THE CORPORATION OF THE CITY OF KITCHENER
Consolidated Statement of Financial Position
As at December 31

	2024	2023
Financial assets		
Cash and cash equivalents	$ 112,312,523	$ 148,883,457
Taxes receivable (Note 3)	43,887,598	32,698,753
Trade and other accounts receivable (Note 3)	115,307,653	82,181,763
Loans receivable (Note 6)	4,838,856	5,445,222
Inventory for resale	8,021,989	11,193,185
Portfolio investments (Note 7)	316,768,217	235,992,016
Investment in Enova Energy Corporation (Note 8)	313,240,059	311,762,801
Investment in Kitchener Generation Corporation (Note 9)	1,393,510	1,625,762
	915,770,405	829,782,959
Liabilities		
Accounts payable and accrued liabilities	145,588,687	133,760,179
Deferred revenue - obligatory reserve funds (Note 12)	96,731,588	93,623,694
Deferred revenue - other	60,787,517	32,457,161
Municipal debt (Note 13)	79,263,355	52,615,623
Employee future benefits (Note 15)	55,214,500	54,659,910
Asset retirement obligations (Note 16)	117,632,840	111,335,649
	555,218,487	478,452,216
Net financial assets	360,551,918	351,330,743
Non-financial assets		
Tangible capital assets (Note 17)	1,709,533,110	1,573,660,744
Inventory of supplies	4,751,965	4,679,711
Prepaid expenses	2,835,716	3,354,185
	1,717,120,791	1,581,694,640
Accumulated surplus	$ 2,077,672,709	$ 1,933,025,383
Accumulated surplus is comprised of:		
Accumulated operating surplus (Note 18)	2,075,974,817	1,932,128,425
Accumulated remeasurement gains	1,697,892	896,958
	$ 2,077,672,709	$ 1,933,025,383

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

	2024 Budget	2024	2023
Revenues			
Taxation	$ 163,552,328	$ 165,017,634	$ 154,786,170
User fees and charges			
Gasworks	100,667,988	91,277,760	100,368,081
Water, sewer and storm water	155,931,863	173,027,734	151,643,441
Other	48,642,436	51,067,350	47,329,872
Government transfers (Note 19)	38,677,857	38,074,540	27,328,006
Contributions of tangible capital assets	29,240,620	29,240,620	22,638,316
Investment income	13,653,625	25,589,268	19,676,514
Penalties and interest on taxes	4,194,262	6,340,366	4,822,216
Development charge revenue recognized	22,331,655	22,331,655	21,591,019
Share of net income of Enova Energy Corporation (Note 8)	7,664,668	7,664,668	7,039,472
Gain on dilution from prior interest in Kitchener Power Corp. and its affiliates (Note 8)	-	-	1,503,675
Share of net income of Kitchener Generation Corporation (Note 9)	43,144	43,144	73,735
Other	5,826,701	7,338,267	5,883,943
Total revenues	590,427,147	617,013,006	564,684,460
Expenses			
General government	46,253,290	43,838,560	39,784,940
Protection services	63,017,092	63,930,796	58,165,898
Transportation services	48,801,094	42,139,908	41,367,054
Environmental services	122,614,052	120,906,421	112,720,855
Health services	3,277,688	3,407,206	3,045,497
Social and family services	3,711,334	3,712,132	3,553,018
Recreation and cultural services	104,647,636	104,789,332	93,336,377
Planning and development	20,995,951	20,654,253	19,363,159
Gasworks	81,645,377	69,788,006	78,806,816
Total expenses	494,963,514	473,166,614	450,143,614
Annual surplus	95,463,633	143,846,392	114,540,846
Accumulated operating surplus, beginning of year	1,932,128,425	1,932,128,425	1,817,587,579
Accumulated operating surplus, end of year (Note 18)	$ 2,027,592,058	$ 2,075,974,817	$ 1,932,128,425

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

		2024		2023
Accumulated remeasurement gains, beginning of year	**$**	**896,958**	$	-
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		**88,416**		73,089
Derivatives		**752,400**		-
Amounts reclassified to the statement of operations:				
Portfolio investments in equity instruments		**(30,272)**		(29,602)
Other comprehensive loss of:				
Enova Energy Corporation		**(9,610)**		(151,628)
Accumulated remeasurement gains, end of year	**$**	**1,697,892**	$	896,958

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

THE CORPORATION OF THE CITY OF KITCHENER

Consolidated Statement of Change in Net Financial Assets

For the Year Ended December 31

	2024 Budget	2024	2023
Annual surplus	**$ 95,463,633**	**$ 143,846,392**	$ 114,540,846
Amortization of tangible capital assets	**66,322,533**	**66,322,533**	64,896,843
Acquisition of tangible capital assets	**(125,400,465)**	**(167,299,808)**	(103,845,971)
Contributions of tangible capital assets	**(29,240,620)**	**(29,240,620)**	(22,638,316)
Gain on disposals of tangible capital assets	**(1,634,833)**	**(1,634,833)**	(265,613)
Proceeds on disposal of tangible capital assets	**3,311,348**	**3,311,349**	1,025,198
Asset retirement obligations incurred	**-**	**(3,486,535)**	(1,301,374)
Asset retirement obligations change in estimate	**-**	**(3,844,452)**	(8,314,338)
Acquisition of inventory of supplies	**-**	**(6,605,390)**	(7,368,168)
Acquisition of prepaid expenses	**-**	**(1,659,042)**	(2,232,682)
Consumption of inventory of supplies	**-**	**6,533,136**	6,377,703
Use of prepaid expenses	**-**	**2,177,511**	1,922,962
Net remeasurement gains (losses)	**-**	**800,934**	(108,141)
Change in net financial assets	**8,821,596**	**9,221,175**	42,688,949
Net financial assets, beginning of year	**351,330,743**	**351,330,743**	308,486,130
Adjustment on adoption of financial instruments accounting standard	**-**	**-**	155,664
Net financial assets, end of year	**$ 360,152,339**	**$ 360,551,918**	$ 351,330,743

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

	2024	2023
Operating		
Annual surplus	**$ 143,846,392**	$ 114,540,846
Items not involving cash		
Amortization of tangible capital assets	**66,322,533**	64,896,843
Gain on disposals of tangible capital assets	**(1,634,833)**	(265,613)
Share of net income of government business enterprises	**(7,707,812)**	(7,113,207)
Gain on dilution from prior interest in Kitchener Power Corp. and its affiliates	**-**	(1,503,675)
Change in employee future benefits	**554,590**	9,620
Contributions of tangible capital assets	**(29,240,620)**	(22,638,316)
Change in non-cash assets and liabilities		
Taxes receivable	**(11,188,845)**	(7,622,108)
Trade and other accounts receivable	**(33,125,890)**	(6,851,758)
Loans receivable	**606,366**	549,014
Inventory for resale	**3,171,196**	(1,236,631)
Inventory of supplies	**(72,254)**	(990,465)
Prepaid expenses	**518,469**	(309,720)
Accounts payable and accrued liabilities	**11,828,508**	1,580,830
Deferred revenue - obligatory reserve funds	**3,107,894**	10,873,166
Deferred revenue - other	**28,330,356**	3,531,629
Asset retirement obligations settled	**(1,033,796)**	(1,195,776)
Net change in cash from operating activities	**174,282,254**	146,254,679
Investing		
Proceeds from redemptions of portfolio investments	**111,854,199**	189,885,191
Portfolio investments purchased	**(191,819,856)**	(196,297,053)
Debt and equity payments received from government business enterprises	**6,453,196**	3,905,662
Net change in cash from investing activities	**(73,512,461)**	(2,506,200)
Financing		
Municipal debt issued	**35,657,000**	4,374,000
Municipal debt repaid	**(9,009,268)**	(9,483,327)
Net change in cash from financing activities	**26,647,732**	(5,109,327)
Capital		
Acquisition of tangible capital assets	**(167,299,808)**	(103,845,971)
Proceeds on disposal of tangible capital assets	**3,311,349**	1,025,198
Net change in cash from capital activities	**(163,988,459)**	(102,820,773)
Net change in cash and cash equivalents	**(36,570,934)**	35,818,379
Cash and cash equivalents, beginning of year	**148,883,457**	113,065,078
Cash and cash equivalents, end of year	**$ 112,312,523**	$ 148,883,457

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

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

1. Significant Accounting Policies

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

a. Basis of consolidation

i. Consolidated entities

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

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

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

ii. Government business enterprises

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

b. Basis of accounting

i. Accrual basis of accounting

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

ii. Cash and cash equivalents

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

iii. Trade and other accounts receivable

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

iv. Loans receivable

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

v. Inventory for resale

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

vi. Portfolio investments

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

vii. 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. 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. A liability for remediation of contaminated sites is recognized when, as at the financial reporting date: a) an environmental standard exists, b) contamination exceeds the environmental standard, c) the government is directly responsible or accepts responsibility, d) it is expected that future economic benefits will be given up, and e) a reasonable estimate of the amount can be made.

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. 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 consolidated financial statements.

1. 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. 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 2024, the City adopted the Public Sector Accounting Board's new standard PS 3400 Revenue. The standard establishes a single framework to categorize revenue and to enhance the consistency of revenue recognition and its measurement. The standard was adopted prospectively at the date of adoption. The adoption of this standard did not have a material impact on these consolidated financial statements.

In 2024, the City adopted PS 3160 Public Private Partnerships. The standard includes requirements for the recognition, measurement, and classification of infrastructure procured through a public private partnership. The adoption of this standard did not have a material impact on these consolidated financial statements.

In 2024, the City adopted the Public Sector Accounting Board's new guideline PSG-8 Purchased Intangibles. The guideline permits the recognition of intangible assets that are acquired through an arm's length transaction between willing parties provided the purchased intangible meets the recognition criteria for an asset. The adoption of this new guideline did not have a material impact on these consolidated financial statements.

3. Taxes and accounts receivable

Taxes receivable are reported net of a valuation allowance of $11,628,537 *(2023 - $10,813,112)*. Trade and other accounts receivable are reported net of a valuation allowance of $2,003,204 (*2023 - $1,840,818)*.

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	**$ 85,796,977**	**$ 365,769,589**	**$ 451,566,566**
Share of payments in lieu of taxes	**-**	**3,813,163**	**3,813,163**
Share of linear properties	**45,038**	**128,012**	**173,050**
Amounts requisitioned	**$ 85,842,015**	**$ 369,710,764**	**$ 455,552,779**

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 $19,870,440 *(2023 - $18,979,167)*.

6. Loans receivable

Loans receivable are made up of the following:

	2024	2023
Major capital improvement loans receivable	**$ 4,705,560**	$ 5,306,487
Loans receivable with forgiveness provisions	**25,396**	25,396
Minor capital improvement and other loans receivable	**107,900**	113,339
	$ 4,838,856	$ 5,445,222

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 *(2023 - 10 to 12 years)*. All major capital improvement loans are unsecured and bear interest at rates ranging from 2.50% to 3.15% *(2023 - 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 *(2023 - 5 years)*. The forgiveness provisions are 15% *(2023 - 15%)*. The balances recorded are net of the allowance for forgiveness. Interest rates on these loans are 8% *(2023 - 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 *(2023 - 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% *(2023 - 0%)*.

7. Portfolio investments

Investments are made up of the following:

	2024 Carrying Value	2024 Market Value	2023 Carrying Value	2023 Market Value
Guaranteed investment certificates	$ **150,934,441**	$ **150,959,547**	$ 203,042,714	$ 209,972,546
Notice plan accounts	**131,871,724**	**131,871,724**	-	-
Bonds and debentures	**32,651,926**	**33,129,746**	32,455,680	30,440,314
Derivatives	**752,400**	**752,400**	-	-
Shares	**557,726**	**557,726**	493,622	493,622
	$ **316,768,217**	$ **317,271,143**	$ 235,992,016	$ 240,906,482

Derivatives and shares are carried at fair value and are Level 2 and Level 1 instruments in the fair value hierarchy respectively.

8. Investment in Enova Energy Corporation

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

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

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

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

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

8. Investment in Enova Energy Corporation (continued)

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

	2024	2023
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	67,370,479	65,883,611
Share of other comprehensive income since acquisition	688,197	697,807
	$ 313,240,059	$ 311,762,801

The Enova Energy Corporation notes are unsecured and bear interest at the rate of 3.23% *(2023 - 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:

	2024	2023
Balance, beginning of year	$ 311,762,801	$ 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	7,664,668	7,039,472
Share of other comprehensive loss for year	(9,610)	(151,628)
Dividends received during year	(6,177,800)	(2,096,000)
Balance, end of year	$ 313,240,059	$ 311,762,801

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

	2024	2023
Financial position		
Current assets	$ 89,770,000	$ 82,238,000
Non-current assets	784,875,000	758,156,000
Regulatory assets	56,972,000	50,638,000
Total assets	931,617,000	891,032,000
Current liabilities	96,819,000	188,476,000
Long-term debt	230,918,000	110,976,000
Regulatory liabilities	15,475,000	11,346,000
Other liabilities	134,358,000	128,112,000
Total liabilities	477,570,000	438,910,000
Net assets	$ 454,047,000	$ 452,122,000

8. Investment in Enova Energy Corporation (continued)

		2024		2023
Results of operations				
Revenues	**$**	**519,151,000**	$	472,900,000
Expenses		**(504,795,000)**		(459,715,000)
Net income		**14,356,000**		13,185,000
City's share of net income - 53.39%	**$**	**7,664,668**	$	7,039,472

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:

		2024		2023
Common shares	**$**	**139,351**	$	162,576
Long-term notes receivable		**1,254,159**		1,463,186
	$	**1,393,510**	$	1,625,762

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:

		2024		2023
Balance, beginning of year	**$**	**1,625,762**	$	1,858,014
Share of net income for year		**43,144**		73,735
Dividends received during year		**(43,144)**		(73,735)
Return of capital		**(23,225)**		(23,225)
Repayment of outstanding debt		**(209,027)**		(209,027)
Balance, end of year	**$**	**1,393,510**	$	1,625,762

9. Investment in Kitchener Generation Corporation (continued)

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

		2024		2023
Financial position				
Current assets	**$**	**2,751**	$	4,478
Capital assets		**1,393,509**		1,625,760
Total assets		**1,396,260**		1,630,238
Current liabilities		**2,749**		4,476
Long-term debt		**1,254,159**		1,463,186
Total liabilities		**1,256,908**		1,467,662
Net assets	**$**	**139,352**	$	162,576

		2024		2023
Results of operations				
Revenues	**$**	**361,247**	$	389,765
Expenses		**(318,103)**		(316,030)
Net income		**43,144**		73,735
City's share of net income - 100%	**$**	**43,144**	$	73,735

10. Insurance pool

Accounts payable and accrued liabilities include an amount of $12,883,468 *(2023 - $15,671,086)* 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 25.27% *(2023 - 25.04%)* and its share of the Pool's cumulative surplus as at May 31**,** 2024 was $2,232,819 *(2023 - $1,186,489).* The City’s share of the Pool's cumulative surplus has not been included in the Consolidated Statement of Financial Position.

11. Contaminated sites

Accounts payable and accrued liabilities include a liability for remediation of contaminated sites of $5,378,000 *(2023 - $nil)*. The liability was based on environmental assessments, or estimates for those sites where an assessment has not been conducted. This estimate is subject to significant measurement uncertainty due to the possible variation in activities required to complete the remediation. Estimated recoveries are expected to be $nil *(2023 - $nil)*.

12. Deferred revenue - obligatory reserve funds

Obligatory deferred revenue is comprised of the following:

	2024	2023
Development charges	**$ 53,495,388**	$ 55,957,838
Canada Community-Building Fund	**12,050,778**	8,043,263
Building	**12,728,632**	14,212,512
Recreational land	**18,456,790**	15,410,081
	$ 96,731,588	$ 93,623,694

The continuity of obligatory deferred revenue is as follows:

	Development charges	**Canada Community-Building Fund**	**Building**	**Recreational land**	**Total**
Balance, January 1, 2024	**$ 55,957,838**	**$ 8,043,263**	**$ 14,212,512**	**$ 15,410,081**	**$ 93,623,694**
Collections	**19,677,055**	**8,191,726**	**-**	**2,868,638**	**30,737,419**
Interest and investment income earned	**192,150**	**15,371**	**758,740**	**439,642**	**1,405,903**
Deferred revenue recognized	**(22,331,655)**	**(4,199,582)**	**(2,242,620)**	**(261,571)**	**(29,035,428)**
Balance, December 31, 2024	**53,495,388**	**12,050,778**	**12,728,632**	**18,456,790**	**96,731,588**
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

13. 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 $79,263,355 *(2023 - $52,615,623).*

The annual principal repayments are:

2025	**$ 12,481,372**
2026	**12,371,468**
2027	**9,479,174**
2028	**8,513,271**
2029	**7,556,777**
2030 and thereafter	**28,861,293**
	$ 79,263,355

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 0.85% to 5.15% *(2023 - 0.70% to 5.40%)*. Interest charges for 2024 relating to municipal debt totalled $1,675,564 *(2023 - $1,703,950)*.

14. Pension plan

The City makes contributions to the Ontario Municipal Employees' Retirement System (OMERS), which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employee contributions are matched by the City. Contributions were required on account of current service in 2024 amounting to $14,011,606 *(2023 - $12,651,041).*

The latest available report for the OMERS plan was as at December 31, 2024. At that time the plan reported a $2.9 billion actuarial deficit, based on actuarial liabilities of $142.5 billion and actuarial assets of $139.6 billion. The City does not recognize any share of the pension plan deficit since this is a joint responsibility for all Ontario municipalities and their employees. Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements. As at December 31, 2024, the City has no obligation under the past service provisions of the OMERS agreement.

15. Employee future benefits

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

		2024		2023
Sick leave benefit plan	**$**	**20,957,900**	$	21,053,287
Retirement benefits		**25,405,600**		24,851,723
Workplace Safety and Insurance Board		**8,851,000**		8,754,900
	$	**55,214,500**	$	54,659,910

Significant actuarial assumptions

December 31, 2024	**Workplace Safety and Insurance Board**		**Sick Leave and Retirement Benefits**	
	2024	2023	**2024**	2023
Discount rate	**4.40**	4.60	**4.60**	4.60
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**	5.50
Health care ultimate trend rate	**N/A**	N/A	**4.00**	4.00
Dental care initial trend rate	**N/A**	N/A	**4.00**	4.00
Dental care ultimate trend rate	**N/A**	N/A	**4.00**	4.00

a. Sick leave benefit plan

Under the sick leave benefit plan, unused sick leave can accumulate and certain employees may become entitled to cash payments when they leave the City's employment. The amount of benefits paid during the year were $1,699,300 *(2023 - $1,774,010).*

A reserve fund to provide for this liability is included in accumulated surplus, in the amount of $6,228,995 *(2023 - $6,706,355)*.

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

2025	**$**	**1,089,186**
2026		**1,149,760**
2027		**919,027**
2028		**395,080**
2028		**997,969**
2029 and thereafter		**7,253,545**
	$	**11,804,567**

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

15. Employee future benefits (continued)

a. Sick leave benefit plan (continued)

The actuarial expense for the current year was $1,604,000 *(2023 - $1,779,043)* and is comprised of the following items:

	2024	2023
Current period benefit cost	**$ 1,210,800**	$ 1,092,378
Amortization of actuarial gains	**(352,200)**	(187,954)
Sick leave benefit expense	**858,600**	904,424
Sick leave benefit interest expense	**745,400**	874,619
Total expenses related to sick leave benefits	**$ 1,604,000**	$ 1,779,043

As at December 31, 2024, the unamortized actuarial gains were $4,854,500 *(2023 - $5,210,717)* and are amortized over 12 to 14 years *(2023 - 11 to 13 years)*.

b. Retirement benefits

The City pays certain health, dental and life insurance benefits on behalf of its retired employees up to the age of 65 if they have at least ten years of service with the City. The amount of benefits paid during the year were $1,755,800 *(2023 - $1,260,725).*

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% *(2023 - 4.60%)* and inflation rates for benefit premiums of 4.0% to 5.5% *(2023 - 4.0% to 5.5%)*. The last actuarial valuation for this liability was completed at December 31, 2023.

The actuarial expense for the current year was $2,309,700 *(2023 - $1,768,212)* and is comprised of the following items:

	2024	2023
Current period benefit cost	**$ 1,001,500**	$ 830,645
Amortization of actuarial gains	**(30,600)**	(319,421)
Amortization plan improvements	**316,000**	332,736
Retirement benefit expense	**1,286,900**	843,960
Retirement benefit interest expense	**1,022,800**	924,252
Total expenses related to retirement benefits	**$ 2,309,700**	$ 1,768,212

As at December 31, 2024, the unamortized actuarial gains were $2,709,000 *(2023 - $2,739,601)* and are amortized over 11 to 14 years *(2023 - 11 to 13 years)*.

15. Employee future benefits (continued)

c. Workplace Safety and Insurance Board

The Workplace Safety and Insurance Board (WSIB) administers injured worker benefits payments on behalf of the City as a Schedule 2 employer. The amount of benefits paid during the year were $3,111,700 *(2023 - $2,324,200).*

A reserve fund to provide for this liability is included in accumulated surplus, in the amount of $4,388,205 *(2023 - $5,847,131)*.

The actuarial valuation of the future liability for WSIB assumes a discount rate of 4.40% *(2023 - 4.60%)*. The last actuarial valuation for this liability was completed at December 31, 2022.

The actuarial expense for the current year was $3,207,800 *(2023 - $1,821,300)* and is comprised of the following items:

	2024	2023
Current period benefit cost	**$ 2,563,700**	$ 853,400
Amortization of actuarial losses	**96,100**	405,600
WSIB benefit expense	**2,659,800**	1,259,000
WSIB benefit interest expense	**548,000**	562,300
Total expenses related to WSIB benefits	**$ 3,207,800**	$ 1,821,300

As at December 31, 2024, the unamortized actuarial losses were $2,189,700 *(2023 - $2,151,100)* and are amortized over 13 years *(2023 - 13 years)*.

16. Asset retirement obligations

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

a. Asbestos obligations

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

16. Asset retirement obligations (continued)

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, 2024	**$ 13,990,265**	**$ 500,000**	**$ 96,845,384**	**$ 111,335,649**
Liabilities incurred	**273,776**	**-**	**3,212,759**	**3,486,535**
Liabilities settled	**(3,059)**	**-**	**(1,030,737)**	**(1,033,796)**
Change in estimate	**555,572**	**20,000**	**3,268,880**	**3,844,452**
Balance, December 31, 2024	**14,816,554**	**520,000**	**102,296,286**	**117,632,840**
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

17. Tangible capital assets

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

Assets under construction having a value of $82,871,747 *(2023 - $48,726,778)* have not been amortized. Amortization of these assets will commence when the assets are put into service.

Contributed tangible capital assets of $29,240,620 *(2023 - $22,638,316)* 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 *(2023 - $nil)*.

The amount of interest capitalized was $nil *(2023 - $nil)*.

18. Accumulated operating surplus

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

	2024	2023
Surplus:		
Invested in tangible capital assets	**$1,709,533,110**	$1,573,660,744
Other	**64,135,619**	75,426,145
Investment in Enova Energy Corporation	**312,551,862**	311,064,994
Investment in Kitchener Generation Corporation	**1,393,510**	1,625,762
Employee future benefits (unfunded)	**(55,214,500)**	(54,659,910)
Asset retirement obligations	**(117,632,840)**	(111,335,649)
Total surplus	**1,914,766,761**	1,795,782,086
Reserve funds set aside for specific purposes by Council for:		
Capital	**77,867,204**	56,854,924
Stabilization	**56,668,964**	49,591,194
Program specific	**10,662,715**	12,199,444
Corporate	**13,200,980**	15,026,992
	158,399,863	133,672,554
Reserve funds set aside for specific purposes by consolidated entities:		
Kitchener Public Library	**449,336**	449,336
Kitchener Downtown Improvement Area Board of Management	**50,000**	50,000
The Centre in the Square Inc.	**2,308,857**	2,174,449
	2,808,193	2,673,785
Total reserve funds	**161,208,056**	136,346,339
Accumulated operating surplus	**$2,075,974,817**	$1,932,128,425

19. Government transfers

Government transfers are comprised of the following:

	2024	2023
Federal		
Conditional grants	**$ 1,254,263**	$ 228,494
Capital grants	**18,095,482**	16,642,730
	19,349,745	16,871,224
Provincial		
Conditional grants	**2,179,528**	1,969,595
Capital grants	**8,125,086**	939,824
	10,304,614	2,909,419
Municipal		
Revenue from other municipalities	**7,635,890**	7,412,415
Revenue from other municipalities for capital projects	**784,291**	134,948
	8,420,181	7,547,363
Total government transfers	**$ 38,074,540**	$ 27,328,006

20. 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.

21. Segmented information

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

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

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

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

22. Budget figures

The budget figures reflected in these consolidated financial statements are those approved by Council at a meeting on December 14, 2023. Budget figures have been translated to reflect Public Sector Accounting Board standards as follows:

		2024
Approved operating budget surplus	$	-
Adjustments		
Reserve budget revenues net of expenses		34,179,425
Non-tangible capital asset portion of capital budget		(9,640,495)
Consolidated entity budget surpluses		3,121,567
Share of net income of government business enterprises		7,707,812
Debt charge recoveries		135,299
Contributions of tangible capital assets		29,240,620
Amortization of tangible capital assets		(66,322,533)
Unfunded accrual for employee future benefits		(554,590)
Net transfers to capital and reserve funds		93,018,469
Debt principle repayments net of recoveries		4,578,059
Consolidated financial statement budget surplus	$	95,463,633

23. Financial instruments

The City is exposed to various risks through its financial instruments and continues to monitor, evaluate, and manage these risks. The following analysis provides information about the City's risk exposure and concentration as at December 31, 2024.

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 $4,301,855 *(2023 - $5,000,569)* 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.

23. Financial instruments (continued)

b. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The City is exposed to liquidity risk from accounts payable and accrued liabilities and 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 13.

c. Market risk

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

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The City manages its interest rate risk by maintaining a mix of fixed income investments which meet the criteria outlined in the Investment Policy. The sensitivity of the cash and notice plan account balances to a 1% decrease in the interest rate would be a reduction in interest income of $2,570,093 for the year (*2023 - $1,993,883*). 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.

24. Comparative figures

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

25. Subsequent events

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

THE CORPORATION OF THE CITY OF KITCHENER

Schedule A - Tangible Capital Assets

For the Year Ended December 31, 2024

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

THE CORPORATION OF THE CITY OF KITCHENER

Schedule A - Tangible Capital Assets (Continued)

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	67,991,507	22,081,718	126,484,287
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)
Asset retirement obligations incurred	-	-	-	-	-	-	-	-	-	-	1,301,374	-	1,301,374
Asset retirement obligations 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 B - Segmented Information

For the Year Ended December 31, 2024

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

THE CORPORATION OF THE CITY OF KITCHENER

Schedule B - Segmented Information (Continued)

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	$ 25,030,019	$ 43,938,903	$ 19,738,359	$ 2,363,039	$ 378,040	$ 1,750,638	$ 52,633,581	$ 8,953,591	$ -	$ 154,786,170
User fees and charges	2,088,076	10,193,254	6,005,045	151,384,938	1,862,932	427,766	21,501,040	5,510,262	100,368,081	299,341,394
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	16,579,562	595,196	240,336	1,849,622	350,454	48,586	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	2,098,829	319,808	418,246	400,955	26,572	19,802	1,211,168	426,971	961,592	5,883,943
Total revenues	63,358,461	57,054,660	45,313,551	179,864,331	2,578,707	2,999,558	87,573,549	25,381,272	100,560,371	564,684,460
Expenses										
Salaries, wages and employee benefits	41,122,247	47,345,372	14,454,252	13,065,995	1,793,898	2,063,571	48,992,421	6,992,621	7,561,190	183,391,567
Materials and services	24,124,378	5,669,640	8,608,696	72,719,020	558,043	1,041,275	23,161,645	3,568,483	50,546,848	189,998,028
Municipal debt interest	164,229	192,039	303,343	1,039	16,680	-	782,559	244,061	-	1,703,950
Interfunctional and program support	(31,224,944)	2,802,026	3,115,240	11,622,477	499,723	156,392	5,648,576	1,481,507	5,899,003	-
External transfers	121,648	28,026	8,422	578,420	-	214,973	2,568,633	6,599,824	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
Total expenses	39,784,940	58,165,898	41,367,054	112,720,855	3,045,497	3,553,018	93,336,377	19,363,159	78,806,816	450,143,614
Annual surplus	$ 23,573,521	$ (1,111,238)	$ 3,946,497	$ 67,143,476	$ (466,790)	$ (553,460)	$ (5,762,828)	$ 6,018,113	$ 21,753,555	$ 114,540,846

THE CORPORATION OF THE CITY OF KITCHENER TRUST FUNDS

Balance Sheet

As at December 31

	2024	2023
Assets		
Accounts receivable	**$ 32,611**	$ 24,750
Interest receivable	**132,578**	126,441
Loans receivable (Note 2)	**308,707**	365,160
Investments (Note 3)		
Short-term	**2,610,672**	5,638,593
Long-term	**16,785,872**	12,824,223
	19,870,440	18,979,167
Fund Balance	**$19,870,440**	$18,979,167

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

		2024		2023
Receipts				
Perpetual care funds	**$**	**548,608**	$	452,541
Interest earned		**711,339**		540,436
Other		**352,472**		306,202
		1,612,419		1,299,179
Expenditures				
Transfer to cemeteries operations		**462,814**		346,172
Other disbursements		**258,332**		287,615
		721,146		633,787
Net change in fund		**891,273**		665,392
Balance, beginning of year		**18,979,167**		18,313,775
Balance, end of year	**$**	**19,870,440**	$	18,979,167

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

THE CORPORATION OF THE CITY OF KITCHENER TRUST FUNDS

Notes to the Financial Statements

For the Year Ended December 31

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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 $16,785,872 *(2023 - $12,824,223)* reported on the Balance Sheet at amortized cost, have a market value of $16,733,033 *(2023 - $12,550,055)*.

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, 2024.

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 $75,394 for the year *(2023 - $36,909)*.

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.

THE CORPORATION OF THE CITY OF KITCHENER TRUST FUNDS

Schedule of Continuity by Fund

For the Year Ended December 31

	Balance December 31, 2023	Perpetual care funds	Interest earned	Other receipts	Transfer to cemeteries operations	Other disbursements	Balance December 31, 2024
Perpetual Care Funds							
Mount Hope Cemetery	$ 606,476	$ 1,140	$ 22,350	$ 900	$ 22,350	$ -	$ 608,516
Woodland Cemetery	5,796,900	107,583	213,361	16,300	202,406	-	5,931,738
Bridgeport Cemetery	172,682	2,288	6,400	400	6,400	-	175,370
Williamsburg Cemetery	5,442,030	437,597	208,546	34,100	208,546	-	5,913,727
St. Peter's Cemetery	499,213	-	18,389	1,300	18,389	-	500,513
Cemetery Trusts							
F. E. Tremain	15,550	-	572	-	572	-	15,550
Florence V. Cober	8,783	-	323	-	323	-	8,783
L. F. Glick	20,664	-	760	-	760	-	20,664
Edna Atherton	1,331	-	49	-	49	-	1,331
George Wright Estate	42,614	-	1,568	-	1,568	-	42,614
E. L. Goetz	1,357	-	50	-	50	-	1,357
E. Weiderhold	38,065	-	1,401	-	1,401	-	38,065
Prepaid Interments	6,333,502	-	237,570	299,472	-	258,332	6,612,212
	$ 18,979,167	**$ 548,608**	**$ 711,339**	**$ 352,472**	**$ 462,814**	**$ 258,332**	**$ 19,870,440**

BELMONT IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Financial Position

As at December 31

		2024		2023 (Restated Note 3)
Financial assets				
Cash	**$**	**19,091**	$	16,409
Liabilities				
Accounts payable and accrued liabilities		**10,170**		4,626
Deferred revenue		**7,404**		7,404
		17,574		12,030
Net financial assets		**1,517**		4,379
Non-financial assets				
Tangible capital assets (Note 2)		**40,391**		48,811
Prepaid expenses		**1,734**		1,347
		42,125		50,158
Net assets		**43,642**		54,537
Accumulated surplus				
Accumulated net revenue		**3,251**		5,726
Invested in tangible capital assets		**40,391**		48,811
Total accumulated surplus	**$**	**43,642**	$	54,537

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

		2024		2023 (Restated Note 3)
Revenues				
Assessments	**$**	**48,624**	$	44,797
Other revenue		**6,495**		9,783
		55,119		54,580
Expenses				
Administration		**9,881**		10,453
Amortization		**8,420**		7,225
Events		**11,459**		3,683
Marketing		**6,320**		3,187
Repairs and maintenance		**28,115**		25,312
Streetscaping		**1,819**		1,241
		66,014		51,101
Annual surplus (deficit)		**(10,895)**		3,479
Accumulated surplus, beginning of year, as previously stated		**54,537**		58,462
Restatement relating to grant revenue (Note 3)		**-**		(7,404)
Accumulated surplus, beginning of year, as restated		**54,537**		51,058
Accumulated surplus, end of year	**$**	**43,642**	$	54,537

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

		2024		2023 (Restated Note 3)
Annual surplus (deficit)	**$**	**(10,895)**	$	3,479
Acquisition of tangible capital assets		**-**		(5,006)
Amortization of tangible capital assets		**8,420**		7,225
Net change in prepaid expenses		**(387)**		(152)
Change in net financial assets		**(2,862)**		5,546
Net financial assets (debt), beginning of year		**4,379**		(1,167)
Net financial assets, end of year	**$**	**1,517**	$	4,379

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

	2024	2023
Operating		
Annual surplus (deficit)	**$ (10,895)**	$ 3,479
Item not involving cash		
Amortization	**8,420**	7,225
Change in non-cash assets and liabilities		
Prepaid expenses	**(387)**	(152)
Accounts payable and accrued liabilities	**5,544**	(7,628)
Net change in cash from operating activies	**2,682**	2,924
Capital		
Acquisition of tangible capital assets	**-**	(5,006)
Net change in cash	**2,682**	(2,082)
Cash, beginning of year	**16,409**	18,491
Cash, end of year	**$ 19,091**	$ 16,409

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 Public Sector Accounting Standard 3400 Revenue for the year ended December 31, 2024. The adoption of this standard had no material impact on the financial statements of the Board.

2. Tangible capital assets

	Machinery & Equipment	Computer Hardware	Total
Cost			
Balance, beginning of year	$ 64,917	$ 5,989	$ 70,906
Additions	-	-	-
Balance, end of year	**64,917**	**5,989**	**70,906**
Accumulated amortization			
Balance, beginning of year	(19,581)	(2,514)	(22,095)
Amortization expense	(6,104)	(2,316)	(8,420)
Balance, end of year	**(25,685)**	**(4,830)**	**(30,515)**
Net book value, end of year	**39,232**	**1,159**	**40,391**
Net book value, beginning of year	**$ 45,336**	**$ 3,475**	**$ 48,811**

3. Restatement of prior period figures

The 2023 comparative information has been restated to correct an error which relates to the recognition of grant revenue for funds recognized as revenue when the corresponding expense has not been incurred.

As a result, the Statement of Financial Position as at December 31, 2023 is being restated as follows:

- Deferred revenue increased by $7,404
- Accumulated net revenue decreased by $7,404

The Statement of Operations for the year ended December 31, 2023 is being restated as follows:

- Accumulated surplus, beginning of year decreased by $7,404.

4. Related party transactions

During the year, the Board received reimbursement of $nil (*2023 - $5,006*) for aquisition of tangible capital assets from the Corporation of the City of Kitchener, its ultimate controlling party. This is included in other revenue on the Statement of Operations.

5. 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, 2024.

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.

Financial Statements of

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

And Independent Auditor's Report thereon

Year ended December 31, 2024

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, 2024
- 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, 2024 and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

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

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

May 6, 2025

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Financial assets:		
Cash	$ 265,270	$ 360,753
Term deposits (note 2)	512,068	494,106
Accounts receivable	108,141	58,523
	885,479	913,382
Financial liabilities:		
Accounts payable and accrued liabilities	244,984	245,490
Due to the City of Kitchener (note 4)	67,659	54,814
	312,643	300,304
Net financial assets	572,836	613,078
Non-financial assets:		
Prepaid expenses	14,733	16,332
Tangible capital assets (note 5)	651,340	664,954
	666,073	681,286
Commitments (note 3)		
	$ 1,238,909	$ 1,294,364
Accumulated surplus:		
Reserve for rate stabilization	$ 50,000	$ 50,000
Accumulated net revenue	537,569	579,410
Invested in tangible capital assets	651,340	664,954
	$ 1,238,909	$ 1,294,364

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, 2024, with comparative information for 2023

	2024 Budget (note 7)	2024 Actual	2023 Actual
Revenue:			
Assessments	$ 1,816,000	$ 1,816,000	$ 1,485,000
Interest	-	17,962	8,599
Other income (note 6)	-	126,275	280,652
	1,816,000	1,960,237	1,774,251
Expenses:			
Promotions and advertising	960,000	1,021,764	788,500
Salaries, wages and benefits	566,000	568,652	429,556
Administration	155,000	142,143	141,660
Meetings and seminars	18,000	11,310	25,858
Safety and beautification	110,000	112,205	83,719
Member relations	7,000	14,555	3,736
Amortization	-	77,404	71,983
	1,816,000	1,948,033	1,545,012
Net revenue before other items	-	12,204	229,239
Less:Net assessment write-offs (note 4)	-	67,659	54,814
Annual surplus (deficit)	-	(55,455)	174,425
Accumulated surplus, beginning of year	1,294,364	1,294,364	1,119,939
Accumulated surplus, end of year	$ 1,294,364	$ 1,238,909	$ 1,294,364

See accompanying notes to financial statements.

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Changes in Net Financial Assets

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Annual surplus	$ (55,455)	$ 174,425
Acquisition of tangible capital assets	(63,790)	(12,377)
Amortization of tangible capital assets	77,404	71,983
Change in prepaid expenses	1,599	917
Change in net financial assets	(40,242)	234,948
Net financial assets, beginning of year	613,078	378,130
Net financial assets, end of year	$ 572,836	$ 613,078

See accompanying notes to financial statements.

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	$ (55,455)	$ 174,425
Item not involving cash:		
Amortization	77,404	71,983
Changes in non-cash operating working capital:		
Accounts receivable	(49,618)	19,330
Prepaid expenses	1,599	917
Accounts payable and accrued liabilities	(506)	(191,813)
Due to the City of Kitchener	12,845	33,208
	(13,731)	108,050
Investing activities:		
Purchase of investments	(17,962)	(377,569)
Acquisition of tangible capital assets	(63,790)	(12,377)
Decrease in cash	(95,483)	(281,896)
Cash, beginning of year	360,753	642,649
Cash, end of year	$ 265,270	$ 360,753

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.

(d) Change in accounting standards:

The Board adopted the following accounting standards beginning January 1, 2024, retroactively, with no impact on the financial statements:

- PS 3400 Revenue establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligations (i.e. the payor expects a good or service from the public sector entity), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions. For exchange transactions, revenue is recognized when a performance obligation is satisfied. For non-exchange transactions, revenue is recognized when there is authority to retain an inflow of economic resources and a past event that gave rise to an asset has occurred.
- PSG-8 Purchased Intangibles provides guidance on the accounting and reporting for purchased intangible assets that are acquired through arm’s length exchange transactions between knowledgeable, willing parties that are under no compulsion to act.
- PS 3160 Public Private Partnerships (P3s) provides specific guidance on the accounting and reporting for P3s between public and private sector entities where the public sector entity procures infrastructure using a private sector partner.

2. Term deposits:

The term deposits consist of the following:

Maturity		Principal	Rate
February 16, 2025	$	57,300	3.25 %
March 12, 2025		11,920	3.25 %
April 1, 2025		54,523	3.00 %
March 26, 2025		387,707	2.80 %

3. Commitments:

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

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

4. City of Kitchener:

The Board receives assessment income from the City of Kitchener for its operations. During the year, assessment write-offs were incurred for $67,659 (2023 - $54,814).

5. Tangible capital assets:

	Opening balance	Additions	Disposals/ transfers	Write-down	Balance, end of year	Accumulated amortization, beginning of year	Net book value, beginning of year	Deletions	Amortization	Accumulated amortization, end of year	Net book value, end of year
Computers	$ 48,037	$ -	$ -	$ -	$ 48,037	$ 34,557	$ 13,480	$ -	$ 4,800	$ 39,357	$ 8,680
Furniture	67,870	-	-	-	67,870	66,884	986	-	206	67,090	780
leasehold improvements	3,498	-	-	-	3,498	3,498	-	-	-	3,498	-
Event equipment	48,175	63,790	-	-	111,965	48,175	-	-	4,465	52,640	59,325
Patio equipment	790,734	-	-	-	790,734	150,433	640,301	-	63,859	214,292	576,442
Structures	20,372	-	-	-	20,372	10,185	10,187	-	4,074	14,259	6,113
	$ 978,686	$ 63,790	$ -	$ -	$ 1,042,476	$ 313,732	$ 664,954	$ -	$ 77,404	$ 391,136	$ 651,340

6. Government grants:

Included in other income for the year ended December 31, 2024 is a transfer of $125,000 from Government of Canada under the Tourism Growth Program.

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.

7. Budget figures:

The budget figures shown in the financial statements were approved by the Board at a meeting on August 23, 2023.

Financial Statements of

KITCHENER PUBLIC LIBRARY BOARD

And Independent Auditor's Report thereon

Year ended December 31, 2024

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, 2024
- 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, 2024 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, 2025

KITCHENER PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Financial assets		
Cash	$ 3,641,544	$ 2,362,668
Accounts receivable	346,766	269,716
Due from City of Kitchener	627,473	885,079
Investments (note 2)	175,000	90,000
Endowment investments (note 2)	100,000	100,000
	4,890,783	3,707,463
Financial liabilities		
Accounts payable and accrued liabilities	1,203,956	1,194,179
Due to Early Literacy Alliance of Waterloo Region	750,001	726,661
Deferred revenue (note 4)	554,033	555,732
Capital advance from Federal Government (note 5)	1,855,393	681,373
	4,363,383	3,157,945
Net financial assets	527,400	549,518
Non-financial assets		
Tangible capital assets (note 3)	5,027,905	4,870,958
Prepaid expenses	21,000	-
	5,048,905	4,870,958
Subsequent events (note 12)		
Accumulated surplus (note 9)	$ 5,576,305	$ 5,420,476

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, 2024, with comparative information for 2023

	2024 Budget	2024 Actual	2023 Actual
Revenue:			
Grants:			
The City of Kitchener – Operating	$ 12,688,968	$ 12,688,968	$ 12,132,850
The City of Kitchener – Capital and special (note 6)	-	1,058,310	775,085
Other (note 7)	-	365,033	226,966
Province of Ontario	306,980	306,980	306,980
Interest and miscellaneous	40,000	205,331	177,690
Rentals	97,000	129,473	125,242
Partnerships	58,169	56,470	43,962
Photocopy	40,000	65,389	55,477
Lost and damaged fees	25,000	30,905	33,017
	13,256,117	14,906,859	13,877,269
Expenses:			
Personnel costs (Schedule 1)	10,316,809	10,284,654	9,635,160
Resource materials	1,240,100	1,394,136	1,418,954
Equipment (Schedule 2)	413,423	898,525	947,382
Facilities costs (Schedule 3)	844,633	860,732	877,221
Required expenditures related to special grants (note 7)	-	365,033	361,969
Expenditures related to capital and special (note 6)	-	306,715	435,533
Administrative (Schedule 4)	253,652	445,463	386,091
Processing/bindery	100,000	114,645	95,790
Programs and publicity (Schedule 5)	77,500	61,906	66,654
General library	10,000	19,221	12,113
	13,256,117	14,751,030	14,236,867
Excess (deficiency) of revenue over expenses	-	155,829	(359,598)
Accumulated surplus, beginning of year	5,420,476	5,420,476	5,780,074
Accumulated surplus, end of year	$ 5,420,476	$ 5,576,305	$ 5,420,476

See accompanying notes to financial statements.

KITCHENER PUBLIC LIBRARY BOARD

Statement of Changes in Net Financial Assets

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Excess (deficiency) of revenue over expenses	155,829	(359,598)
Acquisition of tangible capital assets	(1,423,677)	(1,155,589)
Amortization of tangible capital assets	1,266,730	1,380,366
Acquisition of prepaid expenses	(21,000)	-
Change in net financial assets	(22,118)	(134,821)
Net financial assets, beginning of year	549,518	684,339
Net financial assets, end of year	$ 527,400	$ 549,518

See accompanying notes to financial statements.

KITCHENER PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ 155,829	$ (359,598)
Item not involving cash:		
Amortization of tangible capital assets	1,266,730	1,380,366
Changes in non-cash operating working capital:		
Accounts receivable	(77,050)	(118,538)
Accounts payable and accrued liabilities	9,777	635,245
Due to Early Literacy Alliance of Waterloo Region	23,340	78,024
Deferred revenue	(1,699)	41,922
Due from City of Kitchener	257,606	(802,001)
Prepaid expenses	(21,000)	-
Capital advance from federal government	1,174,020	681,373
	2,787,553	1,536,793
Investing activities:		
Purchase of investments	(85,000)	(40,000)
Capital activities:		
Cash used to acquire tangible capital assets	(1,423,677)	(1,155,589)
Increase in cash	1,278,876	341,204
Cash, beginning of year	2,362,668	2,021,464
Cash, end of year	$ 3,641,544	$ 2,362,668

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, 2024, the Board did not identify or record any asset retirement obligation.

(i) Use of estimates:

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

Actual results could differ from these estimates.

(j) Financial instruments:

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

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

1. Significant accounting policies (continued):

(j) Financial instruments (continued):

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

The following is a list of the Board's financial instruments and their related measurement basis as at December 31, 2024.

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.

1. Significant accounting policies (continued):

(j) Financial instruments (continued):

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

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

1. Significant accounting policies (continued):

(k) Adoption of new accounting standards:

The Board adopted the following accounting standards beginning January 1, 2024, retroactively, with no impact on the financial statements:

i. PS 3400 Revenue establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligations (i.e. the payor expects a good or service from the public sector entity), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions. For exchange transactions, revenue is recognized when a performance obligation is satisfied. For non-exchange transactions, revenue is recognized when there is authority to retain an inflow of economic resources and a past event that gave rise to an asset has occurred.

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

2. Investments:

		2024		2023
	Amortized cost	Market Value	Amortized cost	Market Value
Investments:				
Guaranteed Investment Certificate	$ 50,000	$ 50,069	$ 50,000	$ 51,243
Waterloo Region Community Foundation	125,000	144,347	40,000	46,357
	175,000	194,416	90,000	97,600
Endowment investments:				
Guaranteed Investment Certificate	100,000	100,138	100,000	102,508
	$ 275,000	$ 294,554	$ 190,000	$ 200,108

The Guaranteed investment Certificates have a 3.15% interest rate and mature December 16, 2025.

3. Tangible capital assets:

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

3. Tangible capital assets (continued):

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

Amortization for the year amounted to $1,266,730. This amount is allocated as follows: $798,448 is recorded in resource materials expenses, and $468,282 is recorded in equipment expenses.

4. Deferred revenue:

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

	2024	2023
Deferred capital grants	$ 554,033	$ 528,737
Other	-	26,995
Total deferred revenue	$ 554,033	$ 555,732

Continuity of deferred capital grants is as follows:

	2024	2023
Balance, beginning of year	$ 528,737	$ 479,825
Receipt of grant	390,329	957,251
Transfer to capital advance from federal government	-	(681,373)
Contributions realized as revenue	(365,033)	(226,966)
Balance, end of year	$ 554,033	$ 528,737

5. Capital advance from Federal Government:

On August 31, 2023, Kitchener Public Library signed an agreement with the Federal Government to receive funds to cover the costs of the construction of the new Southwest Community Library. The balance represents the remaining cash advance received from the Federal Government to be applied against incurred construction costs. The agreement with the federal government is set to end on March 31, 2026.

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 2024 included $122,078 (2023 - $103,998) for general renovations, maintenance and upgrading of existing facilities, $ 400,574 (2023 - $443,671) for communication infrastructure and technology upgrades, $ 30,914 (2023 - $30,308) for KPL Accessibility Fund, $60,343 (2023 - $58,793) for resources, furniture and equipment, and $Nil (2023 - $60,000) for customer needs survey.

The portion of these grants and previous year grants that are included in revenue in 2024 is $1,058,310 (2023 - $775,085).

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 2024, the Board received various special non-recurring grants and donations totaling $390,329 (2023 - $275,878). The portion of these grants and previous year special grants that are included in revenue in 2024 is $365,033 (2023 - $226,966). 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 $694,854 (2023 - $685,464) for current service on behalf of its staff.

The latest available report for the OMERS plan was as at December 31, 2024. At that time the plan reported a $2.9 billion actuarial deficit, based on actuarial liabilities of $142.5 billion and actuarial assets of $139.6 billion. Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements. As at December 31, 2024, 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:

	2024	2023
Reserves set aside by the Board:		
Capital fund	344,460	344,460
HR fund	37,000	37,000
Inclusion fund	67,876	67,876
Total reserves	449,336	449,336
Investment in tangible capital assets	5,027,905	4,870,958
Accumulated surplus – unrestricted	99,064	100,182
Accumulated surplus	$ 5,576,305	$ 5,420,476

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, 2024 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, 2024 is $Nil (2023 - $Nil).

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

(c) Liquidity risk:

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

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

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

Concentration of risk:

(a) Limited counterparties:

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

11. Comparative information

Certain comparative information have been reclassified from those previously presented to conform to the presentation of the 2024 financial statements.

12. Subsequent events:

On February 14, 2025, an agreement between the Board and CUPE Local 331 Union was ratified, setting out terms for the retroactive payment of salary and wages for library staff for the period covering July 1, 2024 to the date of ratification, set to be paid out on March 13, 2025. The estimated amount of the retroactive pay has been accrued for in the fiscal year.

13. Future accounting standards:

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

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

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

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

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

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

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

KITCHENER PUBLIC LIBRARY BOARD

Schedules

Year ended December 31, 2024, with comparative information for 2023

		2024		2023
Schedule 1 - Personnel Costs				
Salaries	$	8,117,396	$	7,697,846
Pension benefits		1,102,850		1,066,963
Health benefits		615,621		561,228
Employment insurance		152,931		147,469
Sick leave reserve		210,000		70,000
Staff training		59,892		69,635
WSIB		25,964		22,019
	$	10,284,654	$	9,635,160
Schedule 2 - Equipment				
Amortization	$	468,283	$	535,728
Technology		410,582		392,461
Equipment maintenance		19,660		19,193
	$	898,525	$	947,382
Schedule 3 - Facilities Costs				
Facilities expenses	$	625,159	$	620,727
Main utilities		235,573		256,494
	$	860,732	$	877,221
Schedule 4 - Administrative				
Professional services	$	227,830	$	161,890
General business		113,864		111,249
Stationery		53,146		67,820
Insurance		21,636		21,212
Telephone		24,214		19,038
Postage and delivery		4,773		4,882
	$	445,463	$	386,091
Schedule 5 - Programs and Publicity				
Public programs	$	33,563	$	36,167
Promotional expenses		28,343		30,487
	$	61,906	$	66,654

Financial Statements of

THE CENTRE IN THE SQUARE INC.

And Independent Auditor's Report thereon

Year ended December 31, 2024

KPMG LLP
120 Victoria Street South
Suite 600
Kitchener, ON N2G 0E1
Canada
Telephone 519 747 8800
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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

- the statement of financial position as at December 31, 2024
- the statement of operations and changes in accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of remeasurement gains for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2024 and its results of operations 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.

KPMG

- 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 29, 2025

THE CENTRE IN THE SQUARE INC.

Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Financial assets:		
Cash and cash equivalents	$ 5,672,181	$ 4,406,917
Accounts receivable (note 3)	587,858	257,868
Interest receivable	872	1,045
Costs to be recovered	250,790	139,156
Investments (note 4)	1,269,983	1,752,607
Due from the City of Kitchener	2,790	32,707
	7,784,474	6,590,300
Financial liabilities:		
Accounts payable and accrued liabilities	2,680,123	2,208,140
Asset retirement obligations (note 8)	205,985	201,946
Deferred revenue (note 9)	2,639,371	2,082,347
	5,525,479	4,492,433
Net financial assets	2,258,995	2,097,867
Non-financial assets:		
Tangible capital assets (note 6)	17,604,420	17,322,559
Inventories (note 5)	70,992	58,059
Prepaid expenses	236,165	217,675
	17,911,577	17,598,293
Net assets	$ 20,170,572	$ 19,696,160
Accumulated surplus:		
Operating fund activities (note 7)	$ -	$ -
Reserves - Capital (note 15)	1,293,444	1,215,436
Reserves - Sustainability (note 15)	219,795	213,284
Reserves - Restricted (note 15)	795,618	745,730
Invested in tangible capital assets	17,604,420	17,322,559
	19,913,277	19,497,009
Accumulated remeasurement gains (losses)	257,295	199,151
	$ 20,170,572	$ 19,696,160

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, 2024, with comparative information for 2023

	2024 Budget	2024 Actual	2023 Actual
Revenue:			
Performances	$ 4,994,820	$ 5,304,346	$ 4,250,078
Grants from City of Kitchener - operating	2,072,000	2,084,019	2,011,601
Grants from other governments - capital	498,940	498,939	744,789
Grant from the City of Kitchener - capital	591,187	83,372	1,439,004
Other revenue	514,754	637,606	793,768
Ticket surcharge (note 15)	400,000	404,031	344,472
Rent from K-W Symphony Orchestra	250,550	-	117,450
Sponsorships and memberships	135,575	126,777	88,325
Grants from other governments - operating	-	-	25,000
Rent - Kitchener Waterloo Art Gallery	113,851	111,618	111,618
Donations	27,500	56,768	25,872
Investment income	36,000	260,035	239,692
Capital asset donations	147,000	147,958	-
Gain on sale of investments	30,000	30,272	1,387
	9,812,177	9,745,741	10,193,056
Expenses:			
Salaries and wages	2,701,819	2,741,655	2,624,668
Performances	3,577,845	3,498,990	2,701,643
Amortization of tangible capital assets	1,255,000	1,254,010	1,262,739
Occupancy	799,915	757,773	711,441
Administration and box office	761,002	914,526	768,207
Marketing	102,000	94,957	61,333
Reserve expenditures (note 15)	10,800	11,779	10,988
Loss on sale of tangible capital assets	-	-	4,951
Sponsorship and membership expenses	65,320	43,470	43,051
Capital costs	12,313	12,313	12,767
	9,286,014	9,329,473	8,201,788
Excess of revenue over expenses	526,163	416,268	1,991,268
Accumulated surplus, beginning of year	19,497,009	19,497,009	17,505,741
Accumulated surplus, end of year	$ 20,023,172	$ 19,913,277	$ 19,497,009

See accompanying notes to financial statements.

THE CENTRE IN THE SQUARE INC.

Statement of Changes in Net Financial Assets

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Excess of revenue over expenses	$ 416,268	$ 1,991,268
Acquisition of tangible capital assets	(1,531,832)	(2,751,977)
Amortization of tangible capital assets	1,254,010	1,262,739
Loss on sale of tangible capital assets	-	4,951
	138,446	506,981
Net use (acquisition) of inventories	(12,933)	16,614
Acquisition of prepaid expenses	(18,490)	(21,635)
	(31,423)	(5,021)
Increase in net financial assets	107,023	501,960
Net financial assets, beginning of year	2,097,867	1,598,702
Increase in accumulated remeasurement gain	58,144	199,151
Increase in asset retirement obligation	(4,039)	(201,946)
Net financial assets, end of year	$ 2,258,995	$ 2,097,867

See accompanying notes to financial statements.

THE CENTRE IN THE SQUARE INC.

Statement of Remeasurement Gains

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Accumulated remeasurement gains, beginning of year	$ 199,151	$ -
Adjustment on adoption of the financial instruments standard	-	155,664
Realized (gains) losses reclassified to statement of operations:		
Investments - Equity instruments	(30,272)	(1,387)
Unrealized gains (losses) attributable to:		
Investments - Equity instruments	88,416	44,874
	$ 257,295	$ 199,151

See accompanying notes to financial statements.

THE CENTRE IN THE SQUARE INC.

Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 416,268	$ 1,991,268
Items not involving cash:		
Amortization	1,254,010	1,262,737
Loss on disposal of tangible capital assets	-	4,951
Gain on sale of investments	(30,272)	(1,387)
Changes in non-cash operating working capital	586,050	574,289
	2,226,056	3,831,858
Capital activities:		
Cash used to acquire tangible capital assets	(1,531,832)	(2,751,975)
Investing activities:		
Cash used in purchasing of investments	(352,259)	(293,935)
Cash received on sale of investments	923,299	268,920
	571,040	(25,015)
Increase in cash and cash equivalents	1,265,264	1,054,868
Cash and cash equivalents, beginning of year	4,406,917	3,352,049
Cash and cash equivalents, end of year	$ 5,672,181	$ 4,406,917

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.

1. Significant accounting policies (continued):

(d) Employee future benefits:

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

(e) Non-financial assets:

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

(i) Tangible capital assets:

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

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

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

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

(ii) Inventories:

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

1. Significant accounting policies (continued):

(f) Use of estimates:

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

(g) Asset retirement obligation:

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

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

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

2. Change in accounting policy:

The Centre adopted the following accounting standard beginning January 1, 2024, retroactively, with no impact on the financial statements:

PS 3400 *Revenue* establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligations (i.e. the payor expects a good or service from the public sector entity), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions. For exchange transactions, revenue is recognized when a performance obligation is satisfied. For non-exchange transactions, revenue is recognized when there is authority to retain an inflow of economic resources and a past event that gave rise to an asset has occurred.

3. Accounts receivable:

	2024	2023
Accounts receivable	$ 587,858	$ 257,868
Allowance for doubtful accounts	-	-
	$ 587,858	$ 257,868

4. Investments:

Investments consist of:

	2024	2023
Assets measured at amortized cost:		
Guaranteed Investment Certificates	$ 219,796	$ 804,252
Fixed income	492,461	454,733
Investments measured at fair value:		
Equity instruments, quoted in an active market	557,726	493,622
	$ 1,269,983	$ 1,752,607

Equity instruments, quoted in an active market are classified as level 1 investments.

5. Inventories:

Inventories consist of the following:

	2024	2023
Bar stock	$ 68,090	$ 55,213
Supplies	2,902	2,846
	$ 70,992	$ 58,059

6. Tangible capital assets:

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

6. Tangible capital assets (continued):

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

7. Operating fund activities:

	2024 Budget	2024 Actual	2023 Actual
Revenue:			
Performances	$ 4,994,820	$ 5,304,346	$ 4,250,078
Rent - Kitchener-Waterloo Symphony	250,550	-	117,450
Grants from City of Kitchener	2,072,000	2,084,019	2,011,601
Grants, other governments	-	-	25,000
Donations	27,500	54,015	23,254
Investment income	36,000	199,589	173,054
Sponsorships and memberships	135,575	126,777	88,325
Rent - Kitchener-Waterloo Art Gallery	113,851	111,618	111,618
Other	514,754	637,606	793,768
	8,145,050	8,517,970	7,594,148
Expenses:			
Performances	3,577,845	3,498,990	2,701,643
Administration and box office	761,002	914,526	768,207
Marketing	102,000	94,957	61,333
Occupancy	799,915	757,773	711,441
Salaries and wages	2,701,819	2,741,655	2,624,668
Sponsorship expenses	65,320	43,470	43,051
	8,007,901	8,051,371	6,910,343
Operating fund net revenues before amortization	137,149	466,599	683,805
Transfer to reserve funds (note 15)	(137,149)	(466,599)	(683,805)
	$ -	$ -	$ -

8. Asset retirement obligations:

The Centre owns and operates a building that is known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. The building had an estimated remaining useful life of 30 years. The obligation is being recognized on a prospective basis with no discounting.

	2024	2023
Opening balance	$ 201,946	$ -
Asset retirement obligation additions at adoption of standard	-	201,946
Plus: additional obligations incurred during the year	4,039	-
Closing balance	$ 205,985	$ 201,946

9. Deferred revenue:

Deferred revenue consists of the following:

	2024	2023
Performances	$ 2,397,059	$ 1,812,483
Gift certificates	34,483	35,327
Sponsorships	53,810	41,548
Other	130,534	180,133
Membership	23,485	12,856
	$ 2,639,371	$ 2,082,347

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, 2024 the Centre earned $2,167,391 (2023 - $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 August 16, 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, 2024. At that time the plan reported a $2.9 billion actuarial deficit (2023 - $4.2 billion actuarial deficit), based on actuarial liabilities of $142.5 billion (2023 - $136.2 billion) and actuarial assets of $139.6 billion (2023 - $132.0 billion). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

The 2024 employer portion of OMERS pension contributions was $225,693 (2023 - $210,986).

13. Financial risks:

(a) Market risk:

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

(b) Credit risk:

Credit risk is the risk that counterparties fail to perform as contracted, resulting in a financial loss. The Centre is exposed to credit risk with respect to its accounts receivable and cash. The Centre assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Centre at December 31, 2024 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, 2024 is $Nil (2023 - $Nil).

13. Financial risks (continued):

(c) Liquidity risk:

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

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

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

(d) Interest rate risk:

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

14. Comparative information:

Certain comparative information have been reclassified from those previously presented to conform to the presentation of the 2024 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 2024, The Centre's Board of Directors approved transfers out of the Capital Reserve Fund for major capital asset projects of $1,535,871 (2023 - $2,953,923).

(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.

15. Schedule of reserve funds (continued):

(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.

	Capital	Sustainability	Restricted	Total Funds
Revenue:				
Donations and sundry	$ 147,958	$ -	$ 2,753	$ 150,711
Grants from City of Kitchener	83,372	-	-	83,372
Grants, other governments and foundations	498,939	-	-	498,939
Ticket surcharge	404,031	-	-	404,031
Investment income	25,293	6,511	28,642	60,446
Gain on investments	-	-	30,272	30,272
	1,159,593	6,511	61,667	1,227,771
Expenses:				
Professional fees	-	-	11,779	11,779
Capital costs	12,313	-	-	12,313
	12,313	-	11,779	24,092
Excess of revenue over expenses	1,147,280	6,511	49,888	1,203,679
Balance, beginning of year	1,215,436	213,284	745,730	2,174,450
Transfer to accumulated surplus - tangible capital assets (note 15 (b))	(1,535,871)	-	-	(1,535,871)
Transfer from operating fund	466,599	-	-	466,599
	$ 1,293,444	$ 219,795	$ 795,618	$ 2,308,857

THE CORPORATION OF THE CITY OF KITCHENER
GASWORKS ENTERPRISE
Statement of Operations and Accumulated Surplus
For the Year Ended December 31

	2024 Budget	2024	2023
DELIVERY OPERATIONS			
Gas delivery			
Revenue	**$ 50,484,547**	**$ 48,533,020**	$ 45,880,933
Expenses	**31,882,196**	**28,295,791**	30,981,245
	18,602,351	**20,237,229**	14,899,688
Other programs			
(Dispatch and rental water heaters)			
Revenue	**14,796,354**	**15,428,075**	14,596,947
Expenses	**11,135,950**	**11,322,728**	11,167,104
	3,660,404	**4,105,347**	3,429,843
Excess of revenue over expenses	**22,262,755**	**24,342,576**	18,329,531
Accumulated surplus - Delivery			
Balance, beginning of year	**146,473,386**	**146,473,386**	143,847,272
Interest revenue	**106,363**	**131,506**	143,509
Transfer to gas investment reserve	**(15,846,926)**	**(15,846,926)**	(15,846,926)
Excess of revenue over expenses	**22,262,755**	**24,342,576**	18,329,531
Balance, end of year	**152,995,578**	**155,100,542**	146,473,386
SUPPLY OPERATIONS			
Revenue	**36,911,526**	**29,479,973**	41,928,727
Expenses	**39,348,747**	**32,442,217**	40,118,668
Excess/(deficiency) of revenue over expenses	**(2,437,221)**	**(2,962,244)**	1,810,059
Accumulated surplus - Supply			
Balance, beginning of year	**8,148,005**	**8,148,005**	6,038,619
Interest revenue	**417,313**	**463,588**	299,327
Excess/(deficiency) of revenue over expenses	**(2,437,221)**	**(2,962,244)**	1,810,059
Balance, end of year	**$ 6,128,097**	**$ 5,649,349**	$ 8,148,005

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 23, 2025.

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 23, 2025
Kitchener, Canada

KITCHENER GENERATION CORPORATION

Statement of Financial Position

As at December 31
(Unaudited)

	2024	2023
Financial assets		
Accounts receivable	**$ 2,751**	$ 4,478
	2,751	4,478
Liabilities		
Due to the Corporation of the City of Kitchener	**2,749**	4,476
Long-term debt (Note 3)	**1,254,159**	1,463,186
	1,256,908	1,467,662
Net financial debt	**(1,254,157)**	(1,463,184)
Non-financial assets		
Tangible capital assets (Note 4)	**1,393,509**	1,625,760
	1,393,509	1,625,760
Shareholder's equity (Note 5)	**$ 139,352**	$ 162,576

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

KITCHENER GENERATION CORPORATION
Statement of Operations
For the Year Ended December 31
(Unaudited)

	2024 Budget	2024	2023
Revenue			
Sale of electricity	$ **385,000**	$ **361,247**	$ 389,765
Total revenue	**385,000**	**361,247**	389,765
Expenses			
Maintenance	**20,000**	**12,545**	-
Amortization of tangible capital assets	**232,252**	**232,252**	232,252
Total expenses	**252,252**	**244,797**	232,252
Surplus before interest and provision for payments-in-lieu of corporate income taxes	**132,748**	**116,450**	157,513
Interest expense	**73,306**	**73,306**	83,778
Surplus before provision for payments-in-lieu of corporate income taxes	**59,442**	**43,144**	73,735
Provision for payments-in-lieu of corporate income taxes	**-**	**-**	-
Annual surplus	$ **59,442**	$ **43,144**	$ 73,735

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

KITCHENER GENERATION CORPORATION
Statement of Change in Net Financial Debt
For the Year Ended December 31
(Unaudited)

	2024	2023
Annual surplus	**$ 43,144**	$ 73,735
Change in share capital	**(23,225)**	(23,225)
Dividends	**(43,144)**	(73,735)
Amortization of tangible capital assets	**232,252**	232,252
Change in net financial debt	**209,027**	209,027
Net financial debt, beginning of year	**(1,463,184)**	(1,672,211)
Net financial debt, end of year	**$ (1,254,157)**	$ (1,463,184)

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

KITCHENER GENERATION CORPORATION

Statement of Cash Flow

For the Year Ended December 31
(Unaudited)

		2024		2023
Operating				
Annual surplus	**$**	**43,144**	$	73,735
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		**1,726**		7,000
Accounts payable and accrued liabilities		**(1,726)**		(7,000)
Net change in cash from operating activities		**275,396**		305,987
Financing				
Change in share capital		**(23,225)**		(23,225)
Change in long-term debt		**(209,027)**		(209,027)
Dividends paid		**(43,144)**		(73,735)
Net change in cash from financing activities		**(275,396)**		(305,987)
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.

KITCHENER GENERATION CORPORATION

Notes to the Financial Statements

For the Year Ended December 31
(Unaudited)

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 2024 amounted to $73,306 *(2023 - $83,778)*.

4. Tangible capital assets

	Cost	Accumulated Amortization	Net Book Value
Opening balance	$ 4,412,784	$ (2,787,023)	$ 1,625,761
Additions	-	-	-
Amortization	-	(232,252)	(232,252)
Disposals	-	-	-
Ending balance	**$ 4,412,784**	**$ (3,019,275)**	**$ 1,393,509**

5. Shareholder's equity

Shareholder's equity consists of the following:

	2024	2023
Share capital - common shares (Note 6)	**$ 139,352**	$ 162,576
Retained earnings	**-**	-
	$ 139,352	$ 162,576

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, 2024
(Expressed in thousands of dollars)

KPMG LLP
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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, 2024
- 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, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

April 23, 2025

ENOVA ENERGY CORPORATION

Consolidated Statement of Financial Position

As at December 31, 2024, with comparative information for 2023
(Expressed in thousands of dollars)

	Note	December 31, 2024	December 31, 2023
ASSETS			
Current			
Cash		$ -	$ -
Accounts receivable	*5*	42,776	37,808
Unbilled revenue		35,911	33,477
Income Tax Receivable		509	-
Inventories		8,322	8,754
Prepaid expenses		2,146	2,072
Current portion of lease receivables		106	127
Total current assets		**$ 89,770**	**$ 82,238**
Non-current assets			
Derivative asset		248	396
Property, plant and equipment	*6*	622,695	598,152
Intangible assets	*7*	19,148	16,969
Goodwill	*3*	140,077	140,077
Long term portion of lease receivables		574	980
Deferred tax asset	*8*	1,697	1,210
Investments in subsidiaries		436	372
Total non-current assets		**$ 784,875**	**$ 758,156**
Total assets		874,645	840,394
Regulatory deferral account debit balances	*9*	56,972	50,638
Total assets and regulatory deferral account debit balances		**$ 931,617**	**$ 891,032**

ENOVA ENERGY CORPORATION

Consolidated Statement of Financial Position

As at December 31, 2024, with comparative information for 2023
(Expressed in thousands of dollars)

	Note		December 31, 2024		December 31, 2023
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Bank overdraft		$	13,770	$	4,416
Accounts payable and accrued liabilities			56,498		48,529
Current portion of long-term bank debt	*10*		9,176		118,145
Current portion of lease liabilities	*17*		97		97
Income tax payable			-		702
Current portion of deferred revenue	*15*		2,527		2,378
Current portion of customer deposits	*13*		14,751		14,209
Total current liabilities		**$**	**96,819**	**$**	**188,476**
Long-term					
Notes payable to shareholders	*11*		110,254		110,254
Long-term bank debt	*10*		120,000		-
Long-term notes payable	*3*		200		-
Long term portion of customer deposits	*13*		7,623		9,166
Long term portion of lease liabilities	*17*		664		722
Deferred revenue	*15*		87,288		83,395
Employee future benefits	*12*		8,097		8,107
Deferred tax liability	*8*		31,150		27,444
Total long-term liabilities		**$**	**365,276**	**$**	**239,088**
Total liabilities			462,095		427,564
Shareholders' equity					
Share capital	*14*		326,248		326,248
Retained earnings			126,510		123,725
Accumulated other comprehensive income (loss)	*12*		1,289		1,307
Non-controlling interest			-		842
Total shareholders' equity		**$**	**454,047**	**$**	**452,122**
Total liabilities and shareholders' equity		**$**	**916,142**	**$**	**879,686**
Regulatory deferral account credit balances	*9*		4,311		1,467
Deferred taxes associated with regulatory accounts	*9*		11,164		9,879
Total equity, liabilities and regulatory deferral account credit balances		**$**	**931,617**	**$**	**891,032**

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, 2024, with comparative information for 2023
(Expressed in thousands of dollars)

	Note		2024		2023
REVENUES					
Energy sales	15	$	404,551	$	370,416
Cost of energy sold			413,302		370,720
			(8,751)		(304)
Other operating revenue					
Distribution revenue	15		103,675		91,475
Other income	15		8,035		7,570
Net operating revenue		**$**	**102,959**	**$**	**98,741**
EXPENSES					
Operations and maintenance			21,919		19,283
Customer services			9,063		9,447
Administration			19,443		17,900
Amortization	6		25,279		24,335
			75,704		70,965
Other					
Energy conservation program revenue			(117)		(764)
Energy conservation program expense			168		767
Net energy conservation programs			**51**		**3**
Finance income	16		(425)		(578)
Finance charges	16		12,155		11,404
Revaluation of Class A and B Special Shares			-		1,630
Unrealized loss (gain) on derivative			147		196
Net finance costs			**11,877**		**12,652**
Income before income taxes		**$**	**15,327**	**$**	**15,121**
Income tax expense	8		3,466		4,229
Income for the period before movements in regulatory deferral account balances and other comprehensive income		**$**	**11,861**	**$**	**10,892**
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement	9		2,205		2,135
Other comprehensive income (loss), net of taxes	12		(18)		(284)
Non-controlling interest			-		158
Net comprehensive income for the period		**$**	**14,048**	**$**	**12,901**

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, 2024, with comparative information for 2023
(Expressed in thousands of dollars)

	Note	Share Capital	Non-Controlling Interest	Accumulated Other Comprehensive Income (loss)	Retained Earnings	Total
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**
Net income and net movement in regulatory balances		-	-	(18)	14,066	**14,048**
Purchase of non-controlling interest	*3*	-	(842)	-	290	**(552)**
Dividends paid	*14*	-	-	-	(11,571)	**(11,571)**
Balance at December 31, 2024		**$ 326,248**	**$ -**	**$ 1,289**	**$ 126,510**	**$ 454,047**

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, 2024, with comparative information for 2023
(Expressed in thousands of dollars)

	Note		2024		2023
OPERATING ACTIVITIES					
Net income			14,048	$	12,901
Add (deduct) charges to operations not requiring a current cash payment:					
Amortization	*6*		26,853		25,970
Amortization of deferred revenue			(2,447)		(2,282)
Gain on disposal of property, plant and equipment	*15*		(308)		(84)
Income tax expense	*8*		3,466		4,229
Income tax expense included in OCI			(7)		(103)
Net interest (revenue) expense on lease liabilities			(47)		(36)
Change in non-controlling interest			-		(158)
Change in investments in subsidiaries			(64)		(50)
Decrease in employee future benefits liability	*12*		(10)		404
Unrealized gain on derivatives			147		196
			41,631		40,987
Net change in non-cash operating working capital					
Accounts receivable			(4,968)		(3,148)
Unbilled revenue			(2,434)		(111)
Inventories			432		(1,099)
Income taxes paid			(1,450)		(1,864)
Prepaid expenses			(74)		299
Accounts payable and accrued liabilities			7,969		(1,389)
Dividends payable			-		(5,056)
Regulatory deferral account debit balances			(6,334)		1,234
Regulatory deferral account credit balances			4,129		(3,371)
Cash provided by operating activities		**$**	**38,901**	**$**	**26,482**
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	*6*		(48,867)		(51,246)
Purchase of intangible assets	*7*		(4,785)		(1,110)
Proceeds on disposal of property, plant and equipment			424		84
Cash used in investing activities		**$**	**(53,228)**	**$**	**(52,272)**
FINANCING ACTIVITIES					
Net change in customer deposits			(1,001)		2,660
Increase in demand loan payable	*10*		1,500		1,000
Repayment of short-term debt	*10*		(469)		(453)
Increase in long-term debt	*10*		10,000		-
Dividends paid			(11,571)		(3,925)
Capital contributions received	*15*		6,489		6,664
Payment of principal on lease assets / liabilities			(22)		203
Net receipt (payment) of interest on lease assets / liabilities			47		36
Cash provided by financing activities		**$**	**4,973**	**$**	**6,185**
Net cash used during period			**(9,354)**		**(19,605)**
Cash and cash equivalents (bank overdraft), beginning of period			(4,416)		15,189
Bank overdraft, end of period		**$**	**(13,770)**	**$**	**(4,416)**

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, and Grand River Energy Solutions Corp. ("GRE"), a generation and renewable energy solutions company. The Corporation also owns 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, 2024.

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 11, 2025.

(b) Basis of measurement

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

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

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

2. Basis of Presentation (continued)

(d) Use of estimates and judgments (continued)

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

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

(i) Note 4(b) – Revenue Recognition – determination of the performance obligation for contributions from customers and the related amortization period
(ii) Note 4(d) – Capital assets (Property, plant and equipment) – determination of the useful life of assets and the related amortization period
(iii) Note 12 – Employee future benefits – determination of discount rate, benefit cost increase trends and sick time utilization
(iv) Note 18 – Commitments and contingencies – determination of the likelihood of loss realization and estimate of present value of anticipated losses

(e) Rate regulation

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

Rate setting

Distribution revenue

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

2. Basis of Presentation (continued)

(e) Rate regulation (continued)

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).

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

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

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

In 2023, the Corporation filed its joint 2024 IRM application requesting new rates effective January 1, 2024. The application also included requests for recovery of the latest flowthrough retail service and transmission rates, disposition of Group 1 Deferral and Variance accounts and other regulatory balances. On December 14, 2023, the OEB issued its Decision and Order approving the annual adjustment of 4.50% and disposition of deferral and variance accounts as requested, effective January 1, 2024.

2. Basis of Presentation (continued)

(e) Rate regulation (continued)

In 2024, the Corporation filed its joint 2025 IRM application requesting new rates effective January 1, 2025. The application also included requests for recovery of the latest flowthrough retail service and transmission rates, disposition of Group 1 Deferral and Variance accounts and other regulatory balances. On December 17, 2024, the OEB issued its Decision and Order approving the annual adjustment of 3.30% and disposition of deferral and variance accounts as requested, effective January 1, 2025.

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.

(Expressed in thousands of dollars)

3. Acquisition of Non-Controlling Interest

As of December 31, 2023, the Corporation owned 66.6% of Grand River Energy Solutions ("GRE") and Grandbridge Corporation ("GBS") owned the remaining 33.3%, giving it non-controlling interest in GRE.

On May 31, 2024, the Corporation purchased 333 shares in GRE for $333 and GBS made a corresponding purchase of 167 shares for $167, maintaining the relative ownership of GRE.

On October 31, 2024, the Corporation purchased 500 shares in GRE for $500 and GBS did not make a relative contribution. This effectively increased the Corporation's share in GRE to 69.5%.

On December 30, 2024, the Corporation purchased all remaining shares of GRE from GBS, giving the Corporation 100% ownership of GRE. The shares were purchased for total consideration of $727, payable as follows:

- $167 in cash, paid at the time of closing
- $200 in the form of a promissory note issued by the Corporation and payable to GBS in cash on the second anniversary of the closing date of the transaction (December 30, 2026); and
- Assumption of the $360 promissory note between GBS and GRE, which eliminates on consolidation

As a result of the transaction, non-controlling interest (NCI) has been reclassified to equity. At the time of purchase, the carrying amount of NCI exceeded the purchase price. As a result, the net difference has been adjusted to retained earnings.

	Net Assets of GRE	Non-Controlling Interest ($)	Non-Controlling Interest (%)	Retained Earnings Adjustment
Balance, December 31, 2024	**$ 2,527**	**$ 842**	**33.3%**	**$ -**
Intra-group transactions		8		
Share purchase, May 31, 2024	500	167		
Share purchase, October 31, 2024	500	(57)		57
Balance, December 30, 2024 prior to share purchase		**960**	**30.5%**	**57**
Share purchase, December 30, 2024		(960)		233
Balance, December 31, 2024		**$ -**	**0.0%**	**$ 290**

Non-Controlling Interest Acquired	**960**
Consideration	
Cash	167
Promissory note to GBS	200
Assumption of note to GRE	360
Total Consideration	**727**
Gain transferred to retained earnings	**233**

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; (iii) AMS, and (iv) 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.

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.

(Expressed in thousands of dollars)

4. Material Accounting Policies (continued)

(c) 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.

(d) 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.

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

(e) Intangible assets

(i) Computer Software

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

4. Material Accounting Policies (continued)

(e) Intangible assets (continued)

(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

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

(f) Goodwill

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

(g) 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.

4. Material Accounting Policies (continued)

(g) Impairment (continued)

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

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

(h) 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.

(i) 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.

4. Material Accounting Policies (continued)

(i) Regulatory deferral accounts (continued)

Regulatory deferral accounts attract interest at OEB-prescribed rates. Except for the deferral account for Pension and Other Future benefits (OPEBs), from January to June 2024 the rate was 5.49%, from July to September the rate was 5.20% and from October to December the rate was 4.40%.

The rates for the OPEB account were as follows: from January to March 2024, the rate was 5.48%, from April to September the rate was 4.98% and from October to December the rate was 4.55%.

(j) 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.

(k) 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)

(l) 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.

(m) 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)

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

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

5. Accounts Receivable

		December 31, 2024		December 31, 2023
Trade receivables	$	37,241	$	34,908
IESO receivable		-		1,049
Miscellaneous receivables		3,234		2,288
Allowance for bad debt		(800)		(600)
Other		3,101		163
Total Accounts Receivable	**$**	**42,776**	**$**	**37,808**

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, 2024	$	606,128	$	53,714	$	22,423	$	11,110	$	1,417	$	694,792
Additions		44,548		821		3,839		(341)		-		48,867
Disposals / retirements		(11,321)		(29)		(2,334)		-		39		(13,645)
Balance at December 31, 2024	**$**	**639,355**	**$**	**54,506**	**$**	**23,928**	**$**	**10,769**	**$**	**1,456**	**$**	**730,014**

		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**

(Expressed in thousands of dollars)

6. Property, Plant and Equipment (continued)

(b) Accumulated depreciation

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

	Distribution Equipment	Land & Building	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)**
Balance at December 31, 2023	**$ 84,769**	**$ 6,756**	**$ 4,944**	**$ -**	**$ 171**	**$ 96,640**

(c) Carrying amounts

	Distribution Equipment	Land & Building	Other Fixed Assets	Construction in Progress	Right-of-use Assets	Total
At December 31, 2024	$ 546,535	$ 46,173	$ 18,056	$ 10,769	$ 1,162	$ 622,695
At December 31, 2023	$ 521,359	$ 46,958	$ 17,479	$ 11,110	$ 1,246	$ 598,152

(Expressed in thousands of dollars)

6. Property, Plant and Equipment (continued)

(d) Security

At December 31, 2024, 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, 2024:					
Depreciation of property, plant and equipment	$ 1,568	$ -	$ 6	$ 22,673	**$ 24,247**
Amortization of intangible assets	-	-	-	2,606	**2,606**
	$ 1,568	**$ -**	**$ 6**	**$ 25,279**	**$ 26,853**
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**

7. Intangible Assets and Goodwill

(a) Cost or deemed cost

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

	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**

(Expressed in thousands of dollars)

7. Intangible Assets and Goodwill (continued)

(b) Accumulated amortization

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

	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**

(c) Carrying amounts

	Computer Software	Land Rights	FIT Contracts	Work in Progress	Total
At December 31, 2024	$ 10,782	$ 1,312	$ 3,156	$ 3,898	**$ 19,148**
At December 31, 2023	$ 11,945	$ 1,295	$ 3,477	$ 252	**$ 16,969**

(Expressed in thousands of dollars)

8. Income Tax Expense

	2024	2023
Current period	$ 982	$ 949
Adjustment for prior periods	(741)	(68)
Deferred	3,225	3,348
Income tax expense	**$ 3,466**	**$ 4,229**

Reconciliation of effective tax rate:

	2024	2023
Income from operations before income taxes	$ 15,327	$ 15,121
Statutory Canadian federal and provincial income tax rate	26.50%	26.50%
Expected taxes on income	**$ 4,062**	**$ 4,007**
Changes in income taxes resulting from:		
Permanent differences	37	26
Other temporary differences	217	264
Adjustment for prior periods	(850)	(68)
	$ (596)	**$ 222**
Income tax expense	**$ 3,466**	**$ 4,229**

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

	December 31, 2024	December 31, 2023
Deferred tax assets (liabilities):		
Plant and equipment	$ (57,516)	$ (52,946)
Deferred revenue	23,797	22,730
Employee future benefits	2,146	2,148
Non-vested sick leave	307	327
Unrealized gain on derivatives	146	54
Allowance for doubtful accounts	(3)	(6)
Other	1,670	1,459
	$ (29,453)	**$ (26,234)**
Regulatory deferred tax asset		$ 37,278
Deferred taxes associated with regulatory accounts		(9,879)

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, 2024:

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:

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

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

	2023 Opening	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
Regulatory asset associated with deferred tax liability	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	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**	

	2024	2023
Movements in regulatory accounts		
Net change in regulatory deferral account debit and credit balances	$ 3,490	$ 3,371
Less movement related to the balance sheet		
Change in regulatory asset associated with deferred tax liability	(4,849)	(4,654)
Deferred income tax	3,564	3,421
Deferred revenue	-	(3)
Net movement in regulatory deferral account balances related to profit or loss and the related deferral tax movement	**$ 2,205**	**$ 2,135**

Note 1: The Corporation has been approved for collection of these amounts in its 2024 filings for 2025 rates.

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

10. Long-Term Debt

The Corporation has a credit facility (“Credit Facility #1”) with a Canadian Chartered bank. The facility is an uncommitted demand facility for working capital and capital funding, with a maximum amount of $5,000. The Corporation can draw on the facility by way of prime rate loans, or adjusted term CORRA + 0.8%. Interest is payable monthly. As at December 31, 2024, the Corporation had $2,500 drawn on Credit Facility #1 as CORRA loans (2023 - $1,000).

A consolidated subsidiary of the Corporation has a second credit facility (“Credit Facility #2”) with a Canadian Chartered bank. The facility includes a demand revolving loan with a maximum of $200,000 inclusive of an overdraft component of $45,000 (note 22(c)). The Corporation amended the facility in June 2024 to amend the withdrawals to be by of Prime Rate Advances or Term CORRA advances at Adjusted Term CORRA + 0.8%. It was also amended to require 12 months advance notice of demand. Principal is due on maturity, June 13, 2026, with interest payments due monthly. As at December 31, 2024, the Corporation had drawn $120,000 as a revolving demand loan at CORRA + 0.8% (2023 - $110,000).

The credit agreement contains the following financial covenants:

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

Enova is obligated to issue a certificate of compliance on a quarterly basis. Enova consistently monitors the financial ratios and incorporates them in financial planning. As of December 31, 2024, Enova is in compliance with the above covenants and there are no facts or circumstances that suggest Enova will have difficulty with compliance in the future.

A consolidated subsidiary of the Corporation has a third credit facility (“Credit Facility #3”) with a Canadian Chartered Bank. The Credit Facility is a demand revolving credit facility, which provides funding for: (i) up to $11,700 for capital expenditures; and (ii) $1,800 US for interest rate hedging. Loans advanced under the credit facility are amortized on a mortgage style basis over a period which 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%.

(Expressed in thousands of dollars)

10. Long-Term Debt (continued)

As of December 31, 2024, the Corporation had the following loans outstanding under the credit facilities:

Facility	Bank loans	Swap Rate	Monthly Payments	Term	2024	2023
Facility 3	Term loan 1	4.205%	$ 30	August 15, 2035	$ 2,945	$ 3,159
Facility 3	Term loan 2	3.845%	$ 18	December 21, 2034	$ 1,660	$ 1,793
Facility 3	Term loan 3	2.510%	$ 11	July 31, 2040	$ 1,597	$ 1,680
Facility 3	Term loan 4	2.365%	$ 4	July 31, 2035	$ 474	$ 513
Facility 1	Line of Credit	variable	N/A	undefined	$ 2,500	$ 1,000
Facility 2	Revolving Demand	variable	N/A	June 13, 2026	$ 120,000	$ 110,000
Total					**$ 129,176**	**$ 118,145**
Less: Current Portion					$ 9,176	$ 118,145
Long-Term Debt					**$ 120,000**	**$ -**

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

	2024	2023
2025	$ 487	$ 470
2026	505	487
2027	526	505
2028	544	526
2029	564	544
Thereafter	4,050	4,613
Undefined	122,500	111,000
	$ 129,176	**$ 118,145**

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 instruments result in the Corporation receiving interest at the 30-day bankers' 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 $248 (2023 - $396) and recognized a corresponding unrealized loss on interest rate swaps of 147 (2023 – $196).

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

	2024	2023
Senior unsecured debentures:		
City of Kitchener	$ 70,998	$ 70,998
City of Waterloo	27,404	27,404
Township of Woolwich	3,355	3,355
Township of Wilmot	5,965	5,965
Township of Wellesley	2,532	2,532
Total shareholder debt	**$ 110,254**	**$ 110,254**

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

(Expressed in thousands of dollars)

12. Employee Future Benefits

The Corporation pays certain medical and life insurance benefits on behalf of some of its retired employees. These benefits are provided through group-defined benefit plans. There are two defined benefit plans for the retirees of the legacy companies. A full actuarial valuation of the plans was performed as at December 31, 2022. The Corporation recognizes these post-retirement costs in the period in which employees' services were rendered. The accrued benefit liability at December 31, 2024 is $8,097 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:

	2024	2023
Accrued benefit obligation		
Balance, beginning of period	$ 8,107	$ 7,703
Current service cost	247	228
Interest cost	363	374
Benefits Paid	(645)	(585)
Actuarial gains recognized in other comprehensive income	25	387
Accrued benefit liability, end of period	**$ 8,097**	**$ 8,107**

Components of net benefit expense recognized are a follows:

	2024	2023
Current service cost	$ 247	$ 228
Interest cost	363	374
Net benefit expense recognized	**$ 610**	**$ 602**

Actuarial losses recognized in other comprehensive income

	2024	2023
Cumulative amount at beginning of period	$ 1,307	$ 1,591
Recognized during the period (net of tax)	(18)	(284)
Cumulative amount at end of period	**$ 1,289**	**$ 1,307**

(Expressed in thousands of dollars)

12. Employee Future Benefits (continued)

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

		2024	2023
General inflation:			
Changes in the Consumer Price Index		3.00%	3.00%
Accrued obligation:			
Discount rate		4.70%	4.65%
Salary increases		3.00%	3.00%
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:

	2024	2023
1% increase in trend rate	$ 526	$ 466
1% decrease in trend rate	(442)	(394)

(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:

		2024		2023
Current				
Customer deposits	$	1,432	$	1,819
Contruction deposits		13,119		12,190
Performance bond		200		200
	$	**14,751**	**$**	**14,209**
Long-term				
IESO deposit for energy conservation programs		-		1,158
Customer deposits - long-term		7,623		8,008
	$	**7,623**	**$**	**9,166**

(Expressed in thousands of dollars)

14. Share Capital

			2024		2023
Authorized					
Unlimited	Common shares				
None	Class A special shares				
None	Class B special shares				
Issued					
100,000	Common shares	$	326,248	$	326,248
-	Class A special shares		-		-
-	Class B common shares		-		-
100,000	**Total Shares**	**$**	**326,248**	**$**	**326,248**

Common shares are issued as follows:

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

Class A special shares were issued as follows:

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

Class B special shares were issued as follows:

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

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

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

The shares were redeemed and then immediately cancelled.

Dividends

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

The Corporation declared and paid $11,571 in dividends during the period.

(Expressed in thousands of dollars)

15. Revenue

		2024		2023
Revenue from contracts with customers	$	508,226	$	461,891
Other revenue				
Specific service charges		2,580		2,532
Deferred revenue		2,447		2,282
Scrap sales		376		468
Net gain (loss) on disposal of capital assets		308		84
Non-Utility operations		2,020		1,869
Retailer services		67		70
Sundry		173		215
Income from subsidiaries		64		50
Total other revenue	**$**	**8,035**	**$**	**7,570**
Total revenues	**$**	**516,261**	**$**	**469,461**

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

		2024		2023
Residential	$	210,568	$	184,347
Commercial		277,300		258,247
Large users		11,437		11,337
Other		8,921		7,960
	$	**508,226**	**$**	**461,891**

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

		2024		2023
Balance, beginning of period	$	85,773	$	81,391
Capital contributions received		6,489		6,664
Deferred revenue recognized		(2,447)		(2,282)
Balance, end of period	**$**	**89,815**	**$**	**85,773**
Current portion	$	2,527	$	2,378
Long-term portion		87,288		83,395
Total Deferred Revenues	**$**	**89,815**	**$**	**85,773**

(Expressed in thousands of dollars)

16. Interest Income and Expense

	2024	2023
Interest income on bank deposits	$ (338)	$ (499)
Interest income on capital lease	(87)	(79)
	$ (425)	**$ (578)**
Interest on shareholder debt	3,564	3,553
Interest expense on long term debt	6,893	6,588
Interest expense on short tem debt	1,136	672
Interest expense on deposits	522	548
Interest expense on capital lease	40	43
	$ 12,155	**$ 11,404**
Net interest cost	**$ 11,730**	**$ 10,826**

17. Lease Liabilities

The Corporation has entered into a lease agreement for solar PV 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	2024	2023
Less than one year	$ 97	$ 97
One - five years	394	393
More than five years	469	568
Total undiscounted lease liabilities at period end	**$ 960**	**$ 1,058**
Interest included on the liabilities included in the statement of financial position at December 31	(199)	(239)
Lease Liabilities - current	**$ 97**	**$ 97**
Lease Liabilities - non-current	**$ 664**	**$ 722**

(Expressed in thousands of dollars)

18. Commitments and Contingencies

General

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

General Liability Insurance

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the periods in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2024, no assessments have been made.

19. Pension Agreement

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. From January 1, 2024 to December 31, 2024, the Corporation made employer contributions of $3,235 to OMERS and estimates contributions of $3,390 in 2025. In total, the OMERS pension fund has net assets of $138,200,000 and accrued obligations of $141,000,000 for a deficit of $2,800,000. The Corporation's net benefit expense has been allocated as follows:

(a) $970 capitalized as part of labour in PP&E and

(b) $2,265 recorded as an expense against net income.

20. Employee Benefits

	2024	**2023**
Salary, wages and benefits	$ 37,764	$ 36,919
CPP and EI remittances	1,709	1,497
Contributions to OMERS	3,235	2,985
Expenses related to employee future benefits	611	602
Total employee expenditures	**$ 43,319**	**$ 42,003**
Employee costs capitalized	10,133	10,117
Employee costs in Operations, Maintenance, Customer Service and Administration expenses	**$ 33,186**	**$ 31,886**

(Expressed in thousands of dollars)

21. Related Party Transactions

(a) Parent and ultimate controlling party

The Corporation is wholly owned by the Cities of Kitchener and Waterloo, and the Townships of Wilmot, Wellesley and Woolwich. The Cities and the Townships produce 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:

	2024	2023
Directors' fees	$ 491	$ 568
Executive compensation and benefits	2,424	2,581
	$ 2,915	**$ 3,149**

(d) Transactions with entities with significant influence

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

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

In 2024 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, 2024. These transactions are in the normal course of operations and are measured at fair value.

22. Financial Instruments and Risk Management

Fair value disclosure

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

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

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

Financial risks

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

(a) Credit risk

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

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in net income. Subsequent recoveries of receivables previously provisioned are credited to net income. The balance of the allowance for expected credit losses at December 31, 2024 is $800 (2023 - $600).

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2024, approximately $1,478 is considered 60 days past due. The Corporation has over 163,000 customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers under directions provided by the OEB. As at December 31, 2024, the Corporation holds security deposits in the amount of $9,055.

(b) Market risk

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. The Corporation's long-term debt as of December 31, 2024 is at a variable interest rate.

22. Financial Instruments and Risk Management (continued)

(c) Liquidity risk

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a $45,000 overdraft facility (Credit Facility #2 - Note 10) and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they come due. As at December 31, 2024, $13,770 (2023 – $4,416) had been drawn under BMO's $45M operating credit facility.

In 2024 the Corporation was assigned an Issuer Rate of A, Stable, from DBRS Limited. The Corporation's financial risk profile is reasonable with key metrics supporting the "A" rating.

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

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

(d) Capital disclosures

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

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2024, shareholder's equity amounts to $454,047 (2023 - 452,122) and long-term debt including shareholder debt amounts to $230,254 (2023 - $220,254).

23. Comparative Figures

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

24. Changes in Accounting Policies

The International Accounting Standards Board (IASB) has issued the following Standards, Interpretations and Amendments to Standards that were adopted by the Company effective January 1, 2024:

i. Lease Liability in a Sale and Leaseback - Amendments to IFRS 16 *Leases*;

ii. Classification of Liabilities as Current or Non-Current Liabilities with Covenants - Amendments to IAS 1 *Presentation of Financial Statements*;

iii. Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures – Supplier Finance Arrangements.*

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

25. Future Changes in Accounting Policy and Disclosures

The following new and amended standards are effective for annual periods beginning after January 1, 2025 and earlier application is permitted. The Company has not early adopted any of these new and amended standards and does not expect that they will have a significant impact on the Company's financial statements when become effective.

i. Lack of Exchangeability - Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*.