

Audited Financial Statements

For the year ended
December 31, 2022

Presentation Content



- 2022 Financial Highlights
- Understanding the Financial Statements
- Key Financial Indicators
- Audit Findings Report (presented by KPMG)

2022 Financial Highlights



- Merger of Kitchener-Wilmot Hydro Inc. and Waterloo North Hydro Inc. into Enova Power Corp. effective September 1, 2022
- Increase in trade and other accounts receivable and accounts payable and accrued liabilities
- Gasworks revenues and expenses were higher than budget due to a colder winter
- Ongoing impact from COVID-19 pandemic, with further resumption of regular activities in 2022 (e.g., designated growth projects, recreation programming)

Understanding the Financial Statements



Key Differences in these Financial Statements:

- Consolidated
- Include operating, capital and reserves
- Reported in compliance with Canadian public sector accounting standards

Annual Surplus Reconciliation



Reconciliation of Operating Surplus to Consolidated Annual Surplus

| | Year Ended Dec 31, 2022 | Year Ended Dec 31, 2021 |
|--|----------------------------|----------------------------|
| Tax supported surplus (deficit) | 1,234,927 | (4,651,262) |
| Enterprise surplus (deficit) | 6,037,951 | 3,258,158 |
| Total operating surplus (deficit) | 7,272,878 | (1,393,104) |
| Consolidation | | |
| Belmont Improvement Area | (4,668) | 7,222 |
| Kitchener Downtown Improvement Area | 91,733 | 773,160 |
| Kitchener Public Library | (348,497) | (199,715) |
| The Centre in the Square | 2,731,674 | (105,580) |
| Kitchener Generation Corporation | 49,318 | 64,114 |
| Enova Energy Corporation | 10,870,521 | 10,327,388 |
| | 13,390,081 | 10,866,589 |
| Revenues not included in operating surplus | | |
| Gain on dilution from prior interest in Kitchener Power Corp. and its affiliates | 71,288,452 | - |
| Reserve fund revenue | 43,749,511 | 42,290,841 |
| Contributions of tangible capital assets | 20,157,534 | 23,914,606 |
| Gain (loss) on sale of tangible capital assets | (1,797,776) | (102,564) |
| Other capital revenue | 10,135,022 | 9,301,408 |
| | 143,532,743 | 75,404,291 |
| Items in operating surplus, not in consolidated statements | | |
| Net transfers to capital and reserves | 92,730,228 | 89,251,020 |
| Various PSAB adjustments | 3,975,051 | 4,438,141 |
| | 96,705,279 | 93,689,161 |
| COK expenses not included in operating surplus | | |
| Amortization of tangible capital assets | (54,098,524) | (53,172,804) |
| Other capital expenses | (21,626,744) | (17,977,556) |
| Change in actuarial estimate for employee future benefits | (415,195) | 26,656 |
| Reserve fund expenses | (4,128,026) | (1,915,486) |
| | (80,268,490) | (73,039,191) |
| Annual surplus per consolidated financial statements | 180,632,491 | 105,527,746 |

Key Financial Indicators



- 1) Taxes receivable to taxes levied
- 2) Reserves to expenses
- 3) Debt charges to total revenues (less donated TCAs)
- 4) Debt to reserve ratio
- 5) Financial assets to liabilities

Key Financial Indicators



INDICATOR #1: TAXES RECEIVABLE TO TAXES LEVIED

Overview: This ratio is a strong indicator of the strength of a local economy and the ability of residents to pay their annual taxes. Credit Rating agencies consider over 8% a negative factor.

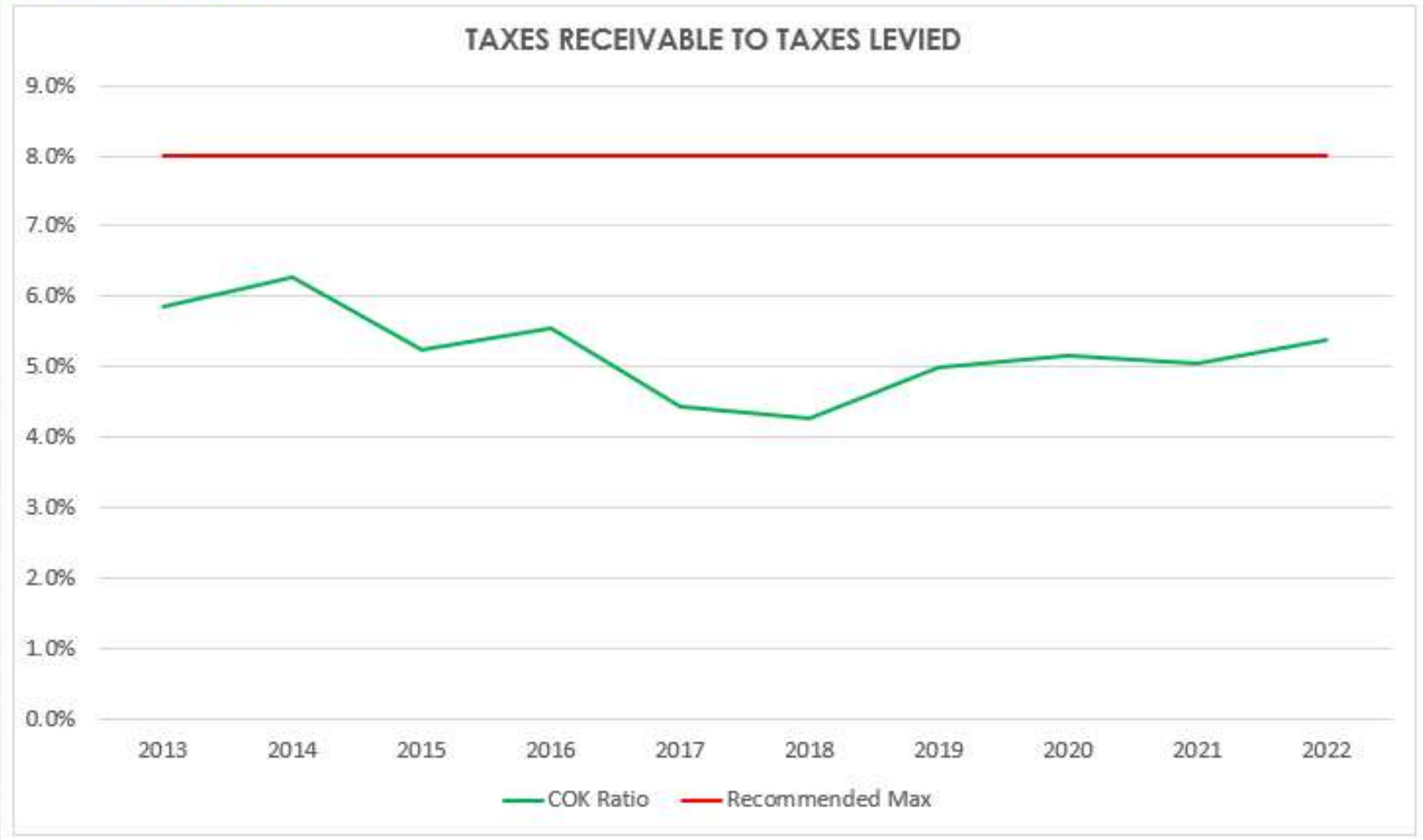
Calculation: Taxes receivable / (Total taxes levied - Tax adjustments)

Considerations: If this percentage increases over time, it may indicate a decline in the municipality's economic health.

Key Financial Indicators



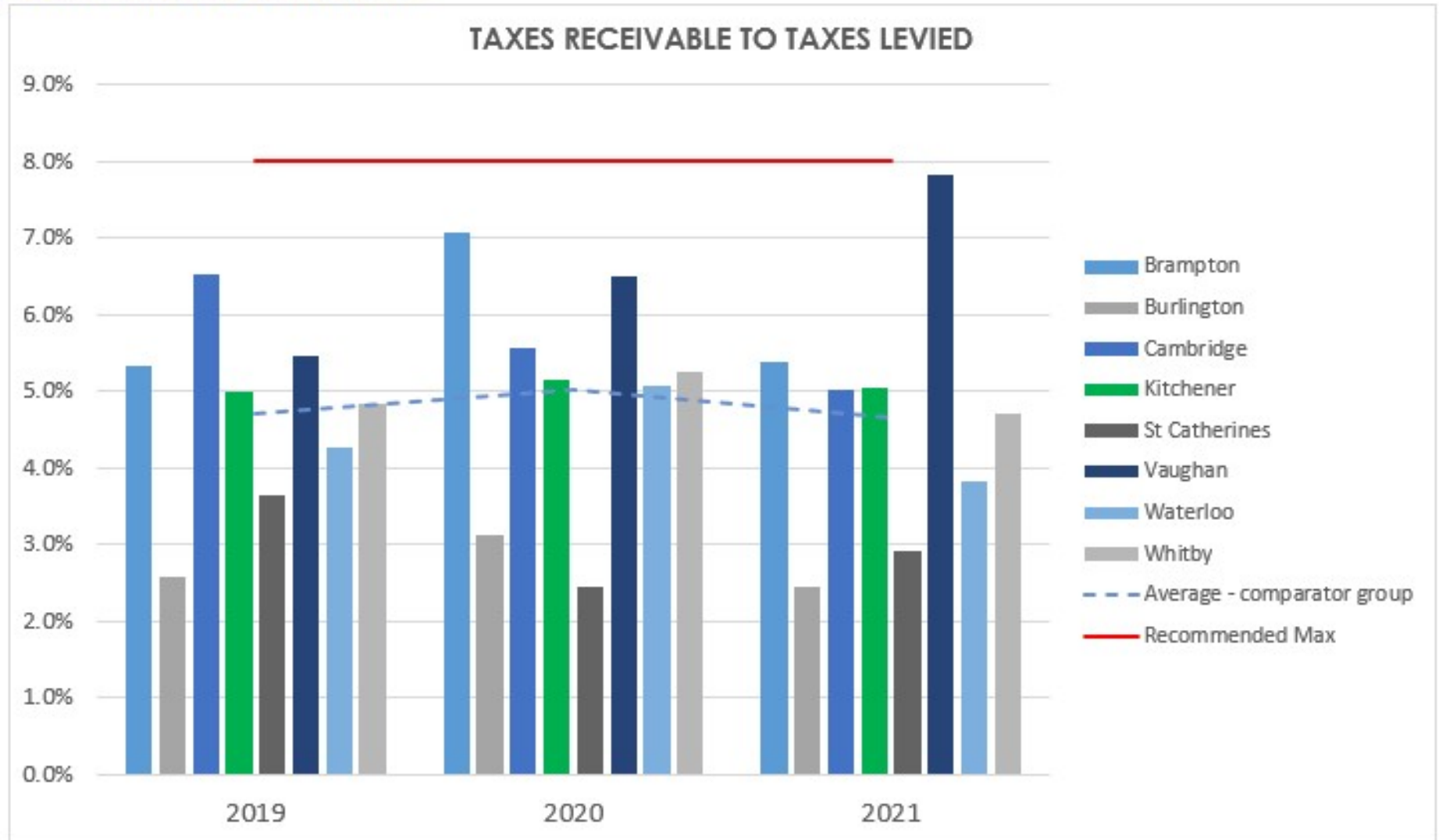
TREND ANALYSIS



Key Financial Indicators



COMPARISON WITH PEERS



Key Financial Indicators



INDICATOR #2: RESERVES TO EXPENSES

Overview: This financial indicator provides an indication of how much money is set aside for future needs/contingencies. The Ministry of Municipal Affairs and Housing (MMAH) has recommended a minimum ratio of 20%.

Calculation: Total reserves and reserve funds / Total expenses

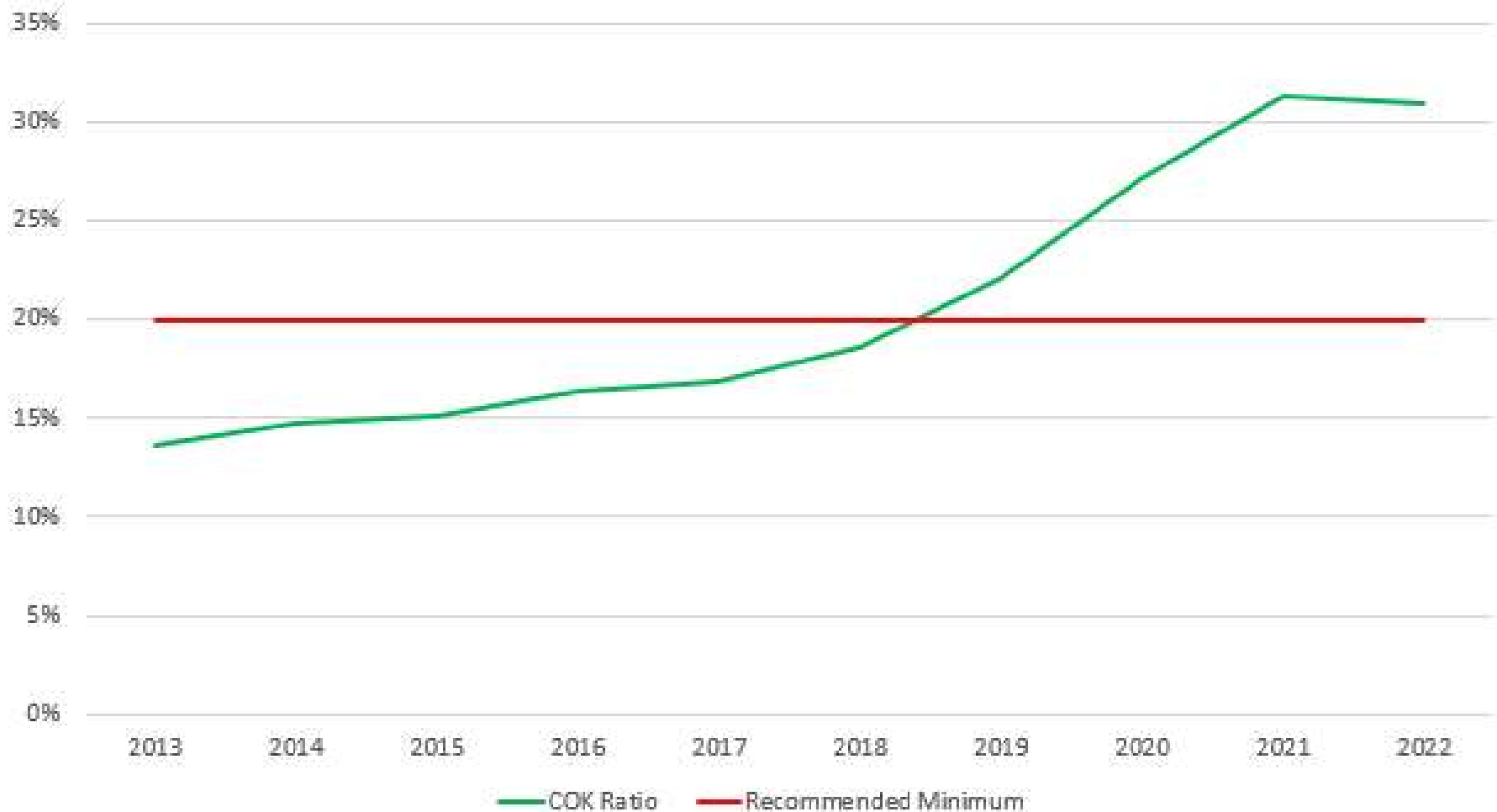
Considerations: Each reserve and reserve fund was set up to fund specific activities. Reserves would not be combined and used to fund general expenditures.

Key Financial Indicators



TREND ANALYSIS

RESERVES TO EXPENSES

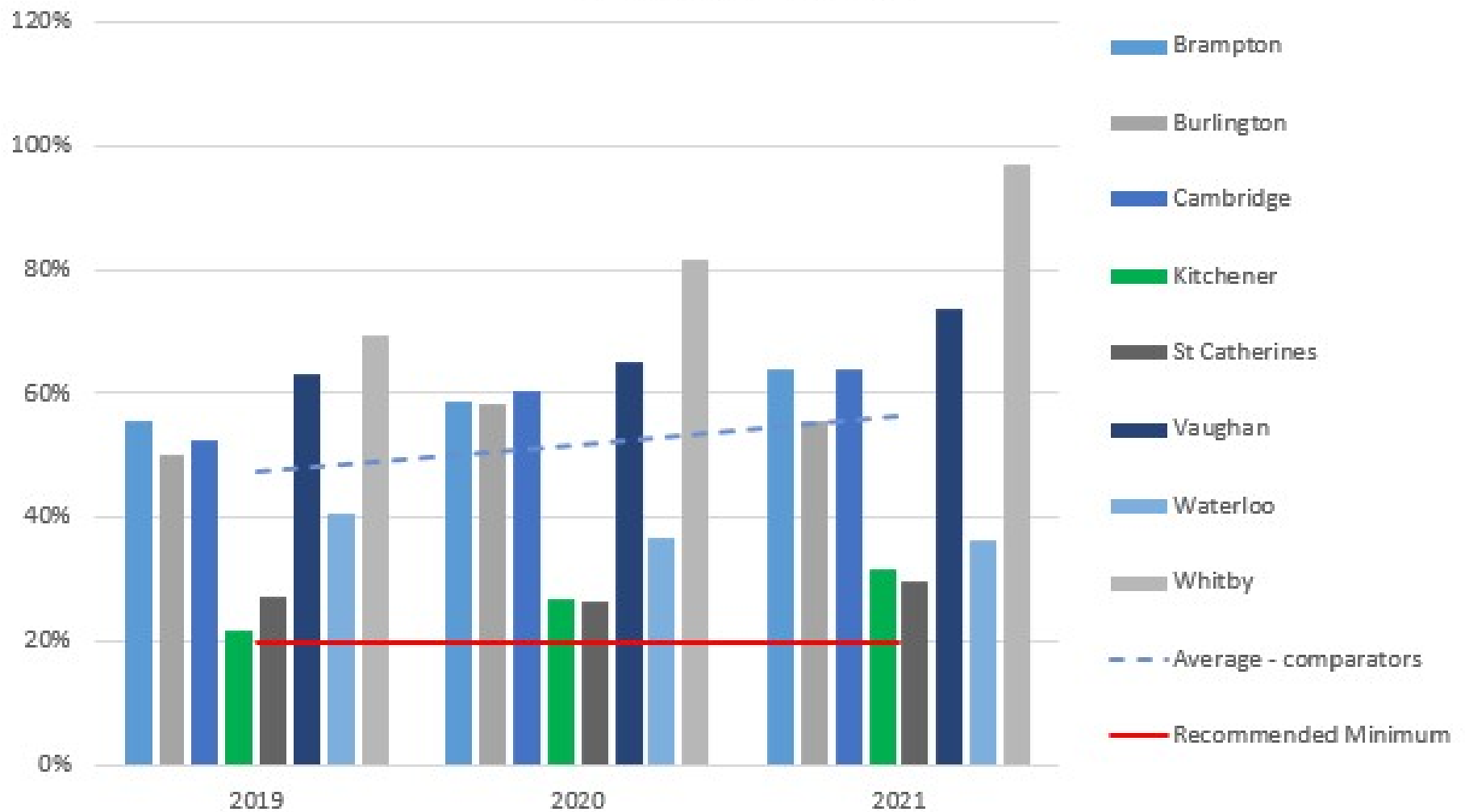


Key Financial Indicators



COMPARISON WITH PEERS

RESERVES TO EXPENSES



Key Financial Indicators



INDICATOR #3: DEBT CHARGES TO TOTAL REVENUES (LESS DONATED TCAs)

Overview: This ratio indicates how much of each dollar raised in revenue is spent on paying down existing debt. MMAH has recommended a maximum ratio of 5%.

Calculation: (Total principal charges + Total interest charges) / (Total Revenues – Donated TCAs)

Considerations: Every municipality and Council will have a different appetite for debt. The City's ability to issue additional debt may be limited if debt charges are excessively high. The City's borrowing is also limited by Ontario Regulation 403/02: Debt and Financial Obligation Limits and by the City's Capital Financing and Debt policy.

Key Financial Indicators



TREND ANALYSIS

DEBT CHARGES TO TOTAL REVENUES (LESS DONATED TCAs)

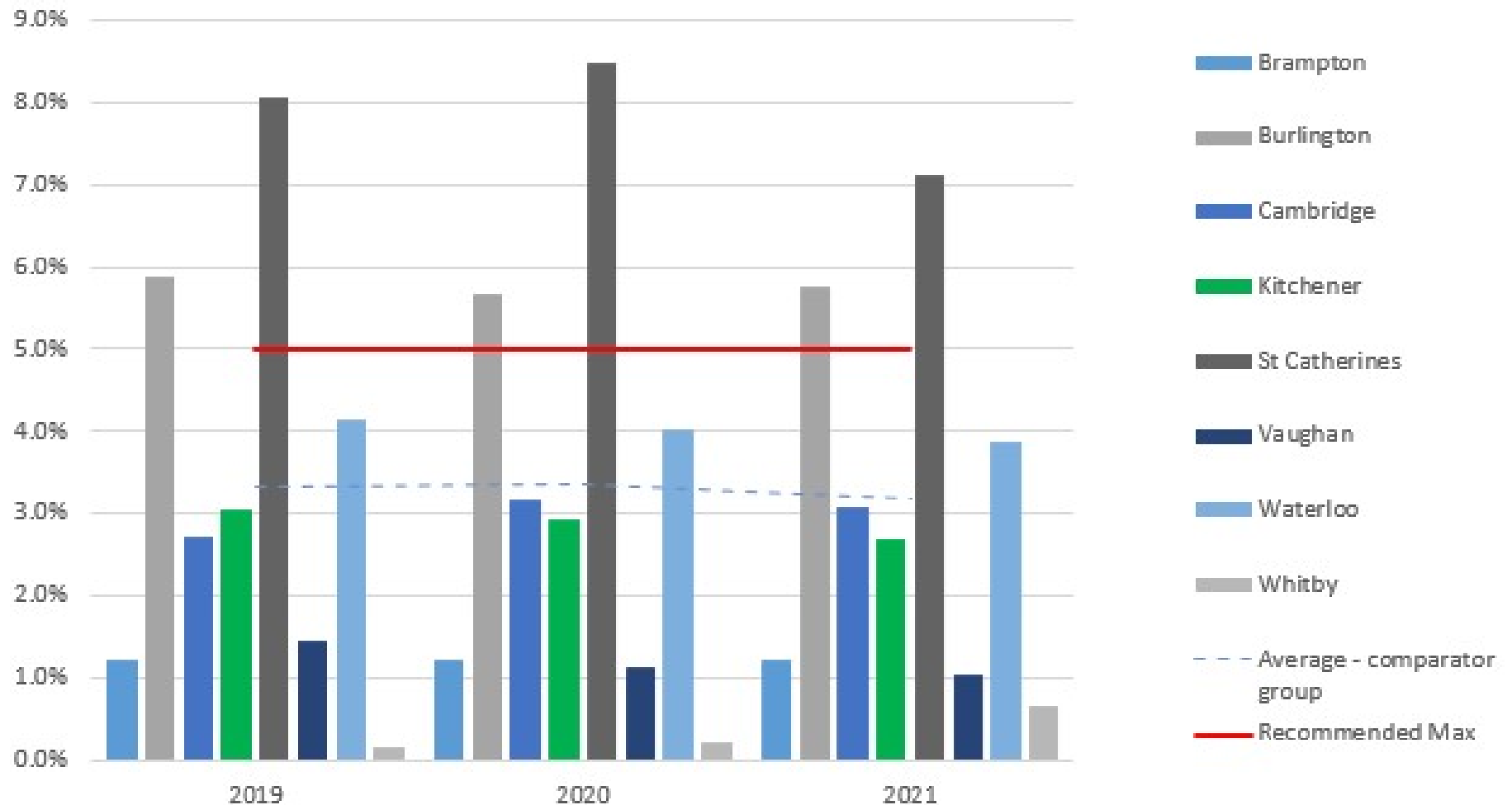


Key Financial Indicators



COMPARISON WITH PEERS

DEBT CHARGES TO TOTAL REVENUES (LESS DONATED TCAs)



Key Financial Indicators



INDICATOR #4: DEBT TO RESERVE RATIO

Overview: This indicator provides a measure for financial prudence by comparing total debt to the total reserve balances. Generally, the benchmark suggested by credit rating agencies for this ratio is 1:1 or in other words, debt should not exceed total reserve and reserve fund balances. A 1:1 ratio reflects that for every dollar of debt there is a dollar of reserves.

Calculation: Total debt / Total reserves and reserve funds

Considerations: This ratio can be improved by either increasing reserve balances or by reducing overall debt levels. Most debt has a fixed repayment term so municipalities often would not have the ability to pay down debt even if they held the funds to do so.

Key Financial Indicators



TREND ANALYSIS

DEBT TO RESERVE RATIO

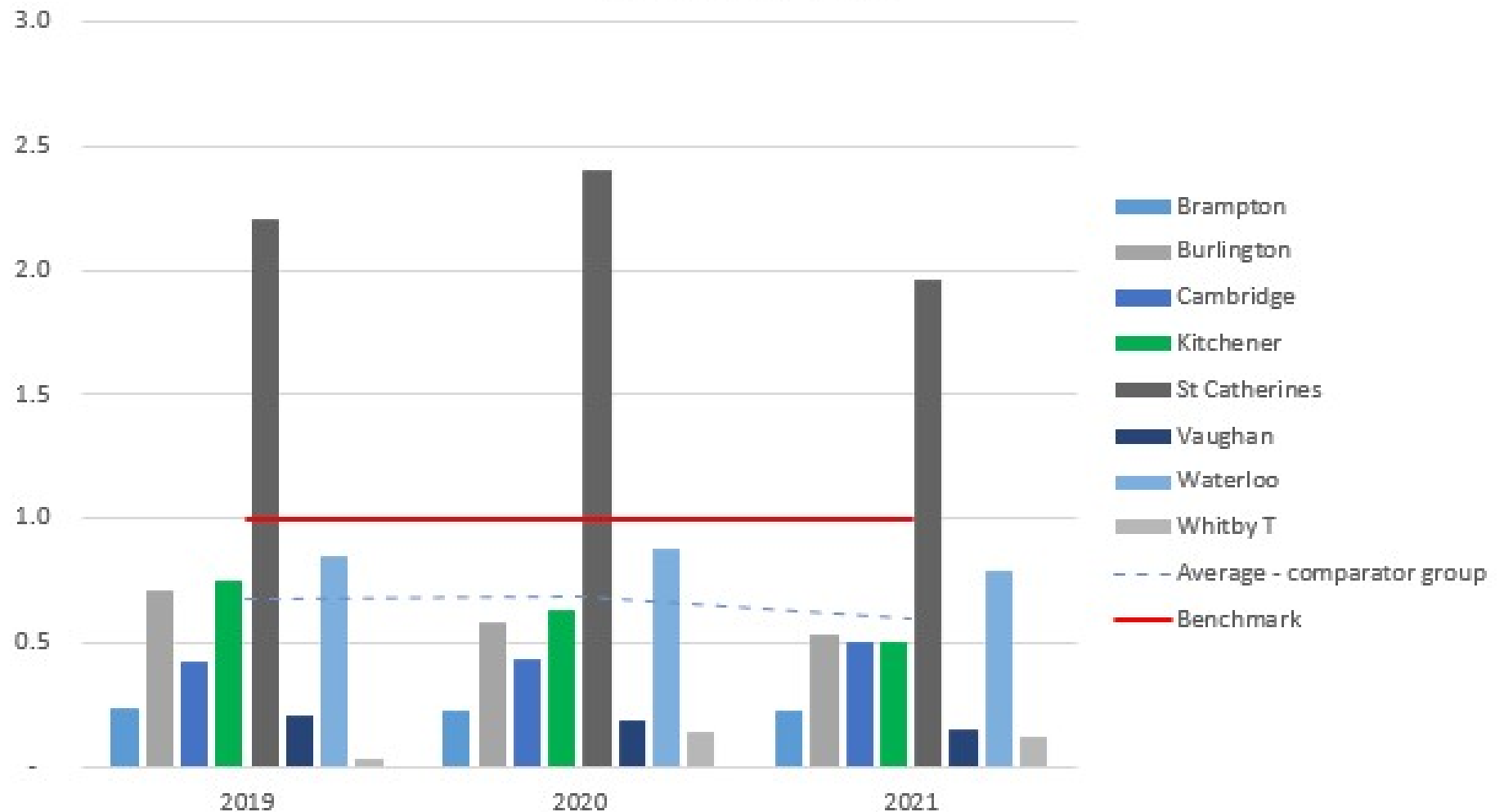


Key Financial Indicators



COMPARISON WITH PEERS

DEBT TO RESERVE RATIO



Key Financial Indicators



INDICATOR #5: FINANCIAL ASSETS TO LIABILITIES

Overview: This ratio compares financial assets (e.g., cash, investments, and accounts receivable) to the City's liabilities (e.g., accounts payable, deferred revenue, and municipal debt). A ratio of 1 to 1 ensures that there are enough financial assets to cover off all of the municipality's liabilities.

Calculation: Total financial assets / Total liabilities

Considerations: Financial assets may include investments in government business enterprises, which are not likely to be converted to cash in the short term. Liabilities may include costs that will not be repaid for a number of years (e.g., employee future benefits).

Key Financial Indicators



TREND ANALYSIS

FINANCIAL ASSETS TO LIABILITIES

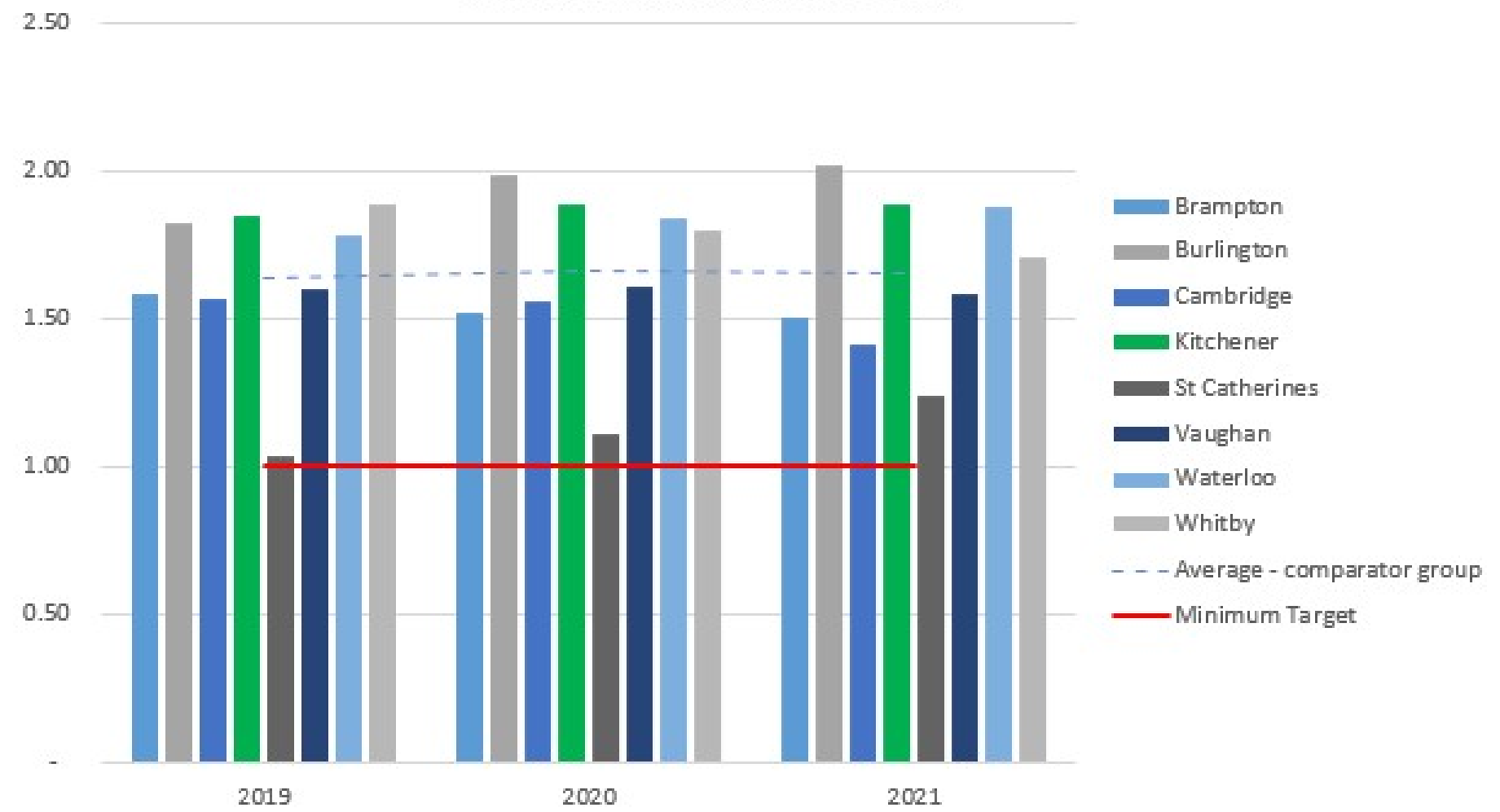


Key Financial Indicators



COMPARISON WITH PEERS

FINANCIAL ASSETS TO LIABILITIES



Conclusion



- Key financial indicators indicate a stable financial position despite an uncertain economy
- Questions?

Audit Findings Report



KPMG will now present their audit findings