THE CORPORATION OF THE CITY OF KITCHENER

Consolidated Statement of Financial Position

As at December 31, 2023

	2023	2022
Financial assets		
Cash and cash equivalents	**$ 148,883,457**	$ 113,065,078
Taxes receivable (Note 3)	**32,698,753**	25,076,645
Trade and other accounts receivable (Note 3)	**82,189,192**	75,336,969
Loans receivable (Note 6)	**5,445,222**	5,994,236
Inventory for resale	**11,193,185**	9,956,554
Portfolio investments (Note 7)	**235,992,016**	229,381,003
Investment in Enova Energy Corporation (Note 8)	**311,762,801**	306,970,957
Investment in Kitchener Generation Corporation (Note 9)	**1,625,762**	1,858,014
	829,790,388	767,639,456
Liabilities		
Accounts payable and accrued liabilities	**137,240,749**	132,186,313
Deferred revenue - obligatory reserve funds (Note 11)	**93,623,694**	82,750,528
Deferred revenue - other	**28,984,020**	28,925,532
Municipal debt (Note 12)	**52,615,623**	57,724,950
Employee future benefits (Note 14)	**54,659,910**	54,650,290
Asset retirement obligations (Note 15)	**111,335,649**	102,915,713
	478,459,645	459,153,326
Net financial assets	**351,330,743**	308,486,130
Non-financial assets		
Tangible capital assets (Note 16)	**1,573,660,744**	1,503,217,173
Inventory of supplies	**4,679,711**	3,689,246
Prepaid expenses	**3,354,185**	3,044,465
	1,581,694,640	1,509,950,884
Accumulated surplus	**$ 1,933,025,383**	$ 1,818,437,014
Accumulated surplus is comprised of:		
Accumulated operating surplus (Note 17)	**1,932,128,425**	1,818,437,014
Accumulated remeasurement gains	**896,958**	-
	$ 1,933,025,383	$ 1,818,437,014

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, 2023

	2023 Budget	2023	2022
Revenues			
Taxation	$ 153,548,049	$ 154,787,198	$ 144,746,539
User fees and charges			
Gasworks	102,064,852	100,368,081	95,198,877
Water, sewer and storm water	141,449,462	151,537,838	142,570,075
Other	44,496,515	47,445,725	40,941,682
Government transfers	22,497,517	27,328,006	27,203,177
Contributions of tangible capital assets	22,638,316	22,638,316	20,157,534
Investment income	11,607,071	19,676,514	9,748,902
Penalties and interest on taxes	3,915,943	4,822,216	4,087,007
Development charge revenue recognized	38,630,221	21,591,019	27,600,867
Share of net income of Enova Energy Corporation (Note 8)	7,039,472	7,039,472	10,870,521
Gain on dilution from prior interest in Kitchener Power Corp. and its affiliates (Note 8)	1,503,675	1,503,675	71,288,452
Share of net income of Kitchener Generation Corporation (Note 9)	73,735	73,735	49,318
Other	5,006,478	5,641,320	5,638,130
Total revenues	554,471,306	564,453,115	600,101,081
Expenses			
General government	46,127,438	39,261,030	38,640,697
Protection services	59,714,655	58,183,464	56,434,580
Transportation services	45,041,078	42,737,500	42,718,565
Environmental services	114,923,860	112,722,266	105,678,769
Health services	2,688,178	3,027,998	2,841,783
Social and family services	2,875,860	3,272,254	2,613,171
Recreation and cultural services	94,681,395	92,049,513	83,167,812
Planning and development	16,899,399	19,524,185	18,284,456
Gasworks	84,409,487	79,134,059	76,610,142
Total expenses	467,361,350	449,912,269	426,989,975
Annual surplus	87,109,956	114,540,846	173,111,106
Accumulated operating surplus, beginning of year	1,818,437,014	1,818,437,014	1,705,198,678
Adjustment on adoption of the asset retirement obligations accounting standard	-	-	(59,872,770)
Adjustment for accumulated other comprehensive income of Enova Energy Corporation	-	(849,435)	-
Accumulated operating surplus, beginning of year, as restated (Note 2)	1,818,437,014	1,817,587,579	1,645,325,908
Accumulated operating surplus, end of year (Note 17)	$ 1,905,546,970	$ 1,932,128,425	$ 1,818,437,014

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

THE CORPORATION OF THE CITY OF KITCHENER

Consolidated Statement of Remeasurement Gains

For the Year Ended December 31, 2023

		2023		2022
Accumulated remeasurement gains, beginning of year	**$**	**-**	$	-
Adjustment on adoption of financial instruments accounting standard		**155,664**		-
Adjustment for accumulated other comprehensive income of Enova Energy Corporation		**849,435**		-
Unrealized gains attributable to:				
Portfolio investments in equity instruments		**73,089**		-
Amounts reclassified to the statement of operations:				
Portfolio investments in equity instruments		**(29,602)**		-
Other comprehensive loss of:				
Enova Energy Corporation		**(151,628)**		-
Accumulated remeasurement gains, end of year	**$**	**896,958**	$	-

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

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THE CORPORATION OF THE CITY OF KITCHENER

Consolidated Statement of Change in Net Financial Assets

For the Year Ended December 31, 2023

	2023 Budget	2023	2022
Annual surplus	$ 87,109,956	$ 114,540,846	$ 173,111,106
Amortization of tangible capital assets	64,896,843	64,896,843	65,164,133
Acquisition of tangible capital assets	(112,680,129)	(105,147,345)	(116,734,315)
Contributions of tangible capital assets	(22,638,316)	(22,638,316)	(20,157,534)
Gain on disposals of tangible capital assets	(265,613)	(265,613)	(3,849,649)
Proceeds on disposal of tangible capital assets	1,025,198	1,025,198	4,494,090
Asset retirement obligations change in estimate	-	(8,314,338)	(5,842,724)
Acquisition of inventory of supplies	-	(7,368,168)	(8,140,732)
Acquisition of prepaid expenses	-	(2,232,682)	(2,573,271)
Consumption of inventory of supplies	-	6,377,703	8,450,687
Use of prepaid expenses	-	1,922,962	1,505,099
Net remeasurement losses	-	(108,141)	-
Change in net financial assets	17,447,939	42,688,949	95,426,890
Net financial assets, beginning of year	308,486,130	308,486,130	309,588,965
Adjustment on adoption of the asset retirement obligations accounting standard	-	-	(96,529,725)
Adjustment on adoption of financial instruments accounting standard	-	155,664	-
Net financial assets, end of year	$ 325,934,069	$ 351,330,743	$ 308,486,130

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, 2023

	2023	2022
Operating		
Annual surplus	**$ 114,540,846**	$ 173,111,106
Items not involving cash		
Amortization of tangible capital assets	**64,896,843**	65,164,133
Gain on disposals of tangible capital assets	**(265,613)**	(3,849,649)
Share of net income of government business enterprises	**(7,113,207)**	(10,919,839)
Gain on dilution from prior interest in Kitchener Power Corp. and its affiliates	**(1,503,675)**	(71,288,452)
Change in employee future benefits	**9,620**	415,195
Contributions of tangible capital assets	**(22,638,316)**	(20,157,534)
Asset retirement obligations change in estimate	**-**	(491,049)
Change in non-cash assets and liabilities		
Taxes receivable	**(7,622,108)**	(2,653,487)
Trade and other accounts receivable	**(6,852,223)**	(22,617,748)
Loans receivable	**549,014**	132,022
Inventory for resale	**(1,236,631)**	3,771,847
Inventory of supplies	**(990,465)**	309,955
Prepaid expenses	**(309,720)**	(1,068,172)
Accounts payable and accrued liabilities	**5,054,436**	23,175,372
Deferred revenue - obligatory reserve funds	**10,873,166**	(363,875)
Deferred revenue - other	**58,488**	(13,797,372)
Asset retirement obligations settled	**(1,195,776)**	(917,948)
Net change in cash from operating activities	**146,254,679**	117,954,505
Investing		
Debt and equity payments received from government business enterprises	**3,905,662**	6,711,395
Net acquisition of investments	**(6,411,862)**	(10,331,945)
Net change in cash from investing activities	**(2,506,200)**	(3,620,550)
Financing		
Municipal debt issued	**4,374,000**	11,490,000
Municipal debt repaid	**(9,483,327)**	(13,727,325)
Net change in cash from financing activities	**(5,109,327)**	(2,237,325)
Capital		
Acquisition of tangible capital assets	**(103,845,971)**	(114,782,055)
Proceeds on disposal of tangible capital assets	**1,025,198**	4,494,090
Net change in cash from capital activities	**(102,820,773)**	(110,287,965)
Net change in cash and cash equivalents	**35,818,379**	1,808,665
Cash and cash equivalents, beginning of year	**113,065,078**	111,256,413
Cash and cash equivalents, end of year	**$ 148,883,457**	$ 113,065,078

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. The City's share of other comprehensive income or loss is reported in the Consolidated Statement of Remeasurement Gains.

iii. Accounting for region and school board transactions

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

iv. Trust funds

Trust funds and their related operations administered by the City are not consolidated (see Note 5).

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

b. **Basis of accounting**

i. **Accrual basis of accounting**

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that gave rise to the revenues. Expenses are recognized in the period the goods and services are acquired and a liability is incurred or when an external transfer is due.

ii. **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and highly liquid investments 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. **Portfolio investments**

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

vii. **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.

1. Summary of significant accounting policies (continued)

b. Basis of accounting (continued)

viii. Employee future benefits

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

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

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, 2023, no liability is recorded on the Consolidated Statement of Financial Position.

x. Asset retirement obligations

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

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

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

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

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

1. Summary of significant accounting policies (continued)

b. Basis of accounting (continued)

xi. Non-financial assets

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

a. Tangible capital assets

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

Assets	Amortization Period
Land	The original cost of land is not amortized
Land improvements	10 to 100 years
Buildings & building improvements	15 to 50 years
Leasehold improvements	Over the useful life of the improvement or the lease term, whichever is shorter
Machinery & equipment	1 to 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)

xii. 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.

xiii. Use of estimates

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

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

xiv. Foreign currency translation

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

1. Summary of significant accounting policies (continued)

b. Basis of accounting (continued)

xv. Financial instruments

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

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

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

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

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

2. Change in accounting policy

In 2023, the City adopted the Public Sector Accounting Board's new standard for the recognition, measurement, and disclosure of a liability for asset retirement obligations under PS 3280 Asset Retirement Obligations. The new standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in buildings by public sector entities. Under the new standard, a liability for an asset retirement obligation is recognized as the best estimate of the amount required to retire a tangible capital asset when certain criteria are met as described in Note 1. b. x.

Pursuant to the recommendations of PS 3280, the change was applied retroactively using the modified retrospective method and prior periods have been restated to reflect the liability for asset retirement obligations as of January 1, 2022. In accordance with the provisions of this new standard, the City reflected the following adjustments for the year ended December 31, 2022.

	2022 Before Adjustment	Adjustment	2022 As Restated
Tangible capital assets	$ 1,467,695,615	$ 35,521,558	$ 1,503,217,173
Asset retirement obligations	-	(102,915,713)	(102,915,713)
Accumulated operating surplus, beginning of year	(1,705,198,678)	59,872,770	(1,645,325,908)
Materials and services	176,455,871	(1,070,617)	175,385,254
Amortization expense	56,628,375	8,535,758	65,164,133
Loss on disposals of tangible capital assets	1,617,558	56,244	1,673,802

2. Change in accounting policy (continued)

In 2023, the City adopted PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation, PS 3041 Portfolio Investments, and PS 3450 Financial Instruments. The standards were applied prospectively from January 1, 2023. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the City's accounting policy choices (see Note 1. b. xv.). In accordance with the provisions of this new standard, the City reflected the following adjustments at January 1, 2023:

- A gain on remeasurement of $155,664 to investments and to accumulated remeasurement gains due to the unrealized gain of the City's investments previously classified as held-to-maturity or available for sale being reclassified to accumulated remeasurement gains.
- An adjustment for accumulated other comprehensive income of Enova Energy Corporation of $849,435 to accumulated operating surplus and to accumulated remeasurement gains.

3. Taxes and accounts receivable

Taxes receivable are reported net of a valuation allowance of $10,813,112 *(2022 - $10,071,810)*. Trade and other accounts receivable are reported net of a valuation allowance of $1,840,818 (*2022 - $1,531,662)*.

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

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

	School Boards	Region	Total
Taxation and user charges	**$ 83,383,153**	**$ 335,642,670**	**$ 419,025,823**
Share of payments in lieu of taxes	**559**	**3,569,552**	**3,570,111**
Share of linear properties	**45,038**	**126,821**	**171,859**
Amounts requisitioned	**$ 83,428,750**	**$ 339,339,043**	**$ 422,767,793**

5. Trust funds

Trust funds administered by the City have not been included in the Consolidated Statement of Financial Position, nor have their operations been included in the Consolidated Statement of Operations. The trust funds under administration are comprised of cemetery perpetual care and prepaid interment funds totalling $18,979,167 *(2022 - $18,313,775)*.

6. Loans receivable

Loans receivable are made up of the following:

		2023		2022
Major capital improvement loans receivable	**$**	**5,306,487**	$	5,832,783
Loans receivable with forgiveness provisions		**25,396**		25,396
Minor capital improvement and other loans receivable		**113,339**		136,057
	$	**5,445,222**	$	5,994,236

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 *(2022 - 10 to 12 years)*. All major capital improvement loans are unsecured and bear interest at rates ranging from 1.32% to 4.10% *(2022 - 1.32% to 4.10%)*.

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 *(2022 - 5 years)*. The forgiveness provisions are 15% *(2022 - 15%)*. The balances recorded are net of the allowance for forgiveness. Interest rates on these loans are 8% *(2022 - 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 *(2022 - 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% *(2022 - 0%)*.

7. Portfolio investments

Investments are made up of the following:

		2023 Carrying Value		2023 Market Value		2022 Carrying Value		2022 Market Value
Guaranteed investment certificates	**$**	**204,706,601**	**$**	**211,372,540**	$	199,795,915	$	201,778,117
Bonds and debentures		**30,791,793**		**28,799,479**		29,177,482		26,282,241
Shares		**493,622**		**493,622**		407,606		434,206
	$	**235,992,016**	**$**	**240,665,641**	$	229,381,003	$	228,494,564

Shares are carried at fair value (*2022 - cost*) and are Level 1 instruments in the fair value hierarchy.

8. Investment in Enova Energy Corporation

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

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

8. Investment in Enova Energy Corporation (continued)

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

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

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

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

	2023	2022
Common shares	**$ 174,183,807**	$ 174,183,807
Long-term notes receivable	**70,997,576**	70,997,576
Share of net income and prior period adjustments due to changes in accounting policies since acquisition, net of dividends	**65,883,611**	61,789,574
Share of other comprehensive income since acquisition	**697,807**	-
	$ 311,762,801	$ 306,970,957

The Enova Energy Corporation notes are unsecured and bear interest at the rate of 3.23% *(2022 - 3.23%)*. There are no repayment terms and there is no intent to redeem the notes or the shares.

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

	2023
Balance, beginning of year	**$ 306,970,957**
Gain on dilution from prior interest in Kitchener Power Corp. and its affiliates	**1,503,675**
Redemption of Class A special shares	**(1,503,675)**
Share of net income for year	**7,039,472**
Share of other comprehensive loss for year	**(151,628)**
Dividends received during year	**(2,096,000)**
Balance, end of year	**$ 311,762,801**

8. Investment in Enova Energy Corporation (continued)

	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

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

	2023	2022
Financial position		
Current assets	**$ 82,238,000**	$ 93,352,000
Non-current assets	**758,156,000**	731,509,000
Regulatory assets	**50,638,000**	51,872,000
Total assets	**891,032,000**	876,733,000
Current liabilities	**188,476,000**	188,649,000
Long-term debt	**110,976,000**	111,032,000
Regulatory liabilities	**11,346,000**	14,717,000
Other liabilities	**128,112,000**	119,031,000
Total liabilities	**438,910,000**	433,429,000
Net assets	**$ 452,122,000**	$ 443,304,000

	2023	For the period January 1, 2022 to August 31, 2022	For the period September 1, 2022 to December 31, 2022
Results of operations			
Revenues	**$ 472,900,000**	$ 183,695,000	$ 155,208,000
Expenses	**(459,715,000)**	(176,859,000)	(146,659,000)
Net income	**13,185,000**	6,836,000	8,549,000
City's share of net income - 53.39%	**$ 7,039,472**	$ 6,306,210	$ 4,564,311

9. Investment in Kitchener Generation Corporation

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

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

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

	2023	2022
Common shares	**$ 162,576**	$ 185,801
Long-term notes receivable	**1,463,186**	1,672,213
Share of net income since acquisition, net of dividends	**-**	-
	$ 1,625,762	$ 1,858,014

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.

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

	2023	2022
Balance, beginning of year	**$ 1,858,014**	$ 2,090,266
Share of net income for year	**73,735**	49,318
Dividends received during year	**(73,735)**	(49,318)
Return of capital	**(23,225)**	(23,226)
Repayment of outstanding debt	**(209,027)**	(209,026)
Balance, end of year	**$ 1,625,762**	$ 1,858,014

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

	2023	2022
Financial position		
Current assets	**$ 4,478**	$ 11,478
Capital assets	**1,625,760**	1,858,012
Total assets	**1,630,238**	1,869,490
Current liabilities	**4,476**	11,476
Long-term debt	**1,463,186**	1,672,213
Total liabilities	**1,467,662**	1,683,689
Net assets	**$ 162,576**	$ 185,801

9. Investment in Kitchener Generation Corporation (continued)

		2023		2022
Results of operations				
Revenues	$	**389,765**	$	386,220
Expenses		**(316,030)**		(336,902)
Net income		**73,735**		49,318
City's share of net income - 100%	$	**73,735**	$	49,318

10. Insurance pool

Accounts payable and accrued liabilities include an amount of $15,671,086 *(2022 - $12,733,568)* 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 25.04% *(2022 - 26.19%)* and its share of the Pool's cumulative surplus as at May 31, 2023 was $1,186,489 *(2022 - $1,644,228)*. The City's share of the Pool's cumulative surplus has not been included in the Consolidated Statement of Financial Position.

11. Deferred revenue - obligatory reserve funds

Obligatory deferred revenue is comprised of the following:

		2023		2022
Development charges	$	**55,957,838**	$	45,833,994
Canada Community-Building Fund		**8,043,263**		10,881,638
Building		**14,212,512**		13,703,780
Recreational land		**15,410,081**		12,331,116
	$	**93,623,694**	$	82,750,528

11. Deferred revenue - obligatory reserve funds (continued)

The continuity of obligatory deferred revenue is as follows:

	Development charges	Canada Community-Building Fund	Building	Recreational land	Total
Balance, January 1, 2023	**$ 45,833,994**	**$ 10,881,638**	**$ 13,703,780**	**$ 12,331,116**	**$ 82,750,528**
Collections	**30,717,690**	**7,718,266**	**74,285**	**2,610,130**	**41,120,371**
Interest and investment income earned	**1,019,813**	**66,096**	**649,270**	**424,937**	**2,160,116**
Deferred revenue recognized	**(21,613,659)**	**(10,622,737)**	**(214,823)**	**43,898**	**(32,407,321)**
Balance, December 31, 2023	**55,957,838**	**8,043,263**	**14,212,512**	**15,410,081**	**93,623,694**
Balance, January 1, 2022	46,022,757	12,773,507	14,657,882	9,660,257	83,114,403
Collections	26,819,316	7,396,672	-	2,896,115	37,112,103
Interest and investment income earned	592,789	77,324	294,048	189,588	1,153,749
Deferred revenue recognized	(27,600,868)	(9,365,865)	(1,248,150)	(414,844)	(38,629,727)
Balance, December 31, 2022	$ 45,833,994	$ 10,881,638	$ 13,703,780	$ 12,331,116	$ 82,750,528

12. 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 $52,615,623 *(2022 - $57,724,950).*

The annual principal repayments are:

2024	**$ 9,009,268**
2025	**9,439,372**
2026	**9,219,468**
2027	**6,222,174**
2028	**5,147,271**
2029 and thereafter	**13,578,070**
	$ 52,615,623

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 0.75% to 5.40% *(2022 - 0.30% to 5.65%)*. Interest charges for 2023 relating to municipal debt totalled $1,703,950 *(2022 - $1,888,318)*.

13. 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 2023 amounting to $12,651,041 *(2022 - $11,994,340).*

The latest available report for the OMERS plan was as at December 31, 2023. At that time the plan reported a $4.2 billion actuarial deficit, based on actuarial liabilities of $136.2 billion and actuarial assets of $132.0 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, 2023, the City has no obligation under the past service provisions of the OMERS agreement.

14. Employee future benefits

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

	2023	2022
Sick leave benefit plan	**$ 21,053,287**	$ 21,048,254
Retirement benefits	**24,851,723**	24,344,236
Workplace Safety and Insurance Board	**8,754,900**	9,257,800
	$ 54,659,910	$ 54,650,290

Significant actuarial assumptions

	Workplace Safety and Insurance Board		**Sick Leave and Retirement Benefits**	
	2023	2022	**2023**	2022
Discount rate	**4.60**	5.00	**4.60**	5.00
Salary growth assumptions	**N/A**	N/A	**3.00**	3.00
CPI increase assumptions	**2.50**	2.50	**2.50**	2.50
Health care initial trend rate	**N/A**	N/A	**5.50**	5.90
Health care ultimate trend rate	**N/A**	N/A	**4.00**	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

14. Employee future benefits (continued)

a. Sick leave benefit plan

Under the sick leave benefit plan, unused sick leave can accumulate and certain employees may become entitled to cash payments when they leave the City's employment. The amount of benefits paid during the year were $1,774,010 *(2022 - $1,953,862).*

A reserve fund to provide for this liability is included in accumulated surplus, in the amount of $6,706,355 *(2022 - $6,473,313)*.

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

2024	**$ 1,653,641**
2025	**1,052,356**
2026	**1,108,277**
2027	**884,453**
2027	**379,818**
2028 and thereafter	**7,676,965**
	$ 12,755,510

The actuarial valuation of the future liability for sick leave assumes a discount rate of 4.60% *(2022 - 5.00%)*. The last actuarial valuation for this liability was completed at December 31, 2023.

The actuarial expense for the current year was $1,779,043 *(2022 - $2,132,906)* and is comprised of the following items:

	2023	2022
Current period benefit cost	**$ 1,092,378**	$ 1,286,234
Amortization of actuarial (gains) losses	**(187,954)**	276,463
Sick leave benefit expense	**904,424**	1,562,697
Sick leave benefit interest expense	**874,619**	570,209
Total expenses related to sick leave benefits	**$ 1,779,043**	$ 2,132,906

As at December 31, 2023, the unamortized actuarial gains were $5,210,717 *(2022 - $3,761,247)* and are amortized over 11 to 13 years *(2022 - 11 to 13 years)*.

14. Employee future benefits (continued)

b. Retirement benefits

The City pays certain health, dental and life insurance benefits on behalf of its retired employees up to the age of 65 if they have at least ten years of service with the City. The amount of benefits paid during the year were $1,260,725 *(2022 - $1,185,801).*

The City holds no reserve to meet this liability.

The actuarial valuation of the future liability for retirement benefits assumes a discount rate of 4.60% *(2022 - 5.00%)* and inflation rates for benefit premiums of 4.0% to 5.5% *(2022 - 4.0% to 5.9%)*. The last actuarial valuation for this liability was completed at December 31, 2023.

The actuarial expense for the current year was $1,768,212 *(2022 - $1,871,652)* and is comprised of the following items:

		2023		2022
Current period benefit cost	**$**	**830,645**	$	1,126,425
Amortization of actuarial (gains) losses		**(319,421)**		113,028
Amortization plan improvements		**332,736**		-
Retirement benefit expense		**843,960**		1,239,453
Retirement benefit interest expense		**924,252**		632,199
Total expenses related to retirement benefits	**$**	**1,768,212**	$	1,871,652

As at December 31, 2023, the unamortized actuarial gains were $2,739,601 *(2022 - $6,059,480)* and are amortized over 11 to 13 years *(2022 - 11 to 13 years)*.

c. Workplace Safety and Insurance Board

The Workplace Safety and Insurance Board (WSIB) administers injured worker benefits payments on behalf of the City as a Schedule 2 employer. The amount of benefits paid during the year were $2,324,200 *(2022 - $2,465,700).*

A reserve fund to provide for this liability is included in accumulated surplus, in the amount of $5,847,131 *(2022 - $5,248,311)*.

The actuarial valuation of the future liability for WSIB assumes a discount rate of 4.60% *(2022 - 5.00%)*. The last actuarial valuation for this liability was completed at December 31, 2022.

The actuarial expense for the current year was $1,821,300 *(2022 - $2,016,000)* and is comprised of the following items:

		2023		2022
Current period benefit cost	**$**	**853,400**	$	996,400
Amortization of actuarial losses		**405,600**		702,300
WSIB benefit expense		**1,259,000**		1,698,700
WSIB benefit interest expense		**562,300**		317,300
Total expenses related to WSIB benefits	**$**	**1,821,300**	$	2,016,000

As at December 31, 2023, the unamortized actuarial losses were $2,151,100 *(2022 - $2,296,900)* and are amortized over 13 years *(2022 - 12 years)*.

15. Asset retirement obligations

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

a. Asbestos obligations

The City owns or leases several buildings that are known to have asbestos, which represents a health hazard upon demolition or renovation of the building. The Occupational Health and Safety Regulations, 1996 outlines the legal obligation to remove it. Following the adoption of PS 3280 Asset Retirement Obligations, the City recognized an obligation relating to the removal of the asbestos in these buildings as estimated at January 1, 2022.

b. Underground fuel storage tanks

The City owns and operates several fuel storage tanks which represents a risk of ground contamination due to leaks and corrosion. The Environmental Protection Act outlines the legal obligation to remove the tanks and clean up the surrounding soil. Following the adoption of PS 3280 Asset Retirement Obligations, the City recognized an obligation relating to the removal of the tanks and the surrounding soil remediation as estimated at January 1, 2022.

c. Gas mains and service lines

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

The Canadian Standards Association CSA Standard Z662 covers the design, construction, operation, maintenance, deactivation, and abandonment of oil and gas industry pipeline systems. Following the adoption of PS 3280 Asset Retirement Obligations, the City recognized an obligation relating to the abandonment of gas mains and service lines as estimated at January 1, 2022.

The continuity of asset retirement obligations is as follows:

	Buildings and Leasehold Improvements (Asbestos)	Machinery and Equipment (Storage Tanks)	Linear Assets (Gas Mains and Service Lines)	Total
Balance, January 1, 2023	**$ 13,073,303**	**$ 474,072**	**$ 89,368,338**	**$ 102,915,713**
Liabilities incurred	**-**	**-**	**1,301,374**	**1,301,374**
Liabilities settled	**-**	**-**	**(1,195,776)**	**(1,195,776)**
Change in estimate	**916,961**	**25,928**	**7,371,449**	**8,314,338**
Balance, December 31, 2023	**13,990,264**	**500,000**	**96,845,385**	**111,335,649**
Balance, January 1, 2022	11,413,762	413,893	84,702,071	96,529,726
Liabilities incurred	-	-	1,952,260	1,952,260
Liabilities settled	-	-	(917,948)	(917,948)
Change in estimate	1,659,541	60,179	3,631,955	5,351,675
Balance, December 31, 2022	$ 13,073,303	$ 474,072	$ 89,368,338	$ 102,915,713

16. Tangible capital assets

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

Assets under construction having a value of $48,726,778 *(2022 - $68,956,355)* have not been amortized. Amortization of these assets will commence when the assets are put into service.

Contributed tangible capital assets of $22,638,316 *(2022 - $20,157,534)* 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 *(2022 - $nil)*.

The amount of interest capitalized was $nil *(2022 - $nil)*.

17. Accumulated operating surplus

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

	2023	2022
Surplus:		
Invested in tangible capital assets	**$ 1,573,660,744**	$ 1,503,217,173
Other	**75,426,145**	34,773,543
Investment in Enova Energy Corporation	**311,064,994**	306,970,957
Investment in Kitchener Generation Corporation	**1,625,762**	1,858,014
Employee future benefits (unfunded)	**(54,659,910)**	(54,650,290)
Asset retirement obligations	**(111,335,649)**	(102,915,713)
Total surplus	**1,795,782,086**	1,689,253,684
Reserve funds set aside for specific purposes by Council for:		
Capital	**56,854,924**	61,688,848
Stabilization	**49,591,194**	38,734,604
Program specific	**12,199,444**	11,890,075
Corporate	**15,026,992**	14,366,049
	133,672,554	126,679,576
Reserve funds set aside for specific purposes by consolidated entities:		
Kitchener Public Library	**449,336**	584,339
Kitchener Downtown Improvement Area Board of Management	**50,000**	50,000
The Centre in the Square Inc.	**2,174,449**	1,869,415
	2,673,785	2,503,754
Total reserve funds	**136,346,339**	129,183,330
Accumulated operating surplus	**$ 1,932,128,425**	$ 1,818,437,014

18. 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.

19. 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.

20. Budget figures

The budget figures reflected in these consolidated financial statements are those approved by Council at a meeting on February 2, 2023. Budget figures have been translated to reflect Public Sector Accounting Board standards as follows:

		2023
Approved operating budget surplus	$	-
Adjustments		
Reserve budget revenues net of expenses		62,533,929
Non-tangible capital asset portion of capital budget		(35,178,667)
Consolidated entity budget surpluses		2,645,137
Share of net income of government business enterprises		7,113,207
Debt charge recoveries		219,781
Gain on dilution from prior interest in Kitchener Power Corp. and its affiliates		1,503,675
Contributions of tangible capital assets		22,638,316
Amortization of tangible capital assets		(64,896,839)
Unfunded accrual for employee future benefits		(9,620)
Net transfers to capital and reserve funds		86,524,585
Debt principle repayments net of recoveries		4,016,452
Consolidated financial statement budget surplus	$	87,109,956

21. Financial instruments

The City is exposed to various risks through its financial instruments and continues to monitor, evaluate, and manage these risks. The following analysis provides information about the City's risk exposure and concentration as at December 31, 2023.

21. Financial instruments (continued)

a. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The City is exposed to credit risk from its financial assets including cash and cash equivalents, trade and other accounts receivable, loans receivable, and portfolio investments. The carrying amounts of financial assets represent the City's maximum credit exposure. The City manages its exposure to this risk by:

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

Accounts receivable of $4,329,678 *(2022 - $2,433,049)* was more than 60 days past due. The City has a broad base of customers which minimizes the concentration of credit risk. Valuation allowances for accounts receivable are disclosed in Note 3. There are no provisions for impairment of portfolio investments or loans receivable.

b. Liquidity risk

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

Accounts payable and accrued liabilities are generally due within 30 days. The annual repayment obligations for municipal debt are disclosed in Note 12.

c. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk, and other price risk.

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The City manages its interest rate risk by maintaining a mix of fixed income investments which meet the criteria outlined in the Investment Policy. The sensitivity of the cash balance to a 1% decrease in the interest rate would be a reduction in interest income of $1,993,883 for the year (*2022 - $1,590,514*). The fair value of portfolio investments and municipal debt with fixed rates is directly impacted by changes in market rates. However, the investments are measured at cost or amortized cost so there is no impact on the operational results of the City. Municipal debt has interest rates fixed for long periods of time with the debt intended to be repaid in accordance with the terms of the respective loans.

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

22. Comparative figures

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

23. Subsequent events

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

THE CORPORATION OF THE CITY OF KITCHENER

Schedule A - Tangible Capital Assets

For the Year Ended December 31, 2023

	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	$ 52,530,841	$ 75,848,225	$ 283,864,507	$ 3,590,370	$ 54,810,194	$ 34,425,957	$ 10,156,476	$ 30,719,394	$ 176,754,817	$ 72,034,442	$1,318,252,159	$ 68,956,355	$2,181,943,737
Additions	9,828,943	3,144,118	8,730,501	-	5,733,088	170,850	297,907	2,249,517	6,221,379	34,759	69,292,881	22,081,718	127,785,661
Transfers	(1,860,914)	964,815	17,841,369	-	303,684	-	-	-	-	-	25,062,341	(42,311,295)	-
Disposals	(235,906)	(1,741,300)	(44,946)	-	(4,341,090)	(315,043)	(2,211,209)	(78,153)	-	-	(8,207,216)	-	(17,174,863)
Change in estimate	-	-	754,836	29,322	25,928	-	-	-	-	132,803	7,371,449	-	8,314,338
Balance, end of year	60,262,964	78,215,858	311,146,267	3,619,692	56,531,804	34,281,764	8,243,174	32,890,758	182,976,196	72,202,004	1,411,771,614	48,726,778	2,300,868,873
Accumulated amortization													
Balance, beginning of year	-	(26,390,364)	(158,236,930)	(1,666,160)	(27,296,165)	(24,165,399)	(5,349,215)	(14,177,450)	-	(29,943,128)	(391,501,753)	-	(678,726,564)
Disposals	-	1,741,300	44,946	-	4,219,432	315,043	2,211,209	78,153	-	-	7,805,195	-	16,415,278
Amortization expense	-	(4,055,584)	(7,824,242)	(89,454)	(4,534,830)	(2,513,928)	(1,715,126)	(2,640,014)	-	(2,374,769)	(39,148,896)	-	(64,896,843)
Balance, end of year	-	(28,704,648)	(166,016,226)	(1,755,614)	(27,611,563)	(26,364,284)	(4,853,132)	(16,739,311)	-	(32,317,897)	(422,845,454)	-	(727,208,129)
Net book value, end of year	60,262,964	49,511,210	145,130,041	1,864,078	28,920,241	7,917,480	3,390,042	16,151,447	182,976,196	39,884,107	988,926,160	48,726,778	1,573,660,744
Net book value, beginning of year	$ 52,530,841	$ 49,457,861	$ 125,627,577	$ 1,924,210	$ 27,514,029	$ 10,260,558	$ 4,807,261	$ 16,541,944	$ 176,754,817	$ 42,091,314	$ 926,750,406	$ 68,956,355	$1,503,217,173

THE CORPORATION OF THE CITY OF KITCHENER

Schedule A - Tangible Capital Assets (Continued)

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	$ 67,843,048	$1,146,997,501	$ 53,812,220	$1,961,992,873
Recognition of asset retirement obligation	-	-	8,825,770	468,063	413,892	-	-	-	-	2,119,929	84,702,071	-	96,529,725
Balance, beginning of year, as restated	52,173,899	73,536,839	280,903,090	3,522,314	52,959,804	34,697,738	10,322,448	30,031,465	164,900,232	69,962,978	1,231,699,571	53,812,220	2,058,522,598
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	71,668,464	38,107,791	136,891,849
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)	-	(11,579,015)	-	(19,313,434)
Change in estimate	-	-	1,283,252	68,056	60,179	-	-	-	-	308,234	4,123,003	-	5,842,724
Balance, end of year	52,530,841	75,848,225	283,864,507	3,590,370	54,810,194	34,425,957	10,156,476	30,719,394	176,754,817	72,034,442	1,318,252,159	68,956,355	2,181,943,737
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)
Recognition of asset retirement obligation	-	-	(8,448,936)	(468,063)	(413,892)	-	-	-	-	(2,112,432)	(48,429,447)	-	(59,872,770)
Balance, beginning of year, as restated	-	(22,866,414)	(149,936,600)	(1,537,972)	(25,865,411)	(21,912,360)	(5,006,449)	(13,941,241)	-	(27,449,594)	(363,715,383)	-	(632,231,424)
Disposals	-	341,982	17,426	-	3,074,075	342,499	1,432,407	2,105,953	-	-	11,354,651	-	18,668,993
Amortization expense	-	(3,865,932)	(8,317,756)	(128,188)	(4,504,829)	(2,595,538)	(1,775,173)	(2,342,162)	-	(2,493,534)	(39,141,021)	-	(65,164,133)
Balance, end of year	-	(26,390,364)	(158,236,930)	(1,666,160)	(27,296,165)	(24,165,399)	(5,349,215)	(14,177,450)	-	(29,943,128)	(391,501,753)	-	(678,726,564)
Net book value, end of year	52,530,841	49,457,861	125,627,577	1,924,210	27,514,029	10,260,558	4,807,261	16,541,944	176,754,817	42,091,314	926,750,406	68,956,355	1,503,217,173
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	42,505,886	831,711,565	53,812,220	1,389,634,219
Net book value, beginning of year, as restated	$ 52,173,899	$ 50,670,425	$ 130,966,490	$ 1,984,342	$ 27,094,393	$ 12,785,378	$ 5,315,999	$ 16,090,224	$ 164,900,232	$ 42,513,384	$ 867,984,188	$ 53,812,220	$1,426,291,174

THE CORPORATION OF THE CITY OF KITCHENER

Schedule B - Segmented Information

For the Year Ended December 31, 2023

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Gasworks	Total
Revenues										
Taxation	$ 25,031,047	$ 43,938,903	$ 19,738,359	$ 2,363,039	$ 378,040	$ 1,750,638	$ 52,633,581	$ 8,953,591	$ -	$ 154,787,198
User fees and charges	2,088,076	10,193,254	6,005,045	151,384,938	1,862,932	431,016	21,508,040	5,510,262	100,368,081	299,351,644
Government transfers	851,738	1,765,202	11,697,461	4,238,573	-	752,766	6,859,120	1,163,146	-	27,328,006
Contributions of tangible capital assets	-	-	6,547,371	6,262,002	-	-	694,146	9,134,797	-	22,638,316
Investment income	16,621,593	595,196	240,336	1,849,622	350,454	6,555	327,596	454,464	(769,302)	19,676,514
Penalties and interest on taxes	4,822,216	-	-	-	-	-	-	-	-	4,822,216
Development charge revenue recognized	3,271,139	242,297	666,733	13,365,202	(39,291)	-	4,346,898	(261,959)	-	21,591,019
Share of net income of Enova Energy Corporation	7,039,472	-	-	-	-	-	-	-	-	7,039,472
Gain on dilution from prior interest in Kitchener Power Corp. and its affiliates	1,503,675	-	-	-	-	-	-	-	-	1,503,675
Share of net income of Kitchener Generation Corporation	73,735	-	-	-	-	-	-	-	-	73,735
Other	1,559,922	337,374	263,572	402,366	9,073	16,552	1,404,768	358,858	1,288,835	5,641,320
Total revenues	62,862,613	57,072,226	45,158,877	179,865,742	2,561,208	2,957,527	87,774,149	25,313,159	100,887,614	564,453,115
Expenses										
Salaries, wages and employee benefits	41,122,247	47,345,372	15,598,319	13,065,995	1,793,898	2,006,948	47,891,223	7,006,375	7,561,190	183,391,567
Materials and services	24,134,543	5,669,640	8,894,450	72,719,020	558,043	1,032,107	22,875,510	3,568,895	50,546,848	189,999,056
Municipal debt interest	164,229	192,039	303,343	1,039	16,680	-	782,559	244,061	-	1,703,950
Interfunctional and program support	(31,220,112)	2,802,026	3,210,539	11,622,477	499,723	156,392	5,548,445	1,481,507	5,899,003	-
External transfers	121,648	28,026	8,422	578,420	-	-	2,568,633	6,814,797	33,280	10,153,226
Amortization of tangible capital assets	5,477,382	2,128,795	14,877,101	14,733,904	177,153	76,807	12,182,543	476,663	14,766,495	64,896,843
Loss (gain) on disposals of tangible capital assets	(538,907)	17,566	(154,674)	1,411	(17,499)	-	200,600	(68,113)	327,243	(232,373)
Total expenses	39,261,030	58,183,464	42,737,500	112,722,266	3,027,998	3,272,254	92,049,513	19,524,185	79,134,059	449,912,269
Annual surplus	$ 23,601,583	$ (1,111,238)	$ 2,421,377	$ 67,143,476	$ (466,790)	$ (314,727)	$ (4,275,364)	$ 5,788,974	$ 21,753,555	$ 114,540,846

THE CORPORATION OF THE CITY OF KITCHENER

Schedule B - Segmented Information (Continued)

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
Revenues										
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	2,099,004	10,137,317	5,954,287	142,359,029	1,869,811	255,588	16,219,260	4,617,461	95,198,877	278,710,634
Government transfers	3,421,910	1,637,671	9,067,882	6,430,046	-	811,582	4,894,626	655,705	283,755	27,203,177
Contributions of tangible capital assets	-	-	14,149,270	5,695,888	-	-	312,376	-	-	20,157,534
Investment income	8,117,229	214,481	124,908	877,643	283,732	3,810	251,670	187,748	(312,319)	9,748,902
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	1,404,776	366,382	224,058	707,654	2,229	44,392	1,531,217	382,778	974,644	5,638,130
Total revenues	125,523,265	54,101,767	52,851,560	171,641,205	2,587,619	2,497,680	79,881,144	14,871,884	96,144,957	600,101,081
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	22,782,113	5,473,745	8,610,914	67,251,204	504,911	516,280	19,121,994	3,306,137	47,817,956	175,385,254
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	5,826,804	2,018,371	14,216,910	13,788,767	176,792	76,898	12,315,891	500,637	16,243,063	65,164,133
Loss (gain) on disposals of tangible capital assets	(70,390)	(42,028)	57,002	123,748	7,326	-	202,971	1,349,261	45,912	1,673,802
Total expenses	38,640,697	56,434,580	42,718,565	105,678,769	2,841,783	2,613,171	83,167,812	18,284,456	76,610,142	426,989,975
Annual surplus	$ 86,882,568	$ (2,332,813)	$ 10,132,995	$ 65,962,436	$ (254,164)	$ (115,491)	$ (3,286,668)	$ (3,412,572)	$ 19,534,815	$ 173,111,106

THE CORPORATION OF THE CITY OF KITCHENER TRUST FUNDS

Balance Sheet

As at December 31, 2023

	2023	2022
Assets		
Accounts receivable	**$ 24,750**	$ 36,485
Interest receivable	**126,441**	131,586
Loans receivable (Note 2)	**365,160**	419,968
Investments (Note 3)		
Short-term	**5,638,593**	2,865,512
Long-term	**12,824,223**	14,860,224
	18,979,167	18,313,775
Fund Balance	**$18,979,167**	$18,313,775

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, 2023

		2023		2022
Receipts				
Perpetual care funds	**$**	**452,541**	$	461,298
Interest earned		**540,436**		428,059
Other		**306,202**		357,198
		1,299,179		1,246,555
Expenditures				
Transfer to cemeteries operations		**346,172**		263,969
Other disbursements		**287,615**		285,083
		633,787		549,052
Net change in fund		**665,392**		697,503
Balance, beginning of year		**18,313,775**		17,616,272
Balance, end of year	**$**	**18,979,167**	$	18,313,775

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

1. **Summary of significant accounting policies**

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

a. **Basis of accounting**

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

b. **Financial instruments**

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

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

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

2. **Loans receivable**

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

3. **Investments**

The long-term investments of $12,824,223 *(2022 - $14,860,224)* reported on the Balance Sheet at amortized cost, have a market value of $12,550,055 *(2022 - $14,431,282)*.

4. **Statement of cash flow**

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

5. Financial instruments

The Trust Funds are exposed to various risks through their financial instruments and continue to monitor, evaluate, and manage these risks. The following analysis provides information about the Trust Funds' risk exposure and concentration as at December 31, 2023.

a. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Trust Funds are exposed to credit risk from their financial assets including accounts receivable, interest receivable, loans receivable, and portfolio investments. The carrying amounts of financial assets represent the Trust Funds' maximum credit exposure. The Trust Funds manage their exposure to this risk by:

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

There were no provisions for impairment or losses.

b. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk, and other price risk.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Trust Funds manage their interest rate risk by maintaining a mix of fixed income investments which meet the criteria outlined in the Investment Policy. The sensitivity of short-term investments to a 1% decrease in the interest rate would be a reduction in interest income of $36,909 for the year *(2022 - $26,156)*.

The fair value of long-term investments is directly impacted by changes in market interest rates. However, the investments are measured at cost or amortized cost so there is no impact on the operational results of the Trust Funds.

6. Comparative figures

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

THE CORPORATION OF THE CITY OF KITCHENER TRUST FUNDS

Schedule of Continuity by Fund

For the Year Ended December 31, 2023

	Balance December 31, 2022	Perpetual care funds	Interest earned	Other receipts	Transfer to cemeteries operations	Other disbursements	Balance December 31, 2023
Perpetual Care Funds							
Mount Hope Cemetery	$ 604,850	$ 326	$ 17,435	$ 1,300	$ 17,435	$ -	$ 606,476
Woodland Cemetery	5,672,981	92,620	167,260	18,700	154,661	-	5,796,900
Bridgeport Cemetery	171,062	1,320	4,948	300	4,948	-	172,682
Williamsburg Cemetery	5,051,755	358,275	151,085	32,000	151,085	-	5,442,030
St. Peter's Cemetery	498,113	-	14,349	1,100	14,349	-	499,213
Cemetery Trusts							
F. E. Tremain	15,550	-	448	-	448	-	15,550
Florence V. Cober	8,783	-	253	-	253	-	8,783
L. F. Glick	20,664	-	595	-	595	-	20,664
Edna Atherton	1,331	-	38	-	38	-	1,331
George Wright Estate	42,614	-	1,226	-	1,226	-	42,614
E. L. Goetz	1,357	-	39	-	39	-	1,357
E. Weiderhold	38,065	-	1,095	-	1,095	-	38,065
Prepaid Interments	6,186,650	-	181,665	252,802	-	287,615	6,333,502
	$ 18,313,775	**$ 452,541**	**$ 540,436**	**$ 306,202**	**$ 346,172**	**$ 287,615**	**$ 18,979,167**

Financial statements of

BELMONT IMPROVEMENT AREA BOARD OF MANAGEMENT

And Independent Auditor’s Report thereon

For the year ended December 31, 2023

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

INDEPENDENT AUDITOR'S REPORT

To the Members of 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, 2023
- the statement of operations for the year then ended
- the statement of change 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, 2023, 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

June 5, 2024

BELMONT IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Financial Position

As at December 31, 2023

		2023		2022
Financial assets				
Cash	$	16,409	$	18,491
Financial liabilities				
Accounts payable and accrued liabilities		4,626		12,254
Net financial assets		11,783		6,237
Non-financial assets				
Tangible capital assets (Note 2)		48,811		51,030
Prepaid expenses		1,347		1,195
		50,158		52,225
Net assets		61,941		58,462
Accumulated Surplus				
Accumulated net revenue (deficit)		13,130		7,432
Invested in tangible capital assets		48,811		51,030
Total accumulated surplus	$	61,941	$	58,462

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

BELMONT IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Operations

For the Year Ended December 31, 2023

	2023	2022
Revenues		
Assessments	$ 44,797	$ 41,890
Other revenue	9,783	48,938
	54,580	90,828
Expenses		
Administration	10,453	11,002
Amortization	7,225	5,382
Events	3,683	1,300
Marketing	3,187	9,599
Repairs and maintenance	25,312	29,661
Streetscaping	1,241	38,552
	51,101	95,496
Net surplus (deficit) for year	3,479	(4,668)
Accumulated surplus, beginning of year	58,462	63,130
Accumulated surplus, end of year	$ 61,941	$ 58,462

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, 2023

		2023		2022
Net surplus (deficit) for year	**$**	**3,479**	$	(4,668)
Acquisition of tangible capital assets		**(5,006)**		(13,355)
Amortization of tangible capital assets		**7,225**		5,382
Acquisition of prepaid expenses		**(152)**		(139)
Change in net financial assets		**5,546**		(12,780)
Net financial assets, beginning of year		**6,237**		19,017
Net financial assets, end of year	**$**	**11,783**	$	6,237

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

BELMONT IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Cash Flow

For the Year Ended December 31, 2023

		2023		2022
Operating				
Net surplus (deficit) for year	**$**	**3,479**	$	(4,668)
Item not involving cash				
Amortization		**7,225**		5,382
Change in non-cash assets and liabilities				
Accounts receivable		**-**		6,025
Prepaid expenses		**(152)**		(139)
Accounts payable and accrued liabilities		**(7,628)**		5,254
Net change in cash from operating activies		**2,924**		11,854
Capital				
Acquisition of tangible capital assets		**(5,006)**		(13,355)
Net change in cash		**(2,082)**		(1,501)
Cash, beginning of year		**18,491**		19,992
Cash, end of year	**$**	**16,409**	$	18,491

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

1. Summary of significant accounting policies

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

a. Accrual basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that gave rise to the revenues. Expenses are recognized in the period the goods and services are acquired and a liability is incurred.

b. Tangible capital assets

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

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

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

c. Use of estimates

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

d. Financial instruments

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

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

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

1. Summary of significant accounting policies (continued)

e. Newly adopted accounting standards

The Board adopted the following Public Sector Accounting Standards ("PS") for the year ended December 31, 2023:

i. PS 1201 Financial Statement Presentation

ii. PS 3041 Portfolio Investments

iii. PS 3280 Asset Retirement Obligations

iv. PS 3450 Financial Instruments

v. PS 2601 Foreign Currency Translation

The adoption of these accounting standards did not impact the financial statements of the Board.

2. Tangible capital assets

	Machinery & Equipment	Computer Hardware	Total
Cost			
Balance, beginning of year	$ 73,781	$ 1,356	$ 75,137
Additions	373	4,633	5,006
Disposals	(9,237)	-	(9,237)
Balance, end of year	**64,917**	**5,989**	**70,906**
Accumulated amortization			
Balance, beginning of year	(22,751)	(1,356)	(24,107)
Disposals	9,237	-	9,237
Amortization expense	(6,067)	(1,158)	(7,225)
Balance, end of year	**(19,581)**	**(2,514)**	**(22,095)**
Net book value, end of year	**45,336**	**3,475**	**48,811**
Net book value, beginning of year	$ 51,030	$ -	$ 51,030

3. Related party transactions

During the year, the Board received reimbursement of $5,006 (*2022 - $nil*) for aquisition of tangible capital assets from the Corporation of the City of Kitchener (the "City"), its ultimate controlling party. This is included in other revenue on the Statement of Operations.

The Board paid operational support fees of $nil (*2022 - $25,000*) to the City. These are included in streetscaping expenses on the Statement of Operations.

4. Financial instruments

The Board is exposed to various risks through its financial instruments and continues to monitor, evaluate, and manage these risks. The following analysis provides information about the Board's risk exposure and concentration as at December 31, 2023.

a. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Board is exposed to credit risk from its cash balance. The Board manages its exposure to this risk by maintaining its funds in a creditworthy financial institution.

b. Liquidity risk

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

Concentration of risk

a. Limited counterparties

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

5. Comparative figures

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

Financial Statements of

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

And Independent Auditor's Report thereon

Year ended December 31, 2023

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

- the statement of financial position as at December 31, 2023
- 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, 2023 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

April 4, 2024

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Financial assets:		
Cash	$ 360,753	$ 642,649
Term deposits (note 2)	494,106	116,537
Accounts receivable	58,523	77,853
	913,382	837,039
Financial liabilities:		
Accounts payable and accrued liabilities	245,490	437,303
Due to the City of Kitchener (note 4)	54,814	21,606
	300,304	458,909
Net financial assets	613,078	378,130
Non-financial assets:		
Prepaid expenses	16,332	17,249
Tangible capital assets (note 5)	664,954	724,560
	681,286	741,809
Commitments (note 3)		
	$ 1,294,364	$ 1,119,939
Accumulated surplus:		
Reserve for rate stabilization	$ 50,000	$ 50,000
Accumulated net revenue	579,410	345,379
Invested in tangible capital assets	664,954	724,560
	$ 1,294,364	$ 1,119,939

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, 2023, with comparative information for 2022

	2023 Budget	2023 Actual	2022 Actual
	(note 7)		
Revenue:			
Assessments	$ 1,467,300	$ 1,485,000	$ 1,379,000
Interest	-	8,599	867
Other income (note 6)	48,000	280,652	81,669
	1,515,300	1,774,251	1,461,536
Expenses:			
Promotions and advertising	758,000	788,500	639,669
Salaries, wages and benefits	447,000	429,556	428,782
Administration	156,800	141,660	111,435
Meetings and seminars	18,500	25,858	4,428
Safety and beautification	140,000	83,719	86,453
Member relations	7,000	3,736	8,339
Amortization	-	71,983	69,091
	1,527,300	1,545,012	1,348,197
Net revenue before other items	(12,000)	229,239	113,339
Net assessment write-offs (note 4)	38,000	54,814	21,606
Annual surplus	(50,000)	174,425	91,733
Accumulated surplus, beginning of year	1,119,939	1,119,939	1,028,206
Accumulated surplus, end of year	$ 1,069,939	$ 1,294,364	$ 1,119,939

See accompanying notes to financial statements.

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Changes in Net Financial Assets

Year ended December 31, 2023, with comparative information for 2022

		2023		2022
Annual surplus	$	174,425	$	91,733
Acquisition of tangible capital assets		(12,377)		(182,652)
Amortization of tangible capital assets		71,983		69,091
Change in prepaid expenses		917		(9,129)
Change in net financial assets		234,948		(30,957)
Net financial assets, beginning of year		378,130		409,087
Net financial assets, end of year	$	613,078	$	378,130

See accompanying notes to financial statements.

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 174,425	$ 91,733
Item not involving cash:		
Amortization	71,983	69,091
Changes in non-cash operating working capital:		
Accounts receivable	19,330	328,222
Prepaid expenses	917	(9,129)
Accounts payable and accrued liabilities	(191,813)	8,545
Due to the City of Kitchener	33,208	(8,366)
	108,050	480,096
Investing activities:		
Purchase of investments	(377,569)	(867)
Acquisition of tangible capital assets	(12,377)	(182,652)
Increase (decrease) in cash	(281,896)	296,577
Cash, beginning of year	642,649	346,072
Cash, end of year	$ 360,753	$ 642,649

See accompanying notes to financial statements.

Nature of operations:

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

1. Significant accounting policies:

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

(a) Tangible capital assets:

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

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

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

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

1. Significant accounting policies (continued):

(b) Accrual basis of accounting:

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

(c) Revenue recognition:

Revenues are recognized as follows:

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

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

2. Term deposits:

The term deposits consist of the following:

Maturity	Principal	Rate
January 12, 2024	$ 55,127	4.00 %
March 29, 2024	55,127	3.00 %
February 4, 2024	11,409	4.00 %
March 26, 2024	373,185	4.50 %

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:

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 $54,814 (2022 - $21,606).

5. Tangible capital assets:

	Opening balance	Additions	Disposals/ transfers	Write-down	Balance, end of year	Accumulated amortization, beginning of year	Net book value, beginning of year	Deletions	Amortization	Accumulated amortization, end of year	Net book value, end of year
Computers	$ 36,525	$ 11,512	$ -	$ -	$ 48,037	$ 30,773	$ 5,752	$ -	$ 3,784	$ 34,557	$ 13,480
Furniture	67,005	865	-	-	67,870	66,170	835	-	714	66,884	986
leasehold improvements	3,498	-	-	-	3,498	3,498	-	-	-	3,498	-
Event equipment	48,175	-	-	-	48,175	48,122	53	-	53	48,175	-
Patio equipment	790,734	-	-	-	790,734	87,074	703,660	-	63,359	150,433	640,301
Structures	20,372	-	-	-	20,372	6,112	14,260	-	4,073	10,185	10,187
	$ 966,309	$ 12,377	$ -	$ -	$ 978,686	$ 241,749	$ 724,560	$ -	$ 71,983	$ 313,732	$ 664,954

6. Government grants:

Included in other income for the year ended December 31, 2023 is a transfer of $250,650 from Government of Canada under the Tourism Relief Fund and $30,000 the Province of Ontario under the Tourism Relief Fund Top-up program.

Included in other income for the year ended December 31, 2022 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 at a meeting on August 10, 2022.

8. Comparative information:

Certain comparative information has been reclassified from those previously presented to conform to the presentation of the 2023 financial statements.

Financial Statements of

KITCHENER PUBLIC LIBRARY BOARD

And Independent Auditor's Report thereon

Year ended December 31, 2023

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

INDEPENDENT AUDITOR'S REPORT

To the members of Kitchener Public Library Board

Opinion

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

- the statement of financial position as at December 31, 2023
- the statement of operations and changes in accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2023 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 Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

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

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

March 21, 2024

KITCHENER PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Financial assets		
Cash	$ 2,362,668	$ 2,021,464
Accounts receivable	269,716	151,178
Due from City of Kitchener	885,079	83,078
Investments (note 2)	90,000	50,000
Endowment investments (note 2)	100,000	100,000
	3,707,463	2,405,720
Financial liabilities		
Accounts payable and accrued liabilities	1,194,179	558,934
Due to Early Literacy Alliance of Waterloo Region (note 4)	726,661	648,637
Deferred revenue (note 5)	1,237,105	513,810
	3,157,945	1,721,381
Net financial assets	549,518	684,339
Non-financial assets		
Tangible capital assets (note 3)	4,870,958	5,095,735
Subsequent events (note 12)		
Accumulated surplus (note 9)	$ 5,420,476	$ 5,780,074

See accompanying notes to financial statements.

On behalf of the Board:

______________________________ Director ______________________________ Director

KITCHENER PUBLIC LIBRARY BOARD

Statement of Operations and Changes in Accumulated Surplus

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget	2023 Actual	2022 Actual
Revenue:			
Grants:			
The City of Kitchener – Operating	$ 12,132,850	$ 12,132,850	$ 11,558,934
The City of Kitchener – Capital and special (note 6)	-	775,085	450,352
Other (note 7)	-	226,966	70,069
Province of Ontario	306,980	306,980	306,980
Interest and miscellaneous	40,000	177,690	80,599
Rentals	96,500	125,242	79,565
Partnerships	55,000	43,962	56,568
Photocopy	40,000	55,477	40,667
Lost and damaged fees	20,000	33,017	21,926
	12,691,330	13,877,269	12,665,660
Expenses:			
Personnel costs (Schedule 1)	9,778,423	9,635,160	9,140,995
Resource materials	1,265,100	1,418,954	1,440,563
Equipment (Schedule 2)	387,500	947,382	953,851
Facilities costs (Schedule 3)	834,207	877,221	837,327
Required expenditures related to special grants (note 7)	-	361,969	70,069
Expenditures related to capital and special (note 6)	-	435,533	181,390
Administrative (Schedule 4)	248,600	386,091	268,519
Processing/bindery	80,000	95,790	44,342
Programs and publicity (Schedule 5)	87,500	66,654	68,496
General library	10,000	12,113	8,605
	12,691,330	14,236,867	13,014,157
Deficiency of revenue over expenses	-	(359,598)	(348,497)
Accumulated surplus, beginning of year	5,780,074	5,780,074	6,128,571
Accumulated surplus, end of year	$ 5,780,074	$ 5,420,476	$ 5,780,074

See accompanying notes to financial statements.

KITCHENER PUBLIC LIBRARY BOARD

Statement of Changes in Net Financial Assets

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Deficiency of revenue over expenses	(359,598)	(348,497)
Acquisition of tangible capital assets	(1,155,589)	(1,202,805)
Amortization of tangible capital assets	1,380,366	1,400,379
	(134,821)	(150,923)
Change in prepaid expenses	-	18,500
Change in net financial assets	(134,821)	(132,423)
Net financial assets, beginning of year	684,339	816,762
Net financial assets, end of year	$ 549,518	$ 684,339

See accompanying notes to financial statements.

KITCHENER PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	$ (359,598)	$ (348,497)
Item not involving cash:		
Amortization of tangible capital assets	1,380,366	1,400,379
Changes in non-cash operating working capital:		
Accounts receivable	(118,538)	(5,694)
Prepaid expenses	-	18,500
Due from City of Kitchener	(802,001)	112,064
Accounts payable and accrued liabilities	635,245	(101,918)
Due to Early Literacy Alliance of Waterloo Region	78,024	81,687
Deferred revenue	723,295	111,426
	1,536,793	1,267,947
Investing activities:		
Purchase of investments	(40,000)	-
Capital activities:		
Cash used to acquire tangible capital assets	(1,155,589)	(1,202,805)
Increase in cash	341,204	65,142
Cash, beginning of year	2,021,464	1,956,322
Cash, end of year	$ 2,362,668	$ 2,021,464

See accompanying notes to financial statements.

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

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

1. Significant accounting policies:

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

(a) Basis of accounting:

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

(b) Revenue recognition:

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

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

1. Significant accounting policies (continued):

(c) Endowment investments and income:

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

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

(d) Deferred revenue:

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

(e) Employee future benefits:

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

(f) Non-financial assets:

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

(g) Tangible capital assets:

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

Asset	Rate
Furniture, fixtures and equipment	10-30 years
Specialty and other equipment	8 years
Computer	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):

(h) Asset retirement obligations:

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

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

As of December 31, 2023, the Board did not identify or record any asset retirement obligation.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities and useful lives of tangible capital assets.

Actual results could differ from these estimates.

(j) Financial instruments:

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

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

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

1. Significant accounting policies (continued):

(j) Financial instruments (continued):

The following is a list of the Board's financial instruments and their related measurement basis as at December 31, 2023.

Financial Assets Measurement Basis:

Cash	Cost
Accounts receivable	Cost
Due from City of Kitchener	Cost
Investments	Amortized cost
Endowment investments	Amortized cost

Financial Liabilities Measurement Basis:

Accounts payable and accrued liabilities	Cost
Due to Early Literacy Alliance Waterloo Region	Cost
Deferred revenue	Cost

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

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

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

1. Significant accounting policies (continued):

(j) Financial instruments (continued):

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

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

(k) Adoption of new accounting standards:

Effective January 1, 2022, the Board adopted Canadian public sector accounting standard PS 3450 – Financial Instruments and PS 2601 – Foreign Currency Translation. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the Board's accounting policy choices (see Note 1 – Significant Accounting Policies).

On January 1, 2022, the Entity adopted Canadian public sector accounting standard PS 3280 Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities.

No significant changes were required as a result of implementing these new standards.

2. Investments:

	2023 Amortized cost	2023 Market Value	2022 Amortized cost	2022 Market Value
Investments:				
Guaranteed Investment Certificate	$ 50,000	$ 51,243	$ 50,000	$ 50,494
Waterloo Region Community Foundation	40,000	46,357	-	-
Endowment investments:				
Guaranteed Investment Certificate	100,000	102,508	100,000	100,997

The Guaranteed investment Certificates have a 4.75% interest rate and mature December 16, 2024.

3. Tangible capital assets:

2023	Books and audio visual resources	Computers	Furniture, fixtures and equipment	Other equipment and vehicles	Total
Cost:					
Balance, beginning of year	7,190,160	3,288,918	2,293,936	241,406	13,014,420
Additions	763,024	159,390	159,943	73,232	1,155,589
Disposals	(893,126)	(475,203)	(103,074)	(78,153)	(1,549,556)
Balance, end year	7,060,058	2,973,105	2,350,805	236,485	12,620,453
Accumulated amortization:					
Balance, beginning of year	4,301,073	2,288,980	1,246,112	82,520	7,918,685
Amortization	844,638	372,782	153,142	9,804	1,380,366
Disposals	(893,126)	(475,203)	(103,074)	(78,153)	(1,549,556)
Balance, end of year	4,252,585	2,186,559	1,296,180	14,171	7,749,495
Net book value, end of year	2,807,473	786,546	1,054,625	222,314	4,870,958

3. Tangible capital assets (continued):

2022	Books and audio visual resources	Computers	Furniture, fixtures and equipment	Other equipment and vehicles	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

4. Due to Early Literacy Alliance of Waterloo Region:

The Board has engaged in a three year agreement with the Early Literacy Alliance of Waterloo Region ("the Alliance") to perform administrative services for the Alliance and hold funds on behalf of them. Thses funds will be utilized as directed by the Alliance.

5. Deferred revenue:

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

	2023	2022
Deferred capital grants	$ 1,210,110	$ 479,825
Other	26,995	33,985
Total deferred revenue	$ 1,237,105	$ 513,810

Continuity of deferred capital grants is as follows:

	2023	2022
Balance, beginning of year	$ 479,825	$ 362,861
Receipt of infrastructure grant	957,251	168,873
Contributions realized as revenue	(226,966)	(51,909)
Balance, end of year	$ 1,210,110	$ 479,825

6. 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 2023 included $103,998 (2022 - $101,959) for general renovations, maintenance and upgrading of existing facilities, $443,671 (2022 - $334,070) for communication infrastructure and technology upgrades, $30,308 (2022 - $29,714) for KPL Accessibility Fund, $58,793 (2022 - $58,367) for resources, furniture and equipment, and $60,000 (2022 - $nil) for customer needs survey.

The portion of these grants and previous year grants that are included in revenue in 2023 is $775,085 (2022 - $450,352).

7. Special grants:

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

In 2023, the Board received various special non-recurring grants and donations totaling $956,250 (2022 - $163,628). The portion of these grants and previous year special grants that are included in revenue in 2023 is $226,966 (2022 - $70,069). The remainder is included in deferred revenue.

8. Pension plan:

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

During the year, the Board incurred expenses equal to $685,464 (2022 - $606,721) for current service on behalf of its staff.

The latest available report for the OMERS plan was as at December 31, 2023. At that time the plan reported a $4.2 billion actuarial deficit, based on actuarial liabilities of $136.2 billion and actuarial assets of $132 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, 2023, the Board has no obligation under the past service provisions of the OMERS agreement.

9. Accumulated surplus:

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

	2023	2022
Reserves set aside by the Board:		
Capital fund	344,460	344,460
HR fund	37,000	37,000
Inclusion fund	67,876	67,876
Improvement fund	-	135,003
Total reserves	449,336	584,339
Accumulated surplus – unrestricted	4,971,140	5,195,735
Accumulated surplus	$ 5,420,476	$ 5,780,074

10. Financial risks and concentration of risk:

(a) Market risk:

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

(b) Credit risk:

Credit risk is the risk that counterparties fail to perform as contracted, resulting in a financial loss. The Board is exposed to credit risk with respect to its accounts receivable and cash. The Board assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Board at December 31, 2023 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts at December 31, 2023 is $Nil (2022 - $Nil).

(c) Liquidity risk:

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

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

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

Concentration of risk:

(a) Limited counterparties:

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

11. Comparative information

Certain comparative information have been reclassified from those previously presented to conform to the presentation of the 2023 financial statements.

12. Subsequent events:

On January 12, 2024, the Board was notified of a Canadian Union of Public Employees Application with the Ontario Labour Relations Board. The resulting vote concluded on January 24, 2024 determined a union will be formed. The quantification of the impact of unionization is not estimable at this time.

KITCHENER PUBLIC LIBRARY BOARD
Schedules

Year ended December 31, 2023, with comparative information for 2022

		2023		2022
Schedule 1 - Personnel Costs				
Salaries	$	7,697,846	$	7,328,934
Pension benefits		1,066,963		960,071
Health benefits		561,228		568,800
Employment insurance		147,469		138,159
Sick leave reserve		70,000		70,000
Staff training		69,635		56,990
WSIB		22,019		18,041
	$	9,635,160	$	9,140,995
Schedule 2 - Equipment				
Amortization	$	535,728	$	529,451
Technology		392,461		407,008
Equipment maintenance		19,193		17,392
	$	947,382	$	953,851
Schedule 3 - Facilities Costs				
Facilities expenses	$	620,727	$	600,988
Main utilities		256,494		236,339
	$	877,221	$	837,327
Schedule 4 - Administrative				
Professional services	$	161,890	$	105,327
General business		111,249		67,036
Stationery		67,820		49,075
Insurance		21,212		20,796
Telephone		19,038		21,053
Postage and delivery		4,882		5,232
	$	386,091	$	268,519
Schedule 5 - Programs and Publicity				
Public programs	$	36,167	$	31,955
Promotional expenses		30,487		36,541
	$	66,654	$	68,496

Financial Statements of

THE CENTRE IN THE SQUARE INC.

And Independent Auditor's Report thereon

Year ended December 31, 2023

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

INDEPENDENT AUDITOR'S REPORT

To the Directors of The Centre In The Square Inc.

Opinion

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

- the statement of financial position as at December 31, 2023
- the statement of operations and changes in accumulated surplus for the year then ended
- the statement of remeasurement gains for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023 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.

Emphasis of Matter - Restatement of Financial Statements

We draw attention to Note 2 to the financial statements which indicates that the Entity has changed its accounting policy for asset retirement obligations and financial instruments and has applied that change prospectively.

Our opinion is not modified in respect to this matter.

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

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

April 23, 2024

THE CENTRE IN THE SQUARE INC.

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Financial assets:		
Cash and cash equivalents	$ 4,406,917	$ 3,352,049
Accounts receivable (note 3)	257,868	1,992,751
Interest receivable	1,045	3,965
Costs to be recovered	139,156	165,235
Investments (note 4)	1,752,607	1,527,054
Due from the City of Kitchener	32,707	-
	6,590,300	7,041,054
Financial liabilities:		
Accounts payable and accrued liabilities	2,208,140	2,817,533
Due to City of Kitchener	-	231,407
Asset retirement obligations (note 8)	201,946	-
Deferred revenue (note 9)	2,082,347	2,393,412
	4,492,433	5,442,352
Net financial assets	2,097,867	1,598,702
Non-financial assets:		
Tangible capital assets (note 6)	17,322,559	15,636,326
Inventories (note 5)	58,059	74,673
Prepaid expenses	217,675	196,040
	17,598,293	15,907,039
Net assets	$ 19,696,160	$ 17,505,741
Accumulated surplus:		
Operating fund activities (note 7)	$ -	$ -
Reserves - Capital (note 15)	1,215,436	935,502
Reserves - Sustainability (note 15)	213,284	205,213
Reserves - Restricted (note 15)	745,730	728,700
Invested in tangible capital assets	17,322,559	15,636,326
	19,497,009	17,505,741
Accumulated remeasurement gains (losses)	199,151	-
	$ 19,696,160	$ 17,505,741

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, 2023, with comparative information for 2022

	2023 Budget	2023 Actual	2022 Actual
Revenue:			
Performances	$ 3,261,719	$ 4,226,877	$ 2,559,785
Grants from City of Kitchener - operating	2,011,602	2,011,601	2,000,000
Grants from other governments - capital	1,622,454	744,789	1,801,926
Grant from the City of Kitchener - capital	744,931	1,439,004	1,238,851
Other revenue	412,514	803,023	490,618
Ticket surcharge (note 15)	389,400	344,472	267,818
Rent from K-W Symphony Orchestra	213,325	117,450	204,700
Sponsorships and memberships	175,575	81,526	63,423
Grants from other governments - operating	125,000	25,000	459,804
Rent - Kitchener Waterloo Art Gallery	111,618	111,618	107,222
Donations	25,000	25,872	42,113
Investment income	16,000	239,685	112,687
Lottery revenue	-	7	7,421
Gain on sale of investments	-	1,387	82,435
	9,109,138	10,172,311	9,438,803
Expenses:			
Salaries and wages	2,572,667	2,624,668	2,522,922
Performances	2,055,342	2,701,643	2,100,203
Amortization of tangible capital assets	1,270,000	1,262,739	1,055,000
Occupancy	790,529	711,441	706,610
Administration and box office	773,873	747,462	575,081
Marketing	98,640	61,333	64,733
Reserve expenditures (note 15)	55,000	10,988	(1,773)
Loss on sale of tangible capital assets	50,000	4,951	8,709
Sponsorship expenses	-	43,051	28,118
Capital costs (recovery)	-	12,767	-
Lottery expenses	-	-	7,796
	7,666,051	8,181,043	7,067,399
Excess of revenue over expenses	1,443,087	1,991,268	2,371,404
Accumulated surplus, beginning of year	17,505,741	17,505,741	15,134,337
Accumulated surplus, end of year	$ 18,948,828	$ 19,497,009	$ 17,505,741

See accompanying notes to financial statements.

THE CENTRE IN THE SQUARE INC.

Statement of Changes in Net Financial Assets

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Excess of revenue over expenses	$ 1,991,268	$ 2,371,404
Acquisition of tangible capital assets	(2,751,977)	(3,432,107)
Amortization of tangible capital assets	1,262,739	1,055,000
Loss on sale of tangible capital assets	4,951	11,309
	506,981	5,606
Net use (acquisition) of inventories	16,614	9,033
Net use (acquisition) of prepaid expenses	(21,635)	37,569
	(5,021)	46,602
Increase in net financial assets	501,960	52,208
Net financial assets, beginning of year	1,598,702	1,546,494
Increase in accumulated remeasurement gain (note 2(a))	199,151	-
Adjustment on adoption of the asset retirement obligation standard (note 2(b))	(201,946)	-
Net financial assets, end of year	$ 2,097,867	$ 1,598,702

See accompanying notes to financial statements.

THE CENTRE IN THE SQUARE INC.

Statement of Remeasurement Gains
Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Accumulated remeasurement gains (losses), beginning of year	$ -	$ -
Adjustment on adoption of the financial instruments standard (note 2(a))	155,664	-
Realized (gains) losses reclassified to statement of operations:		
Investments - Equity instruments	(29,602)	-
Unrealized gains (losses) attributable to:		
Investments - Equity instruments	73,089	-
	$ 199,151	$ -

See accompanying notes to financial statements.

THE CENTRE IN THE SQUARE INC.

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	$ 1,991,268	$ 2,371,404
Items not involving cash:		
Amortization	1,262,739	1,055,000
Loss on disposal of tangible capital assets	4,951	8,709
Gain on sale of investments	(1,387)	(82,435)
Changes in non-cash operating working capital	574,289	(398,014)
	3,831,860	2,954,664
Capital activities:		
Cash used to acquire tangible capital assets	(2,751,977)	(3,432,107)
Cash proceeds on sale of tangible capital assets	-	2,600
	(2,751,977)	(3,429,507)
Investing:		
Cash used in purchasing of investments	(293,935)	(246,142)
Cash received on sale of investments	268,920	222,453
	(25,015)	(23,689)
Increase (decrease) in cash and cash equivalents	1,054,868	(498,532)
Cash and cash equivalents, beginning of year	3,352,049	3,850,581
Cash and cash equivalents, end of year	$ 4,406,917	$ 3,352,049

See accompanying notes to financial statements.

Nature of operations:

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

1. Significant accounting policies:

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

(a) Basis of accounting:

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

(b) Revenue recognition:

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

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

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

1. Significant accounting policies (continued):

(c) Financial instruments:

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

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

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

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

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

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

Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for
substantially the full term of the assets or liabilities; and
Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(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
Computer	3 - 10 years
Site	2 - 50 years

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

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

(ii) Inventories:

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

1. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities and useful lives of tangible capital assets.

In addition, the Centre's implementation of PS3280 Asset Retirement Obligations has resulted in the requirement for management to make estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs, as well as the timing and duration of these retirement costs.

Actual results could differ from these estimates.

(g) Asset retirement obligation:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:
– There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
– The past transaction or event giving rise to the liability has occurred;
– It is expected that future economic benefits will be given up; and
– A reasonable estimate of the amount can be made.

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

The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets. The increase to the tangible capital assets is being amortized in accordance with the amortization accounting policies outlined in (i).

2. Change in accounting policy:

(a) PS 3450 – Financial Instruments and PS 2601 – Foreign Currency Translation:

On January 1, 2023, the Centre adopted Public Accounting Standards PS 3450 – Financial Instruments and PS 2601 – Foreign Currency Translation. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the Centre's accounting policy choices (see Note 1 – Significant Accounting Policies).

In accordance with the provisions of this new standard, the Centre reflected the following adjustments at January 1, 2023:

A gain on remeasurement of $155,664 to investments and to accumulated remeasurement gains/(losses) due to the unrealized gain of the Centre's investments previously classified as held-to-maturity or available for sale being reclassified to accumulated remeasurement gains/(losses).

(b) PS 3280 - Asset Retirement Obligations:

On January 1, 2023, the Centre also adopted Public Accounting Standard PS 3280 – Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The standard was adopted on a prospective basis at the date of adoption. Under the prospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard.

On January 1, 2023, the Centre recognized an asset retirement obligation relating to the building owned by the Centre that contains asbestos. The liability was measured prospectively as of January 1, 2023. The building has an expected useful life of 30 years remaining.

In accordance with the provisions of this new standard, the Centre reflected the following adjustments at January 1, 2023:

An increase in the asset retirement obligation of $201,946 with an increase of the same amount to tangible capital assets.

3. Accounts receivable:

	2023	2022
Accounts receivable	$ 257,868	$ 1,992,751
Allowance for doubtful accounts	-	-
	$ 257,868	$ 1,992,751

4. Investments:

Investments consist of:

	2023	2022
Assets measured at amortized cost:		
Guaranteed Investment Certificates	$ 804,252	$ 768,350
Fixed income	454,733	460,952
Investments measured at fair value:		
Equity instruments, quoted in an active market	493,622	297,752
	$ 1,752,607	$ 1,527,054

During 2023, the Centre adopted the financial instruments standard prospectively, refer to Note 2(a). 2022 investments are at amortized cost. Equity instruments, quoted in an active market are classified as level 1 investments.

5. Inventories:

Inventories consist of the following:

	2023	2022
Bar stock	$ 55,213	$ 72,798
Supplies	2,846	1,875
	$ 58,059	$ 74,673

6. Tangible capital assets:

2023	Land	Building	Equipment	Computers	Software	Site	Work in progress	Total
Cost								
Balance, beginning of year	$ 975,300	$ 14,172,787	$ 7,250,767	$ 277,720	$ 36,868	$ 1,887,120	$ 3,554,947	$ 28,155,509
Additions	-	1,350,081	148,787	26,508	-	90,598	1,136,001	2,751,975
Asset retirement obligation	-	201,946	-	-	-	-	-	201,946
Disposals	-	(44,964)	(151,661)	(139,041)	-	-	-	(335,666)
Transfers	-	3,421,424	99,202	-	-	27,887	(3,548,513)	-
Cost, end year	975,300	19,101,274	7,347,095	165,187	36,868	2,005,605	1,142,435	30,773,764
Accumulated amortization								
Balance, beginning of year	-	6,155,008	5,068,758	254,224	36,868	1,004,325	-	12,519,183
Amortization	-	788,746	317,836	27,005	-	129,150	-	1,262,737
Disposals	-	(44,964)	(146,710)	(139,041)	-	-	-	(330,715)
Accumulated amortization, end of year	-	6,898,790	5,239,884	142,188	36,868	1,133,475	-	13,451,205
Net book value, end of year	$ 975,300	$ 12,202,484	$ 2,107,211	$ 22,999	$ -	$ 872,130	$ 1,142,435	$ 17,322,559

6. Tangible capital assets (continued):

2022	Land	Building	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

7. Operating fund activities:

	2023 Budget	2023 Actual	2022 Actual
Revenue:			
Performances	$ 3,261,719	$ 4,226,877	$ 2,559,785
Rent - Kitchener-Waterloo Symphony	213,325	117,450	204,700
Grants from City of Kitchener	2,011,602	2,011,601	2,000,000
Grants, other governments	125,000	25,000	459,804
Donations	25,000	23,254	39,449
Investment income	16,000	173,047	71,743
Sponsorships and memberships	175,575	81,526	63,423
Rent - Kitchener-Waterloo Art Gallery	111,618	111,618	107,222
Lottery revenue	-	7	7,421
Other	412,514	803,023	490,618
	6,352,353	7,573,403	6,004,165
Expenses:			
Performances	2,055,342	2,701,643	2,100,203
Administration and box office	773,873	747,462	575,081
Marketing	98,640	61,333	64,733
Lottery expenses	-	-	7,796
Occupancy	790,529	711,441	706,610
Salaries and wages	2,572,667	2,624,668	2,522,922
Sponsorship expenses	60,828	43,051	28,118
	6,351,879	6,889,598	6,005,463
Operating fund net revenues (deficiency) before amortization	474	683,805	(1,298)
Transfer from (to) reserve funds (note 15)	(474)	(683,805)	649
Transfer from City of Kitchener	-	-	649
	$ -	$ -	$ -

8. Asset retirement obligations:

The Centre's asset retirement obligation consists of the below obligations:

Asbestos Obligation

The Centre owns and operates a building that is known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. Following the adoption of PS3280 – Asset retirement obligations, the Centre recognized an obligation relating to the removal and post-removal care of the asbestos in this building for the year ended December 31, 2023. The building had an estimated remaining useful life of 30 years. In addition, the obligation is being recognized on a prospective basis with no discounting.

	Asbestos removal	Balance at December 31, 2023
Opening balance	$ -	$ -
Asset retirement obligation additions at adoption of standard	201,946	201,946
Closing balance	$ 201,946	$ 201,946

9. Deferred revenue:

Deferred revenue consists of the following:

	2023	2022
Performances	$ 1,812,483	$ 2,059,807
Gift certificates	35,327	98,233
Sponsorships	41,548	53,311
Other	180,133	171,966
Membership	12,856	10,095
	$ 2,082,347	$ 2,393,412

10. Economic dependence:

The Centre is economically dependent on the City of Kitchener to provide sufficient funds to continue operations and capital projects. During the year ended December 31, 2023 the Centre earned $4,196,043 of revenue from the City of Kitchener.

11. Budget:

The original budgeted figures were approved by the Board of Directors at their meeting on January 18, 2023 and included certain expenses and offsetting recoveries on a net basis.

12. Pension agreements:

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

The latest available report for the OMERS plan was December 31, 2023. At that time the plan reported a $4.2 billion actuarial deficit (2022 - $6.7 billion actuarial deficit), based on actuarial liabilities of $136.2 billion (2022 - $128.8 billion) and actuarial assets of $132 billion (2022 - $122.1 billion). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

The 2023 employer portion of OMERS pension contributions was $210,986 (2022 - $163,271).

13. Financial risks:

(a) Market risk:

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

13. Financial risks (continued):

(b) Credit risk:

Credit risk is the risk that counterparties fail to perform as contracted, resulting in a financial loss. The Centre is exposed to credit risk with respect to its accounts receivable and cash. The Centre assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Centre at December 31, 2023 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts at December 31, 2023 is $Nil (2022 - $Nil).

(c) Liquidity risk:

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

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

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

(d) Interest rate risk:

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

14. Comparative information:

Certain comparative information have been reclassified from those previously presented to conform to the presentation of the 2023 financial statements.

15. Schedule of reserve funds:

(a) Performance Development Reserve Fund:

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 2023, The Centre's Board of Directors approved transfers out of the Capital Reserve Fund for major capital asset projects of $2,953,923 (2022 - $3,432,107).

(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.

15. Schedule of reserve funds (continued):

	Capital	Sustainability	Restricted	Total Funds
Revenue:				
Donations and sundry	$ -	$ -	$ 2,618	$ 2,618
Grants from City of Kitchener	1,439,004	-	-	1,439,004
Grants, other governments and foundations	744,789	-	-	744,789
Ticket surcharge	344,472	-	-	344,472
Investment income	34,554	8,070	24,013	66,637
Gain on investments	-	-	1,387	1,387
	2,562,819	8,070	28,018	2,598,907
Expenses:				
Professional fees	-	-	10,988	10,988
Capital costs (recovery)	12,767	-	-	12,767
	12,767	-	10,988	23,755
Excess of revenue over expenses	2,550,052	8,070	17,030	2,575,152
Balance, beginning of year	935,502	205,213	728,700	1,869,415
Transfer to accumulated surplus - tangible capital assets (note 15 (b))	(2,953,923)	-	-	(2,953,923)
Transfer from operating fund	683,805	-	-	683,805
	$ 1,215,436	$ 213,283	$ 745,730	$ 2,174,449

THE CORPORATION OF THE CITY OF KITCHENER
GASWORKS ENTERPRISE

Statement of Operations and Accumulated Surplus

For the Year Ended December 31, 2023

	2023 Budget	**2023**	2022
DELIVERY OPERATIONS			
Gas delivery			
Revenue	**$ 44,970,993**	**$ 45,880,933**	$ 43,591,449
Expenses	**30,605,000**	**30,981,245**	30,132,388
	14,365,993	**14,899,688**	13,459,061
Other programs			
(Dispatch and rental water heaters)			
Revenue	**13,431,951**	**14,596,947**	12,995,423
Expenses	**11,041,029**	**11,167,104**	9,196,032
	2,390,922	**3,429,843**	3,799,391
Excess of revenue over expenses	**16,756,915**	**18,329,531**	17,258,452
Accumulated surplus - Delivery			
Balance, beginning of year	**143,847,272**	**143,847,272**	142,040,501
Interest revenue	**31,087**	**143,509**	84,521
Transfer to gas investment reserve	**(15,846,926)**	**(15,846,926)**	(15,536,202)
Excess of revenue over expenses	**16,756,915**	**18,329,531**	17,258,452
Balance, end of year	**144,788,348**	**146,473,386**	143,847,272
SUPPLY OPERATIONS			
Revenue	**45,084,183**	**41,928,727**	40,320,864
Expenses	**45,018,244**	**40,118,668**	37,956,435
Excess/(deficiency) of revenue over expenses	**65,939**	**1,810,059**	2,364,429
Accumulated surplus - Supply			
Balance, beginning of year	**6,038,619**	**6,038,619**	3,598,854
Interest revenue	**176,883**	**299,327**	75,336
Excess/(deficiency) of revenue over expenses	**65,939**	**1,810,059**	2,364,429
Balance, end of year	**$ 6,281,441**	**$ 8,148,005**	$ 6,038,619

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 24, 2024.

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 24, 2024
Kitchener, Canada

KITCHENER GENERATION CORPORATION

Statement of Financial Position

As at December 31, 2023
(Unaudited)

		2023		2022
Financial assets				
Accounts receivable	**$**	**4,478**	$	11,478
		4,478		11,478
Liabilities				
Due to the Corporation of the City of Kitchener		**4,476**		11,476
Long-term debt (Note 3)		**1,463,186**		1,672,213
		1,467,662		1,683,689
Net financial debt		**(1,463,184)**		(1,672,211)
Non-financial assets				
Tangible capital assets (Note 4)		**1,625,760**		1,858,012
		1,625,760		1,858,012
Shareholder's equity (Note 5)	**$**	**162,576**	$	185,801

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

KITCHENER GENERATION CORPORATION

Statement of Operations

For the Year Ended December 31, 2023
(Unaudited)

	2023 Budget	2023	2022
Revenue			
Sale of electricity	$ 385,000	$ 389,765	$ 386,220
Total revenue	385,000	389,765	386,220
Expenses			
Maintenance	20,000	-	10,400
Amortization of tangible capital assets	232,252	232,252	232,252
Total expenses	252,252	232,252	242,652
Surplus before interest and provision for payments-in-lieu of corporate income taxes	132,748	157,513	143,568
Interest expense	83,778	83,778	94,250
Surplus before provision for payments-in-lieu of corporate income taxes	48,970	73,735	49,318
Provision for payments-in-lieu of corporate income taxes	-	-	-
Annual surplus	$ 48,970	$ 73,735	$ 49,318

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, 2023
(Unaudited)

	2023	2022
Annual surplus	**$ 73,735**	$ 49,318
Change in share capital	**(23,225)**	(23,226)
Dividends	**(73,735)**	(49,318)
Amortization of tangible capital assets	**232,252**	232,252
Change in net financial debt	**209,027**	209,026
Net financial debt, beginning of year	**(1,672,211)**	(1,881,237)
Net financial debt, end of year	**$ (1,463,184)**	$ (1,672,211)

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

KITCHENER GENERATION CORPORATION

Statement of Cash Flow

For the Year Ended December 31, 2023
(Unaudited)

		2023		2022
Operating				
Annual surplus	**$**	**73,735**	$	49,318
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		**7,000**		(3,802)
Accounts payable and accrued liabilities		**(7,000)**		3,802
Net change in cash from operating activities		**305,987**		281,570
Financing				
Change in share capital		**(23,225)**		(23,226)
Change in long-term debt		**(209,027)**		(209,026)
Dividends paid		**(73,735)**		(49,318)
Net change in cash from financing activities		**(305,987)**		(281,570)
Net change in cash and cash equivalents		**-**		-
Cash and cash equivalents, beginning of year		**-**		-
Cash and cash equivalents, end of year	**$**	**-**	$	-

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

1. Incorporation

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

2. Summary of significant accounting policies

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

a. Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that gave rise to the revenues. Expenses are recognized in the period the goods and services are acquired and a liability is incurred or when an external transfer is due.

b. Tangible capital assets

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

c. Revenue recognition

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

d. Use of estimates

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

e. Financial instruments

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

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

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

2. Summary of significant accounting policies (continued)

f. Newly adopted accounting standards

The Company adopted the following Public Sector Accounting Standards ("PS") for the year ended December 31, 2023:

i. PS 1201 Financial Statement Presentation

ii. PS 3041 Portfolio Investments

iii. PS 3280 Asset Retirement Obligations

iv. PS 3450 Financial Instruments

v. PS 2601 Foreign Currency Translation

The adoption of these accounting standards did not impact the financial statements of the Company.

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 2023 amounted to $83,778 *(2022 - $94,250)*.

4. Tangible capital assets

	Cost	Accumulated Amortization	Net Book Value
Opening balance	**$ 4,412,784**	**$ (2,554,772)**	**$ 1,858,012**
Additions	**-**	**-**	**-**
Amortization	**-**	**(232,252)**	**(232,252)**
Disposals	**-**	**-**	**-**
Ending balance	**$ 4,412,784**	**$ (2,787,024)**	**$ 1,625,760**

5. Shareholder's equity

Shareholder's equity consists of the following:

	2023	2022
Share capital - common shares (Note 6)	**$ 162,576**	$ 185,801
Retained earnings	**-**	-
	$ 162,576	$ 185,801

6. Share capital

Authorized
Unlimited common shares
Issued
1,000 common shares

7. Financial instruments

The Company is exposed to various risks through its financial instruments and continues to monitor, evaluate, and manage these risks. The following analysis provides information about the Company's risk exposure and concentration as at December 31, 2023.

a. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk from its financial assets, which consists of accounts receivable from a government organization. The carrying amount represents the Company's maximum credit exposure. There is no allowance for doubtful accounts since the Company has historically had no difficulty collecting.

b. Liquidity risk

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

c. Market risk

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

Concentration of risk

a. Limited counterparties

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

Financial Statements of

Enova Energy Corporation

(Consolidated)

Year ended December 31, 2023
(Expressed in thousands of dollars)

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

INDEPENDENT AUDITOR'S REPORT

To the 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, 2023
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(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, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

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

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

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

KPMG

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

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

In preparing the 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

April 18, 2024

ENOVA ENERGY CORPORATION

Consolidated Statement of Financial Position

As at December 31, 2023, with comparative information for 2022
(Expressed in thousands of dollars)

	Note		December 31, 2023		December 31, 2022
ASSETS					
Current					
Cash		$	-	$	15,189
Accounts receivable	*5*		37,808		34,660
Unbilled revenue			33,477		33,366
Inventories			8,754		7,655
Prepaid expenses			2,072		2,371
Current portion of lease receivables			127		111
Total current assets		**$**	**82,238**	**$**	**93,352**
Non-current assets					
Derivative asset			396		592
Property, plant and equipment	*6*		598,152		570,164
Intangible assets	*7*		16,969		18,571
Goodwill	*3*		140,077		140,077
Long term portion of lease receivables			980		1,255
Deferred tax asset			1,210		528
Investments in subsidiaries			372		322
Total non-current assets		**$**	**758,156**	**$**	**731,509**
Total assets			840,394		824,861
Regulatory deferral account debit balances	*9*		50,638		51,872
Total assets and regulatory deferral account debit balances		**$**	**891,032**	**$**	**876,733**

ENOVA ENERGY CORPORATION

Consolidated Statement of Financial Position

As at December 31, 2023, with comparative information for 2022
(Expressed in thousands of dollars)

	Note	December 31, 2023	December 31, 2022
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		$ 48,529	$ 49,918
Short-term bank debt		4,416	-
Demand loans payable	*10*	118,145	117,598
Current portion of lease liabilities	*17*	97	97
Income tax payable		702	1,685
Current portion of deferred revenue	*15*	2,378	2,214
Dividends payable	*14*	-	5,056
Current portion of customer deposits	*13*	14,209	12,081
Total current liabilities		**$ 188,476**	**$ 188,649**
Long-term			
Notes payable to shareholders	*11*	110,254	110,254
Long term portion of customer deposits	*13*	9,166	8,634
Long term portion of lease liabilities	*17*	722	778
Deferred revenue	*15*	83,395	79,177
Employee future benefits	*12*	8,107	7,703
Deferred tax liability	*8*	27,444	23,517
Total long-term liabilities		**$ 239,088**	**$ 230,063**
Total liabilities		427,564	418,712
Shareholders' equity			
Share capital	*14*	326,248	326,248
Retained earnings		123,725	114,465
Accumulated other comprehensive income (loss)	*12*	1,307	1,591
Non-controlling interest		842	1,000
Total shareholders' equity		**$ 452,122**	**$ 443,304**
Total liabilities and shareholders' equity		**$ 879,686**	**$ 862,016**
Regulatory deferral account credit balances	*9*	1,467	6,072
Deferred taxes associated with regulatory accounts	*9*	9,879	8,645
Total equity, liabilities and regulatory deferral account credit balances		**$ 891,032**	**$ 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 year ended December 31, 2023, with comparative information for the period of September 1, 2022 to December 31, 2022
(Expressed in thousands of dollars)

	Note	2023	2022
REVENUES			
Energy sales	*15*	$ 370,416	$ 114,666
Cost of energy sold		370,720	117,918
		(304)	(3,252)
Other operating revenue			
Distribution revenue	*15*	91,475	30,483
Other income	*15*	7,570	2,554
Net operating revenue		**$ 98,741**	**$ 29,785**
EXPENSES			
Operations and maintenance		19,283	6,693
Customer services		9,447	3,057
Administration		17,900	4,106
Amortization	*6*	24,335	7,804
		70,965	21,660
Other			
Energy conservation program revenue		(764)	(2,791)
Energy conservation program expense		767	2,801
Net energy conservation programs		**3**	**10**
Finance income	*16*	(578)	(183)
Finance charges	*16*	11,404	3,085
Revaluation of Class A and B Special Shares		1,630	-
Unrealized loss (gain) on derivative		196	(953)
Net finance costs		**12,652**	**1,949**
Income before income taxes		**$ 15,121**	**$ 6,166**
Income tax expense	*8*	4,229	1,195
Income for the period before movements in regulatory deferral account balances and other comprehensive income		**$ 10,892**	**$ 4,971**
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement	*9*	2,135	1,518
Other comprehensive income (loss), net of taxes	*12*	(284)	2,211
Non-controlling interest		158	(151)
Net comprehensive income for the period		**$ 12,901**	**$ 8,549**

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

ENOVA ENERGY CORPORATION

Consolidated Statement of Changes in Equity

For the year ended December 31, 2023, with comparative information for the period of 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**
Net income and net movement in regulatory balances		-	-	(284)	13,185	**12,901**
Non-controlling interest			(158)			**(158)**
Dividends paid	*14*	-		-	(3,925)	**(3,925)**
Balance at December 31, 2023		**$ 326,248**	**$ 842**	**$ 1,307**	**$ 123,725**	**$ 452,122**

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

ENOVA ENERGY CORPORATION

Consolidated Statement of Cash Flows

For the year ended December 31, 2023, with comparative information for the period of September 1, 2022 to December 31, 2022
(Expressed in thousands of dollars)

	Note		2023		2022
OPERATING ACTIVITIES					
Net income			12,901	$	8,549
Add (deduct) charges to operations not requiring a current cash payment:					
Amortization	*6*		25,970		8,456
Amortization of deferred revenue			(2,282)		(730)
Loss (gain) on disposal of property, plant and equipment	*15*		(84)		(37)
Income tax expense	*8*		4,229		1,195
Income tax expense included in OCI			(103)		797
Net interest (revenue) expense on lease liabilities			(36)		12
Income taxes paid			(1,864)		(440)
Change in non-controlling interest			(158)		151
Change in investments in subsidiaries			(50)		1
Decrease in employee future benefits liability	*12*		404		(2,933)
Unrealized gain on derivatives			196		(953)
Recognition of unrealized gain on derivatives			-		(287)
			39,123		13,781
Net change in non-cash operating working capital					
Accounts receivable			(3,148)		6,522
Unbilled revenue			(111)		3,123
Inventories			(1,099)		1,460
Prepaid expenses			299		(601)
Accounts payable and accrued liabilities			(1,389)		(4,794)
Dividends payable			(5,056)		
Regulatory deferral account debit balances			1,234		2,451
Regulatory deferral account credit balances			(3,371)		(3,452)
Cash provided by operating activities		**$**	**26,482**	**$**	**18,490**
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	*6*		(51,246)		(18,562)
Purchase of intangible assets	*7*		(1,110)		(146)
Proceeds on disposal of property, plant and equipment			84		37
Cash used in investing activities		**$**	**(52,272)**	**$**	**(18,671)**
FINANCING ACTIVITIES					
Proceeds on settlement of derivatives			-		6,135
Net change in customer deposits			2,660		(1,882)
Increase in demand loan payable	*10*		1,000		110,000
Repayment of short-term debt	*10*		(453)		-
Repayment of long-term debt	*10*		-		(89,557)
Dividends paid			(3,925)		-
Capital contributions received	*15*		6,664		3,408
Payment of principal on lease assets / liabilities			203		(12)
Net receipt (payment) of interest on lease assets / liabilities			36		(28)
Cash provided by financing activities		**$**	**6,185**	**$**	**28,064**
Net cash provided (used) during period			**(19,605)**		**27,883**
Cash and cash equivalents, beginning of period			15,189		(12,694)
Cash and cash equivalents, end of period		**$**	**(4,416)**	**$**	**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 Enova Energy Services Inc. (“EESI”), 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, 2023.

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. KESI changed to Enova Energy Services Inc.

2. Basis of Presentation

(a) Statement of compliance

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

The financial statements were approved by the Board of Directors of the Corporation on April 5, 2024.

(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 material 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).

2. 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 Corporation filed a joint application for electricity distribution rates effective January 1, 2024, with a Decision issued on December 14, 2023 to increase both legacy rate zone distribution rates by 4.50%.

Electricity rates

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

3. 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 was 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. The comparative information includes 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. Material 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 25 – 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) EESI; 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. Material 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. Material 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

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

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

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

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

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

(Expressed in thousands of dollars)

4. Material Accounting Policies (continued)

(e) Property, Plant and Equipment (continued)

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.

(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.

4. Material Accounting Policies (continued)

(g) Goodwill

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

(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.

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

4. Material 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 January to March 2023 the rate was 4.73%, from April to September the rate was 4.98% and from October to December the rate was 5.49%.

The interest rates for the regulatory OPEB account were as follows: from January to September the rate was 5.01% and from October to December the rate was 5.48%.

4. Material 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. Material 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.

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. Material 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. Material 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, 2023	December 31, 2022
Trade receivables	$ 34,908	$ 28,273
IESO receivable	1,049	2,962
Miscellaneous receivables	2,288	4,107
Allowance for bad debt	(600)	(800)
Other	163	118
Total Accounts Receivable	**$ 37,808**	**$ 34,660**

ENOVA ENERGY CORPORATION

Notes to Consolidated Financial Statements

For the year ended December 31, 2023, with comparative information for the period of September 1, 2022 to December 31, 2022
(Expressed in thousands of dollars)

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 January 1, 2023	$ 562,917	$ 53,469	$ 18,095	$ 7,797	$ 1,417	$ 643,695
Additions	43,442	245	4,463	3,096	-	51,246
Transfers	-	-	-	217	-	217
Disposals / retirements	(231)	-	(135)	-	-	(366)
Balance at December 31, 2023	**$ 606,128**	**$ 53,714**	**$ 22,423**	**$ 11,110**	**$ 1,417**	**$ 694,792**

	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**

(b) Accumulated depreciation

	Distribution	Land &	Other Fixed Assets	Construction in Progress	Right-of-use Assets	Total
Balance at January 1, 2023	$ 66,448	$ 5,163	$ 1,846	$ -	$ 74	$ 73,531
Depreciation charge	18,552	1,593	3,233	-	97	23,475
Disposals / retirements	(231)	-	(135)	-	-	(366)
Adjustment	-	-	-	-	-	-
Balance at December 31, 2023	**$ 84,769**	**$ 6,756**	**$ 4,944**	**$ -**	**$ 171**	**$ 96,640**

	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, 2023	$ 521,359	$ 46,958	$ 17,479	$ 11,110	$ 1,246	$ 598,152
At December 31, 2022	$ 496,469	$ 48,306	$ 16,249	$ 7,797	$ 1,343	$ 570,164

(Expressed in thousands of dollars)

6. Property, Plant and Equipment (continued)

(d) Security

At December 31, 2023, the Corporation had zero properties subject to a general security agreement.

(e) Borrowing costs

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

(f) Allocation of depreciation and amortization

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

	Operations and maintenance expense	Customer services expense	General and administration expense	Amortization	Total
December 31, 2023:					
Depreciation of property, plant and equipment	$ 1,601	$ 31	$ 3	$ 21,840	**$ 23,475**
Amortization of intangible assets	-	-	-	2,495	**2,495**
	$ 1,601	**$ 31**	**$ 3**	**$ 24,335**	**$ 25,970**
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 January 1, 2023	$ 14,524	$ 1,246	$ 3,906	$ 972	**$ 20,648**
Additions	1,556	57	-	(503)	**1,110**
Transfers	-	-	-	(217)	**(217)**
Balance at December 31, 2023	**$ 16,080**	**$ 1,303**	**$ 3,906**	**$ 252**	**$ 21,541**

	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	Work in Progress	Total
Balance at January 1, 2023	$ 1,962	$ 8	$ 107	$ -	$ 2,077
Amortization charge	2,173	-	322	-	2,495
Balance at December 31, 2023	**$ 4,135**	**$ 8**	**$ 429**	**$ -**	**$ 4,572**

	Computer Software	Land Rights	FIT Contracts	Work in Progress	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, 2023	$ 11,945	$ 1,295	$ 3,477	$ 252	**$ 16,969**
At December 31, 2022	$ 12,562	$ 1,238	$ 3,799	$ 972	**$ 18,571**

(Expressed in thousands of dollars)

8. Income Tax Expense

	2023	2022
Current period	$ 949	$ 1,268
Adjustment for prior periods	(68)	156
Deferred	3,348	(229)
Income tax expense	**$ 4,229**	**$ 1,195**

Reconciliation of effective tax rate:

	2023	2022
Income from operations before income taxes	$ 15,121	$ 6,166
Statutory Canadian federal and provincial income tax rate	26.50%	26.50%
Expected taxes on income	**$ 4,007**	**$ 1,634**
Changes in income taxes resulting from:		
Permanent differences	26	6
Other temporary differences	264	(650)
Adjustment for prior periods	(68)	205
	$ 222	**$ (439)**
Income tax expense	**$ 4,229**	**$ 1,195**

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

	December 31, 2023	December 31, 2022
Deferred tax assets (liabilities):		
Plant and equipment	$ (52,946)	$ (48,572)
Deferred revenue	22,730	21,569
Employee future benefits	2,148	2,041
Non-vested sick leave	327	340
Unrealized gain on derivatives	54	(157)
Allowance for doubtful accounts	(6)	212
Other	1,459	1,050
	$ (26,234)	**$ (23,517)**
Regulatory deferred tax asset	$ 37,278	$ 32,624
Deferred taxes associated with regulatory accounts	(9,879)	(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, 2023:

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 2022 to accrue future adjustments for the years 2017 to 2020. The accrual for unaudited years has been recorded in income taxes payable as a contingent liability. WNHI issued a joint court appeal with KWHI to overrule the decision with other distributors in Ontario who had similar adjustments made. The appeal remains unresolved as of the date of these statements.

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:

	2023 Opening	Acquired	Balances arising in the period	Transfer between accounts	Recovery / reversal	2023 Ending	Recovery / reversal period (years)
Regulatory deferral account debit balances							
Group 1 accounts	$ 18,164	$ -	$ 1,750	$ (4,467)	$ (3,447)	$ 12,000	Note 1
Regulatory asset recovery account	778	-	-	(778)		-	Note 1
Deferred tax asset	32,624	-	4,654	-		37,278	Note 2
Other regulated accounts	306	-	1,054	-		1,360	5 - 9 years
Total amount related to regulatory deferral account debit balances	**$ 51,872**	**$ -**	**$ 7,458**	**$ (5,245)**	**$ (3,447)**	**$ 50,638**	

	2023 Opening	Acquired	Balances arising in the period	Transfer between accounts	Recovery / reversal	2023 Ending	Recovery / reversal period (years)
Regulatory deferral account credit balances							
Group 1 accounts	$ 5,504	$ -	$ 825	$ (4,467)	$ (1,006)	$ 856	Note 1
Regulatory asset recovery account	-	-	(3,445)	(778)	4,251	28	Note 1
Other regulated accounts	568	-	15	-		583	5 - 9 years
Total amount related to regulatory deferral account credit balances	**$ 6,072**	**$ -**	**$ (2,605)**	**$ (5,245)**	**$ 3,245**	**$ 1,467**	

	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	5 - 9 years
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
Regulatory asset recovery account	-		-	-	-	-	Note 1
Other regulated accounts	562	2	4			568	5 - 9 years
Total amount related to regulatory deferral account credit balances	**$ 3,430**	**$ 5,536**	**$ (3,404)**	**$ 510**	**$ -**	**$ 6,072**	

	2023	2022
Movements in regulatory accounts		
Net change in regulatory deferral account debit and credit balances	$ 3,371	$ 443
Less movement related to the balance sheet		
Change in regulatory asset associated with deferred tax liability	(4,654)	559
Deferred income tax	3,421	-
Deferred revenue	(3)	516
Net movement in regulatory deferral account balances related to profit or loss and the related deferral tax movement	**$ 2,135**	**$ 1,518**

(Expressed in thousands of dollars)

9. Regulatory Deferral Account Balance (continued)

Note 1: The Corporation has been approved for collection of these amounts in its 2023 filings for 2024 rates.

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

10. Bank 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. The Corporation has borrowed $110,000 as a demand loan, with a variable interest rate (CDOR + 0.8%). The loan has been classified as current as there are no defined repayment terms and the Corporation does not have the unconditional right to refinance. In December 2023, an additional amount of $1,000,000 was borrowed on a short-term basis from BMO.

In March 2022, 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, 2023, the Corporation had the following loans outstanding under the Credit Facility:

Bank loans	Swap Rate	Monthly Payments	Term	2023	2022
CIBC Term loan 1	4.205%	$ 30.00	August 15, 2035	$ 3,159	$ 3,365
CIBC Term loan 2	3.845%	$ 18.00	December 21, 2034	$ 1,793	$ 1,922
CIBC Term loan 3	2.510%	$ 11.00	July 31, 2040	$ 1,680	$ 1,759
CIBC Term loan 4	2.365%	$ 4.00	July 31, 2035	$ 513	$ 552
BMO Demand Loan	variable	N/A	undefined	$ 110,000	$ 110,000
BMO Line of Credit	variable	N/A	undefined	$ 1,000	$ -
				$ 118,145	**$ 117,598**

(Expressed in thousands of dollars)

10. Bank Debt (continued)

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

2024	$ 470	$ 453
2025	487	470
2026	505	487
2027	526	505
2028	544	526
Thereafter	4,613	5,157
Undefined	111,000	110,000
	$ 118,145	**$ 117,598**

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 $396 (2022 - $592) and recognized a corresponding unrealized loss on interest rate swaps of $196 (2022 – ($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

	2023	2022
Senior unsecured debentures:		
City of Kitchener	$ 70,998	$ 70,998
City of Waterloo	27,404	27,404
Township of Woolwich	3,355	3,355
Township of Wilmot	5,965	5,965
Township of Wellesley	2,532	2,532
Total shareholder debt	**$ 110,254**	**$ 110,254**

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, 2023. The Corporation recognizes these post-retirement costs in the period in which employees' services were rendered. The accrued benefit liability at December 31, 2023 is $8,107 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:

	2023	2022
Accrued benefit obligation		
Balance, beginning of period	$ 7,703	$ 10,637
Current service cost	228	134
Interest cost	374	130
Benefits Paid	(585)	(189)
Actuarial gains recognized in other comprehensive income	387	(3,009)
Accrued benefit liability, end of period	**$ 8,107**	**$ 7,703**

Components of net benefit expense recognized are a follows:

	2023	2022
Current service cost	$ 228	$ 134
Interest cost	374	130
Net benefit expense recognized	**$ 602**	**$ 264**

Actuarial losses recognized in other comprehensive income

	2023	2022
Cumulative amount at beginning of period	$ 1,591	$ (620)
Recognized during the period (net of tax)	(284)	2,211
Cumulative amount at end of period	**$ 1,307**	**$ 1,591**

(Expressed in thousands of dollars)

12. Employee Future Benefits (continued)

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

		2023	2022
General inflation:			
Changes in the Consumer Price Index		3.00%	3.00%
Accrued obligation:			
Discount rate		4.65%	5.05%
Salary increases		3.00%	4.00%
Benefit cost for the period:	Age		
Withdrawal rate	18-29	2.75%	2.75%
	30-34	2.20%	2.20%
	35-39	1.65%	1.65%
	40-49	1.40%	1.40%
	50-54	1.20%	1.20%
Assumed health care cost trend rates:			
Initial health care cost trend rate	Health	4.70%	4.70%
	Dental	4.90%	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:

	2023	2022
1% increase in trend rate	$ 466	$ 375
1% decrease in trend rate	(394)	(320)

(Expressed in thousands of dollars)

13. Customer Deposits and IESO Deposits

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

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

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

Customer deposits comprise:

		2023	2022
Current			
Customer deposits	$	1,819	$ 1,731
Contruction deposits		12,190	10,150
Performance bond		200	200
	$	**14,209**	**$ 12,081**
Long-term			
IESO deposit for energy conservation programs		1,158	1,158
Customer deposits - long-term		8,008	7,476
	$	**9,166**	**$ 8,634**

(Expressed in thousands of dollars)

14. Share Capital

			2023		2022
Authorized					
Unlimited	Common shares				
None	Class A special shares				
None	Class B special shares				
Issued					
100,000	Common shares	$	326,248	$	326,248
-	Class A special shares		-		-
-	Class B common shares		-		-
100,000	**Total Shares**	**$**	**326,248**	**$**	**326,248**

Common shares are issued as follows:

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

Class A special shares were issued as follows:

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

Class B special shares were issued as follows:

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

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

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

The shares were redeemed and then immediately cancelled.

(Expressed in thousands of dollars)

14. Share Capital (continued)

Dividends

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

The Corporation had $5,056 in dividends payable carried forward from prior periods which were paid during the period. The Corporation paid an additional $3,925 in dividends during the period.

15. Revenue

		2023		2022
Revenue from contracts with customers	$	461,891	$	145,149
Other revenue				
Specific service charges		2,532		843
Deferred revenue		2,282		730
Scrap sales		468		100
Net gain (loss) on disposal of capital assets		84		37
Non-Utility operations		1,869		339
Retailer services		70		13
Sundry		215		206
Net realized gain on derivatives		-		287
Income from subsidiaries		50		(1)
Total other revenue	**$**	**7,570**	**$**	**2,554**
Total revenues	**$**	**469,461**	**$**	**147,703**

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

		2023		2022
Residential	$	184,347	$	58,419
Commercial		258,247		80,470
Large users		11,337		3,898
Other		7,960		2,362
	$	**461,891**	**$**	**145,149**

(Expressed in thousands of dollars)

15. Revenue (continued)

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

		2023		2022
Balance, beginning of period	$	81,391	$	47,401
Acquired value		-		31,312
Capital contributions received		6,664		3,408
Deferred revenue recognized		(2,282)		(730)
Balance, end of period	**$**	**85,773**	**$**	**81,391**
Current portion	$	2,378	$	2,214
Long-term portion		83,395		79,177
Total Deferred Revenues	**$**	**85,773**	**$**	**81,391**

16. Interest Income and Expense

		2023		2022
Interest income on bank deposits	$	(499)	$	(183)
Interest income on capital lease		(79)		-
	$	**(578)**	**$**	**(183)**
Interest on shareholder debt		3,553		1,188
Interest expense on demand loans payable		6,588		1,728
Interest expense on short tem debt		672		27
Interest expense on deposits		548		130
Interest expense on capital lease		43		12
Interest expense other		-		-
		-		-
	$	**11,404**	**$**	**3,085**
Net interest cost	**$**	**10,826**	**$**	**2,902**

(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 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		**2023**		**2022**
Less than one year	$	97	$	97
One - five years		393		490
More than five years		568		570
Total undiscounted lease liabilities at period end	**$**	**1,058**	**$**	**1,157**
Interest included on the liabilities included in the statement of financial position at December 31		(239)		(282)
Lease Liabilities - current	**$**	**97**	**$**	**97**
Lease Liabilities - non-current	**$**	**722**	**$**	**778**

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, 2023, no assessments have been made.

On November 12, 2023 the Corporation experienced a theft of inventory at one of the service locations. The total cost of inventories lost as well as the related expenses of repairing damaged property and recovering the stolen items has been recorded in Operations and maintenance expense in the statement of comprehensive income ($164 total). The Corporation has initiated a claim from MEARIE for the total replacement value of the lost items and the related expenses. The claim is still outstanding as of the date of these statements and collection is uncertain and therefore, no receivable has been recorded on the statements as of December 31, 2023.

19. Guarantees

The Corporation is the guarantor for a line of credit issued by the Canadian Imperial Bank of Commerce on behalf of GRE. GRE is two-thirds owned by the Corporation and one-third owned by Cambridge & North Dumfries Energy Plus Inc.; each of which has guaranteed a maximum of $12 million and $6 million, respectively, in the event of default by GRE.

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 January 1, 2023 to December 31, 2023, the Corporation made employer contributions of $2,985 to OMERS and estimates contributions of $2,947 in 2024. In total, the OMERS pension fund has net assets of $130,400,000 and accrued obligations of $134,600,000 for a deficit of $4,200,000. The Corporation's net benefit expense has been allocated as follows:

(a) $895 capitalized as part of labour in PP&E and

(b) $2,090 recorded as an expense against net income.

(Expressed in thousands of dollars)

21. Employee Benefits

		2023		2022
Salary, wages and benefits	$	36,919	$	11,399
CPP and EI remittances		1,497		142
Contributions to OMERS		2,985		969
Expenses related to employee future benefits		602		264
Total employee expenditures	**$**	**42,003**	**$**	**12,774**
Employee costs capitalized		10,117		2,973
Employee costs in Operations, Maintenance, Customer Service and Administration expenses	**$**	**31,886**	**$**	**9,801**

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:

		2023		2022
Directors' fees	$	568	$	70
Executive compensation and benefits		2,581		683
	$	**3,149**	**$**	**753**

(d) Transactions with entities with significant influence

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

22. Related Party Transactions (continued)

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

In 2023 the Corporation had the following significant transactions with its ultimate shareholders, all of which are government entities:

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

- streetlight maintenance services
- streetlight construction services

For the City of Kitchener and the Township of Wilmot, these services are contracted through Enova Energy Services Inc. The Corporation conducted transactions with related parties during the period ended December 31, 2023. 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 bank 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.

23. Financial Instruments and Risk Management (continued)

Financial risks (continued)

(a) Credit risk (continued)

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, 2023 is $600 (2022 - $800).

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2023, approximately $1,574 is considered 60 days past due. The Corporation has over 160,000 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, 2023, the Corporation holds security deposits in the amount of $9,827.

(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 bank debt as of December 31, 2023 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 $45,000 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, 2023, $4,416 (2022 - $nil) had been drawn under BMO's $45,000 operating credit facility.

In 2023 the Corporation was assigned an Issuer Rate of A, Stable, from DBRS Limited. The Corporation's financial risk profile is reasonable with key metrics supporting the "A" rating.

The Corporation also has a bilateral facility for $5,000 (the "LC" facility) to issue letters of credit mainly to support the prudential requirements of the IESO of which the $5,000 has been drawn and posted with the IESO.

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

23. Financial Instruments and Risk Management (continued)

(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, 2023, shareholder's equity amounts to $452,122 (2022 - 443,304) and long-term debt including shareholder debt amounts to $110,254 (2022 - $110,254).

24. Comparative Figures

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

25. 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, 2023:

i. Definition of Accounting Estimate (amendments to IAS 8)

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

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

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

26. Future Changes in Accounting Policy and Disclosures

The following new and amended standards are effective for annual periods beginning after January 1, 2024 and earlier application is permitted. The Corporation has not early adopted any of these new and amended standards and does not expect that they will have a significant impact on the Corporation's financial statements when become effective.

i. Classification of Liabilities as Current or Non-Current (Amendments to IAS 1);

ii. Non-current Liabilities with Covenants (Amendments to IAS 1);

iii. Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7);

iv. Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);

v. Lack of Exchangeability (Amendments to IAS 21).