78,025)
Cash from operating activities	480,096	551,813
Investing activities:		
Acquisition of tangible capital assets	(182,652)	(634,453)
Purchase of investments	(867)	(749)
Cash used in investing activities	(183,519)	(635,202)
Increase (decrease) in cash	296,577	(83,389)
Cash, beginning of year	346,072	429,461
Cash, end of year	$ 642,649	$ 346,072

See accompanying notes to financial statements.

1. Summary of significant accounting policies:

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.

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	Useful Life - Years
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.

(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.

1. Summary of significant accounting policies (continued):

(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.

2. Term deposits:

The term deposits consist of the following:

Principal		Maturity	Rate
$	11,062	April 17, 2023	3.25%
	52,295	March 20, 2023	1.20%
	53,180	March 17, 2023	4.00%

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:

2023	$	48,395
2024		54,990
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 $ 21,606 (2021 - $29,972).

5. Tangible capital assets:

	Opening balance	Additions	Disposals/ Transfers	Write-downs	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	$ 32,068	$ 4,457	$ –	$ –	$ 36,525	$ 29,226	$ 2,842	$ –	$ 1,547	$ 30,773	$ 5,752
Furniture	67,005	–	–	–	67,005	64,075	2,930	–	2,095	66,170	835
Leasehold improvements	3,498	–	–	–	3,498	3,498	–	–	–	3,498	–
Event equipment	48,175	–	–	–	48,175	43,179	4,996	–	4,943	48,122	53
Patio equipment	612,539	178,195	–	–	790,734	30,643	581,896	–	56,431	87,074	703,660
Structures	20,372	–	–	–	20,372	2,037	18,335	–	4,075	6,112	14,260
	$ 783,657	$ 182,652	$ –	$ –	$ 966,309	$ 172,658	$ 610,999	$ –	$ 69,091	$ 241,749	$ 724,560

6. Government grants:

Included in other income is a transfer of $ 20,219 received from City of Kitchener.

7. Budget figures:

The budget figures shown in the financial statements were approved by the Board of Kitchener Downtown Improvement Area Board of Management at a meeting on September 28, 2021.

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INDEPENDENT AUDITOR'S REPORT

To the members of Kitchener Public Library

Opinion

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

- the statement of financial position as at December 31, 2022
- 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 Entity as at December 31, 2022, and its results of operations and changes in accumulated surplus, 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

March 15, 2023

KITCHENER PUBLIC LIBRARY

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets		
Cash	$ 2,021,464	$ 1,956,322
Accounts receivable	161,972	153,690
Due from City of Kitchener	83,078	195,142
Investments (note 2)	50,000	50,000
Endowment investments (note 2)	100,000	100,000
Total financial assets	2,416,514	2,455,154
Financial liabilities		
Accounts payable and accrued liabilities	569,728	669,058
Due to Early Literacy Alliance of Waterloo Region	648,637	566,950
Deferred revenue (note 4)	513,810	402,384
	1,732,175	1,638,392
Net financial assets	684,339	816,762
Non-financial assets		
Tangible capital assets (note 3)	5,095,735	5,293,309
Prepaid expenses	-	18,500
	5,095,735	5,311,809
Accumulated surplus (note 8)	$ 5,780,074	$ 6,128,571

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, 2022, with comparative information for 2021

	Budget 2022	Actual 2022	Acutal 2021
Revenues:			
Grants:			
The City of Kitchener – Operating	$ 11,558,934	$ 11,558,934	$ 11,410,596
The City of Kitchener – Capital and special (note 5)	-	450,352	684,727
The City of Kitchener – special (note 6)	-	70,069	211,571
Province of Ontario	306,980	306,980	306,980
Interest and miscellaneous	40,000	80,600	17,163
Rentals	105,000	79,565	18,122
Partnerships	55,000	56,568	53,079
Photocopy	43,000	40,667	14,745
Lost and damaged fees	30,000	21,926	13,871
Total revenue	12,138,914	12,665,661	12,730,854
Expenses:			
Personnel costs (schedule 1)	9,473,197	9,140,995	8,802,392
Resource materials	1,207,900	1,440,563	1,453,870
Equipment (schedule 2)	366,500	953,851	901,830
Facilities costs (schedule 3)	788,917	837,328	859,892
Administrative (schedule 4)	225,900	268,519	248,878
Expenditures related to capital and special (note 5)	-	181,390	288,674
Required expenditures related to special grants (note 6)	-	70,069	211,571
Programs and publicity (schedule 5)	76,500	68,496	72,196
Processing/bindery	90,000	44,342	79,240
General library equipment	10,000	8,605	12,026
Total expenses	12,238,914	13,014,158	12,930,569
Deficiency of revenue over expenses	(100,000)	(348,497)	(199,715)
Accumulated surplus, beginning of year		6,128,571	6,328,286
Accumulated surplus, end of year		$ 5,780,074	$ 6,128,571

See accompanying notes to financial statements.

KITCHENER PUBLIC LIBRARY

Statement of Change in Net Financial Assets

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Deficiency of revenue over expenses	$ (348,497)	$ (199,715)
Acquisition of tangible capital assets	(1,202,805)	(1,388,350)
Amortization of tangible capital assets	1,400,379	1,380,717
	(150,923)	(207,348)
Change in prepaid expenses	18,500	(9,545)
Change in net financial assets	(132,423)	(216,893)
Net financial assets, beginning of year	816,762	1,033,655
Net financial assets, end of year	$ 684,339	$ 816,762

See accompanying notes to financial statements.

KITCHENER PUBLIC LIBRARY

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Operating activities:		
Deficiency of revenue over expenses	$ (348,497)	$ (199,715)
Item not involving cash:		
Amortization of tangible capital assets	1,400,379	1,380,717
Changes in non-cash operating working capital		
Accounts receivable	(8,282)	170,363
Prepaid expenses	18,500	(9,545)
Due from City of Kitchener	112,064	(57,218)
Accounts payable and accrued liabilities	(99,330)	(89,693)
Due to Early Literacy Alliance of Waterloo Region	81,687	266,950
Deferred revenue	111,426	(13,279)
Cash provided by operating activities	1,267,947	1,448,580
Capital activities:		
Cash used to acquire tangible capital assets	(1,202,805)	(1,388,350)
Increase in cash	65,142	60,230
Cash, beginning of year	1,956,322	1,896,092
Cash, end of year	$ 2,021,464	$ 1,956,322

See accompanying notes to financial statements.

Kitchener Public Library (the "Board") was incorporated as a not-for-profit organization, without share capital, under the laws of Ontario. 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.

(c) Investments and investment income:

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. Investment income is reported as revenue in the period earned.

1. Significant accounting policies (continued):

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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
Furniture, fixtures and equipment	10 - 30 years
Other equipment and vehicle	8 years
Computers	3 - 10 years
Books and audio visual resources	2 - 10 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):

(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.

2. Investments:

	2022		2021	
	Cost	Market Value	Cost	Market Value
Investments:				
Guaranteed Investment Certificate	$ 50,000	$ 50,494	$ 50,000	$ 50,000
Endowment Investments:				
Guaranteed Investment Certificate	100,000	100,997	100,000	100,000

3. Tangible capital assets:

2022	Books and audio visual resources	Computers	Furniture, fixtures and equipment	Other equipment and vehicle	Total
Cost					
Balance, beginning of year	$ 7,454,995	$ 3,147,586	$ 2,227,307	$ 241,406	$ 13,071,294
Additions	739,240	353,203	110,362	-	1,202,805
Disposals	(1,004,075)	(211,871)	(43,733)	-	(1,259,679)
Balance, end year	7,190,160	3,288,918	2,293,936	241,406	13,014,420
Accumulated amortization					
Balance, beginning of year	4,434,219	2,126,120	1,144,408	73,238	7,777,985
Amortization	870,929	374,731	145,437	9,282	1,400,379
Disposals	(1,004,075)	(211,871)	(43,733)	-	(1,259,679)
Balance, end of year	4,301,073	2,288,980	1,246,112	82,520	7,918,685
Net book value, end of year	$ 2,889,087	$ 999,938	$ 1,047,824	$ 158,886	$ 5,095,735

3. Tangible capital assets (continued):

2021	Books and audio visual resources	Computers	Furniture, fixtures and equipment	Other equipment and vehicle	Total
Cost					
Balance, beginning of year	$ 7,630,228	$ 3,073,110	$ 2,121,398	$ 164,684	$ 12,989,420
Additions	748,568	406,735	152,825	80,222	1,388,350
Disposals	(923,801)	(332,259)	(46,916)	(3,500)	(1,306,476)
Balance, end year	7,454,995	3,147,586	2,227,307	241,406	13,071,294
Accumulated amortization					
Balance, beginning of year	4,464,914	2,120,833	1,048,602	69,395	7,703,744
Amortization	893,106	337,546	142,722	7,343	1,380,717
Disposals	(923,801)	(332,259)	(46,916)	(3,500)	(1,306,476)
Balance, end of year	4,434,219	2,126,120	1,144,408	73,238	7,777,985
Net book value, end of year	$ 3,020,776	$ 1,021,466	$ 1,082,899	$ 168,168	$ 5,293,309

4. Deferred revenue:

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

	2022	2021
Deferred capital grants	$ 479,825	$ 362,861
Other	33,985	39,523
Total deferred revenue	$ 513,810	$ 402,384

Continuity of deferred capital grants is as follows:

	2022	2021
Balance, beginning of year	$ 362,861	$ 377,292
Investing in infrastructure grant	168,873	197,139
Contributions used	(51,909)	(211,570)
Balance, end of year	$ 479,825	$ 362,861

5. Capital and special grants:

Each year, the City approves capital and special grants for the Board to purchase specific capital items.

The capital grants approved for 2022 included $101,959 (2021 - $99,960) for general renovations, maintenance and upgrading of existing facilities, $334,070 (2021 - $327,517) for communication infrastructure and technology upgrades, $29,714 (2021 - $29,131) for KPL Accessibility Fund, $58,367 for resources, furniture and equipment (2021 - $57,222) and $Nil (2021 - $4,739,897) for the southwest community library.

The portion of these grants and previous year grants that are included in revenue in 2022 is $450,352 (2021 - $684,727).

6. 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 2022, the Board received various special non-recurring grants and donations totaling $163,628 (2021 - $197,139). The portion of these grants and previous year special grants that are included in revenue in 2022 is $70,069 (2021 - $211,571). The remainder is included in deferred revenue.

7. Pension plan:

The Board makes contributions to the Ontario Municipal Employees Retirement Systems (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 $606,721 (2021 - $607,866) for current service on behalf of its staff.

The latest available report for the OMERS plan was as at December 31, 2022. At that time the plan reported a $6.7 billion actuarial deficit, based on actuarial liabilities of $128.8 billion and actuarial assets of $122.1 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, 2022, the Board has no obligation under the past service provisions of the OMERS agreement.

8. Accumulated surplus:

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

	2022	2021
Invested in tangible capital assets	$ 5,095,735	$ 5,293,309
Endowment investments	100,000	100,000
Reserves set aside by the Board:		
Capital fund	344,460	344,460
HR fund	37,000	37,000
Inclusion fund	67,876	199,361
Improvement fund	135,003	154,441
Total reserves	584,339	735,262
Accumulated surplus – unrestricted	–	–
Accumulated surplus	$ 5,780,074	$ 6,128,571

KITCHENER PUBLIC LIBRARY

Schedules of Expenses

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Schedule 1 – Personnel		
Salaries	$ 7,328,934	$ 7,069,060
Pension benefits	960,071	930,365
Health benefits	568,800	468,940
Employment insurance	138,159	130,852
Sick leave reserve	70,000	70,000
Staff training	56,990	114,536
WSIB	18,041	18,639
	$ 9,140,995	$ 8,802,392
Schedule 2 – Equipment		
Amortization	$ 529,451	$ 487,610
Technology	407,008	405,353
Equipment maintenance	17,392	8,867
	$ 953,851	$ 901,830
Schedule 3 – Facilities		
Facilities expenses	$ 516,625	$ 516,310
Main utilities	236,339	228,337
Country Hills building	44,639	49,357
Forest Heights utilities	27,681	37,272
Pioneer Park building	11,304	19,018
Grand River Stanley Park building	740	9,598
	$ 837,328	$ 859,892
Schedule 4 – Administrative		
Professional services	$ 105,327	$ 99,521
General business	67,036	60,771
Stationery	49,075	40,365
Telephone	21,053	21,495
Insurance	20,796	20,389
Postage and delivery	5,232	6,337
	$ 268,519	$ 248,878
Schedule 5 – Programs and Publicity		
Promotional	$ 36,541	$ 43,005
Public programs	31,955	29,191
	$ 68,496	$ 72,196

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INDEPENDENT AUDITOR'S REPORT

To the Directors of The Centre In The Square Inc.

Opinion

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

- the statement of financial position as at December 31, 2022
- 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 Centre as at December 31, 2022, and its results of operations and changes in accumulated surplus, 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 Centre 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 Centre'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 Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing The Centre'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 Centre'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 Centre'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 Centre 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 20, 2023

THE CENTRE IN THE SQUARE INC.

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Net Assets		
Financial assets:		
Cash	$ 3,352,049	$ 3,850,581
Due from City of Kitchener	–	48,488
Accounts receivable (note 2)	1,992,751	358,470
Interest receivable	3,965	2,254
Costs to be recovered	165,235	122,105
Investments (note 3)	1,527,054	1,420,930
Total financial assets	7,041,054	5,802,828
Financial liabilities:		
Accounts payable and accrued liabilities	2,817,533	1,537,203
Due to City of Kitchener	231,407	–
Deferred revenue (note 4)	2,393,412	2,719,131
	5,442,352	4,256,334
Net financial assets	1,598,702	1,546,494
Non-financial assets:		
Tangible capital assets (note 5)	15,636,326	13,270,528
Inventories (note 6)	74,673	83,706
Prepaid expenses	196,040	233,609
	15,907,039	13,587,843
Net assets	$ 17,505,741	$ 15,134,337
Accumulated Surplus		
Operating fund activities (note 7)	$ –	$ –
Reserves - Performance Development (note 10)	–	–
Reserves - Capital (note 10)	935,502	1,032,161
Reserves - Sustainability (note 10)	205,213	202,230
Reserves - Restricted (note 10)	728,700	629,418
Invested in tangible capital assets	15,636,326	13,270,528
Accumulated surplus	$ 17,505,741	$ 15,134,337

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, 2022, with comparative information for 2021

	Budget 2022 (note 9)	Actual 2022	Actual 2021
Revenues:			
Performances	$ 2,466,424	$ 2,559,785	$ 771,978
Rent - Kitchener-Waterloo Symphony	224,150	204,700	71,625
Capital reserve fund surcharge (note 10)	389,400	267,818	45,147
Grants from City of Kitchener – Operating	2,000,000	2,000,000	2,000,000
Grants from City of Kitchener – Capital	744,931	1,238,851	602,908
Grants from other governments – Operating (note 11)	–	459,804	700,971
Grants from other governments – Capital	1,622,454	1,801,926	160,202
Donations	8,000	42,113	15,223
Investment income	20,500	112,687	35,828
Sponsorships and memberships	148,293	63,423	26,799
Rent – Kitchener-Waterloo Art Gallery	107,222	107,222	105,120
Lottery revenue	–	7,421	42,951
Other	192,000	490,618	177,779
Gain on sale of investments	–	82,435	2,026
Total revenue	7,923,374	9,438,803	4,758,557
Expenses:			
Direct:			
Performances	1,097,814	2,100,203	674,535
Recovery of performance costs	–	–	(2,126)
Operating:			
Administration	624,354	575,081	428,517
Marketing	105,000	64,733	51,611
Lottery expenses	–	7,796	41,568
Occupancy	765,000	706,610	472,700
Salaries and wages	2,411,866	2,522,922	2,116,580
Sponsorship	–	28,118	5,415
Amortization	1,270,000	1,055,000	985,732
Loss on disposal and write-down of tangible capital assets	50,000	8,709	50,108
Reserves expenditures (recovery) (note 10)	55,000	(1,773)	39,497
Total expenses	6,379,034	7,067,399	4,864,137
Excess (deficiency) of revenue over expenses	1,544,340	2,371,404	(105,580)
Accumulated surplus, beginning of year	15,134,337	15,134,337	15,239,917
Accumulated surplus, end of year	16,678,677	$ 17,505,741	$ 15,134,337

See accompanying notes to financial statements.

THE CENTRE IN THE SQUARE INC.

Statement of Changes in Net Financial Assets

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Excess (deficiency) of revenue over expenses	$ 2,371,404	$ (105,580)
Acquisition of tangible capital assets	(3,432,107)	(1,008,270)
Amortization of tangible capital assets	1,055,000	985,732
Write-down of tangible capital assets	–	50,108
Loss on sale of tangible capital assets	8,709	–
	5,606	(78,010)
Net use (acquisition) of inventories	9,033	(26,138)
Net use (acquisition) of prepaid expenses	37,569	(105,705)
	46,602	(131,843)
Increase (decrease) in net financial assets	52,208	(209,853)
Net financial assets, beginning of year	1,546,494	1,756,347
Net financial assets, end of year	$ 1,598,702	$ 1,546,494

See accompanying notes to financial statements.

THE CENTRE IN THE SQUARE INC.

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Operating activities:		
Excess (deficiency) of revenue over expenses	$ 2,371,404	$ (105,580)
Items not involving cash:		
Amortization	1,055,000	985,732
Loss on sale of tangible capital assets	8,709	–
Write-down of tangible capital assets	–	50,108
Change in non-cash operating working capital	(398,014)	2,622,576
Cash provided by operating activities	3,037,099	3,552,836
Capital activities:		
Cash used to acquire tangible capital assets	(3,432,107)	(1,008,270)
Cash proceeds on sale of tangible capital assets	2,600	–
Cash used in capital activities	(3,429,507)	(1,008,270)
Investing activities:		
Cash used in purchasing of investments	(106,124)	(17,307)
Increase (decrease) in cash	(498,532)	2,527,259
Cash, beginning of year	3,850,581	1,323,322
Cash, end of year	$ 3,352,049	$ 3,850,581

See accompanying notes to financial statements.

The mission of 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.

(c) Investments:

Investments are recorded at the lower of cost or market value on a fund portfolio basis. Interest income and all expenses are fully accrued.

(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.

1. Significant accounting policies (continued):

(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
Equipment	4 - 50 years
Computers	3 - 10 years
Software	3 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.

(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 and useful lives of tangible capital assets.

Actual results could differ from these estimates.

2. Accounts receivable:

	2022	2021
Accounts receivable	$ 1,992,751	$ 213,739
Canada Emergency Wage Subsidy receivable	–	144,731
Allowance for doubtful accounts	–	–
	$ 1,992,751	$ 358,470

3. Investments:

Investments consist of:

	Carrying value 2022	Market 2022	Carrying value 2021	Market 2021
Cash	$ 19,212	$ 19,212	$ 28,735	$ 28,735
Guaranteed Investment Certificates	768,350	768,350	756,185	756,185
Fixed income	460,951	432,205	354,768	353,727
Equities	278,541	434,206	281,242	564,401
	$ 1,527,054	$ 1,653,973	$ 1,420,930	$ 1,703,048

4. Deferred revenue:

Deferred revenue consists of the following:

	2022	2021
Performances	$ 2,059,807	$ 2,496,475
Gift certificates	98,233	89,560
Sponsorships	53,311	50,756
Other	171,966	80,483
Membership	10,095	1,857
	$ 2,393,412	$ 2,719,131

5. Tangible capital assets:

2022	Land	Buildings	Equipment	Computers	Software	Site	Work in Progress	Total
Cost								
Balance, beginning of year	$ 975,300	$ 13,820,611	$ 7,197,698	$ 268,139	$ 44,455	$ 1,887,120	$ 566,401	$ 24,759,724
Additions	–	105,800	13,366	9,581	–	–	3,303,360	3,432,107
Disposals	–	(28,735)	–	–	(7,587)	–	–	(36,322)
Transfers	–	275,111	39,703	–	–	–	(314,814)	–
Cost, end year	975,300	14,172,787	7,250,767	277,720	36,868	1,887,120	3,554,947	28,155,509
Accumulated amortization								
Balance, beginning of year	–	5,594,210	4,705,974	230,335	32,165	926,512	–	11,489,196
Amortization	–	578,224	362,784	23,889	12,290	77,813	–	1,055,000
Disposals	–	(17,426)	–	–	(7,587)	–	–	(25,013)
Accumulated amortization, end of year	–	6,155,008	5,068,758	254,224	36,868	1,004,325	–	12,519,183
Net book value, end of year	$ 975,300	$ 8,017,779	$ 2,182,009	$ 23,496	$ –	$ 882,795	$ 3,554,947	$ 15,636,326

5. Tangible capital assets (continued):

2021	Land	Buildings	Equipment	Computers	Software	Site	Work in Progress	Total
Cost								
Balance, beginning of year	$ 975,300	$ 13,237,184	$ 7,143,791	$ 216,816	$ 50,000	$ 1,880,131	$ 399,912	$ 23,903,134
Additions	–	316,199	96,993	21,688	–	6,989	566,401	1,008,270
Write-down	–	(103,049)	(43,086)	–	(5,545)	–	–	(151,680)
Transfers	–	370,277	–	29,635	–	–	(399,912)	–
Cost, end year	975,300	13,820,611	7,197,698	268,139	44,455	1,887,120	566,401	24,759,724
Accumulated amortization								
Balance, beginning of year	–	5,179,497	4,351,628	202,943	25,421	845,547	–	10,605,036
Amortization	–	476,949	388,137	27,392	12,289	80,965	–	985,732
Write-down	–	(62,236)	(33,791)	–	(5,545)	–	–	(101,572)
Accumulated amortization, end of year	–	5,594,210	4,705,974	230,335	32,165	926,512	–	11,489,196
Net book value, end of year	$ 975,300	$ 8,226,401	$ 2,491,724	$ 37,804	$ 12,290	$ 960,608	$ 566,401	$ 13,270,528

6. Inventories:

Inventories consist of the following:

	2022	2021
Bar stock	$ 72,798	$ 82,782
Supplies	1,875	924
	$ 74,673	$ 83,706

7. Operating fund activities:

	Budget 2022	Actual 2022	Actual 2021
Revenues:			
Performances	$ 2,310,664	$ 2,559,785	$ 771,978
Rent - Kitchener-Waterloo Symphony	224,150	204,700	71,625
Grants from City of Kitchener	2,000,000	2,000,000	2,000,000
Grants, other governments	–	459,804	700,971
Donations	6,000	39,449	12,961
Investment income	16,000	71,743	6,560
Sponsorships and memberships	148,293	63,423	26,799
Rent - Kitchener-Waterloo Art Gallery	107,222	107,222	105,120
Lottery revenue	–	7,421	42,951
Other	192,000	490,618	177,779
Total revenue	5,004,329	6,004,165	3,916,744
Expenditures:			
Direct:			
Performances	1,097,814	2,100,203	674,535
Unrecoverable performance costs	–	–	(2,126)
Operating:			
Administration	624,354	575,081	428,517
Marketing	105,000	64,733	51,611
Lottery expenses	–	7,796	41,568
Occupancy	765,000	706,610	472,700
Salaries and wages	2,411,866	2,522,922	2,116,580
Sponsorship	–	28,118	5,415
Total expenditures	5,004,034	6,005,463	3,788,800
Operating fund net revenues (deficiency) before amortization	295	(1,298)	127,944
Transfer from (to) reserve funds (note 10)	(295)	649	(127,944)
Transfer from City of Kitchener	–	649	–
Fund balances, end of year	$ –	$ –	$ –

8. Economic dependence:

The Centre is economically dependent on the City of Kitchener during the pandemic to provide sufficient funds to continue operations and capital projects.

9. 2022 budget:

The original budgeted figures were approved by the Board of Directors at their meeting on August 21, 2021 and included certain expenses and offsetting recoveries on a net basis.

10. Schedule of reserve funds:

(a) Performance Development Reserve Fund:

The Centre has an agreement with the City, whereby The Centre's annual operating net revenue is shared equally between the City and The Centre.

At the direction of the Board of Directors, transfers are made to and from the Performance Development reserve funds.

(b) 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 2022, The Centre's Board of Directors approved transfers out of the Capital Reserve Fund for major capital asset projects of $3,432,107 (2021 - $1,008,270).

(c) 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.

(d) 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.

10. Schedule of reserve funds (continued):

	Performance Development	Capital	Sustainability	Restricted	Total Funds
Revenue:					
Donations and sundry	$ –	–	$ –	$ 2,664	$ 2,664
Grants from City of Kitchener	–	1,238,202	–	–	1,238,202
Grants, other governments and foundations	–	1,801,926	–	–	1,801,926
Ticket surcharge	–	267,818	–	–	267,818
Investment income	–	12,135	3,632	25,177	40,944
Gain on investments	–	–	–	82,435	82,435
Total revenue	–	3,320,081	3,632	110,276	3,433,989
Expenses:					
Professional fees	–	–	–	10,994	10,994
Capital costs (recovery)	–	(12,767)	–	–	(12,767)
		(12,767)	–	10,994	(1,773)
Recovery of loss on disposal of capital assets	–	(2,600)	–	–	(2,600)
Total expenses	–	(15,367)	–	10,994	(4,373)
Excess of revenue over expenses	–	3,335,448	3,632	99,282	3,438,362
Balance, beginning of year	–	1,032,161	202,230	629,418	1,863,809
Transfer to accumulated surplus - tangible capital assets (note 10 (b))	–	(3,432,107)	–	–	(3,432,107)
Transfer to operating (note 7)	–	–	(649)	–	(649)
Balance, end of year	$ –	$ 935,502	$ 205,213	$ 728,700	$ 1,869,415

11. COVID-19 funding:

During the year, The Centre received $276,072 in Tourism and Hospitality Recovery Program subsidy, $83,732 in Canada Recovery Hiring Program and these amounts are recorded in the statement of operations under Grants from other governments - Operating (2021 - $700,971 in Canada Emergency Wage Subsidy).

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, 2022. At that time the plan reported a $6.7 billion actuarial deficit (2021 - $3.1 billion actuarial deficit), based on actuarial liabilities of $128.8 billion (2021 - $119.3 billion) and actuarial assets of $122.1 billion (2021 - $116.2 billion). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

The 2022 employer portion of OMERS pension contributions was $163,271 (2021 - $124,413).

13. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year excess of revenue over expenses.

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120 Victoria Street South
Suite 600
Kitchener ON N2G 0E1
Canada
Tel 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, 2022 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, 2022 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.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

DRAFT

THE CORPORATION OF THE CITY OF KITCHENER
GASWORKS ENTERPRISE

Statement of Operations and Accumulated Surplus

For the Year Ended December 31, 2022

	2022 Budget	2022	2021
DELIVERY OPERATIONS			
Gas delivery			
Revenue	$ **41,290,695**	$ **43,591,449**	$ 39,422,933
Expenses	**23,334,805**	**24,269,576**	22,115,361
	17,955,890	**19,321,873**	17,307,572
Other programs			
(Customer service, rental water heaters & financing)			
Revenue	**11,595,965**	**12,283,189**	11,783,442
Expenses	**8,376,719**	**8,483,798**	7,601,985
	3,219,246	**3,799,391**	4,181,457
Dispatch			
Revenue	**679,859**	**712,234**	606,280
Expenses	**679,859**	**712,234**	606,280
	-	**-**	-
Excess of revenue over expenses	**21,175,136**	**23,121,264**	21,489,029
Accumulated surplus - Delivery			
Balance, beginning of year	**191,004,746**	**191,004,746**	184,701,184
Interest revenue	**34,527**	**84,521**	46,104
Transfer to gas investment reserve	**(15,536,202)**	**(15,536,202)**	(15,231,571)
Excess of revenue over expenses	**21,175,136**	**23,121,264**	21,489,029
Balance, end of year	**196,678,207**	**198,674,329**	191,004,746
SUPPLY OPERATIONS			
Revenue	**33,792,932**	**40,320,864**	28,546,577
Expenses	**35,534,597**	**37,956,435**	29,232,320
Excess/(deficiency) of revenue over expenses	**(1,741,665)**	**2,364,429**	(685,743)
Accumulated surplus - Supply			
Balance, beginning of year	**3,598,854**	**3,598,854**	4,239,900
Interest revenue	**34,313**	**75,336**	44,697
Excess/(deficiency) of revenue over expenses	**(1,741,665)**	**2,364,429**	(685,743)
Balance, end of year	$ **1,891,502**	$ **6,038,619**	$ 3,598,854

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 26, 2023.

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,

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

June 26, 2023
Kitchener, Canada

KITCHENER GENERATION CORPORATION

Statement of Financial Position

As at December 31, 2022
(Unaudited)

		2022		2021
Financial assets				
Accounts receivable	**$**	**11,478**	$	7,676
		11,478		7,676
Liabilities				
Due to the Corporation of the City of Kitchener		**11,476**		7,674
Long-term debt (Note 3)		**1,672,213**		1,881,239
		1,683,689		1,888,913
Net financial debt		**(1,672,211)**		(1,881,237)
Non-financial assets				
Tangible capital assets (Note 4)		**1,858,012**		2,090,264
		1,858,012		2,090,264
Shareholder's equity (Note 5)	**$**	**185,801**	$	209,027

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

KITCHENER GENERATION CORPORATION

Statement of Operations

For the Year Ended December 31, 2022
(Unaudited)

	2022 Budget	2022	2021
Revenue			
Sale of electricity	**$ 385,000**	**$ 386,220**	$ 401,175
Total revenue	**385,000**	**386,220**	401,175
Expenses			
Maintenance	**20,000**	**10,400**	-
Amortization of tangible capital assets	**232,252**	**232,252**	232,252
Total expenses	**252,252**	**242,652**	232,252
Surplus before interest and provision for payments-in-lieu of corporate income taxes	**132,748**	**143,568**	168,923
Interest expense	**94,250**	**94,250**	104,809
Surplus before provision for payments-in-lieu of corporate income taxes	**38,498**	**49,318**	64,114
Provision for payments-in-lieu of corporate income taxes	**-**	**-**	-
Annual surplus	**$ 38,498**	**$ 49,318**	$ 64,114

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, 2022
(Unaudited)

	2022	2021
Annual surplus	**$ 49,318**	$ 64,114
Change in share capital	**(23,226)**	(23,417)
Dividends	**(49,318)**	(56,589)
Amortization of tangible capital assets	**232,252**	232,252
Change in net financial debt	**209,026**	216,360
Net financial debt, beginning of year	**(1,881,237)**	(2,097,597)
Net financial debt, end of year	**$ (1,672,211)**	$ (1,881,237)

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

KITCHENER GENERATION CORPORATION

Statement of Cash Flow

For the Year Ended December 31, 2022
(Unaudited)

		2022		2021
Operating				
Annual surplus	**$**	**49,318**	$	64,114
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		**(3,802)**		3,070
Accounts payable and accrued liabilities		**3,802**		(8,674)
Net change in cash from operating activities		**281,570**		290,762
Financing				
Change in share capital		**(23,226)**		(23,417)
Change in long-term debt		**(209,026)**		(210,756)
Dividends paid		**(49,318)**		(56,589)
Net change in cash from financing activities		**(281,570)**		(290,762)
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.

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 2022 amounted to $94,250 *(2021 - $104,809)*.

4. Tangible capital assets

	Cost	Accumulated Amortization	Net Book Value
Opening balance	$ 4,412,784	$ (2,322,520)	$ 2,090,264
Additions	-	-	-
Amortization	-	(232,252)	(232,252)
Disposals	-	-	-
Ending balance	**$ 4,412,784**	**$ (2,554,772)**	**$ 1,858,012**

5. Shareholder's equity

Shareholder's equity consists of the following:

	2022	2021
Share capital - common shares (Note 6)	$ 185,801	$ 209,027
Retained earnings	-	-
	$ 185,801	$ 209,027

6. Share capital

Authorized
Unlimited common shares
Issued
1,000 common shares

KPMG LLP
120 Victoria Street South
6th Floor
Kitchener ON N2G 0E1 Canada
Tel 519-747-8800
Fax 519-747-8830

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Kitchener Power Corp.

Opinion

We have audited the consolidated financial statements of Kitchener Power Corp. (the Entity), which comprise:

- the consolidated statement of financial position as at August 31, 2022
- the consolidated statement of comprehensive income for the period January 1, 2022 to August 31, 2022
- the consolidated statement of changes in equity for the period January 1, 2022 to August 31, 2022
- the consolidated statement of cash flows for the period January 1, 2022 to August 31, 2022
- 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 August 31, 2022, and its consolidated financial performance and its consolidated cash flows for the period January 1, 2022 to August 31, 2022 in accordance with International Financial Reporting Standards (IFRS).

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 International Financial Reporting Standards (IFRS), 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 consolidated 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 consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

December 20, 2022

KITCHENER POWER CORP.

Consolidated Statement of Financial Position

As at August 31, 2022, with comparative information for 2021
(Expressed in thousands of dollars)

	Note	2022	2021
Assets			
Current assets			
Cash	4	$ -	$ 6,079
Accounts receivable	5	20,687	21,287
Unbilled revenue		17,707	14,705
Inventory	6	3,493	3,080
Prepaid expenses		930	1,082
Income taxes receivable		727	30
Total current assets		43,544	46,263
Non-current assets:			
Property, plant and equipment	7	287,778	279,444
Intangible assets	8	10,556	11,185
Deferred tax assets	9	315	302
Investment in subsidiaries and associates		849	893
Total non-current assets		299,498	291,824
Total assets		343,042	338,087
Regulatory deferral account debit balances	10	29,768	25,396
Total assets and regulatory assets		$ 372,810	$ 363,483

KITCHENER POWER CORP.

Consolidated Statement of Financial Position

As at August 31, 2022, with comparative information for 2021
(Expressed in thousands of dollars)

	Note	2022	2021
Liabilities and Shareholder's Equity			
Current liabilities:			
Short term indebtedness		$ 3,033	$ -
Accounts payable and accrued liabilities		29,336	32,821
Dividend payable		2,400	-
Current portion of lease liabilities	17	42	42
Current portion customer deposits	13	10,687	8,530
Current portion of deferred revenue		1,257	1,185
Total current liabilities		46,755	42,578
Non-current liabilities:			
Long-term debt	11	76,963	76,963
Employee future benefits	12	6,068	6,012
Long-term customer deposits	13	5,443	5,675
Long-term portion of lease liabilities	17	552	556
Deferred revenue		46,144	44,451
Deferred tax liablilty	9	9,478	8,675
Total non-current liabilities		144,648	142,332
Total liabilities		191,403	184,910
Shareholder's equity:			
Share capital - common shares	14	66,389	66,389
Retained earnings		108,127	108,261
Accumulated other comprehensive loss		(620)	(620)
Total shareholder's equity		173,896	174,030
Total liabilities and shareholder's equity		365,299	358,940
Regulatory deferral account credit balances	10	3,430	779
Deferred taxes associated with regulatory accounts		4,081	3,764
Total equity, liabilities and shareholder's equity		$ 372,810	$ 363,483

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

On behalf of the Board:

Rosa Lupo, Chair

Tim Martin, Vice-Chair

KITCHENER POWER CORP.

Consolidated Statement of Comprehensive Income

For the period January 1, 2022 to August 31, 2022, with comparative information for the year ended December 31, 2021
(Expressed in thousands of dollars)

	Note		2022		2021
Energy sales		$	145,100	$	205,727
Cost of energy sold			149,500		208,472
			(4,400)		(2,745)
Other operating revenue					
Distribution sales			34,658		45,033
Other income	15		2,248		3,319
Net operating revenue			32,506		45,607
Expenses:					
Operations and maintenance			8,598		11,552
Customer services			4,503		5,674
Administration			4,108		6,452
Amortization			8,001		10,977
			25,210		34,655
Other					
Energy conservation program revenue			(591)		(1,262)
Energy conservation program expense			340		1,277
Net energy conservation programs			(251)		15
Finance income	16		(41)		(39)
Finance charges	16		1,844		2,509
Net finance costs			1,803		2,470
Income before income taxes			5,744		8,467
Income tax recovery	9		(35)		(520)
Income for the period before movements in regulatory deferral account balances			5,779		8,987
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement	10		1,057		2,208
Income for the year and net movements in regulatory deferral account balances			6,836		11,195
Total comprehensive income for the period		$	6,836	$	11,195

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

KITCHENER POWER CORP.

Consolidated Statement of Changes in Equity

For the period January 1, 2022 to August 31, 2022, with comparative information for the year ended December 31, 2021
(Expressed in thousands of dollars)

	Share capital	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at January 1, 2021	$ 66,389	$ (620)	$ 101,452	$ 167,221
Net income before other comprehensive income (loss)	-	-	11,195	11,195
Dividends	-	-	(4,386)	(4,386)
Balance at December 31, 2021	66,389	(620)	108,261	174,030
Net income before other comprehensive income (loss)	-	-	6,836	6,836
Dividends	-	-	(6,970)	(6,970)
Balance at August 31, 2022	$ 66,389	$ (620)	$ 108,127	$ 173,896

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

KITCHENER POWER CORP.

Consolidated Statement of Cash Flows

For the period January 1, 2022 to August 31, 2022, with comparative information for the year ended December 31, 2021
(Expressed in thousands of dollars)

	2022	2021
Cash flows from operating activities:		
Total comprehensive income for the period	$ 6,836	$ 11,195
Adjustments to reconcile net income to cash provided by (used in) operations:		
Amortization	8,510	11,690
Amortization of deferred revenue	(826)	(1,140)
Gain on disposal of property, plant and equipment	(56)	(51)
Income tax expense	(35)	(520)
Income taxes paid	(750)	353
Interest on Lease Liability	24	24
Income from subsidiaries and associates	44	(55)
Increase decrease in employee future benefits	56	75
	13,803	21,571
Change in non-cash operating working capital:		
Accounts receivable	600	(5,580)
Unbilled revenue	(3,002)	15,159
Inventory	(413)	(622)
Prepaid expenses	152	64
Accounts payable and accrued liabilities	(3,485)	(4,923)
Other current liabilities	2,229	(299)
Change in regulatory debit balances	(4,372)	(5,735)
Change in regulatory credit balances	2,968	47
Change in deferred tax	878	4,282
Net cash from operating activities	9,358	23,964
Cash flows from investing activities:		
Proceeds on disposals of property, plant and equipment	57	370
Purchase of property, plant and equipment	(15,977)	(22,644)
Purchase of intangible assets	(239)	(3,733)
Net cash used in investing activities	(16,159)	(26,007)
Cash flows from financing activities:		
Net change in Short term indebtedness	3,033	-
Net change in customer deposits	(232)	(158)
Dividends paid out	(4,570)	(4,386)
Change in contributed capital received	2,519	5,832
Payment of lease liability	(28)	(27)
Net cash from financing activities	722	1,261
Change in cash and cash equivalents	(6,079)	(782)
Cash and cash equivalents, beginning of period	6,079	6,861
Cash and cash equivalents, end of period	$ -	$ 6,079

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

1. Reporting entity:

Kitchener Power Corp. (the “Corporation”) is a holding company for the affiliate companies, Kitchener-Wilmot Hydro Inc. and Kitchener Energy Services Inc., and is itself wholly owned by the Corporation of the City of Kitchener and the Corporation of the Township of Wilmot.

The Corporation oversees the operations of Kitchener-Wilmot Hydro Inc., a regulated distribution company, and Kitchener Energy Services Inc., an unregulated retail services company. The Corporation also owns 33% of Grand River Energy Solutions Corp. (GRE), a generation and renewable energy solutions company.

It is located in the City of Kitchener. The address of the Corporation’s registered office is 301 Victoria Street South, Kitchener, Ontario, Canada.

The financial statements are for the Corporation as at and for the period ended August 31, 2022.

On January 12, 2022, the Corporation entered into a Merger Participation Agreement ("MPA") with: the Corporation of the City of Kitchener (“Kitchener”); the Corporation of the Township of Wilmot (“Wilmot”); the Corporation of the City of Waterloo (“Waterloo”); the Corporation of the Township of Woolwich (“Woolwich”); the Corporation of the Township of Wellesley (“Wellesley”); Kitchener-Wilmot Hydro Inc.,(“KWHI”); Kitchener Energy Services Inc.(“KESI”); Waterloo North Hydro Inc. (“WNH”); Waterloo North Holding Corporation (“WNHC”): and Alliance Metering Solutions (“AMS”). WNHC is the parent company of WNH and AMS.

The MPA provided the terms and conditions under which the Corporation and WNHC would amalgamate (the “MergeCo Amalgamation”), followed immediately by the amalgamation of the KWHI and WNH (“LDC Amalgamation”). The LDC Amalgamation was subject to the approval of the Ontario Energy Board (“OEB”) based on a Mergers, Acquisitions, Amalgamations and Divestitures Application (“MAADs Application”) process. 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 a Decision and Order approving the LDC Amalgamation.

The MergeCo Amalgamation occurred on August 31, 2022 (the “closing date”) and the Corporation continues as Enova Energy Corporation, a corporation amalgamated under the laws of Ontario. On August 31, 2022, immediately following the MergeCo Amalgamation, the KWHI and WNH legally amalgamated and continues as Enova Power Corp., a corporation amalgamated under the laws of Ontario.

2. Basis of presentation:

(a) Statement of compliance:

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements were approved by the Enova Energy Corporation Board of Directors on December 16, 2022.

2. Basis of presentation (continued):

(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

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

The methods used to measure fair values are discussed further in note 23.

(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.

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 critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements is included in the following notes:

i) Note 3(b) – Determination of the performance obligation for contributions from customers and the related amortization period
ii) Note 7 – Property, plant and equipment
iii) Note 9 – Deferred tax assets
iv) Note 12 – Employee future benefits
v) Note 18 – Commitments and contingencies

(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,

2. Basis of presentation (continued):

(e) Rate regulation (continued):

regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

Rate setting:

Distribution revenue and electricity rates

The OEB sets electricity prices for low-volume consumers once each year 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 mark-up.

For the distribution revenue included in electricity sales, the Corporation files a “Cost of Service” (“COS”) rate application with the OEB every four 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 customer class. The COS application is reviewed by the OEB and intervenors and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years, an Incentive Rate Mechanism application (“IRM”) is filed. An IRM application results in a formulaic adjustment to distribution rates that were 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 productivity factor and 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, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

The Corporation filed a COS application on April 30, 2019 for rates effective January 1, 2020 to December 31, 2020. The GDP IPI-FDD for 2022 is 3.3%, the Corporation’s productivity factor is 0% and the stretch factor is 0.15%, resulting in a net adjustment of 3.15% to the previous year’s rates.

2. Basis of presentation (continued):

(f) Investments

Investments in subsidiary companies, associates and other long-term investments are accounted for by the equity method. Dividends received are recorded as a reduction of the carrying value of these investments.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently in all periods presented in these financial statements unless otherwise indicated.

(a) Financial instruments:

At initial recognition, the Company measures its financial assets at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. 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 subsequent to their initial recognition, unless the Company 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.

The Corporation has not entered into derivative instruments.

Hedge accounting has not been used in the preparation of these financial statements.

Cash equivalents include short-term investments with maturities of three months or less when purchased.

(b) 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 on the basis of cyclical meter readings plus estimated customer usage since 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 supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

3. Significant accounting policies (continued):

(b) Revenue recognition (continued):

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 in order 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 in order 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 the distribution system in order to receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the life of the relationship with the 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 life of the related asset.

Other revenue

Revenue earned from 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.

(c) Inventory:

Inventory, comprising material and supplies, the majority of which is consumed by the Corporation in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on a weighted average cost basis, and includes expenditures incurred in acquiring the material and supplies and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

(Expressed in thousands of dollars)

3. Significant accounting policies (continued):

(d) Property, plant and equipment:

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2015 are measured at deemed cost established on the transition date, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is transferred from customers, its fair value, less accumulated depreciation. Consistent with IFRS 1, the Corporation elected to use the carrying amount as previously determined under Canadian GAAP as the deemed cost at January 1, 2015, the transition date to IFRS.

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 property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on the disposal of an item of PP&E are determined by comparing the proceeds from 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.

The cost of replacing a part of an item of property, plant and equipment is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of property, plant and equipment is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation is calculated over the depreciable amount 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 property, plant and equipment. The depreciable amount is cost. Land is not depreciated. Construction-in-progress assets are not amortized until the projects are complete and in service.

The estimated useful lives are as follows:

Buildings	**20-50 years**
Transformer station equipment	**15-50 years**
Distribution station equipment	**15-50 years**
Distribution system	**25-60 years**
Meters	**15-25 years**
SCADA equipment	**15 years**
Other capital assets	**3-10 years**

3. Significant accounting policies (continued):

(d) Property, plant and equipment (continued):

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate.

(e) 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 and accumulated impairment losses.

(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 Corporation does not hold title. 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, from 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.

(f) Impairment:

(i) Financial assets:

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.

3. Significant accounting policies (continued):

(f) Impairment (continued):

(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 indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together 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"). The recoverable amount of an asset or cash-generating unit 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 cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss in respect of goodwill is not reversed. For assets other than goodwill, impairment recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) 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.

3. Significant accounting policies (continued):

(h) Regulatory deferral accounts:

Regulatory deferral account debit balances represent costs incurred in excess of 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 in excess of 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 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 are assessed annually based upon 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. With the exception of the regulatory deferral account for Pension and Other Post-Employment benefits (OPEBs), the rate for 2022 was 0.57% for January to March, 1.02% for the period April to June and 2.2% for July and August. Prior year rates from January to December 2021 were 0.57%.

In 2022, the interest rates for the regulatory OPEBs account were 2.72% for the period January to March, and 3.31% for the period April to June and 4.66% for July and August. In 2021, the interest rates for the regulatory OPEBs account were 2.03% for the period January to March, and 2.29% for the period April to December.

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3. Significant accounting policies (continued):

(i) Employee future benefits:

(i) Pension plan:

The Corporation provides a pension plan for all its full-time employees through 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 and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income when they are due.

(ii) Post-employment benefits, other than pension:

The Corporation provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

The cost of these benefits is expensed as earned by employees through employment service. The accrued benefit obligations and the current service costs are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Actuarial gains and losses arising from defined benefit plans are recognized immediately in other comprehensive income and reported in retained earnings. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in net income on a straight-line basis over the average period until the benefits become vested. In circumstances where the benefits vest immediately, the expense is recognized immediately in net income.

3. Significant accounting policies (continued):

(j) Deferred revenue and assets transferred from customers:

Certain customers and developers are required to contribute towards the capital cost of construction in order 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.

(k) 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. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assess whether:

(a) The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

(b) The Corporation has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and

(c) The Corporation has the right to direct the use of the asset. The Corporation has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Corporation has the right to direct the use of the asset if either the Corporation has the right to operate the asset, or the Corporation designed the asset in a way that predetermines how and for what purpose it will be used.

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 locate, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from 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.

3. Significant accounting policies (continued):

(l) Finance income and finance costs:

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

Finance charges comprise interest expense on borrowings, finance lease obligations, regulatory liabilities and unwinding of the discount on provisions and impairment losses on financial assets. Finance costs are recognized as an expense unless they are capitalized as part of the cost of qualifying assets.

(m) 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.

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the *Electricity Act*, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes. Payments in lieu of taxes are referred to as income taxes.

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 years.

Deferred tax is recognized using the balance sheet method. Under this method, deferred income taxes reflect 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 years that are likely to be realized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax 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. Cash:

	2022	2021
Cash	$ -	$ 6,079

5. Accounts receivable:

	2022	2021
Customer and other trade receivables	$ 20,467	$ 21,027
Trade receivables from related parties	220	260
	$ 20,687	$ 21,287

6. Inventory:

The amount of inventories consumed by the Corporation and recognized as an expense during 2022 was $321 (2021 - $373).

7. Property, plant and equipment:

(a) Cost or deemed cost:

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Right-of-use assets	Total
Balance at January 1, 2022	$ 28,440	$ 300,102	$ 7,436	$ 2,754	$ 601	$ 339,333
Additions	128	2,240	310	13,299	-	15,977
Transfers	7	11,345	342	(11,694)	-	-
Disposals/Retirements	-	-	(277)	-	-	(277)
Balance at August 31, 2022	$ 28,575	$ 313,687	$ 7,811	$ 4,359	$ 601	$ 355,033

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Right-of-use assets	Total
Balance at January 1, 2021	$ 26,433	$ 277,793	$ 9,992	$ 5,837	$ -	$ 320,055
Additions	1,380	2,316	1,099	17,849	601	23,245
Transfers	692	19,982	28	(20,702)	-	-
Disposals/Retirements	(65)	11	(3,683)	(230)	-	(3,967)
Balance at December 31, 2021	$ 28,440	$ 300,102	$ 7,436	$ 2,754	$ 601	$ 339,333

(Expressed in thousands of dollars)

7. Property, plant and equipment (continued):

(b) Accumulated depreciation:

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Right-of-use assets	Total
Balance at January 1, 2022	$ 4,122	$ 54,850	$ 897	$ -	$ 20	$ 59,889
Depreciation charge	513	6,167	942	-	20	7,642
Disposals/Retirements	-	-	(276)	-	-	(276)
Balance at August 31, 2022	$ 4,635	$ 61,017	$ 1,563	$ -	$ 40	$ 67,255

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Right-of-use assets	Total
Balance at January 1, 2021	$ 3,429	$ 46,021	$ 3,024	$ -	$ -	$ 52,474
Depreciation charge	758	8,818	1,467	-	20	11,063
Disposals/Retirements	(65)	11	(3,594)	-	-	(3,648)
Balance at December 31, 2021	$ 4,122	$ 54,850	$ 897	$ -	$ 20	$ 59,889

(c) Carrying amounts:

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Right-of-use assets	Total
At August 31, 2022	$ 23,940	$ 252,670	$ 6,248	$ 4,359	$ 561	$ 287,778
At December 31, 2021	$ 24,318	$ 245,252	$ 6,539	$ 2,754	$ 581	$ 279,444

(d) Leased plant and equipment:

In May 2021, the Corporation entered into a lease agreement with Grand River Energy Solutions Corp., an associated company, for the construction and lease of solar PV roof-top equipment located at the Corporation’s registered office. A right-of-use asset and corresponding lease liability of $601 were recorded.

(e) Security:

At August 31, 2022, the Corporation had zero properties subject to a general security agreement.

(f) Borrowing costs:

During the period, borrowing costs of $ nil (2021 - $ nil) were capitalized as part of the cost of property, plant and equipment.

(Expressed in thousands of dollars)

7. Property, plant and equipment (continued):

(g) Allocation of depreciation and amortization:

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

	Operations and maintenance expense	Customer services expense	General and administration expense	Energy Conservation expense	Other	Total
August 31, 2022:						
Depreciation of property, plant and equipment	$ 503	$ 4	$ 2	$ -	$ 7,133	$ 7,642
Amortization of intangible assets	-	-	-	-	868	868
	$ 503	$ 4	$ 2	$ -	$ 8,001	$ 8,510
December 31, 2021:						
Depreciation of property, plant and equipment	$ 702	$ 9	$ -	$ 2	$ 10,350	$ 11,063
Amortization of intangible assets	-	-	-	-	627	627
	$ 702	$ 9	$ -	$ 2	$ 10,977	$ 11,690

8. Intangible assets:

(a) Cost or deemed cost:

	Computer Software	Land Rights	Total
Balance at January 1, 2022	$ 11,838	$ 8	$ 11,846
Additions	239	-	239
Disposals	(15)	-	(15)
Balance at August 31, 2022	$ 12,062	$ 8	$ 12,070
Balance at January 1, 2021	$ 10,938	$ 8	$ 10,946
Additions	3,733	-	3,733
Disposals	(2,833)	-	(2,833)
Balance at December 31, 2021	$ 11,838	$ 8	$ 11,846

Included within Computer Software is $272 (2021 - $250) of intangible assets under development.

(Expressed in thousands of dollars)

8. Intangible assets (continued):

(b) Accumulated amortization:

	Computer Software	Land Rights	Total
Balance at January 1, 2022	$ 653	$ 8	$ 661
Additions	868	-	868
Disposals	(15)	-	(15)
Balance at August 31, 2022	$ 1,506	$ 8	$ 1,514
Balance at January 1, 2021	$ 2,859	$ 8	$ 2,867
Additions	627	-	627
Disposals	(2,833)	-	(2,833)
Balance at December 31, 2021	$ 653	$ 8	$ 661

(c) Carrying amounts:

	Computer Software	Land Rights	Total
At August 31, 2022	$ 10,556	$ -	$ 10,556
At December 31, 2021	$ 11,185	$ -	$ 11,185

(Expressed in thousands of dollars)

9. Income tax expense:

Current tax expense:

		2022		2021
Current period	$	95	$	291
Adjustment for prior periods		(42)		(700)
	$	53	$	(409)

Deferred tax expense:

		2022		2021
Original & reversal of temporary differences	$	(76)	$	(20)
Recognition of previously unrecognized tax losses		(12)		(91)
	$	(88)	$	(111)

Reconciliation of effective tax rate:

		2022		2021
Total comprehensive income for the period	$	6,836	$	11,195
Total income tax expense		(35)		(520)
Comprehensive income before income taxes		6,801		10,675
Income tax using the Corporation's statutory tax rate of 26.5%		1,802		2,829
Temporary differences not benefitted		(1,794)		(2,649)
Under (over) provided in prior periods		(43)		(700)
	$	(35)	$	(520)

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

		2022		2021
Deferred tax assets (liabilities):				
Property, plant and equipment	$	(23,880)	$	(22,536)
Non-vested sick leave		182		168
Employee future benefits		1,608		1,593
Intangible assets		11		7
Loss carry-forward		307		295
Ontario refundable tax credits		48		6
Deferred revenue - contributed capital		12,561		12,094
	$	(9,163)	$	(8,373)

(Expressed in thousands of dollars)

10. Regulatory deferral account balance

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

	2021	Balances arising in the period	Recovery/ Reversal	Other	2022	Remaining recovery/ reversal period (years)
Regulatory deferral account debit balances						
Group 1 deferred accounts	$ 9,430	$ 5,461	$ (3,985)	$ 25	$ 10,931	Note 1, Note 3
Regulatory asset recovery account	822	(1,579)	4,060	-	3,303	Note 1
Deferred tax asset	14,201	1,198	-	-	15,399	Note 2
LRAM	874	-	(874)	-	-	1 Year
Other	69	66	-	-	135	1 Year
Total amount related to regulatory deferral account debit balances	**$ 25,396**	**$ 5,146**	**$ (799)**	**$ 25**	**$ 29,768**	

	2021	Balances arising in the period	Recovery/ Reversal	Other	2022	Remaining recovery/ reversal period (years)
Regulatory deferral account credit balances						
Group 1 deferred accounts	$ 220	$ 680	$ 1,942	$ 26	$ 2,868	Note 1
Other	559	3	-	-	562	3 Year
Total amount related to regulatory deferral account credit balances	**$ 779**	**$ 683**	**$ 1,942**	**$ 26**	**$ 3,430**	

	2022	2021
Movements in regulatory accounts		
Net change in regulatory deferral account debit and credit balances	$ 1,722	$ 7,232
Less movement related to the balance sheet		
Deferred income tax	(1,198)	(5,826)
Deferred revenue	533	802
Net movement in regulatory deferral account balances related to profit or loss and the related deferral tax movement	$ 1,057	$ 2,208

Note 1 KWHI has been approved for collection of these amounts in its 2021 filing for 2022 rates.

(Expressed in thousands of dollars)

10. Regulatory deferral account balance (continued):

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

Note 3 In December 2020, KWHI was informed that beginning June 2015 charges were not included in the monthly power bill for one delivery point for Transmission Network Charges. KWHI accrued a payable of $6 million in 2020, offset by a regulatory asset. These monies were collected through an OEB approved rate rider through August 2022.

11. Long-term debt:

Effective August 1, 2000, the Corporation incurred unsecured promissory notes payable to the City of Kitchener and the Township of Wilmot and have an interest rate of 3.23% per annum. Interest is payable in quarterly installments, in arrears, on March 31st, June 30th, September 30th and December 31st.

		2022		2021
Senior unsecured debentures:				
City of Kitchener	$	70,998	$	70,998
Township of Wilmot		5,965		5,965
Senior unsecured debentures, net proceeds	$	76,963	$	76,963
Less: current portion of long-term debt	$	-	$	-
Total long-term debt	$	76,963	$	76,963

12. Employee future benefits:

The Corporation pays certain medical and life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-retirement costs in the period in which employees' services were rendered. The accrued benefit liability at August 31, 2022 of $6,068 was based on an actuarial valuation completed in 2020 using a discount rate of 3.1% (3.1% in 2021).

(Expressed in thousands of dollars)

12. Employee future benefits (continued):

Changes in the present value of the defined benefit unfunded obligation and the accrued benefit liability:

		2022		2021
Defined benefit obligation, beginning of period	$	6,012	$	5,937
Current service cost		136		191
Interest cost		131		180
Benefits paid during the period		(211)		(296)
Actuarial loss recognized in other comprehensive income		-		-
Accrued benefit liability, end of period	$	6,068	$	6,012

Components of net benefit expense recognized are as follows:

		2022		2021
Current service cost	$	136	$	191
Interest cost		131		180
Net benefit expense recognized	$	267	$	371

Actuarial losses recognized in other comprehensive income:

		2022		2021
Cumulative amount at January 1	$	(620)	$	(620)
Recognized during the period (net of tax)		-		-
Cumulative amount at the end of period	$	(620)	$	(620)

(Expressed in thousands of dollars)

12. Employee future benefits (continued):

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

		2022	2021
Accrued benefit obligation:			
Discount rate		3.1%	3.1%
Benefit cost for the period:	Age		
Withdrawal rate	18-29	3.50%	3.50%
	30-34	2.00%	2.00%
	35-39	1.7%	1.7%
	40-49	1.3%	1.3%
	50-54	1.0%	1.0%
Assumed health care cost trend rates:			
Initial health care cost trend rate	Health	4.9%	4.7%
	Dental	5.1%	4.9%

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:

	Benefit Obligation	Periodic Benefit Cost
1% increase in health care trend rate	$ 219	$ 27
1% decrease in health care trend rate	$ (197)	$ (15)

(Expressed in thousands of dollars)

12. Employee future benefits (continued):

The main actuarial assumptions utilized for the valuation are as follows:

General inflation - future general inflation levels, as measured by the changes in the Consumer Price Index, were assumed at 2% in 2022, and thereafter (2021 - 2%).

Discount (interest) rate - the discount rate used to determine the present value of future liabilities and the expense for the period ended August 31, 2022, was 3.1% (2021 – 3.1%).

Salary levels - future general salary and wage levels were assumed to increase at 3.3% (2021 - 3.3%) per annum.

Medical costs - medical costs were assumed to be 4.7% for 2022 (4.4% for 2021).

Dental costs - dental costs were assumed to be 4.9% for 2022 (4.7% for 2021).

13. Customer 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 in accordance with 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.

The Corporation delivers conservation and demand management programs for its customers on behalf of the IESO. Prepayments received from the IESO have been recorded and will be transferred to revenue as programs are delivered and the revenue is earned.

The deposits comprise:

		2022		**2021**
Customer deposits	$	5,530	$	5,623
Construction deposits		9,442		7,424
IESO deposit for energy conservation programs		1,158		1,158
Total customer deposits	$	16,130	$	14,205

(Expressed in thousands of dollars)

14. Share capital:

	2022	2021
Authorized:		
Unlimited number of common shares		
Issued:		
20,000 common shares	$ 66,389	$ 66,389

Dividends:

The holders of the common shares are entitled to receive dividends as declared from time to time. The Corporation paid aggregate dividends in the period common shares of $4,570 (2021 - $4,386). A further $2,400 was declared but not paid.

15. Other operating revenue:

Other income comprises:

		2022		2021
Specific service charges	$	1,074	$	1,748
Deferred revenue		826		1,140
Scrap sales		206		187
Net gain on disposal of capital assets		56		51
Non-Utility operation		17		4
Retailer services		27		39
Sundry		42		150
Total other income	$	2,248	$	3,319

16. Finance income and expense:

		2022		2021
Interest income on bank deposits	$	41	$	39
Finance income		41		39
Interest expense on long-term debt		1,658		2,472
Interest expense (recovery) on short-term debt		41		(256)
Interest expense on BMO Letter of Credit		81		123
Interest expense on deposits		40		35
Interest expense on capital lease		24		24
Other		-		111
		1,844		2,509
Net finance costs recognized in profit or loss	$	1,803	$	2,470

(Expressed in thousands of dollars)

17. Lease Liabilities:

The Corporation has entered into a lease agreement for solar PV roof-top equipment representing right-of-use assets (note 7). 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		August 31, 2022		December 31, 2021
Less than one year	$	42	$	42
one - five years		233		228
More than five years		766		799
Total undiscounted lease liabilities at period end	$	1,041	$	1,069
Interest included on the liabilities included in the statement of financial position at August 31, 2022	$	(447)	$	(471)
Lease Liabilities - current		42		42
Lease Liabilties - non-current	$	552	$	556

18. Commitments and contingencies:

Contractual Obligations

KWHI entered into a lease agreement with Grand River Energy Solutions Corp for a rooftop solar PV system (see note 17 for details).

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 its 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 years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at August 31, 2022, no assessments have been made.

(Expressed in thousands of dollars)

19. Guarantees:

Kitchener Power Corp. is the guarantor for a line of credit issued by the Canadian Imperial Bank of Commerce on behalf of Grand River Energy Solutions Corp. (GRE Corp). GRE Corp. is one third owned by each of Kitchener Power Corp., Waterloo North Hydro Holding Corporation and Grandbridge Corporation.; each of which has guaranteed a maximum of $6 million in the event of default by GRE Corp.

20. 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. In 2022, the Corporation made employer contributions of $1,118 to OMERS (2021 - $1,681). The Corporation's net benefit expense has been allocated as follows:

(a) $294 (2021 - $439) capitalized as part of property, plant and equipment;

(b) $824 (2021 - $1,242) charged to net income.

The Corporation estimates that a contribution of $nil to OMERS will be made during the next fiscal year.

21. Employee benefits:

		2022		2021
Salaries, wages and benefits	$	13,484	$	19,657
CPP and EI remittances		756		782
Contributions to OMERS		1,118		1,681
Expenses related to employee future benefit plans		267		371
	$	15,625	$	22,491

22. Related party transactions:

(a) Parent and ultimate controlling party:

The Corporation is wholly-owned by the Corporation of the City of Kitchener and the Corporation of the Township of Wilmot. The City and the Township produce financial statements that are available for public use.

(b) Entity with significant influence:

The Corporation of the City of Kitchener exercises significant influence over the Corporation through its 92.25% ownership interest in the Corporation.

(Expressed in thousands of dollars)

22. Related party transactions(continued):

(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 is summarized below.

		2022		2021
Directors' fees	$	48	$	93
Salaries and other short-term benefits		898		1,106
Employe future benefits		17		20
Other long-term benefits (OMERS)		71		91
	$	1,034	$	1,310

(d) Transactions with parent:

During the year the Corporation paid management and business development services to its parent in the amount of $ nil (2021 - $ nil)

(e) Transactions with entity with significant influence:

In the ordinary course of business, the Corporation delivers electricity to the Corporation of the City of Kitchener. Electricity is billed to the City of Kitchener at prices and under terms approved by the OEB.

(f) Transactions with ultimate parent (the City of Kitchener)

In 2022, the Corporation had the following significant transactions with its ultimate parent, a government entity:

- Construction, contracted through Kitchener Wilmot Hydro Inc.
- Streetlight maintenance services contracted through Kitchener Energy Services Inc.

23. Financial instruments and risk management:

Fair value disclosure

Cash and cash equivalents are measured at fair value. The carrying values of receivables, and accounts payable and accrued charges approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

The fair value of the long term debt (senior unsecured debentures issued by the shareholders (City of Kitchener and Township of Wilmot) approximates the carrying value due to the short term nature of the loan.

Financial risks

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation’s exposure

23. Financial instruments and risk management (continued):

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 City of Kitchener and the Township of Wilmot. As of August 31, 2022, no customers accounted for more than 1% of total accounts receivable, $20,687.

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 impairment at August 31, 2022 is $500 (2021 - $250). An impairment loss of $257 (2021 gain of $127) was recognized during the year. This is due to an increase of the allowance for bad debt to $500 from $250.

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At August 31, 2022, approximately $1,069 (2021 - $112) is considered 60 days past due. The Corporation has over 100 thousand customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at August 31, 2022, the Corporation holds security deposits in the amount of $5,530 (December 31, 2021 - $5,623).

(b) Market risk:

Market risks primarily refer to the risk of loss resulting from changes 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. This rate of return is approved by the OEB as part of the approval of distribution rates.

The Corporation does not hold any long-term debt that is subject to market rates. Consequently a 1% increase or decrease in the interest rate at August 31, 2022 would have no financial impact.

(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 $35,000 credit facility and monitors cash balances daily to ensure

(Expressed in thousands of dollars)

23. Financial instruments and risk management (continued):

(c) Liquidity risk (continued):

that a sufficient level of liquidity is on hand to meet financial commitments as they come due. As at August 31, 2022, $3,564 had been drawn under Bank of Montreal credit facility (2021 - $ nil).

The Corporation also has a bilateral facility for $35,000 (the “LC” facility) for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which $35,000 has been drawn and posted with the IESO (2021 - $35,000). 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 August 31, 2022, shareholder’s equity amounts to $173,896 (2021 - $174,030) and long-term debt amounts to $76,963 (2021 - $76,963).

24. Revenue from Contracts with Customers

The Corporation generates revenue primarily from the sale and distribution of electricity to its customers. Other sources of revenue include performance incentive payments under CDM programs.

		2022		2021
Revenue from Contracts with Customers	$	180,534	$	252,110
Other Revenue:				
CDM programs		591		1,262
Other		1,513		2,011
Total	$	182,638	$	255,383

(Expressed in thousands of dollars)

24. Revenue from Contracts with Customers (continued):

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

		2022		2021
Residential	$	78,936	$	111,252
Commercial		99,161		137,661
Large Users		1,323		1,565
Other		1,114		1,632
Total Revenue	$	180,534	$	252,110

25. Change in Accounting Policy

The International Accounting Standards Board (IASB) has issued the following Standards, Interpretations and Amendments to Standards that were adopted by the Corporation effective January 1, 2022:

(a) Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)
(b) Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37)
(c) Annual Improvements to IFRS Standards 2018-2020
(d) Reference to the Conceptual Framework (Amendments to IFRS 3)

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

26. Future accounting pronouncements:

At the date of authorization of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Company and it is still to be determined if any will have a material impact on the Company's financial statements.

(a) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the IASB issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include a requirement for companies to disclose their material accounting policies rather than their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements. The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted.

26. Future accounting pronouncements (continued):

(b) Definition of Accounting Estimate (Amendments to IAS 8)

On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS8). The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted.

(c) Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Amendments to IAS 12 Income Taxes.

On May 7, 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier adoption is permitted.

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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, 2022
- the consolidated statement of comprehensive income for the period September 1, 2022 to December 31, 2022
- the consolidated statement of changes in equity for the period September 1, 2022 to December 31, 2022
- the consolidated statement of cash flows for the period September 1, 2022 to December 31, 2022
- 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, 2022, and its consolidated financial performance and its consolidated cash flows for the period September 1, 2022 to December 31, 2022 in accordance with International Financial Reporting Standards (IFRS).

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 International Financial Reporting Standards (IFRS), 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 consolidated 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 consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada
May 2, 2023

ENOVA ENERGY CORPORATION

Consolidated Statement of Financial Position

As at December 31, 2022
(Expressed in thousands of dollars)

	Note		December 31, 2022
ASSETS			
Current			
Cash		$	15,189
Accounts receivable	*5*		34,660
Unbilled revenue			33,366
Inventories			7,655
Prepaid expenses			2,371
Current portion of lease receivables			111
Total current assets		**$**	**93,352**
Non-current assets			
Derivative asset			592
Property, plant and equipment	*6*		570,164
Intangible assets	*7*		18,571
Goodwill	*3*		140,077
Long term portion of lease receivables			1,255
Deferred tax asset			528
Investments in subsidiaries			322
Total non-current assets		**$**	**731,509**
Total assets			824,861
Regulatory deferral account debit balances	*9*		51,872
Total assets and regulatory deferral account debit balances		**$**	**876,733**

ENOVA ENERGY CORPORATION

Consolidated Statement of Financial Position

As at December 31, 2022
(Expressed in thousands of dollars)

	Note		December 31, 2022
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		$	49,918
Current portion of lease liabilities	*17*		97
Income tax payable			1,685
Current portion of deferred revenue			2,214
Dividends payable	*14*		5,056
Current portion of customer deposits	*13*		12,081
Total current liabilities		**$**	**71,051**
Long-term			
Long-term debt	*10*		117,598
Notes payable to shareholder	*11*		110,254
Long term portion of customer deposits	*13*		8,634
Long term portion of lease liabilities	*17*		778
Deferred revenue			79,177
Employee future benefits	*12*		7,703
Deferred tax liability	*8*		23,517
Total long-term liabilities		**$**	**347,661**
Total liabilities			418,712
Shareholders' equity			
Share capital	*14*		326,248
Retained earnings			114,465
Accumulated other comprehensive income (loss)	*12*		1,591
Non-controlling interest			1,000
Total shareholders' equity		**$**	**443,304**
Total liabilities and shareholders' equity		**$**	**862,016**
Regulatory deferral account credit balances	*9*		6,072
Deferred taxes associated with regulatory accounts	*9*		8,645
Total equity, liabilities and regulatory deferral account credit balances		**$**	**876,733**

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

On behalf of the Board:

Rosa Lupo, Chair

Tim Martin, Vice-Chair

ENOVA ENERGY CORPORATION

Consolidated Statement of Comprehensive Income

For the period September 1, 2022 to December 31, 2022
(Expressed in thousands of dollars)

	Note	2022
REVENUES		
Energy sales	*15*	$ 114,666
Cost of energy sold		117,918
		(3,252)
Other operating revenue		
Distribution revenue	*15*	30,483
Other income	*15*	2,554
Net operating revenue		**$ 29,785**
EXPENSES		
Operations and maintenance		6,693
Customer services		3,057
Administration		4,106
Amortization	*6*	7,804
		21,660
Other		
Energy conservation program revenue		(2,791)
Energy conservation program expense		2,801
Net energy conservation programs		**10**
Finance income	*16*	(183)
Finance charges	*16*	3,085
Unrealized gain on derivative		(953)
Net finance costs		**1,949**
Income before income taxes		**$ 6,166**
Income tax expense	*8*	1,195
Income for the period before movements in regulatory deferral account balances and OCI		**$ 4,971**
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement	*9*	1,518
Other comprehensive income, net of taxes	*12*	2,211
Non-controlling interest		(151)
Net comprehensive income for the period		**$ 8,549**

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

ENOVA ENERGY CORPORATION

Consolidated Statement of Changes in Equity

For the period September 1, 2022 to December 31, 2022
(Expressed in thousands of dollars)

	Note	Share Capital	Non-Controlling Interest	Accumulated Other Comprehensive Income (loss)	Retained Earnings	Total
Balance at September 1, 2022		**$ 66,389**	**$ -**	**$ (620)**	**$ 108,127**	**$ 173,896**
Shares issued related to acquisition	*3*	259,859	849	-	-	**260,708**
Net income and net movement in regulatory balances		-	-	2,211	6,338	**8,549**
Non-controlling interest			151			**151**
Balance at December 31, 2022		**$ 326,248**	**$ 1,000**	**$ 1,591**	**$ 114,465**	**$ 443,304**

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

ENOVA ENERGY CORPORATION

Consolidated Statement of Cash Flows

For the period September 1, 2022 to December 31, 2022
(Expressed in thousands of dollars)

	Note		2022
OPERATING ACTIVITIES			
Net income		$	8,549
Add (deduct) charges to operations not requiring a current cash payment:			
Amortization	6		8,456
Amortization of deferred revenue			(730)
Gain on disposal of property, plant and equipment	15		(37)
Income tax expense	8		1,195
Interest expense on lease liabilities			12
Income taxes paid			(440)
Change in non-controlling interest			151
Decrease in employee future benefits liability	12		(2,933)
Unrealized gain on derivatives			(953)
Recognition of unrealized gain on derivatives			(287)
			12,983
Net change in non-cash operating working capital			
Accounts receivable			6,522
Unbilled revenue			3,123
Inventories			1,460
Prepaid expenses			(601)
Deferred tax asset			604
Accounts payable and accrued liabilities			(4,794)
Deferred tax liability			(364)
Regulatory deferral account debit balances			2,451
Regulatory deferral account credit balances			(2,894)
Cash provided by operating activities		**$**	**18,490**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6		(18,562)
Purchase of intangible assets	7		(146)
Proceeds on disposal of property, plant and equipment			37
Cash used in investing activities		**$**	**(18,671)**
FINANCING ACTIVITIES			
Proceeds on settlement of derivatives			6,135
Net change in customer deposits			(1,882)
Increase in long-term debt	10		110,000
Repayment of long-term debt			(89,557)
Capital contributions received			3,408
Payment of interest on lease liability			(12)
Payment of lease liability (net of receipts)			(28)
Cash provided by financing activities		**$**	**28,064**
Net cash provided (used) during period			**27,883**
Cash and cash equivalents, beginning of period			(12,694)
Cash and cash equivalents, end of period		**$**	**15,189**

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

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 Kitchener Energy Services Inc. (“KESI”), an unregulated retail services company, and Alliance Metering Solutions Inc. (“AMS”), a submetering service provider. The Corporation also owns 66.7% of Grand River Energy Solutions Corp. (“GRE”), a generation and renewable energy solutions company, and 30.47% of Eyedro Green Solutions Inc. (“Eyedro”), a privately owned company with a focus on affordable energy products.

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, 2022.

Legal Amalgamation

On January 12, 2022, the Corporation entered into a Merger Participation Agreement ("MPA") with Kitchener; Wilmot; Waterloo; Woolwich; Wellesley; Kitchener Power Corp. (“KPC”); Kitchener Energy Services Inc. (“KESI”); Kitchener-Wilmot Hydro Inc. ("KWHI"); Waterloo North Hydro Inc. ("WNHI”); Waterloo North Holding Company (“WNHC”); and AMS. KPC was the parent company of KWHI and KESI. WNHC was the parent company of WHNI and AMS.

For accounting purposes, former KPC was deemed the acquirer under the Amalgamation Transaction. Consequently, the opening balances in these statements are the balances of former KPC as at September 1, 2022.

The MPA provided the terms and conditions under which WNHC and KPC would amalgamate (the "MergeCo Amalgamation"), followed immediately by the amalgamation of the WNHI and KWHI ("LDC Amalgamation"). The LDC Amalgamation was subject to the approval of the OEB based on a Mergers, Acquisitions, Amalgamations and Divestitures Application ("MAADs Application") process. The MAADs Application included a request for Ontario Energy Board (“OEB”) approval for the continuation of regulated rates and charges of the predecessor LDCs of the Corporation. On June 28, 2022, the OEB issued a Decision and Order approving the LDC Amalgamation.

The MergeCo Amalgamation occurred on September 1, 2022 (the "closing date") and the parent corporation continues as Enova Energy Corporation, a corporation amalgamated under the laws of Ontario. On September 1, 2022, immediately following the MergeCo Amalgamation, WNHI legally amalgamated with KWHI and continues as EPC, a corporation amalgamated under the laws of Ontario.

2. Basis of Presentation

(a) Statement of compliance

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

The financial statements were approved by the Board of Directors of the Corporation on April 28, 2023.

(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 23.

(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.

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 significant effect on the amounts recognized in these financial statements is included in the following notes:

(i) Note 4(c) – Revenue Recognition – determination of the performance obligation for contributions from customers and the related amortization period
(ii) Note 4(e) – Capital assets (Property, plant and equipment)
(iii) Note 12 – Employee future benefits
(iv) Note 18 – Commitments and contingencies

2. Basis of Presentation (continued)

(e) Rate regulation

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

In the intervening years, an Incentive Rate Mechanism application (“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).

3. Basis of Presentation (continued)

(e) Rate regulation (continued)

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.

The predecessor utilities to the Corporation filed separate applications for electricity distribution rates effective January 1, 2023, with decisions as follows:

- KWHI – On December 8, 2022, Enova – KWHI rate zone received approval for IRM rates effective January 1, 2023. The distribution rates will be increased by 3.55%.
- WNHI – On December 8, 2022, Enova – WNHI rate zone received approval for IRM rates effective January 1, 2023. The distribution rates will be increased by 3.40%.

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.

4. Business Combination

On September 1, 2022, KPC amalgamated with WNHC to form the Corporation. Under the Amalgamation Transaction, shares of the former KPC and WNHC were exchanged for the voting common shares of the Corporation. The Amalgamation Transaction has been recognized as a business combination following IFRS 3, Business Combinations using the acquisition method with the former KPC deemed as the acquirer based on its relative size compared to that of the former WNHC. These financial statements include the net fair value of the assets of former WNHC as at September 1, 2022; and the net assets of the former KPC at its carrying amounts at September 1, 2022.

The aggregate purchase price was $259,859 for 2,000 common shares and 218,132 Class A special shares which were immediately converted to 42,120 common shares in the amalgamated company. The acquired value of WNHC's Investment in subsidiaries and associates is inclusive of $140,077 of goodwill associated to the amalgamation of WNHI and KWHI.

The following table summarizes the estimated fair value of assets acquired and liabilities assumed at the date of amalgamation:

(Expressed in thousands of dollars)

3. Business Combination (continued)

		WNHC Acquired Value
Accounts receivable	$	20,264
Unbilled revenue		18,782
Inventories		5,622
Prepaid expenses		837
Derivative asset		5,848
Property, plant and equipment		267,421
Intangible assets		4,711
Deferred tax assets		197
Investment in subsidiaries and associates		1,172
Regulatory deferral account debit balances		24,555
Short term bank indebtedness		(10,529)
Accounts payable and accrued liabilities		(25,234)
Income tax payable		(1,427)
Dividends payable		(2,656)
Current portion of customer deposits		(3,271)
Long-term debt		(89,410)
Notes payable to shareholder		(33,292)
Long term portion of customer deposits		(3,196)
Deferred revenue		(31,312)
Employee future benefits		(4,568)
Deferred tax liability		(14,484)
Regulatory deferral account credit balances		(5,536)
Deferred taxes associated with regulatory accounts		(4,712)
	$	**119,782**
Goodwill		140,077
Total purchase price	**$**	**259,859**

The valuation technique used for the purchase of WNHC was the discounted cash flow ("DCF") approach. Under the DCF approach, the expected future cash flows are discounted to their present value equivalent using appropriate market-based risk-adjusted rates of return. The fair market value of WNHC was determined using a discounted cash flows method with an implied valuation multiple of 1.53x regulated rate base. Consideration of implied multiples of recent transactions in the industry was used and the 1.53x was determined to be comparable. The business enterprise value was then adjusted by redundant assets and debt/debt equivalents to arrive at the fair market value of assets. The difference between this fair market value and the net book value of assets as of September 1, 2022 determined goodwill.

4. Significant Accounting Policies

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

(a) Basis of Consolidation

These consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries: (i) EPC; (ii) KESI; and (iii) AMS, as well as its controlling interest in GRE. The Corporation's investment in Eyedro is accounted for in the consolidated financial statements using the equity method of accounting.

Subsidiaries are entities controlled by the Corporation. The financial 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 financial 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 financial asset not at fair value through profit or loss, transaction costs that are directly attributable 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. Derivative assets are always classified as fair value through profit or loss on inception.

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.

4. Significant Accounting Policies (continued)

(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 the distribution system to receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the life of the relationship with the 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 life of the related asset.

Other revenue

Revenue earned from 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.

4. Significant Accounting Policies (continued)

(c) Revenue Recognition (continued)

Solar Generation

Revenue is principally produced from the generation of solar electricity which is sold to the Ontario Energy Market through the Independent Electricity System Operator ("IESO"). The performance obligation for the sale of electricity is satisfied when the electricity is delivered to the Ontario Energy Grid administered by the IESO. The value of the electricity sold to the customer is determined based on the meter readings at the rate designated in the contract with the customer.

(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

Cost in items of property, plant and equipment ("PP&E") used in rate–regulated activities and acquired before January 1, 2014 are measured at deemed cost established on the transaction date, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is transferred from customers, its fair value, less accumulated depreciation. Consistent with IFRS 1, the Corporation elected to use the carrying amount as previously determined under Canadian GAAP as the deemed cost at January 1, 2014, the transition date to IFRS.

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.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the actual cost of debt incurred on the Corporation's borrowings. Qualifying assets are considered to be those that take over 12 months to construct.

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 from 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.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

(Expressed in thousands of dollars)

4. Significant 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.

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
Solar equipment	15-20 years
Right-of-use assets	15-20 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate.

4. Significant Accounting Policies (continued)

(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 Corporation 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, from the date that they are available for use. The estimated useful lives are:

Computer software	3-10 years
Land rights	100 years
Solar contracts and permits	15-20 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.

4. Significant 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 indication exists, 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"). Goodwill acquired in a business combination is allocated to groups of cash-generating units (“CGUs”) that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or cash-generating unit 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 an asset’s carrying amount or 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.

An impairment loss in respect of goodwill is not reversed. For assets other than goodwill, impairment recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill arising on the acquisition of subsidiaries is measured at cost and is not amortized. Goodwill is tested annually for impairment.

4. Significant Accounting Policies (continued)

(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 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. With the exception of the regulatory deferral account for Pension and Other Future benefits (“OPEBs”), from September 1, 2022 to September 30, 2022 the rate was 2.20%. From October 1, 2022 to December 31, 2022 the rate was 3.87%.

The interest rates for the regulatory OPEB account were as follows: from September 1, 2022 to September 30, 2022 the rate was 4.66%. From October 1, 2022 to December 31, 2022 the rate was 5.01%.

4. Significant Accounting Policies (continued)

(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 equal contributions 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 accrual basis. 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 retained earnings.

The future health, dental, and life 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.

4. Significant Accounting Policies (continued)

(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. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether:

(i) The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

(ii) The Corporation has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and

(iii) The Corporation has the right to direct the use of the asset. The Corporation has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Corporation has the right to direct the use of the asset if either the Corporation has the right to operate the asset, or the Corporation designed the asset in a way that predetermines how and for what purpose it will be used.

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 from 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, finance lease obligations, customer deposits and regulatory liabilities, and unwinding of the discount on provisions and impairment losses on financial assets. Interest costs are recognized as an expense unless they are capitalized as part of the cost of qualifying assets.

4. Significant Accounting Policies (continued)

(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.

The current tax-exempt status of the Corporation under the Income Tax Act (Canada) and the Corporations 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 Company. These payments are calculated under the rules for computing income and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations 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 reflect 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. Significant Accounting Policies (continued)

(p) Business combinations

The Corporation accounts for business combinations using the acquisition method when control is transferred to the Corporation. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of preexisting relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity.

Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

5. Accounts Receivable

		December 31, 2022
Trade receivables	$	28,273
IESO receivable		2,962
Miscellaneous receivables		4,107
Allowance for bad debt		(800)
Other		118
Total Accounts Receivable	**$**	**34,660**

6. 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 September 1, 2022	$ 313,687	$ 28,575	$ 7,811	$ 4,359	$ 601	**$ 355,033**
Acquired value - WNHC	229,420	24,674	6,399	6,928	-	**267,421**
Acquired control - GRE	-	-	3,295	-	889	**4,184**
Additions	20,323	230	1,499	(3,490)	-	**18,562**
Remeasurement	-	-	-	-	(73)	**(73)**
Disposals / retirements	(513)	(10)	(909)	-	-	**(1,432)**
Balance at December 31, 2022	**$ 562,917**	**$ 53,469**	**$ 18,095**	**$ 7,797**	**$ 1,417**	**$ 643,695**

(Expressed in thousands of dollars)

6. Property, Plant and Equipment (continued)

(b) Accumulated depreciation

	Distribution Equipment	Land & Building	Other Fixed Assets	Construction in Progress	Right-of-use Assets	Total
Balance at September 1, 2022	$ 61,017	$ 4,635	$ 1,563	$ -	$ 40	**$ 67,255**
Depreciation charge	5,944	538	1,192	-	34	**7,708**
Disposals / retirements	(513)	(10)	(909)	-	-	**(1,432)**
Balance at December 31, 2022	**$ 66,448**	**$ 5,163**	**$ 1,846**	**$ -**	**$ 74**	**$ 73,531**

(c) Carrying amounts

	Distribution Equipment	Land & Building	Other Fixed Assets	Construction in Progress	Right-of-use Assets	Total
At December 31, 2022	$ 496,469	$ 48,306	$ 16,249	$ 7,797	$ 1,343	$ 570,164

(d) Security

At December 31, 2022, 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	Energy conservation expense	Amortization	Total
December 31, 2022:						
Depreciation of property, plant and equipment	$ 640	$ 1	$ 11	$ -	$ 7,056	**$ 7,708**
Amortization of intangible assets	-	-	-	-	748	**748**
	$ 640	**$ 1**	**$ 11**	**$ -**	**$ 7,804**	**$ 8,456**

(Expressed in thousands of dollars)

7. Intangible Assets and Goodwill

(a) Cost or deemed cost

	Computer Software	Land Rights	FIT Contracts	Work in Progress	Total
Balance at September 1, 2022	$ 12,062	$ 8	$ -	$ -	**$ 12,070**
Acquired value - WNHC	2,394	1,199	-	1,118	**4,711**
Acquired control - GRE	-	-	3,906	-	**3,906**
Additions	253	39	-	(146)	**146**
Disposals / retirements	(185)	-	-	-	**(185)**
Balance at December 31, 2022	**$ 14,524**	**$ 1,246**	**$ 3,906**	**$ 972**	**$ 20,648**

(b) Accumulated amortization

	Computer Software	Land Rights	FIT Contracts	Total
Balance at September 1, 2022	$ 1,506	$ 8	$ -	**$ 1,514**
Amortization charge	641	-	107	**748**
Disposal/retirements	(185)	-		**(185)**
Balance at December 31, 2022	**$ 1,962**	**$ 8**	**$ 107**	**$ 2,077**

(c) Carrying amounts

	Computer Software	Land Rights	FIT Contracts	Work in Progress	Total
At December 31, 2022	$ 12,562	$ 1,238	$ 3,799	$ 972	**$ 18,571**

(Expressed in thousands of dollars)

8. Income Tax Expense

		2022
Current period	$	1,268
Adjustment for prior periods		156
Deferred		(229)
Income tax expense	**$**	**1,195**

Reconciliation of effective tax rate:

		2022
Net comprehensive income for the period	$	8,549
Income tax expense		1,195
Income from operations before income taxes	$	9,744
Statutory Canadian federal and provincial income tax rate		26.50%
Expected taxes on income	**$**	**2,582**
Changes in income taxes resulting from:		
Permanent differences		6
Other temporary differences		(1,598)
Adjustment for prior periods		205
	$	**(1,387)**
Income tax expense	**$**	**1,195**

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

		December 31, 2022
Deferred tax assets (liabilities):		
Plant and equipment	$	(48,572)
Deferred revenue		21,569
Employee future benefits		2,041
Non-vested sick leave		340
Unrealized gain on derivatives		(157)
Allowance for doubtful accounts		212
Other		1,050
	$	**(23,517)**
Regulatory deferred tax asset	$	32,624
Deferred taxes associated with regulatory accounts		(8,645)

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, 2022:

CCA classification of meters

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 2021 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.

Disallowed interest expense to the parent company

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 balances:

	2022 Opening	Acquired	Balances arising in the period	Transfer between accounts	Recovery / reversal	2022 Ending	Recovery / reversal period (years)
Regulatory deferral account debit balances							
Group 1 accounts	$ 10,931	$ 6,727	$ (4)	$ 510	$ -	$ 18,164	Note 1
Regulatory asset recovery account	3,303	(56)	-	-	(2,469)	778	Note 1
Deferred tax asset	15,398	17,785	(559)	-	-	32,624	Note 2
Other regulated accounts	136	99	71	-	-	306	Note 3
Total amount related to regulatory deferral account debit balances	**$ 29,768**	**$ 24,555**	**$ (492)**	**$ 510**	**$ (2,469)**	**$ 51,872**	

	2022 Opening	Acquired	Balances arising in the period	Transfer between accounts	Recovery / reversal	2022 Ending	Recovery / reversal period (years)
Regulatory deferral account credit balances							
Group 1 accounts	$ 2,868	$ 5,534	$ (3,408)	$ 510	$ -	$ 5,504	Note 1
Other regulated accounts	562	2	4			568	Note 3
Total amount related to regulatory deferral account credit balances	**$ 3,430**	**$ 5,536**	**$ (3,404)**	**$ 510**	**$ -**	**$ 6,072**	

	2022
Movements in regulatory accounts	
Net change in regulatory deferral account debit and credit balances	$ 443
Less movement related to the balance sheet	
Deferred income tax	559
Deferred revenue	516
Net movement in regulatory deferral account balances related to profit or loss and the related deferral tax movement	**$ 1,518**

Note 1: The Corporation has been approved for collection of these amounts in its 2022 filings for 2023 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.

Note 3: In December 2020, the legacy KWHI entity was informed that beginning June 2015 charges were not included in the monthly power bill for one delivery point for Transmission Network Charges. KWHI accrued a payable of $6 million in 2020, offset by a regulatory asset. These monies were collected through an OEB-approved rate rider through December 2022.

(Expressed in thousands of dollars)

10. Long-Term Debt

On October 27, 2022, Enova Energy Corporation entered into a credit agreement with Bank of Montreal ("BMO") whereby all outstanding credit facilities previously provided by CIBC were transferred to BMO. This included an operating line of credit for legacy WNHI ($15,000) as well as the consolidated long-term debt and related swap. As a result, the debt was re-issued under BMO and the swap agreement was terminated on November 2, 2022. The value of the terminated swap, less applicable fees, was $6,135.

The BMO credit facility is for a total of $200,000 of which the Corporation borrowed $110,000 in long-term debt from BMO with no defined repayment terms. The full balance is variable-rate and has not been hedged with any derivatives.

In March 2021, the Corporation entered into an amended Credit Facility Agreement ("Credit Facility") 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 sit he 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, 2022, the Corporation had the following loans outstanding under the Credit Facility:

Bank loans	Swap Rate	Monthly Payments	Term	2022
Term loan 1	4.205%	$ 30.00	August 15, 2035	$ 3,365
Term loan 2	3.845%	$ 18.00	December 21, 2034	$ 1,922
Term loan 3	2.510%	$ 11.00	July 31, 2040	$ 1,759
Term loan 4	2.365%	$ 4.00	July 31, 2035	$ 552
				$ 7,598

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

2023	$ 453
2024	470
2025	487
2026	505
2027	526
Thereafter	5,157
	$ 7,598

10. Long-Term Debt (continued)

Interest rate swaps

The Corporation has entered into interest swap agreements with a Canadian chartered bank for the purpose of eliminating the risk of fluctuating interest rates and removing the economic impact of interest rate volatility on its debt. The swap instruments result in the Corporation receiving interest at the 30-day banker' acceptance floating rate and require the Corporation to pay the fixed 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) from interest rate swaps in the Statement of Comprehensive Income (Loss).

As a result, the Corporation has recorded interest rate swap assets of $592 and recognized a corresponding unrealized gain on interest rate swaps of $953.

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)

11. Notes Payable to Shareholder

		2022
Senior unsecured debentures:		
City of Kitchener	$	70,998
City of Waterloo		27,404
Township of Woolwich		3,355
Township of Wilmot		5,965
Township of Wellesley		2,532
Total shareholder debt	**$**	**110,254**

Note (a) Effective August 1, 2000, KWHI incurred unsecured promissory notes payable to the Corporation of the City of Kitchener and the Corporation of the Township of Wilmot, 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. On September 1, 2022, these notes payable were re-issued at the same amount and rates under Enova Energy Corporation

Note (b) The former WNHC held senior and junior long-term notes payable with its legacy shareholders. The notes were amalgamated and replaced with a single note for each shareholder as of September 1, 2022 with the same terms, including interest rate payable, as the notes to the City of Kitchener and the Township of Wilmot.

(Expressed in thousands of dollars)

12. Employee Future Benefits

The Corporation pays certain medical and life 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, 2022. The Corporation recognizes these post-retirement costs in the period in which employees' services were rendered. The accrued benefit liability at December 31, 2022 is $7,703 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:

	2022
Accrued benefit obligation	
Balance, beginning of period	$ 10,637
Current service cost	134
Interest cost	130
Benefits Paid	(189)
Actuarial gains recognized in other comprehensive income	(3,009)
Accrued benefit liability, end of period	**$ 7,703**

Components of net benefit expense recognized are a follows:

	2022
Current service cost	$ 134
Interest cost	130
Net benefit expense recognized	**$ 264**

Actuarial losses recognized in other comprehensive income

	2022
Cumulative amount at September 1	$ (620)
Recognized during the period (net of tax)	2,211
Net benefit expense recognized	**$ 1,591**

(Expressed in thousands of dollars)

12. Employee Future Benefits (continued)

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

		2022
General inflation:		
Changes in the Consumer Price Index		3.00%
Accrued obligation:		
Discount rate		5.05%
Salary increases		4.00%
Benefit cost for the period:	Age	
Withdrawal rate	18-29	2.75%
	30-34	2.20%
	35-39	1.65%
	40-49	1.40%
	50-54	1.20%
Assumed health care cost trend rates:		
Initial health care cost trend rate	Health	4.70%
	Dental	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:

	2022
1% increase in trend rate	$ 375
1% decrease in trend rate	(320)

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:

	2022
Current	
Customer deposits	$ 1,731
Contruction deposits	10,150
Performance bond	200
	$ 12,081
Long-term	
IESO deposit for energy conservation programs	1,158
Customer deposits - long-term	7,476
	$ 8,634

(Expressed in thousands of dollars)

14. Share Capital

Authorized

Unlimited	Common shares
Unlimited	Class A special shares
Unlimited	Class B special shares

Issued

100,000	Common shares	$	326,248
10,000	Class A special shares		-
10,000	Class B common shares		-
120,000	**Total Shares**	**$**	**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 are 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 are 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

Special shares were issued as part of the Amalgamation Transaction on September 1, 2022 to effect post-closing adjustments provided for in corresponding agreements. As of December 31, 2022, the redemption value has not been set.

Dividends

The holders of the common shares are entitled to receive dividends as declared from time to time.

No dividends were declared or paid during the period. The Corporation has $5,056 in dividends payable carried forward from prior periods.

(Expressed in thousands of dollars)

15. Revenue

		2022
Revenue from contracts with customers	$	145,149
Other revenue		
Specific service charges		843
Deferred revenue		730
Scrap sales		100
Net gain on disposal of capital assets		37
Non-Utility operations		338
Retailer services		13
Sundry		206
Net realized gain on derivatives		287
Total other revenue	**$**	**2,554**
Total revenues	**$**	**147,703**

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

		2022
Residential	$	58,419
Commercial		80,470
Large users		3,898
Other		2,362
	$	**145,149**

(Expressed in thousands of dollars)

16. Interest Income and Expense

	2022
Interest income on bank deposits	$ (183)
	$ (183)
Interest on shareholder debt	1,188
Interest expense on long term debt	1,677
Interest expense on short tem debt	27
Interest expense on BMO letter of credit	51
Interest expense on deposits	130
Interest expense on capital lease	12
	$ 3,085
Net interest cost	**$ 2,902**

17. Lease Liabilities

The Corporation has entered into a lease agreement for solar PV roof-top equipment representing right-of-use assets (note 6). 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	2022
Less than one year	$ 97
One - five years	490
More than five years	570
Total undiscounted lease liabilities at period end	**$ 1,157**

Interest included on the liabilities included in the statement of financial position at December 31, 2022	(282)
Lease Liabilities - current	**$ 97**
Lease Liabilities - non-current	**$ 778**

(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, 2022, no assessments have been made.

19. Guarantees

Guarantees do not apply to the Corporation.

20. 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 September 1, 2022 to December 31, 2022, the Corporation made employer contributions of $969 to OMERS. The Corporation's net benefit expense has been allocated as follows:

(a) $291 capitalized as part of labour in PP&E and

(b) $678 recorded as an expense against net income.

21. Employee Benefits

	2022
Salary, wages and benefits	$ 11,399
CPP and EI remittances	142
Contributions to OMERS	969
Expenses related to employee future benefits	264
	$ 12,774

(Expressed in thousands of dollars)

22. 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 financial 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:

	2022
Directors' fees	$ 70
Executive compensation and benefits	683
	$753

(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 2022 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 Kitchener Energy Services Inc. The Corporation conducted transactions with related parties during the period ended December 31, 2022. These transactions are in the normal course of operations and are measured at fair value.

23. 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 approximates 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 them broadly 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 3.26% 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, 2022 is $800.

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2022, approximately $1,627 is considered 60 days past due. The Corporation has over 157,000 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, 2022, the Corporation holds security deposits in the amount of $9,206.

23. Financial Instruments and Risk Management (continued)

(b) Market risk

Market risks primarily refer to the risk of loss resulting from changes 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, 2022 is at a variable interest rate.

(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 $45M credit facility 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, 2022, $nil had been drawn under BMO's $45M operating credit facility.

In 2022 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 $35,000 (the "LC" facility) to issue letters of credit mainly to support the prudential requirements of the IESO of which the $35,000 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, 2022, shareholder's equity amounts to $443,304 and long-term debt including shareholder debt amounts to $227,852.

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 Corporation effective January 1, 2022:

i. Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)

ii. Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

iii. Annual Improvements to IFRS Standards 2018-2020

iv. Reference to the Conceptual Framework (Amendments to IFRS 3)

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

25. Future Changes in Accounting Policy and Disclosures

At the date of authorization of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by The Corporation and it is still to be determined if any will have a material impact on the Corporation's financial statements.

i. Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Amendments to IAS 12 Income Taxes

   On May 7, 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier adoption is permitted.

ii. Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

   On February 12, 2021, the IASB issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include a requirement for companies to disclose their material accounting policies rather than their transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements. The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier adoption is permitted.

25. Future Changes in Accounting Policy and Disclosures (continued)

iii. Definition of Accounting Estimate (Amendments to IAS 8)

On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS8). The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier adoption is permitted.