



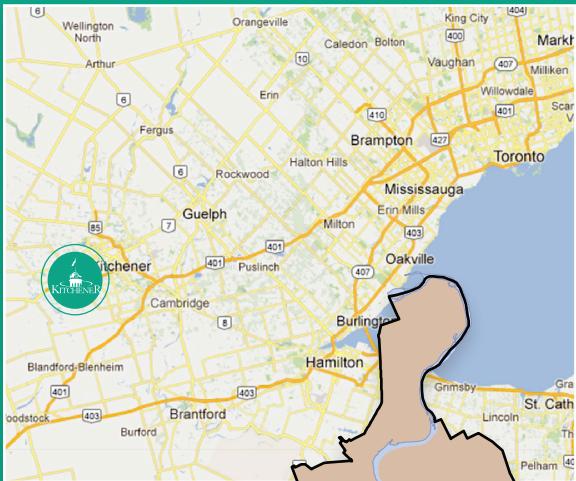
FINANCIAL REPORT

DECEMBER 31, 2021

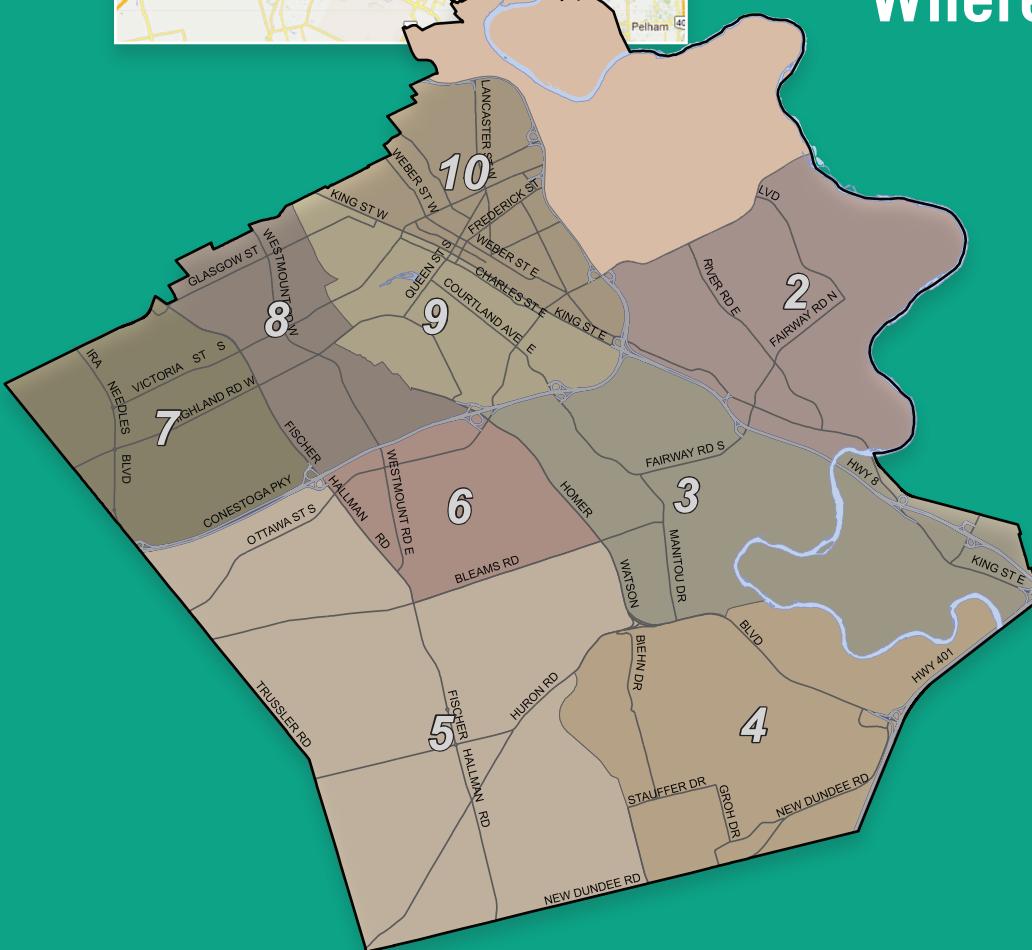
Prepared by:

FINANCIAL PLANNING & REPORTING DIVISION

Financial Services Department
Kitchener, Ontario, Canada



Where we are



As the largest municipality in Waterloo Region, Kitchener is situated in the heart of Southwestern Ontario, close to major highways - including Canada's super highway, 401 - that easily connects to London and the Greater Toronto Area.

Situated on the Grand River, Kitchener is the perfect destination for recreation and leisure activities, with a plethora of choices, including many parks, trails and natural areas.

Downtown Kitchener is the heart of the arts and culture scene for Waterloo Region. Festivals and special events provide the opportunity to experience a variety of activities and cultural events, in celebration of our great diversity.



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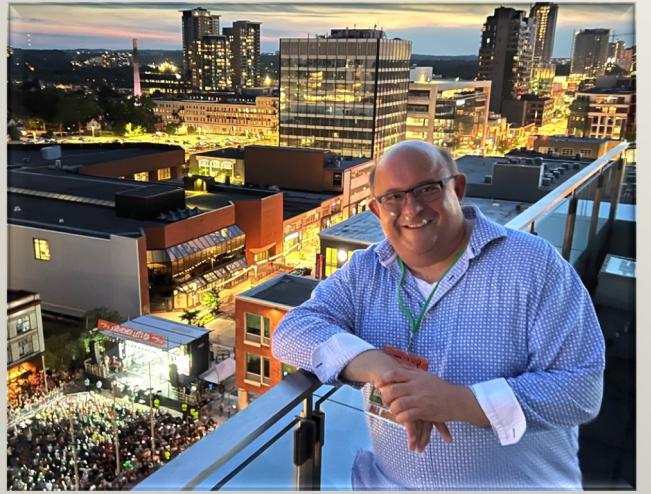
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Message from the Mayor

Our budget for 2021 delivered the lowest tax rate increase in a decade. Amidst the continuing economic turmoil of the COVID-19 pandemic, Kitchener City Council continued its focus on fiscal prudence, long-term financial planning and careful stewardship of public funds.

This year we continued the City of Kitchener's practice of keeping property tax rate increases at or below the benchmark for inflation. We also made important investments like our new Equity, Anti-Racism & Indigenous Initiatives team, active transportation infrastructure, and our Make It Kitchener 2.0 economic development strategy.

In recent years, we've focused on the City's long-term financial position – paying down debt, building reserves and forecasting necessary investments so that our facilities, programs and infrastructure could be sustainably funded without sudden cost increases. This slow and steady approach to our finances meant that we were well positioned when the pandemic struck.

Although the City's revenues in both 2020 and 2021 were significantly impacted by the pandemic, we responded by taking significant action to reduce spending. Projects that could be safely delayed were deferred, discretionary spending was frozen, and a large portion of the City's workforce was placed on temporary emergency leave.

In 2022, as we look forward to the post-pandemic recovery period and beyond, it is time to build back, both better and differently. We've resumed the investments that will advance the goals of our 2019-2022 Strategic Plan, begun developing our new 20-year Strategic Plan and continue to work towards our vision of building a more innovative, caring and vibrant community.

Kitchener Mayor Berry Vrbanovic

Kitchener City Council



MAYOR
Berry Urbanovic



WARD 1 Councillor
Scott Davey



WARD 2 Councillor
Dave Schnider



WARD 3 Councillor
John Gazzola



WARD 4 Councillor
Christine Michaud



WARD 5 Councillor
Kelly Galloway-Sealock



WARD 6 Councillor
Paul Singh



WARD 7 Councillor
Bil Ioannidis



WARD 8 Councillor
Margaret Johnston

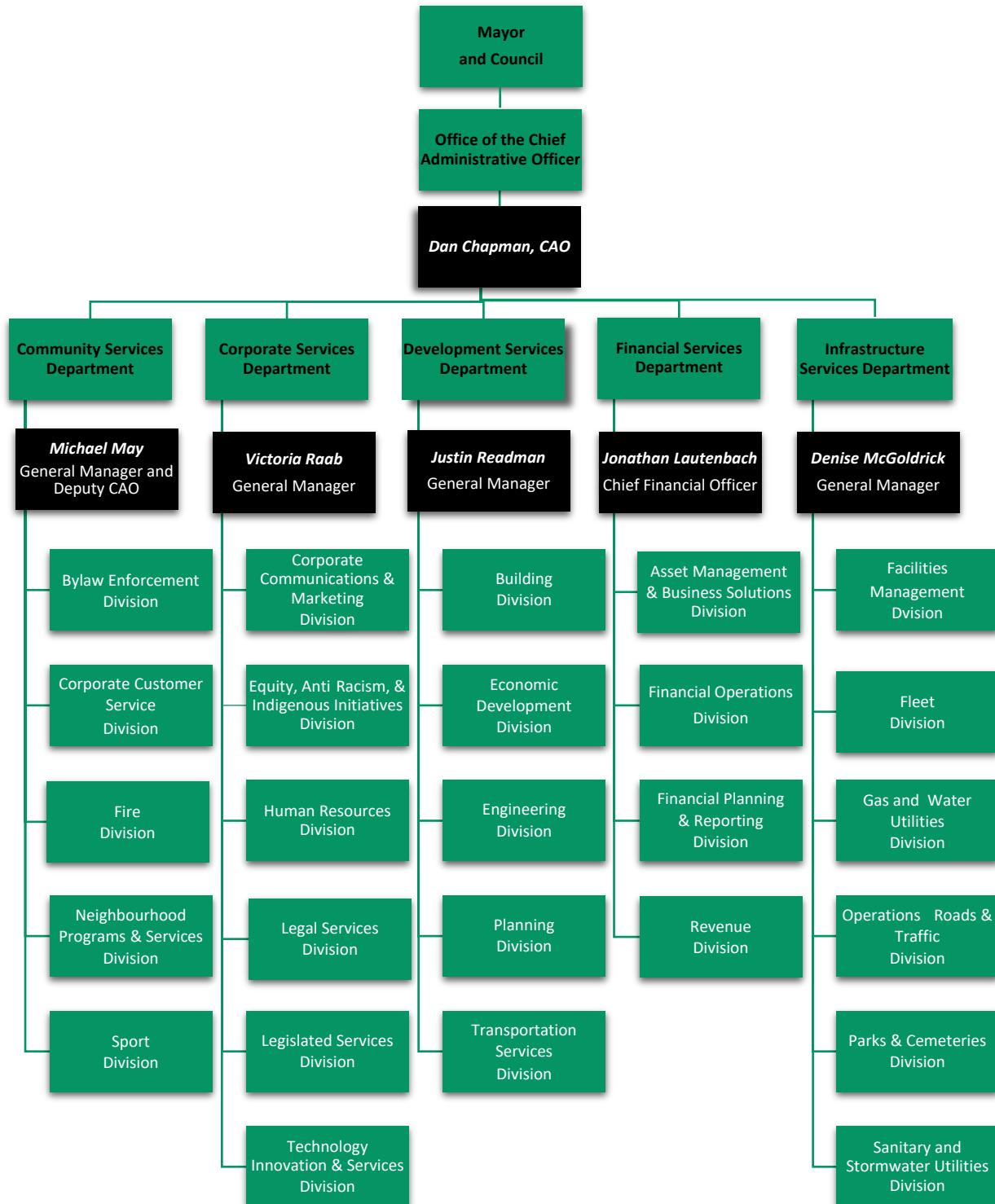


WARD 9 Councillor
Debbie Chapman



WARD 10 Councillor
Sarah Marsh

Organizational Structure





Message from the City Treasurer

I am pleased to present the Annual Financial Report for the City of Kitchener for the year ended December 31, 2021. This report communicates the 2021 financial results for the City of Kitchener to Council, residents, and other interested parties. The Financial Governance section that follows confirms Kitchener's commitment to sound financial management and fiscal prudence, even through times of financial pressure.

Following a historic year of disruption and change caused by the onset of the COVID-19 global pandemic in 2020, 2021 saw continued impacts of the pandemic, while at the same time we collectively began to find our "new normal". The pandemic continued to have an impact on the programs and services that the City was able to provide to the residents of Kitchener, while many activities began to resume.

In 2021, we continued to see a shortfall in user fee revenue due to the closure of facilities and cancellation of programs and events, both of which were necessary to help stop the spread of COVID-19. Despite this, the City continued to benefit from operating funding provided by the federal and provincial government through the Safe Restart Agreement. Without this funding, the City would have faced a significant deficit and would have had to utilize stabilization reserves to cover the impacts of the pandemic. The City also continued with some cost mitigation measures, which assisted in keeping expenses within budget during this challenging time.

Throughout the pandemic, Kitchener has maintained its strong reputation for financial stability, and we expect this to continue as we enter a new, hopeful chapter in 2022.

Jonathan Lautenbach, CPA, CGA
Chief Financial Officer and City Treasurer
July 12, 2022

Financial Governance

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

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

FOCUS ON EFFECTIVE AND EFFICIENT GOVERNMENT IN STRATEGIC PLANNING

At the beginning of each new four-year term of Council, the City of Kitchener develops a strategic plan to advance the vision, mission and goals for Kitchener. Shaping the vision for Kitchener's future into a strategic plan started with listening to the community. Kitchener residents, Council members and local organizations were asked where efforts should be focused to make Kitchener an even more innovative, caring and vibrant city. Five clear goals provide focus and 25 action statements set a blueprint for success. This will ensure that staff focus on the priorities that matter most to citizens.

Below is a summary of the 2019-2022 plan:

Great Customer Service	Our goal: Increase people's satisfaction, trust, and engagement with the city by providing friendly, easy and convenient services.
People-Friendly Transportation	Our goal: Transform how people move through the city by making the transportation network safe, convenient, comfortable, and connected.
Environmental Leadership	Our goal: Achieve a healthy and livable community by proactively mitigating and adapting to climate change and by conserving natural resources.
Caring Community	Our goal: Enhance people's sense of belonging and connection by providing welcoming community spaces and programs; better engaging, serving and supporting our diverse populations and helping to make housing affordable.
Vibrant Economy	Our goal: Build a vibrant city by making strategic investments to support job creation, economic prosperity, thriving arts and culture, and great places to live.

The City is committed to being accountable to the community it serves. The 2019-2022 Strategic Plan contains measurable, specific actions and a timeline for completion. Our long-term financial plan, budgets and annual business plans are aligned to implement the Strategic Plan. The City measures and reports on its progress to Council and the public throughout the life of this plan.

BUSINESS PLANNING AND BUDGET PROCESS

Providing the important services our community relies on takes proper planning and hard work. Our business plan sets this course of action, guiding the work that must be accomplished during this term of City Council so we're able to meet the needs of our residents, fulfill the commitments made to the community through our strategic plan, and respond to emerging issues in a sustainable, affordable way.

Developed in collaboration with City Council, staff from all City departments and incorporating Compass Kitchener's recommendations for improvement, our business plan maps out how we must use the resources available to deliver value to the community. The plan guides us toward achieving our strategic priorities, as well as maintaining and improving our core services.

The business plan and the budget are developed in parallel to ensure the allocation of resources are aligned with the planned work of the organization.

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

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

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

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

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



INTERNAL AUDIT

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

EXTERNAL AUDIT

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

AUDIT COMMITTEE

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



Financial Statement Discussion and Analysis

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

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

There are four required financial statements:

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

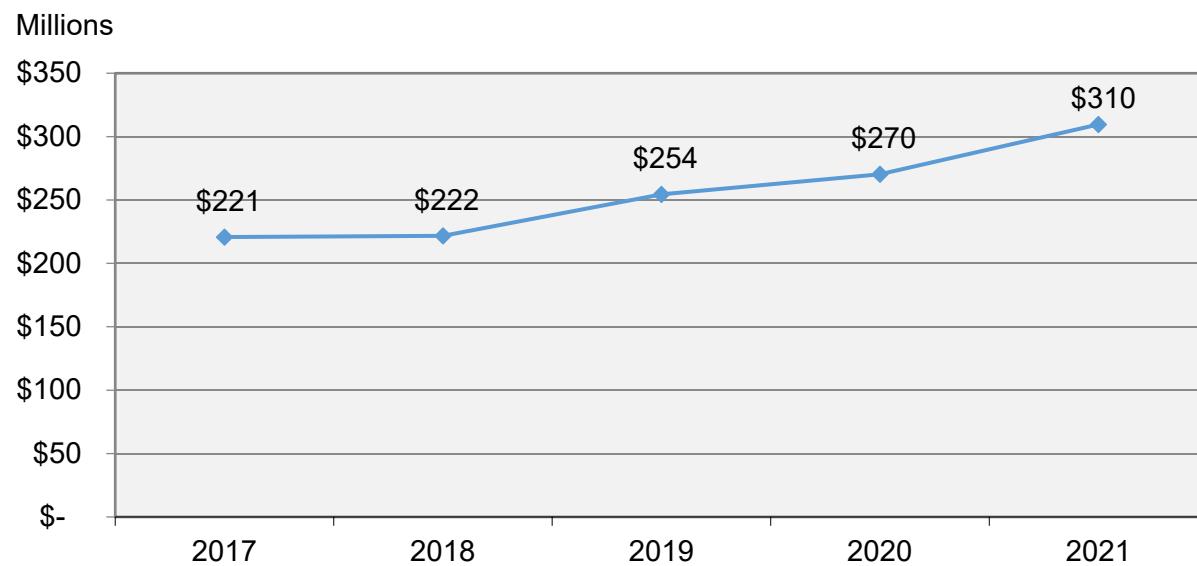
The consolidated financial statements reflect the assets, liabilities, reserves, surpluses/deficits, revenue, and expenditures of city funds and governmental functions or entities. These functions and entities comprise a part of the combined city operations based upon control exercised by the City. The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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

The City's net financial asset balance is \$310 million, an increase of \$40 million from 2020. This balance is calculated as total financial assets less liabilities and represents the amount available to finance future operations. The increase year over year is due to changes in the various balance sheet accounts which are described in the paragraphs below. Of note, many municipalities maintain a net financial liability balance as their liabilities exceed their financial assets. The fact that Kitchener has a positive net financial asset balance and that it has grown or maintained this balance over the last number of years demonstrates the City's strong financial position.

NET FINANCIAL ASSETS



Cash and cash equivalents

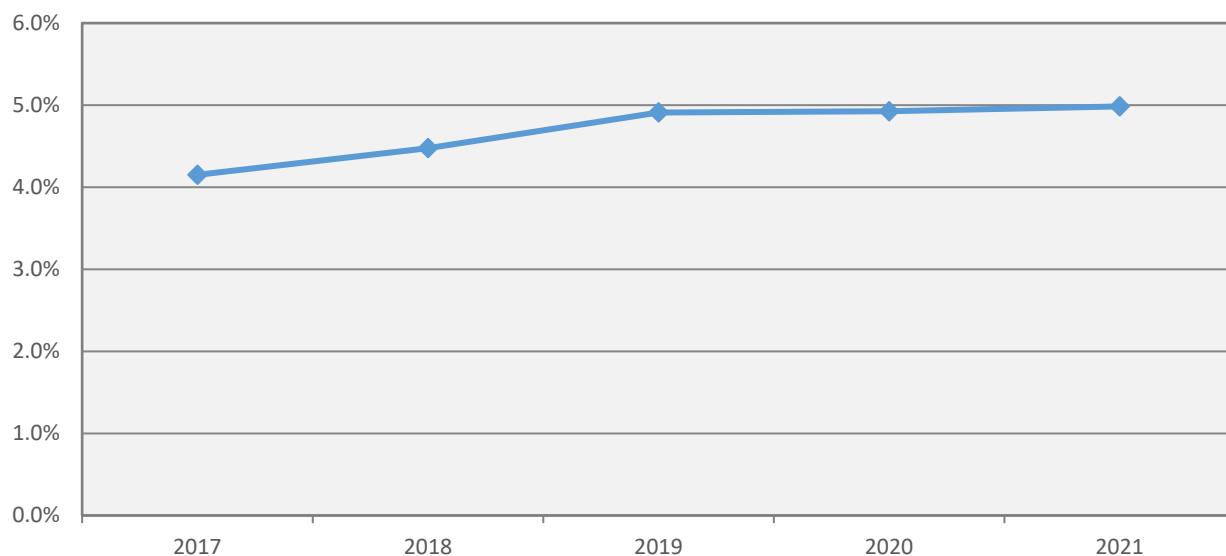
The City's cash position is closely managed and remains adequate along with short-term investments to meet ongoing cash requirements. The cash position has decreased to \$111 million from \$140 million in 2020. The Consolidated Statement of Cash Flow summarizes the sources and uses of cash in both 2021 and 2020. The decrease in cash represents a resumption of investment activity in 2021 following a shift away from investments in 2020 to maintain liquidity due to the unknowns associated with the ongoing pandemic. There were also significant cash

outflows relating to acquisition of tangible capital assets, offset by cash inflows from operating activities.

Taxes receivable

Taxes receivable increased only slightly at the end of 2021 and the percentage increase was in line with the increase in taxes billed.

TAXES RECEIVABLE AS A PERCENT OF CURRENT LEVY



Investments

The City of Kitchener invests in a manner that provides financial returns while protecting and preserving capital, maintains liquidity to meet the daily cash flow demands and conforms to all legislation governing the investment of public funds. There was a notable increase in investments at the end of 2021 to \$219 million from \$130 million at the end of 2020. The rates on investments were not favourable at the end of 2020 and having cash on hand was important to be able to respond to changing needs throughout the pandemic. Investment activity resumed in 2021 as the uncertainty of the impact of the pandemic on cash flows decreased.

Investment in Kitchener Power Corp. & Kitchener Generation Corporation

The City's investments in both Kitchener Power Corp. and its affiliates and Kitchener Generation Corporation are made up of the City's initial investment and its share of net income since acquisition less dividends received. See Notes 7 and 8 to the consolidated financial statements for further details.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities represents the amount of money owed to others for goods or services the City has received. The balance increased slightly to \$108 million at the end of 2021 from \$106 million at the end of 2020.

Deferred revenue – obligatory reserve funds

Obligatory reserve funds are monies set aside and legally restricted by legislation, a municipal by-law, or agreement. These include development charges, Canada community-building funds (formerly known as federal gas tax), building permits, and recreational lands. Under the accounting standards, revenue recognition must be deferred until those funds have been spent on eligible projects. The increase in deferred revenue – obligatory reserve funds to \$83 million at the end of 2021 from \$61 million at the end of 2020 is primarily due to higher collections from development charges, Canada community-building, and building permits in the year and the fact that earned revenue increased by a lower amount. In 2020, the City deferred work on a variety of capital projects to help prevent potential cash flow issues during the pandemic and this had a continued impact in 2021. See Note 10 to the consolidated financial statements which provides greater detail regarding activity in both years.

Deferred revenue – other

Certain user fees and charges are collected for which the related services have yet to be performed and are recorded under the classification Deferred revenue - other. This amount increased to \$43 million at the end of 2021 from \$20 million at the end of 2020 as a result of funds contributed by developers to move up the timing of capital projects.

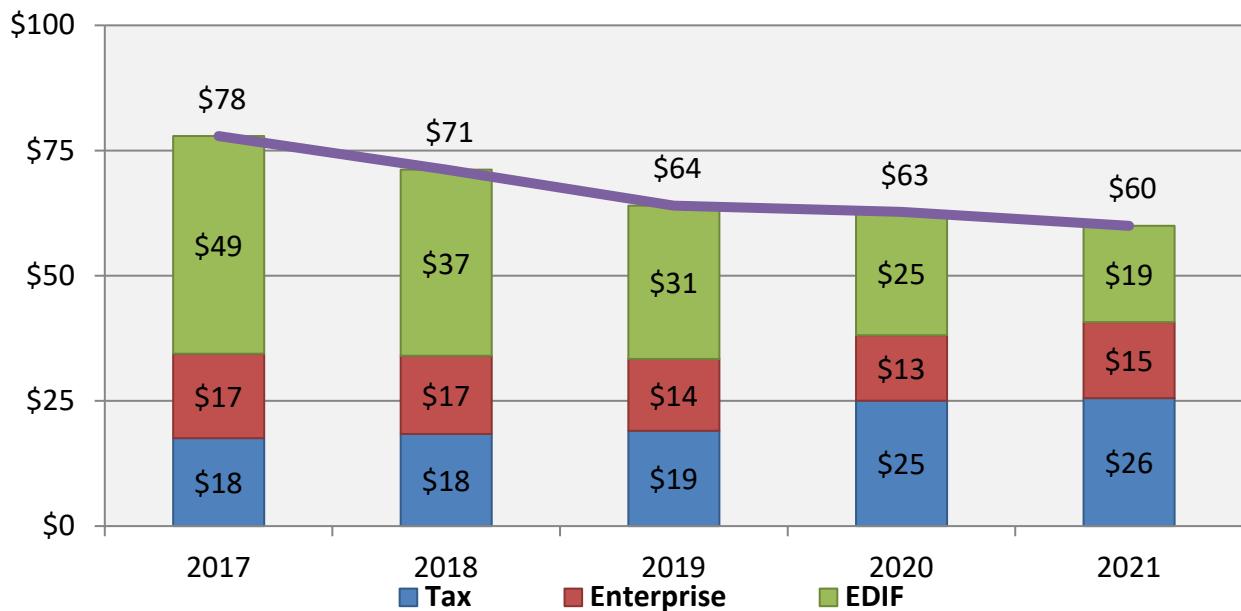
Municipal debt

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

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

MUNICIPAL DEBT

Millions



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

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

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

Municipal debt has decreased to \$60 million at the end of 2021 from \$63 million at the end of 2020. The change in debt is a result of new debt issuance of \$8 million offset by repayment of \$11 million of existing debt.

Employee future benefits

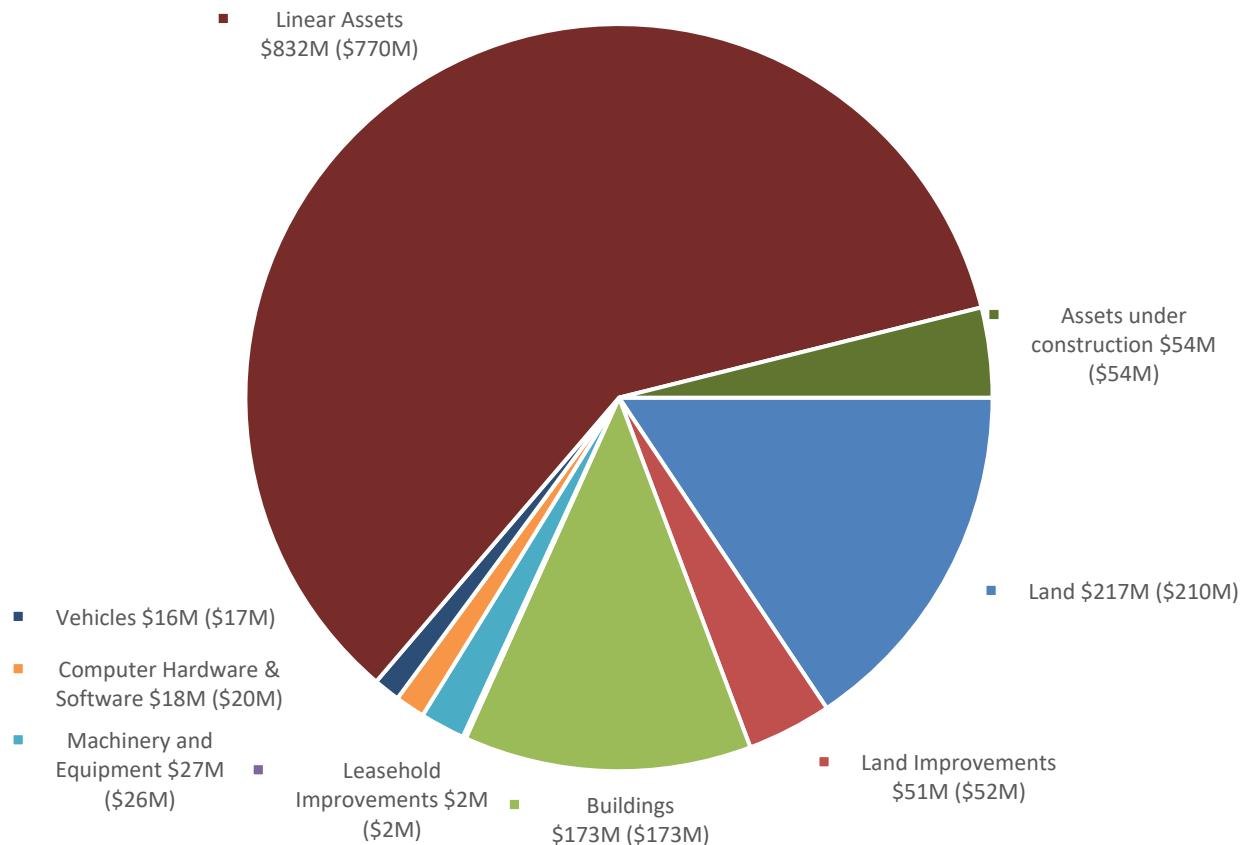
Employee future benefits include liabilities for future sick leave costs, post-retirement benefits and future Workplace Safety and Insurance Board (WSIB) payments. The liability has remained at \$54 million at the end of 2021 and 2020. This is a result of an increase in the projected cost of benefits offset by an increase in the discount rate used to determine the present value of the obligations.

Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The cost less residual value of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives ranging from 2 to 100 years.

The net book value of tangible capital assets at December 31, 2021 is \$1.39 billion, up from \$1.32 billion at December 31, 2020. During 2021, the City acquired \$122 million in tangible capital assets (2020 - \$135 million). Amortization of assets was \$56 million (2020 - \$52 million). Refer to Note 14 and Schedule A of the consolidated financial statements for a detailed breakdown of tangible capital asset activity for 2021 and 2020.

TANGIBLE CAPITAL ASSETS BY ASSET TYPE



Accumulated surplus

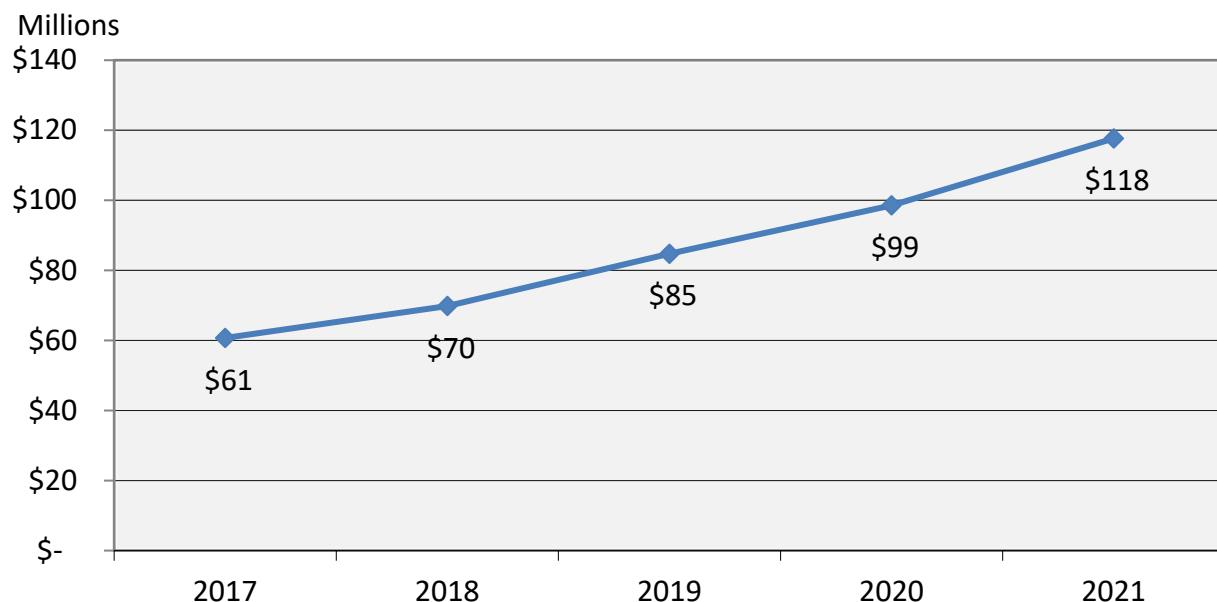
The City's accumulated surplus at December 31, 2021 was \$1.70 billion (2020 - \$1.60 billion). The accumulated surplus reflects the resources that have been built over time at the City and the balance includes items such as tangible capital assets, equity in Kitchener Power Corp. and Kitchener Generation Corporation, and various reserve funds.

Reserve funds

Reserve funds are included as part of accumulated surplus and these balances are disclosed in Note 15 of the consolidated financial statements. Total reserve funds at December 31, 2021 was \$118 million (2020 - \$99 million).

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

RESERVE FUNDS

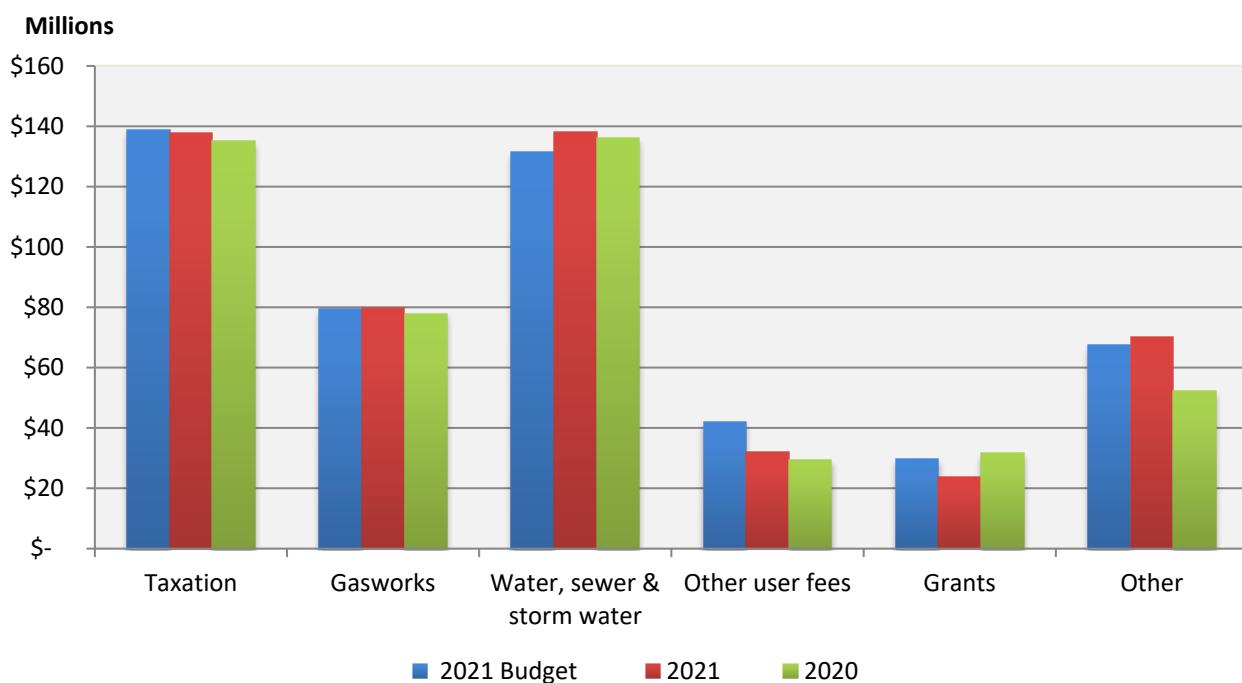


CONSOLIDATED STATEMENT OF OPERATIONS

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

In 2021, overall assessment growth was 1.52%. While this new assessment creates revenue for the City, there is also a cost to provide services to new development. In addition, cost increases in excess of inflation, public demand for new services and unreliable revenue sources all place significant pressure on the City budget. The tax rate increase for 2021 operations was 0.94%.

REVENUE BY TYPE



Revenue

Revenue is received from the following sources: taxation; user fees from Gasworks, water, sewer, storm water, and other; grants and other. Kitchener is one of only two municipalities in Ontario that own and operate a natural gas utility.

Water, sewer & storm water revenue was greater than budget by \$7 million due to greater water consumption by the City's customers.

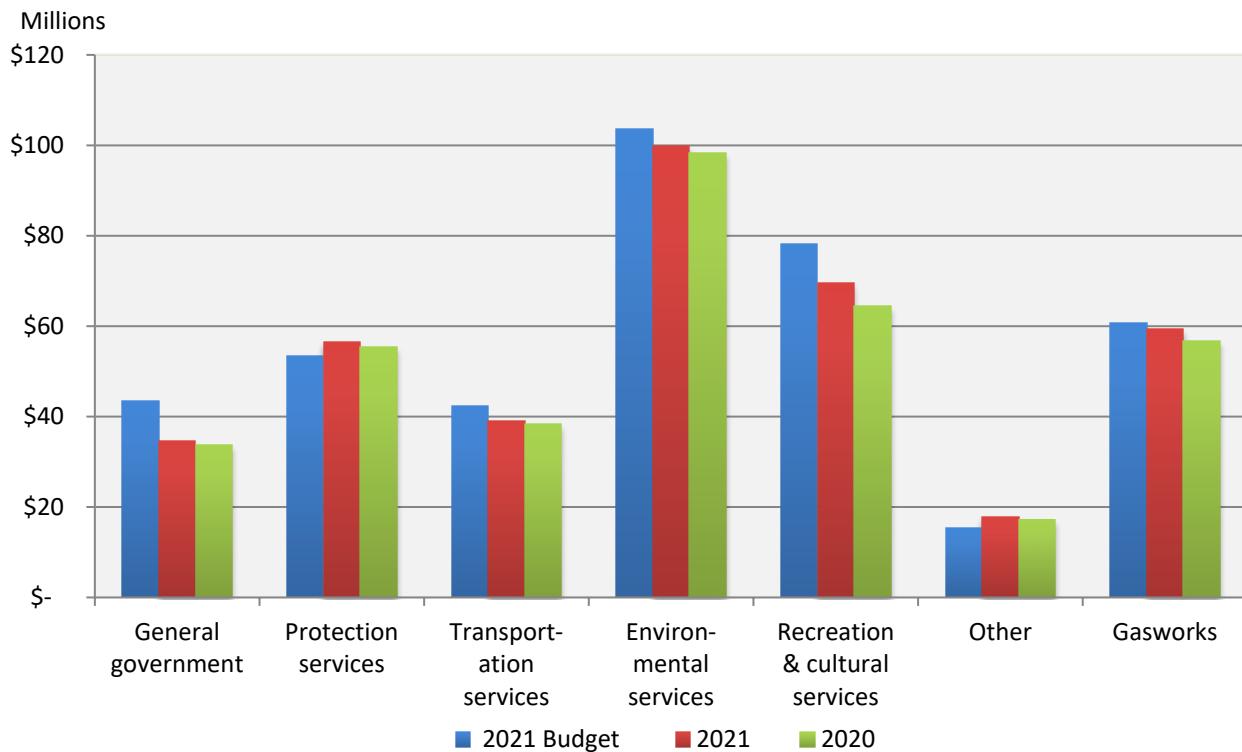


Other user fees increased from prior year but were again considerably less than budget as a result the COVID-19 global pandemic. This included impacts from facility closures and programs that were suspended or modified as a result of COVID-19 restrictions, as well as reduced parking revenue.

Grants revenue decreased to \$24 million in 2021 from \$32 million in 2020. In 2020, to assist municipal governments with the financial stresses related to lost revenue and additional costs caused by the pandemic, the federal and provincial governments transferred significant funding to the City through the Safe Restart Grant. The City received further funds under this grant in 2021, however less than what was received in 2020. Grants revenue was also less than budget in 2021, mainly as a result of the timing of spending on capital projects eligible for grant funding (for example, projects that fall under the Disaster Mitigation and Adaptation Fund). Spending on many of these projects will take place over several years and can vary significantly from year-to-year.

The ‘Other’ category in the Revenue by Type chart above includes contribution of tangible capital assets, investment income, penalties and interest on taxes, development charge revenue recognized, and share of net income of Kitchener Power Corp. and Kitchener Generation Corporation. Revenue in this category was higher in 2021 compared to 2020 primarily due to higher amounts of contributed assets to the City and higher amounts of development charges earned. The timing of asset contributions is not something the City controls. Development charge revenue can only be earned when work on designated growth projects has been completed. In 2020, many capital projects were postponed as part of the City’s response to the pandemic. Many of these resumed in 2021.

EXPENSES BY FUNCTION



Expenses

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

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

General government expenses were less than budget as a result of the pandemic. The City continued to experience utility savings as many of the City's facilities were closed at various times throughout the year due to provincial pandemic restrictions put in place to help curb the transfer of the virus. The City also undertook cost saving measures wherever feasible to help limit the financial impacts resulting from the pandemic.



Additional costs incurred as a direct result of the pandemic, regardless of which function they related to were included in Protection services function in accordance with recommendations from the province. Some examples of these costs were additional personal protective equipment and accommodations to various facilities such as hand sanitizer stations and signage.

Transportation services expenses were \$3 million lower than budget in part due to reduced electricity costs resulting from the installation of higher efficiency LED bulbs in recent years.

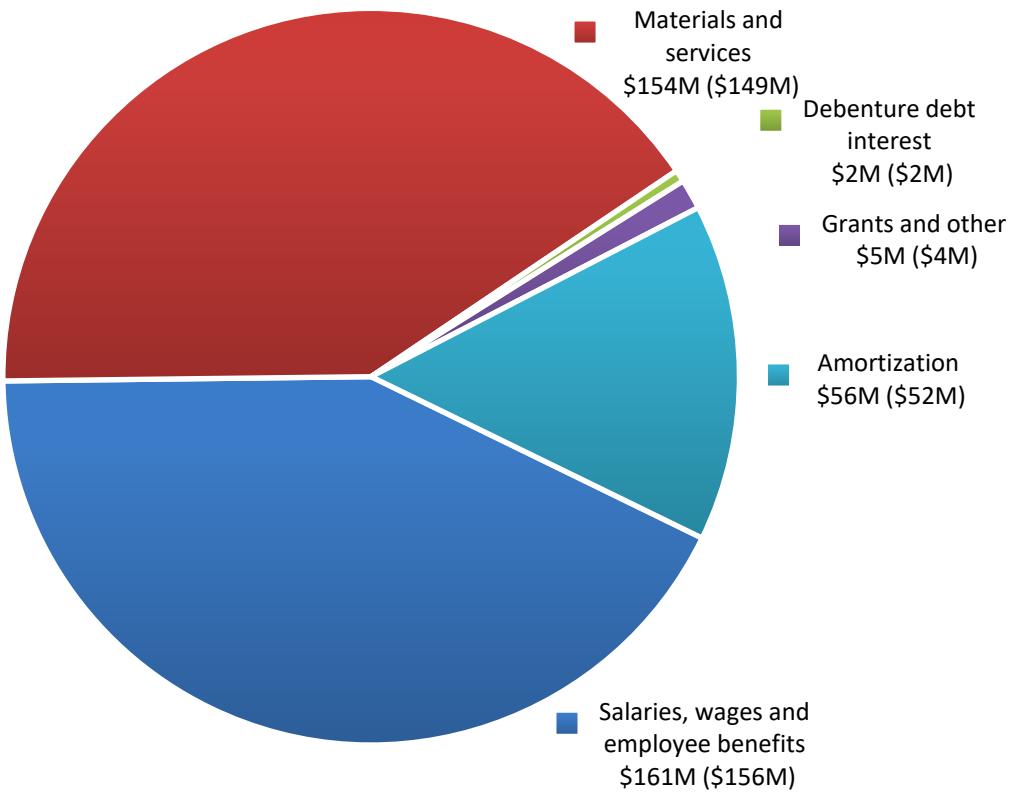
Environmental services expenses were \$3 million lower than budget as a result of lower water, sewer and storm water maintenance costs due to proactive maintenance resulting in fewer reactionary repairs, savings in pumping station maintenance, and reduced staffing resources due to the pandemic.

Recreation and cultural services expenses were \$8 million less than budget as a result of facility closures and reduced capacity at facilities, which led to a number of staff being transitioned to one of the emergency leaves on a temporary basis as well as lower utility consumption. Despite this, there was an increase in programming compared to 2020, resulting in higher expenses in 2021 compared to 2020.

The 'Other' category in the Expenses by Function chart includes Health services, Social and family services, and Planning and development.

Gasworks expenses were \$3 million higher than in 2020 as a result of an increase in commodity prices as well as an increase in consumption volumes.

EXPENSES BY TYPE



CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

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

CONSOLIDATED STATEMENT OF CASH FLOW

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



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Canada
Tel 519-747-8800
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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the consolidated statement of the financial position as at December 31, 2021
 - the consolidated statement of operations for the year then ended
 - the consolidated statement of change in net financial assets for the year then ended
 - the consolidated statement of cash flows for the year then ended
 - and notes to the consolidated financial statements, including a summary of significant accounting policies
- (Hereinafter referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021, and its consolidated results of operations, its changes in consolidated net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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



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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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.

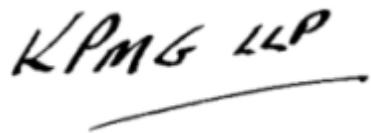
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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



A handwritten signature in black ink that reads "KPMG LLP". A single horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

July 12, 2022

THE CORPORATION OF THE CITY OF KITCHENER

Consolidated Statement of Financial Position

As at December 31, 2021

	2021	2020
Financial assets		
Cash and cash equivalents	\$ 111,256,413	\$ 140,456,509
Taxes receivable (Note 2)	22,423,158	22,376,508
Trade and other accounts receivable (Note 2)	51,703,849	34,441,122
Loans receivable (Note 5)	6,126,258	6,289,834
Inventory for resale	13,728,401	13,698,269
Investments (Note 6)	219,049,058	129,817,073
Investment in Kitchener Power Corp. and its affiliates (Note 7)	231,241,809	224,960,021
Investment in Kitchener Generation Corporation (Note 8)	2,090,266	2,316,914
	657,619,212	574,356,250
Liabilities		
Accounts payable and accrued liabilities	107,995,570	106,127,746
Deferred revenue - obligatory reserve funds (Note 10)	83,114,403	60,677,659
Deferred revenue - other	42,722,904	20,263,897
Municipal debt (Note 11)	59,962,275	62,739,124
Employee future benefits (Note 13)	54,235,095	54,261,751
	348,030,247	304,070,177
Net financial assets	309,588,965	270,286,073
Non-financial assets		
Tangible capital assets (Note 14)	1,389,634,219	1,324,000,850
Inventory of supplies	3,999,201	3,518,415
Prepaid expenses	1,976,293	1,865,594
	1,395,609,713	1,329,384,859
Accumulated surplus (Note 15)	\$ 1,705,198,678	\$ 1,599,670,932

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, 2021

	2021 Budget	2021	2020
Revenue			
Taxation	\$ 138,786,859	\$ 137,949,043	\$ 135,010,285
User fees and charges			
Gasworks	79,549,186	79,803,582	77,964,599
Water, sewer and storm water	131,507,687	138,271,884	136,073,048
Other	41,958,305	32,205,632	29,520,236
Grants	29,694,387	23,919,824	31,767,318
Contributions of tangible capital assets	23,914,606	23,914,606	19,856,345
Investment income	9,615,513	6,577,326	7,936,940
Penalties and interest on taxes	3,286,520	3,783,814	2,925,246
Development charge revenue recognized	17,247,707	21,836,143	9,582,100
Share of net income of Kitchener Power Corp. and its affiliates (Note 7)	10,908,563	10,327,388	9,629,978
Share of net income of Kitchener Generation Corporation (Note 8)	-	64,114	61,402
Other	2,634,603	3,549,562	2,215,377
Total revenue	489,103,936	482,202,918	462,542,874
Expenses			
General government	43,535,130	34,604,817	33,744,592
Protection services	53,342,592	56,441,084	55,408,373
Transportation services	42,440,748	39,002,183	38,266,483
Environmental services	103,632,608	99,840,274	98,325,470
Health services	3,080,205	3,842,758	2,315,444
Social and family services	2,749,117	2,234,620	2,322,018
Recreation and cultural services	78,237,482	69,607,865	64,481,190
Planning and development	9,643,901	11,777,358	12,608,810
Gasworks	60,812,038	59,324,213	56,676,707
Total expenses	397,473,821	376,675,172	364,149,087
Annual surplus	91,630,115	105,527,746	98,393,787
Accumulated surplus, beginning of year	1,599,670,932	1,599,670,932	1,501,277,145
Accumulated surplus, end of year (Note 15)	\$ 1,691,301,047	\$ 1,705,198,678	\$ 1,599,670,932

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, 2021

	2021 Budget	2021	2020
Annual surplus	\$ 182,225,281	\$ 105,527,746	\$ 98,393,787
Amortization of tangible capital assets	55,588,593	55,588,593	51,792,737
Acquisition of tangible capital assets	(125,050,386)	(122,238,702)	(135,189,619)
Gain on disposals of tangible capital assets	(900,085)	(900,085)	(233,773)
Proceeds on disposal of tangible capital assets	1,916,825	1,916,825	1,266,043
Acquisition of inventory of supplies	-	(7,155,383)	(6,692,694)
Acquisition of prepaid expenses	-	(1,906,707)	(887,281)
Consumption of inventory of supplies	-	6,674,597	6,588,807
Use of prepaid expenses	-	1,796,008	777,248
Change in net financial assets	113,780,228	39,302,892	15,815,255
Net financial assets, beginning of year	270,286,073	270,286,073	254,470,818
Net financial assets, end of year	\$ 384,066,301	\$ 309,588,965	\$ 270,286,073

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, 2021

	2021	2020
Operating		
Annual surplus	\$ 105,527,746	\$ 98,393,787
Items not involving cash		
Amortization of tangible capital assets	55,588,593	51,792,737
Gain on disposals of tangible capital assets	(900,085)	(233,773)
Share of net income of Kitchener Power Corp. and its affiliates	(10,327,388)	(9,629,978)
Share of net income of Kitchener Generation Corporation	(64,114)	(61,402)
Change in employee future benefits	(26,656)	2,772,793
Contributions of tangible capital assets	(23,914,606)	(19,856,345)
Change in non-cash assets and liabilities		
Taxes receivable	(46,650)	(779,868)
Trade and other accounts receivable	(17,262,727)	692,311
Loans receivables	163,576	164,942
Inventory for resale	(30,132)	(939,931)
Inventory of supplies	(480,786)	(103,887)
Prepaid expenses	(110,699)	(110,033)
Accounts payable and accrued liabilities	1,867,824	(7,820,963)
Deferred revenue - obligatory reserve funds	22,436,744	15,148,192
Deferred revenue - other	22,459,007	(5,405,314)
Net change in cash from operating activities	154,879,647	124,023,268
Investing		
Dividends received from Kitchener Power Corp.	4,045,600	3,858,100
Debt and equity payments received from Kitchener Generation Corporation	290,762	293,654
Net disposal (acquisition) of investments	(89,231,985)	52,679,506
Net change in cash from investing activities	(84,895,623)	56,831,260
Financing		
Municipal debt issued	8,069,000	9,554,000
Municipal debt repaid	(10,845,849)	(10,807,889)
Net change in cash from financing activities	(2,776,849)	(1,253,889)
Capital		
Acquisition of tangible capital assets	(98,324,096)	(115,333,274)
Proceeds on disposal of tangible capital assets	1,916,825	1,266,043
Net change in cash from capital activities	(96,407,271)	(114,067,231)
Net change in cash and cash equivalents	(29,200,096)	65,533,408
Cash and cash equivalents, beginning of year	140,456,509	74,923,101
Cash and cash equivalents, end of year	\$ 111,256,413	\$ 140,456,509

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

THE CORPORATION OF THE CITY OF KITCHENER

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

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

1. Summary of significant accounting policies

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

a. Basis of consolidation

i. Consolidated entities

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

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

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

ii. Government business enterprises

Kitchener Generation Corporation and Kitchener Power Corp. and its affiliates are not consolidated but are accounted for on the modified equity basis which reflects the City of Kitchener's investment in the enterprises and its share of net income since acquisition. Under the modified equity basis, the enterprises' accounting principles are not adjusted to conform to those of the City, and inter-organizational transactions and balances are not eliminated.

iii. Accounting for region and school board transactions

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

THE CORPORATION OF THE CITY OF KITCHENER

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

1. Summary of significant accounting policies (continued)

a. Basis of consolidation (continued)

iv. Trust funds

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

b. Basis of accounting

i. Accrual basis of accounting

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

ii. Cash and cash equivalents

Cash and cash equivalents include cash on hand and highly liquid investments with original maturity of 90 days or less as at the end of the year.

iii. Trade and other accounts receivable

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

iv. Loans receivable

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

v. Inventory for resale

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

vi. Investments

Portfolio investments are carried at cost, net of accumulated amortization on premiums and discounts. Premiums and discounts are amortized on a straight line basis over the term to maturity. Interest income is recorded as it accrues. When the value of any portfolio investment is identified as impaired, the carrying amount is adjusted to the estimated realizable amount and any adjustments are included in investment income in the period the impairment is recognized.

THE CORPORATION OF THE CITY OF KITCHENER

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

1. Summary of significant accounting policies (continued)

b. Basis of accounting (continued)

vii. Deferred revenue

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work or for the purchase of tangible capital assets. A requirement of the Public Sector Accounting Board of the Chartered Professional Accountants of Canada is that obligatory reserves be reported as deferred revenue. Obligatory reserves include development charges, recreational lands, building permits and gas tax funding. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These are recorded under the classification Deferred revenue - other. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

viii. Employee future benefits

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

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

ix. Contaminated sites

Contaminated sites are defined as the result of contamination being introduced into air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environment standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination. As of December 31, 2021, no liability is recorded on the Consolidated Statement of Financial Position.

x. Non-financial assets

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

THE CORPORATION OF THE CITY OF KITCHENER

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

1. Summary of significant accounting policies (continued)

b. Basis of accounting (continued)

x. Non-financial assets (continued)

a. Tangible capital assets

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

Assets	Amortization Period
Land	The original cost of land is not amortized
Land Improvements	10 to 100 years
Buildings & building improvements	15 to 50 years
Leasehold improvements	Over the useful life of the improvement or the lease term, whichever is shorter
Machinery & equipment	1 to 20 years
Computer hardware	5 years
Computer software	5 to 10 years
Linear assets	5 to 100 years
Vehicles	5 to 16 years

b. Contributions of tangible capital assets

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

c. Leases

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

d. Inventory of supplies

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

e. Works of art and cultural and historic assets

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

THE CORPORATION OF THE CITY OF KITCHENER

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

1. Summary of significant accounting policies (continued)

b. Basis of accounting (continued)

xi. Revenue recognition

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

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

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

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

xii. Use of estimates

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

2. Taxes and accounts receivable

Taxes receivable are reported net of a valuation allowance of \$9,321,997 (2020 - \$8,569,879). Trade and other accounts receivable are reported net of a valuation allowance of \$1,283,294 (2020 - \$1,373,767).

THE CORPORATION OF THE CITY OF KITCHENER

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

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

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

	School Boards	Region	Total
Taxation and user charges	\$ 79,625,896	\$ 285,467,443	\$ 365,093,339
Share of payments in lieu of taxes	559	3,034,627	3,035,186
Share of linear properties	45,880	124,922	170,802
Amounts requisitioned	\$ 79,672,335	\$ 288,626,992	\$ 368,299,327

4. Trust funds

Trust funds administered by the City have not been included in the Consolidated Statement of Financial Position, nor have their operations been included in the Consolidated Statement of Operations. The trust funds under administration are comprised of cemetery perpetual care and prepaid interment funds totalling \$17,616,272 (2020 - \$16,786,440).

5. Loans receivable

Loans receivable are made up of the following:

	2021	2020
Major capital improvement loans receivable	\$ 5,929,891	\$ 6,062,000
Loans receivable with forgiveness provisions	25,396	25,396
Minor capital improvement and other loans receivable	170,971	202,438
	\$ 6,126,258	\$ 6,289,834

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 (2020 - 10 to 12 years). All major capital improvement loans are unsecured and bear interest at rates ranging from 1.32% to 1.58% (2020 - 1.32% to 1.58%).

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 (2020 - 5 years). The forgiveness provisions range from 15% to 15% (2020 - 15% to 15%). The balances recorded are net of the allowance for forgiveness. Interest rates on these loans range from 8% to 8% (2020 - 8% to 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 (2020 - 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 range from 0% to 0% (2020 - 0% to 0%).

THE CORPORATION OF THE CITY OF KITCHENER

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

6. Investments

Investments are made up of the following:

	2021 Cost	2021 Market Value	2020 Cost	2020 Market Value
Guaranteed investment certificates	\$ 186,525,161	\$ 188,613,269	\$ 116,027,115	\$ 116,641,471
Bonds and debentures	32,242,655	31,993,486	13,502,281	13,713,173
Shares	281,242	564,401	287,677	482,693
	\$ 219,049,058	\$ 221,171,156	\$ 129,817,073	\$ 130,837,337

7. Investment in Kitchener Power Corp. and its Affiliates

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

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

The investment is comprised of the following:

	2021	2020
Kitchener Power Corp. common shares	\$ 61,244,208	\$ 61,244,208
Kitchener-Wilmot Hydro Inc. 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	99,000,025	92,718,237
	\$ 231,241,809	\$ 224,960,021

The Kitchener-Wilmot Hydro Inc. notes are unsecured and bear interest at the rate of 3.23% (2020 - 3.23%). There are no repayment terms and there is no intent to redeem the notes or the shares.

THE CORPORATION OF THE CITY OF KITCHENER

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

7. Investment in Kitchener Power Corp. and its Affiliates (continued)

The following table provides condensed financial information with respect to Kitchener Power Corp.:

	2021	2020
Current assets	\$ 46,263,000	\$ 56,044,000
Non-current assets	<u>291,824,000</u>	276,709,000
Regulatory assets	<u>25,396,000</u>	19,661,000
Total assets	<u>363,483,000</u>	352,414,000
Current liabilities	42,578,000	47,790,000
Long-term debt	76,963,000	76,963,000
Regulatory liabilities	4,543,000	4,496,000
Other liabilities	<u>64,813,000</u>	55,944,000
Total liabilities	<u>188,897,000</u>	185,193,000
Net assets	<u>174,586,000</u>	167,221,000
Results of operations		
Revenues	257,588,000	293,231,000
Expenses	<u>(246,393,000)</u>	(282,792,000)
Net income	<u>11,195,000</u>	10,439,000
City's share of net income - 92.25%	<u>\$ 10,327,388</u>	\$ 9,629,978

Mergers of the holding companies, Kitchener Power Corp. and Waterloo North Hydro Holding Corporation and the local distribution companies, Kitchener-Wilmot Hydro Inc. and Waterloo North Hydro Inc. were proposed in 2021. The proposals have been agreed to by the City of Kitchener and Township of Wilmot Councils. A Mergers, Amalgamations, Acquisitions and Divestitures application was filed on February 4, 2022 seeking permission from the Ontario Energy Board to proceed with the proposed merger.

8. Investment in Kitchener Generation Corporation

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

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

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

	2021	2020
Kitchener Generation Corporation common shares	\$ 209,027	\$ 232,444
Kitchener Generation Corporation long-term notes receivable	<u>1,881,239</u>	2,091,995
Share of net income since acquisition, net of dividends	-	(7,525)
	<u>\$ 2,090,266</u>	\$ 2,316,914

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

THE CORPORATION OF THE CITY OF KITCHENER

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

8. Investment in Kitchener Generation Corporation (continued)

90% debt, 10% equity.

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

	2021	2020
Current assets	\$ 7,676	\$ 10,746
Capital assets	<u>2,090,264</u>	2,322,516
Total assets	2,097,940	2,333,262
Current liabilities	7,674	16,348
Long-term debt	<u>1,881,239</u>	2,091,995
Total liabilities	1,888,913	2,108,343
Net assets	209,027	224,919
Results of operations		
Revenues	401,175	414,384
Expenses	<u>(337,061)</u>	(352,982)
Net income	64,114	61,402
City's share of net income - 100%	\$ 64,114	\$ 61,402

9. Insurance pool

Accounts payable and accrued liabilities include an amount of \$10,581,610 (2020 - \$11,585,331) 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 23.02% (2020 - 24.38%) and its share of the Pool's cumulative surplus as at May 31, 2021 was \$1,805,325 (2020 - \$2,088,790). The City's share of the Pool's cumulative surplus has not been included in the Consolidated Statement of Financial Position.

10. Deferred revenue - obligatory reserve funds

Obligatory deferred revenue is comprised of the following:

	2021	2020
Development charges	\$ 46,022,757	\$ 35,029,877
Federal gas tax	12,773,507	6,302,509
Building	14,657,882	13,818,330
Recreational land	9,660,257	5,526,943
	\$ 83,114,403	\$ 60,677,659

THE CORPORATION OF THE CITY OF KITCHENER

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

10. Deferred revenue - obligatory reserve funds (continued)

The continuity of obligatory deferred revenue is as follows:

	Development charges	Federal gas tax	Building	Recreational land	Total
Balance, January 1, 2021	\$ 35,029,877	\$ 6,302,509	\$ 13,818,330	\$ 5,526,943	\$ 60,677,659
Collections	32,829,023	14,507,301	704,789	4,128,995	52,170,108
Interest earned	-	89,115	144,637	87,161	320,913
Deferred revenue recognized	(21,836,143)	(8,125,418)	(9,874)	(82,842)	(30,054,277)
Balance, December 31, 2021	46,022,757	12,773,507	14,657,882	9,660,257	83,114,403

Balance, January 1, 2020	20,330,610	10,135,140	12,484,064	2,579,653	45,529,467
Collections	24,281,367	7,075,077	1,186,275	2,917,044	35,459,763
Interest earned	-	92,729	198,872	44,872	336,473
Deferred revenue recognized	(9,582,100)	(11,000,437)	(50,881)	(14,626)	(20,648,044)
Balance, December 31, 2020	\$ 35,029,877	\$ 6,302,509	\$ 13,818,330	\$ 5,526,943	\$ 60,677,659

11. Municipal debt

The City has assumed responsibility for the payment of principal and interest charges on certain long-term debt issued by other municipalities. At the end of the year, the outstanding principal amount of this liability is \$59,962,275 (2020 - \$62,739,124).

The annual principal repayments are:

2022	\$ 13,727,325
2023	8,490,328
2024	7,641,268
2025	8,016,372
2026	7,742,468
2027 and thereafter	14,344,514
	\$ 59,962,275

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

The municipal debt carries interest rates ranging from 0.30% to 5.65% (2020 - 0.45% to 6.40%). Interest charges for 2021 relating to municipal debt totalled \$1,603,561 (2020 - \$2,286,127).

THE CORPORATION OF THE CITY OF KITCHENER

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

12. Pension plan

The City makes contributions to the Ontario Municipal Employees' Retirement System (OMERS), which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employee contributions are matched by the City. Contributions were required on account of current service in 2021 amounting to \$11,460,767 (2020 - \$11,469,111).

The latest available report for the OMERS plan was as at December 31, 2021. At that time the plan reported a \$3.1 billion actuarial deficit, based on actuarial liabilities of \$120.8 billion and actuarial assets of \$117.7 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, 2021, the City has no obligation under the past service provisions of the OMERS agreement.

13. Employee future benefits

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

	2021	2020
Sick leave benefit plan	\$ 20,869,210	\$ 21,261,308
Post-retirement benefits	23,658,385	22,662,843
Future payments to WSIB	9,707,500	10,337,600
	\$ 54,235,095	\$ 54,261,751

Significant actuarial assumptions

	Workplace Safety Insurance Board		Sick Leave & Post-Retirement Benefits	
	2021	2020	2021	2020
Discount rate	2.75	2.25	2.75	2.25
Salary growth assumptions	N/A	N/A	3.00	3.00
CPI increase assumptions	2.00	2.00	2.50	2.50
Health care initial trend rate	N/A	N/A	5.90	5.90
Health care ultimate trend rate	N/A	N/A	4.50	4.50
Dental care initial trend rate	N/A	N/A	4.00	4.00
Dental care ultimate trend rate	N/A	N/A	4.00	4.00

THE CORPORATION OF THE CITY OF KITCHENER

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

13. Employee future benefits (continued)

a. Sick leave benefit plan

Under the sick leave benefit plan, unused sick leave can accumulate and certain employees may become entitled to cash payments when they leave the City's employment. The amount of benefits paid during the year were \$2,550,997 (2020 - \$1,831,663).

A reserve fund to provide for this liability is included in accumulated surplus, in the amount of \$6,332,903 (2020 - \$5,432,999).

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

	\$ 3,666,906
2022	\$ 3,666,906
2023	1,451,776
2024	942,433
2025	1,009,754
2026	1,003,204
2027 and thereafter	6,234,125
	\$ 14,308,198

The actuarial valuation of the future liability for sick leave assumes a discount rate of 2.75% (2020 - 2.25%). The last actuarial valuation for this liability was completed at December 31, 2020.

The actuarial expense for the current year was \$2,158,899 (2020 - \$2,458,955) and is comprised of the following items:

	2021	2020
Current period benefit cost	\$ 1,324,175	\$ 1,244,705
Amortization of actuarial losses	339,204	568,042
Sick leave benefit expense	1,663,379	1,812,747
Sick leave benefit interest expense	495,520	646,208
Total expenses related to sick leave benefits	\$ 2,158,899	\$ 2,458,955

As at December 31, 2021, the unamortized actuarial gains (losses) were \$443,601 (2020 - \$(713,059)) and are amortized over 11 to 13 years (2020 - 11 to 13 years).

THE CORPORATION OF THE CITY OF KITCHENER

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

13. Employee future benefits (continued)

b. Post-retirement benefits

The City pays certain health, dental and life insurance benefits on behalf of its retired employees up to the age of 65 if they have at least ten years of service with the City. The amount of benefits paid during the year were \$1,257,388 (2020 - \$1,168,498).

The City holds no reserve to meet this liability.

The actuarial valuation of the future liability for post-retirement benefits assumes a discount rate of 2.75% (2020 - 2.25%) and inflation rates for benefit premiums of 4.0% to 5.9% (2020 - 3.0% to 4.5%). The last actuarial valuation for this liability was completed at December 31, 2020.

The actuarial expense for the year was \$2,252,930 (2020 - \$2,734,799) and is comprised of the following items:

	2021	2020
Current period benefit cost	\$ 1,199,344	\$ 1,219,537
Amortization of actuarial losses	516,731	766,915
Post-retirement benefit expense	1,716,075	1,986,452
Post-retirement benefit interest expense	536,855	748,347
Total expenses related to post-retirement benefits	\$ 2,252,930	\$ 2,734,799

As at December 31, 2021, the unamortized actuarial gains (losses) were \$1,202,863 (2020 - \$(626,736)) and are amortized over 11 to 13 years (2020 - 11 to 13 years).

c. WSIB

The Workplace Safety and Insurance Board (WSIB) administers injured worker benefits payments on behalf of the City as a Schedule 2 employer. The amount of benefits paid during the year were \$2,366,600 (2020 - \$1,872,600).

A reserve fund to provide for this liability is included in accumulated surplus, in the amount of \$4,789,470 (2020 - \$3,607,523).

The actuarial valuation of the future liability for WSIB assumes a discount rate of 2.75% (2020 - 2.25%). The last actuarial valuation for this liability was completed at December 31, 2019.

The actuarial expense for the current year was \$1,736,500 (2020 - \$2,451,800) and is comprised of the following items:

	2021	2020
Current period benefit cost	\$ 912,400	\$ 926,100
Amortization of actuarial losses	573,800	960,200
WSIB benefit expense	1,486,200	1,886,300
WSIB benefit interest expense	250,300	565,500
Total expenses related to WSIB benefits	\$ 1,736,500	\$ 2,451,800

As at December 31, 2021, the unamortized actuarial losses were \$2,066,000 (2020 - \$1,059,300) and are amortized over 12 years (2020 - 12 years).

THE CORPORATION OF THE CITY OF KITCHENER

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

14. Tangible capital assets

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

Assets under construction having a value of \$53,812,220 (2020 - \$53,677,837) have not been amortized. Amortization of these assets will commence when the assets are put into service.

Contributed tangible capital assets of \$23,914,606 (2020 - \$19,856,345) have been recognized at fair market value at the date of contribution. The contributed assets include land right 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 (2020 - \$36,275).

The amount of interest capitalized was \$nil (2020 - \$nil).

15. Accumulated surplus

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

	2021	2020
Surplus:		
Invested in tangible capital assets	\$ 1,389,634,219	\$ 1,324,000,850
Other	18,815,880	4,099,661
Equity in Kitchener Power Corp. and its affiliates	231,241,809	224,960,021
Equity in Kitchener Generation Corporation	2,090,266	2,316,914
Employee future benefits (unfunded)	(54,235,095)	(54,261,751)
Total surplus	1,587,547,079	1,501,115,695
Reserve funds set aside for specific purposes by Council for:		
Capital	53,324,641	35,604,598
Stabilization	37,986,430	39,039,907
Program specific	10,059,829	9,884,795
Corporate	13,631,628	11,091,825
	115,002,528	95,621,125
Reserve funds set aside for specific purposes by consolidated entities:		
Kitchener Public Library	735,262	942,293
Kitchener Downtown Improvement Area Board of Management	50,000	50,000
The Centre in the Square Inc.	1,863,809	1,941,819
	2,649,071	2,934,112
Total reserve funds	117,651,599	98,555,237
Accumulated surplus	\$ 1,705,198,678	\$ 1,599,670,932

THE CORPORATION OF THE CITY OF KITCHENER

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

16. Contingent liabilities

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

17. Segmented information

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

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

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

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

18. Budget figures

The budget figures reflected in these consolidated statements are those approved by Council at a meeting on January 18, 2021. Budget figures have been translated to reflect Public Sector Accounting Board standards.

19. Comparative figures

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

20. Impact of COVID-19 pandemic:

On March 11, 2020, the World Health Organization declared the Coronavirus Disease of 2019 (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

a. Current year transactions:

At the time of approval of these financial statements, the City has experienced the following in relation to the pandemic:

- Reduced revenue due to mandatory facility closures, event cancellations and reduced capacity in programs that continued
- Decreased demand for parking at City run parking facilities as many people were forced to work from home
- Reduced investment income as interest rates were lowered globally to help stabilize economic conditions
- Increased investment in technology infrastructure to support mandatory work from home measures
- Increased Personal Protective Equipment (PPE) costs for staff who are not able to effectively work from home

THE CORPORATION OF THE CITY OF KITCHENER

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

20. Impact of COVID-19 pandemic: (continued)

a. Current year transactions: (continued)

The following actions were undertaken to mitigate some of the negative implications of the pandemic:

- Transitioned hundreds of non-essential staff to Infectious Disease Emergency Leave (IDEL) on a temporary basis to offset reduced revenues
- Received additional grant revenue as the Federal and Provincial governments introduced transfer payments to municipalities to help them deal with the financial implications of the pandemic

b. Subsequent events related to COVID-19:

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

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the City's operations and financial position is not known at this time. There remains uncertainty over the resumption of in-person activities and services for the upcoming year. These impacts could include a decline in future cash flows, changes to the value of assets and liabilities, and the use of accumulated surplus to sustain operations. An estimate of the financial effect of the pandemic on the City is not practicable at this time.

THE CORPORATION OF THE CITY OF KITCHENER

Schedule A - Tangible Capital Assets

For the Year Ended December 31, 2021

	General								Infrastructure					Total
	Land	Land Improvements	Buildings	Leasehold Improvements	Machinery & Equipment	Computer Software	Computer Hardware	Vehicles	Land	Buildings	Linear Assets	Assets Under Construction		
Cost														
Balance, beginning of year	\$ 49,052,145	\$ 71,207,447	\$ 263,049,945	\$ 3,054,251	\$ 49,745,572	\$ 34,864,700	\$ 10,307,904	\$ 29,530,098	\$ 161,155,561	\$ 67,476,797	\$ 1,111,872,727	\$ 53,677,837	\$ 1,904,994,984	
Additions	3,123,168	2,269,002	8,760,147	-	5,770,413	233,658	1,895,634	1,846,416	3,743,525	348,229	57,160,817	36,687,781	121,838,790	
Transfers	(1,146)	176,320	370,277	-	-	171,383	29,635	-	1,146	18,023	35,787,760	(36,553,398)	-	
Disposals	(269)	(115,930)	(103,049)	-	(2,970,073)	(572,003)	(1,910,725)	(1,345,049)	-	-	(57,823,803)	-	(64,840,901)	
Balance, end of year	52,173,898	73,536,839	272,077,320	3,054,251	52,545,912	34,697,738	10,322,448	30,031,465	164,900,232	67,843,049	1,146,997,501	53,812,220	1,961,992,873	
Accumulated amortization														
Balance, beginning of year	-	(19,288,697)	(134,146,926)	(1,009,777)	(23,998,067)	(19,826,812)	(5,152,296)	(12,690,173)	-	(23,164,966)	(341,716,420)	-	(580,994,134)	
Disposals	-	115,930	62,236	-	2,853,381	572,003	1,910,725	1,255,638	-	-	57,454,160	-	64,224,073	
Amortization expense	-	(3,693,647)	(7,402,974)	(60,132)	(4,306,833)	(2,657,551)	(1,764,878)	(2,506,706)	-	(2,172,196)	(31,023,676)	-	(55,588,593)	
Balance, end of year	-	(22,866,414)	(141,487,664)	(1,069,909)	(25,451,519)	(21,912,360)	(5,006,449)	(13,941,241)	-	(25,337,162)	(315,285,936)	-	(572,358,654)	
Net book value, end of year	52,173,898	50,670,425	130,589,656	1,984,342	27,094,393	12,785,378	5,315,999	16,090,224	164,900,232	42,505,887	831,711,565	53,812,220	1,389,634,219	
Net book value, beginning of year	\$ 49,052,145	\$ 51,918,750	\$ 128,903,019	\$ 2,044,474	\$ 25,747,505	\$ 15,037,888	\$ 5,155,608	\$ 16,839,925	\$ 161,155,561	\$ 44,311,831	\$ 770,156,307	\$ 53,677,837	\$ 1,324,000,850	

THE CORPORATION OF THE CITY OF KITCHENER

Schedule A - Tangible Capital Assets (Continued)

For the Year Ended December 31, 2020

	General									Infrastructure					Total
	Land	Land Improvements	Buildings	Leasehold Improvements	Machinery & Equipment	Computer Software	Computer Hardware	Vehicles	Land	Buildings	Linear Assets	Assets Under Construction			
Cost															
Balance, beginning of year	\$ 40,314,696	\$ 60,309,180	\$ 254,773,723	\$ 3,054,251	\$ 48,412,719	\$ 34,345,451	\$ 8,846,402	\$ 28,250,488	\$ 159,514,712	\$ 67,244,632	\$ 1,019,443,633	\$ 65,929,991	\$ 1,790,439,878		
Additions	8,735,486	3,330,448	4,010,963	-	4,694,959	778,965	2,265,012	2,906,564	1,666,078	232,165	61,975,990	44,592,989	135,189,619		
Transfers	3,699	10,228,987	4,549,795	-	-	232,640	-	-	(3,699)	-	41,833,721	(56,845,143)	-		
Disposals	(1,736)	(2,661,168)	(284,536)	-	(3,362,106)	(492,356)	(803,510)	(1,626,954)	(21,530)	-	(11,380,617)	-	(20,634,513)		
Balance, end of year	49,052,145	71,207,447	263,049,945	3,054,251	49,745,572	34,864,700	10,307,904	29,530,098	161,155,561	67,476,797	1,111,872,727	53,677,837	1,904,994,984		
Accumulated amortization															
Balance, beginning of year	-	(18,596,365)	(127,163,359)	(949,645)	(23,021,861)	(17,733,481)	(4,465,795)	(11,826,178)	-	(21,000,509)	(324,046,447)	-	(548,803,640)		
Disposals	-	2,171,063	252,075	-	3,239,118	492,356	803,510	1,513,066	-	-	11,131,055	-	19,602,243		
Amortization expense	-	(2,863,395)	(7,235,642)	(60,132)	(4,215,324)	(2,585,687)	(1,490,011)	(2,377,061)	-	(2,164,457)	(28,801,028)	-	(51,792,737)		
Balance, end of year	-	(19,288,697)	(134,146,926)	(1,009,777)	(23,998,067)	(19,826,812)	(5,152,296)	(12,690,173)	-	(23,164,966)	(341,716,420)	-	(580,994,134)		
Net book value, end of year	49,052,145	51,918,750	128,903,019	2,044,474	25,747,505	15,037,888	5,155,608	16,839,925	161,155,561	44,311,831	770,156,307	53,677,837	1,324,000,850		
Net book value, beginning of year	\$ 40,314,696	\$ 41,712,815	\$ 127,610,364	\$ 2,104,606	\$ 25,390,858	\$ 16,611,970	\$ 4,380,607	\$ 16,424,310	\$ 159,514,712	\$ 46,244,123	\$ 695,397,186	\$ 65,929,991	\$ 1,241,636,238		

THE CORPORATION OF THE CITY OF KITCHENER

Schedule B - Segmented Information

For the Year Ended December 31, 2021

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Gasworks	Total
Revenue										
Taxation	\$ 22,870,430	\$ 39,453,756	\$ 18,232,028	\$ 2,200,632	\$ 311,833	\$ 1,584,474	\$ 45,460,282	\$ 7,835,608	-	\$ 137,949,043
User fees and charges	1,977,601	10,315,392	5,057,016	138,124,155	2,005,797	58,486	8,888,145	4,050,109	79,804,397	250,281,098
Grants	8,233,245	222,081	9,762,361	2,505,890	943,750	805,517	1,321,722	99,644	25,614	23,919,824
Investment income	5,434,444	103,167	74,565	358,273	264,420	2,624	83,095	126,165	130,573	6,577,326
Penalties and interest on taxes	3,783,814	-	-	-	-	-	-	-	-	3,783,814
Development charge revenue recognized	1,404,578	-	1,906,638	15,009,027	68,222	-	3,001,201	446,477	-	21,836,143
Share of net income of Kitchener Power Corp. and its affiliates	10,327,388	-	-	-	-	-	-	-	-	10,327,388
Share of net income of Kitchener Generation Corporation	64,114	-	-	-	-	-	-	-	-	64,114
Contributions of tangible capital assets	-	-	5,885,611	7,161,827	-	-	10,867,168	-	-	23,914,606
Other	946,588	167,965	269,150	1,071,042	2,525	5,413	563,456	153,351	370,072	3,549,562
Total revenue	55,042,202	50,262,361	41,187,369	166,430,846	3,596,547	2,456,514	70,185,069	12,711,354	80,330,656	482,202,918
Operating expenses										
Salaries, wages and employee benefits	38,110,171	45,621,805	13,125,255	12,038,707	1,536,608	1,781,170	37,220,494	5,315,942	5,968,134	160,718,286
Materials	18,295,780	5,951,138	7,006,899	64,989,441	1,577,133	307,915	14,521,753	2,035,954	39,097,015	153,783,028
Municipal debt interest	(253,492)	106,760	343,365	4,808	36,685	-	1,015,103	350,332	-	1,603,561
Interfunctional and program support	(28,128,732)	3,202,903	3,621,609	9,432,421	532,517	62,299	4,548,000	1,363,206	5,365,777	-
External transfers	100,731	15,814	135,000	503,234	-	6,314	1,796,142	2,362,458	32,796	4,952,489
Amortization of tangible capital assets	6,625,854	1,602,970	14,809,662	12,628,094	161,388	76,922	10,585,084	422,751	8,675,868	55,588,593
Loss (gain) on disposals of tangible capital assets	(145,495)	(60,306)	(39,607)	243,569	(1,573)	-	(78,711)	(73,285)	184,623	29,215
Total expenses	34,604,817	56,441,084	39,002,183	99,840,274	3,842,758	2,234,620	69,607,865	11,777,358	59,324,213	376,675,172
Annual surplus	\$ 20,437,385	\$ (6,178,723)	\$ 2,185,186	\$ 66,590,572	\$ (246,211)	\$ 221,894	\$ 577,204	\$ 933,996	\$ 21,006,443	\$ 105,527,746

THE CORPORATION OF THE CITY OF KITCHENER

Schedule B - Segmented Information (Continued)

For the Year Ended December 31, 2020

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Gasworks	Total
Revenue										
Taxation	\$ 20,408,657	\$ 39,659,620	\$ 18,240,111	\$ 1,559,145	\$ 284,950	\$ 1,576,267	\$ 45,303,697	\$ 7,977,838	-	\$ 135,010,285
User fees and charges	1,556,252	9,769,595	5,185,211	135,997,387	2,052,063	119,626	8,277,841	2,635,309	77,964,599	243,557,883
Grants	12,529,786	58,683	9,591,846	3,550,804	21,250	756,999	4,541,901	135,477	580,572	31,767,318
Investment income	6,516,076	145,929	97,113	368,108	269,463	2,819	92,825	214,057	230,550	7,936,940
Penalties and interest on taxes	2,925,246	-	-	-	-	-	-	-	-	2,925,246
Development charge revenue recognized	1,654,222	(21,513)	1,066,237	6,540,364	-	-	88,932	253,858	-	9,582,100
Share of net income of Kitchener Power Corp. and its affiliates	9,629,978	-	-	-	-	-	-	-	-	9,629,978
Share of net income of Kitchener Generation Corporation	61,402	-	-	-	-	-	-	-	-	61,402
Contributions of tangible capital assets	-	-	3,687,060	10,431,016	-	-	390,021	5,348,248	-	19,856,345
Other	445,155	268,034	249,280	100,489	8,197	61,317	783,349	116,680	182,876	2,215,377
Total revenue	55,726,774	49,880,348	38,116,858	158,547,313	2,635,923	2,517,028	59,478,566	16,681,467	78,958,597	462,542,874
Operating expenses										
Salaries, wages and employee benefits	37,320,769	46,210,751	12,494,166	11,226,459	1,337,401	1,727,314	33,686,149	6,255,036	6,162,816	156,420,861
Materials	15,582,856	4,928,009	7,632,354	66,707,038	350,959	353,604	14,133,708	2,340,414	37,223,829	149,252,771
Municipal debt interest	195,692	122,158	346,715	14,774	33,783	-	1,111,080	461,925	-	2,286,127
Interfunctional and program support	(25,461,470)	2,638,386	3,248,850	8,489,303	435,607	56,914	4,229,044	1,276,645	5,086,721	-
External transfers	117,507	8,292	8,184	495,510	-	105,000	1,725,247	1,965,245	31,370	4,456,355
Amortization of tangible capital assets	6,399,646	1,512,647	14,410,944	11,407,212	159,569	79,186	9,416,670	359,624	8,047,239	51,792,737
Loss (gain) on disposals of tangible capital assets	(410,408)	(11,870)	125,270	(14,826)	(1,875)	-	179,292	(50,079)	124,732	(59,764)
Total expenses	33,744,592	55,408,373	38,266,483	98,325,470	2,315,444	2,322,018	64,481,190	12,608,810	56,676,707	364,149,087
Annual surplus	\$ 21,982,182	\$ (5,528,025)	\$ (149,625)	\$ 60,221,843	\$ 320,479	\$ 195,010	\$ (5,002,624)	\$ 4,072,657	\$ 22,281,890	\$ 98,393,787



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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the balance sheet as at December 31, 2021
 - the statement of continuity for the year then ended
 - and notes to the financial statements, including a summary of significant accounting policies
- (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the balance sheet of the Entity as at December 31, 2021, and the statement of continuity for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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



Page 2

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.

Auditors' 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 auditors' 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.



Page 3

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 auditors' 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 auditors' 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.



A handwritten signature in black ink that reads "KPMG LLP" over a horizontal line.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

July 12, 2022

THE CORPORATION OF THE CITY OF KITCHENER TRUST FUNDS

Balance Sheet

As at December 31, 2021

	2021	2020
Assets		
Accounts receivable	\$ 47,141	\$ 58,299
Interest receivable	140,846	170,577
Loans receivable (Note 2)	473,180	524,842
Investments (Note 3)		
Short-term	1,528,320	520,828
Long-term	15,426,785	15,511,894
	17,616,272	16,786,440
Fund Balance	\$17,616,272	\$16,786,440

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

THE CORPORATION OF THE CITY OF KITCHENER TRUST FUNDS

Statement of Continuity

For the Year Ended December 31, 2021

	2021	2020
Receipts		
Perpetual care funds	\$ 559,284	\$ 434,431
Interest earned	421,771	434,240
Other	111,157	65,617
	1,092,212	934,288
Expenditures		
Transfer to cemeteries operations	262,380	267,255
	262,380	267,255
Net change in fund	829,832	667,033
Balance, beginning of year	16,786,440	16,119,407
Balance, end of year	\$ 17,616,272	\$ 16,786,440

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

THE CORPORATION OF THE CITY OF KITCHENER TRUST FUNDS

Notes to the Financial Statements

For the Year Ended December 31, 2021

1. Summary of significant accounting policies

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

a. Basis of accounting

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

2. Loans receivable

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

3. Investments

The long-term investments of \$15,426,785 (2020 - \$15,511,894) reported on the Balance Sheet at cost, have a market value of \$15,963,621 (2020 - \$16,183,064).

4. Statement of cash flow

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

THE CORPORATION OF THE CITY OF KITCHENER TRUST FUNDS

Schedule of Continuity by Fund

For the Year Ended December 31, 2021

	Balance December 31, 2020	Perpetual care funds	Interest earned	Other receipts	Transfer to cemeteries operations	Disbursements	Balance December 31, 2021
Perpetual Care Funds							
Mount Hope Cemetery	\$ 599,935	\$ 1,409	\$ 14,625	\$ 750	\$ 14,625	-	\$ 602,094
Woodland Cemetery	5,406,232	112,057	137,429	11,950	121,684	-	5,545,984
Bridgeport Cemetery	167,981	1,025	4,092	350	4,092	-	169,356
Williamsburg Cemetery	4,186,628	444,793	106,772	19,350	106,772	-	4,650,771
St. Peter's Cemetery	496,063	-	12,082	650	12,082	-	496,713
Cemetery Trusts							
F. E. Tremain	15,550	-	379	-	379	-	15,550
Florence V. Cober	8,783	-	214	-	214	-	8,783
L. F. Glick	20,664	-	503	-	503	-	20,664
Edna Atherton	1,331	-	32	-	32	-	1,331
George Wright Estate	42,614	-	1,037	-	1,037	-	42,614
E. L. Goetz	1,357	-	33	-	33	-	1,357
E. Weiderhold	38,065	-	927	-	927	-	38,065
Prepaid Interments	5,801,237	-	143,646	78,107	-	-	6,022,990
	\$ 16,786,440	\$ 559,284	\$ 421,771	\$ 111,157	\$ 262,380	-	\$ 17,616,272



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INDEPENDENT AUDITORS' REPORT

To the Members of the Belmont Improvement Area Board of Management

Opinion

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

- the statement of financial position as at December 31, 2021
 - the statement of revenue and expenses and accumulated surplus for the year then ended
 - the statement of changes in net financial assets for the year then ended
 - and notes to the financial statements, including a summary of significant accounting policies
- (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its results of operations, and its changes in net financial assets for the year then ended in accordance with Canadian public sector accounting standards relevant to preparing such a financial statement.

Basis for Opinion

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



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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.

Auditors' 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 auditors' 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.



Page 3

- 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 auditors' 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 auditors' 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.



A handwritten signature in black ink that reads "KPMG LLP" over a single horizontal line.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

July 12, 2022

BELMONT IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Financial Position

As at December 31, 2021

	2021	2020
Financial assets		
Cash	\$ 19,992	\$ 16,757
Accounts receivable	6,025	-
	26,017	16,757
Financial liabilities		
Accounts payable and accrued liabilities	7,000	8,355
Net financial assets (liabilities)	19,017	8,402
Non-financial assets		
Tangible capital assets	43,057	46,588
Prepaid expenses	1,056	918
	44,113	47,506
Net assets	63,130	55,908
Accumulated Surplus		
Accumulated net revenue (deficit)	20,073	9,320
Invested in tangible capital assets	43,057	46,588
Total accumulated surplus	\$ 63,130	\$ 55,908

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

BELMONT IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Revenue and Expenses and Accumulated Surplus

For the Year Ended December 31, 2021

	2021	2020
Revenue		
Assessments	\$ 40,670	\$ 40,616
Grants	18,000	12,850
Other revenue	5,840	2,336
	64,510	55,802
Expenses		
Streetscaping	15,277	1,081
Audit	1,808	1,808
Summer maintenance	-	147
Insurance	2,129	1,895
Winter maintenance	16,127	14,370
Advertising	12,485	10,581
Miscellaneous	5,028	5,616
Amortization	4,434	4,319
	57,288	39,817
Net surplus (deficit) for year	7,222	15,985
Accumulated surplus, beginning of year	55,908	39,923
Accumulated surplus, end of year	\$ 63,130	\$ 55,908

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, 2021

	2021	2020
Net surplus (deficit) for year	\$ 7,222	\$ 15,985
Acquisition of tangible capital assets	(903)	(1,356)
Amortization of tangible capital assets	4,434	4,319
Acquisition of prepaid expenses	(138)	(77)
Change in net financial assets	10,615	18,871
Net financial assets, beginning of year	8,402	(10,469)
Net financial assets (liabilities), end of year	\$ 19,017	\$ 8,402

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

BELMONT IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements

For the Year Ended December 31, 2021

1. Summary of significant accounting policies

The financial statements of the Belmont Improvement Area Board of Management 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. 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. The following is a summary of the significant accounting policies followed in the preparation of these financial statements:

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
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.

b) 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.

BELMONT IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements

For the Year Ended December 31, 2021

2. Tangible capital assets

	Machinery & Equipment	Computer Hardware	Total
Cost			
Balance, beginning of year	\$ 59,523	\$ 1,356	\$ 60,879
Additions	903	-	903
Balance, end of year	60,426	1,356	61,782
Accumulated amortization			
Balance, beginning of year	(13,952)	(339)	(14,291)
Disposals	-	-	-
Amortization expense	(3,756)	(678)	(4,434)
Balance, end of year	(17,708)	(1,017)	(18,725)
Net book value, end of year	42,718	339	43,057
Net book value, beginning of year	\$ 45,571	\$ 1,017	\$ 46,588

3. 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.



KPMG LLP
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Tel 519-747-8800
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INDEPENDENT AUDITORS' REPORT

Opinion

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

- the statement of financial position as at December 31, 2021
- 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, 2021, 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 **“Auditors’ Responsibilities for the Audit of the Financial Statements”** section of our auditors’ 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.



Page 2

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.

Auditors' 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 auditors' 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.



Page 3

- 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 auditors' 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 auditors' 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.



A handwritten signature in black ink that reads "KPMG LLP". A thin horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada
June 2, 2022

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

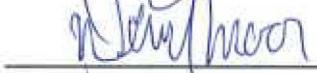
Statement of Financial Position

Year ended December 31, 2021, with comparative information for 2020

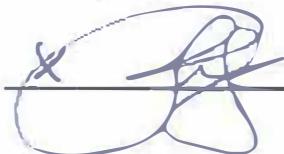
	2021	2020
	(Recast See note 8)	
Financial Assets		
Cash	\$ 346,072	\$ 429,461
Term deposits (note 2)	115,670	114,921
Accounts receivable	406,075	32,391
Prepaid expenses	8,120	9,821
	<u>875,937</u>	<u>586,594</u>
Financial Liabilities		
Accounts payable and accrued charges	428,758	190,025
Due to the City of Kitchener (note 4)	29,972	107,997
	<u>458,730</u>	<u>298,022</u>
Net financial assets	417,207	288,572
Non-Financial Assets		
Tangible capital assets (note 5)	610,999	21,450
Net assets	<u>\$ 1,028,206</u>	<u>\$ 310,022</u>
Accumulated Surplus		
Reserve for rate stabilization	\$ 50,000	\$ 50,000
Accumulated net revenue	367,207	238,572
Invested in tangible capital assets	610,999	21,450
Impact of COVID-19 (note 9)		
Total accumulated surplus	<u>\$ 1,028,206</u>	<u>\$ 310,022</u>

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, 2021, with comparative information for 2020

	Budget 2021 (note 7)	Actual 2021	Actual 2020 (Recast See note 8)
Revenue:			
Assessments	\$ 1,379,000	\$ 1,379,000	\$ 1,379,000
Interest	—	749	1,250
Other income	265,000	372,885	15,856
	1,644,000	1,752,634	1,396,106
Expenses:			
Promotions and advertising	667,000	380,610	278,867
Salaries, wages and benefits	434,500	398,447	362,005
Administration	121,198	90,670	87,818
Meetings and seminars	600	183	1,371
Safety and beautification	342,000	82,276	54,825
Member relations	7,000	7,388	297,585
Amortization	—	44,904	12,616
Queen Street Project	—	—	100,000
	1,572,298	1,004,478	1,195,087
Net revenue before other items	71,702	748,156	201,019
Net assessment write-offs (note 4)	45,000	29,972	107,997
Annual surplus	26,702	718,184	93,022
Accumulated surplus, beginning of year	310,022	310,022	217,000
Accumulated surplus, end of year	\$ 336,724	\$ 1,028,206	\$ 310,022

See accompanying notes to financial statements.

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Changes in Net Financial Assets

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
		(Recast See note 8)
Annual surplus	\$ 718,184	\$ 93,022
Acquisition of tangible capital assets	(634,453)	(3,378)
Amortization of tangible capital assets	44,904	12,616
Change in net financial assets	128,635	102,260
Net financial assets, beginning of year	288,572	186,312
Net financial assets, end of year	\$ 417,207	\$ 288,572

See accompanying notes to financial statements.

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
	(Recast See note 8)	
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 718,184	\$ 93,022
Item not involving cash:		
Amortization	44,904	12,616
Changes in non-cash assets and liabilities:		
Accounts receivable	(373,684)	43,035
Prepaid expenses	1,701	996
Accounts payable and accrued liabilities	238,733	97,342
Due to the City of Kitchener	(78,025)	(76,315)
Cash from operating activities	<u>551,813</u>	<u>170,696</u>
Investing activities:		
Acquisition of tangible capital assets	(634,453)	(3,378)
Purchase of investments	(749)	(1,209)
Cash used in investing activities	<u>(635,202)</u>	<u>(4,587)</u>
Increase (decrease) in cash	(83,389)	166,109
Cash, beginning of year	429,461	263,352
Cash, end of year	<u>\$ 346,072</u>	<u>\$ 429,461</u>

See accompanying notes to financial statements.

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements

Year ended December 31, 2021

1. Summary of significant accounting policies:

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

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

(a) Tangible capital assets:

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

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

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

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

(b) Accrual basis of accounting:

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

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements, continued

Year ended December 31, 2021

1. Summary of significant accounting policies (continued):

(c) Revenue recognition:

Revenues are recognized as follows:

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

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

2. Term deposits:

The term deposits consist of the following:

Principal	Maturity	Rate
\$ 10,908	May 5, 2021	0.20%
51,622	March 30, 2022	0.20%
52,391	April 14, 2021	0.30%

3. Commitments:

During 2021, the Board executed a new lease agreement. The lease expires on June 30, 2026. The Board is committed to the following minimum payments under the agreement:

2022	\$ 35,539
2023	35,539
2024	35,539
2025	35,539
2026	17,769

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 \$29,972 (2020 - \$107,997).

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements, continued

Year ended December 31, 2021

5. Tangible capital assets:

	Opening balance	Additions	Disposals/ Transfers	Write- downs	Balance, end of year <i>beginning</i>	Accumulated amortization, of year	Net book value, beginning of year	Deletions	Amortization	Accumulated amortization, end of year	Net book value, end of year
Computers	\$ 30,526	1,542	-\$	-\$	\$ 32,068	\$ 27,191	\$ 3,335	-\$	\$ 2,035	\$ 29,226	\$ 2,842
Furniture	67,005	-			67,005	60,631	6,374	-	3,444	64,075	2,930
Leasehold improvements	3,498	-			3,498	3,498	-			3,498	-
Event equipment	48,175	-	-	-	48,175	36,434	11,741	-	6,745	43,179	4,996
Patio equipment	-	612,539	-	-	612,539	-	-	-	30,643	30,643	581,896
Structures	-	20,372	-	-	20,372	-	-	-	2,037	2,037	18,335
	\$ 149,204	\$ 634,453	\$ -	\$ -	\$ 783,657	\$ 127,754	\$ 21,450	\$ -	\$ 44,904	\$ 172,658	\$ 610,999

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements, continued

Year ended December 31, 2021

5. Government grants:

During the year the Board received funding from the Canadian Urban Institute under three separate funding agreements as follows:

- (a) \$29,135 for the planned enhancements and additions to the Downtown Kitchener Art Walk.
- (b) \$89,500 for the 2021 Holiday program.
- (c) \$250,000 for the planned enhancements and startup costs expected with patio program.

Of the amounts received, \$368,635 has been recognized as revenue in the current period as a component of Other income.

7. Budget figures:

The budget figures shown in the financial statements were approved by the Board of Kitchener Downtown Improvement Area Board of Management at a meeting on November 25, 2020.

8. Recasting comparative information – accounts payable:

During the year ended December 31, 2021, management identified an immaterial prior period error relating to a vendor issuing duplicate invoices for the same service period which management was notified in June, 2021. As a result, the change has been recorded retroactively and, accordingly the comparative financial statements have been recast as follows:

	Increase (Decrease)
Statement of Financial Position:	
Accounts receivable	(6,072)
Accounts payable and accrued charges	(61,048)
Accumulated net revenue	(54,976)
Statement of Revenue and Expenses and Accumulated Surplus	
Promotions and advertising	(32,919)
Safety and beautification	(22,057)
Annual surplus	54,976

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements, continued

Year ended December 31, 2021

9. Impact of COVID-19 pandemic:

On March 11, 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

During the year, the Board has experienced the following in relation to the pandemic:

- Mandatory working from home requirements for those able to do so

The situation is evolving and the ultimate duration and magnitude of the impact on the economy is not known at this time. The outbreak has not had any material impacts on the operation of the Board to date, and management does not expect any material impacts given the nature and scope of the business, and management will continue to actively monitor the situation.



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INDEPENDENT AUDITORS' REPORT

To the members of Kitchener Public Library

Opinion

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

- the statement of financial position as at December 31, 2021
- the statement of operations and changes in accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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.

Auditors' 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 auditors' 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.



Page 3

- 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 auditors' 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 auditors' 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

Waterloo, Canada
March 17, 2022

KITCHENER PUBLIC LIBRARY

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets		
Cash	\$ 1,956,322	\$ 1,896,092
Accounts receivable	153,690	324,053
Due from City of Kitchener	195,142	137,924
Investments	50,000	50,000
Endowment investments	100,000	100,000
Total financial assets	2,455,154	2,508,069
Financial liabilities		
Accounts payable and accrued liabilities	669,058	758,751
Due to Early Literacy Alliance of Waterloo Region	566,950	300,000
Deferred revenue	402,384	415,663
	1,638,392	1,474,414
Net financial assets	816,762	1,033,655
Non-financial assets		
Tangible capital assets (note 2)	5,293,309	5,285,676
Prepaid expenses	18,500	8,955
	5,311,809	5,294,631
Impact of COVID-19 pandemic (note 7)		
Accumulated surplus (note 6)	\$ 6,128,571	\$ 6,328,286

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

KITCHENER PUBLIC LIBRARY

Statement of Operations and Changes in Accumulated Surplus

Year ended December 31, 2021, with comparative information for 2020

	Budget 2021	Actual 2021	Actual 2020
Revenues:			
Grants:			
The City of Kitchener – Operating	\$ 11,410,596	\$ 11,410,596	\$ 11,297,620
The City of Kitchener – Capital and special (note 3)	–	684,727	505,315
The City of Kitchener – special (note 4)	–	211,571	54,473
Province of Ontario	286,755	306,980	306,980
Fines	44,000	13,871	59,180
Interest and miscellaneous	60,000	17,163	330,890
Photocopy	43,000	14,745	18,695
Rentals	39,000	18,122	7,876
Partnerships	55,000	53,079	50,032
Total revenue	11,938,351	12,730,854	12,631,061
Expenses:			
Personnel costs (schedule 1)	9,282,300	8,802,392	8,078,108
Resource materials	1,207,900	1,453,870	1,514,742
Facilities costs (schedule 4)	808,327	859,892	896,012
Equipment (schedule 2)	366,500	901,830	862,586
Required expenditures related to special grants (note 4)	–	211,571	54,473
Expenditures related to capital and special (note 3)	–	288,674	310,944
Administrative (schedule 3)	214,974	248,878	216,674
Processing/bindery	105,000	79,240	92,553
Programs and publicity (schedule 5)	76,500	72,196	63,914
General library equipment	9,850	12,026	59,155
Total expenses	12,071,351	12,930,569	12,149,161
Excess (deficiency) of revenue over expenses	(133,000)	(199,715)	481,900
Accumulated surplus, beginning of year		6,328,286	5,846,386
Accumulated surplus, end of year	\$ 6,128,571	\$ 6,328,286	

See accompanying notes to financial statements.

KITCHENER PUBLIC LIBRARY

Statement of Change in Net Financial Assets

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Excess (deficiency) of revenue over expenses	\$ (199,715)	\$ 481,900
Acquisition of tangible capital assets	(1,388,350)	(1,275,551)
Amortization of tangible capital assets	1,380,717	1,354,836
	<u>(207,348)</u>	<u>561,185</u>
Change in prepaid expenses	(9,545)	(8,955)
Change in net financial assets	(216,893)	552,230
Net financial assets, beginning of year	1,033,655	481,425
Net financial assets, end of year	<u>\$ 816,762</u>	<u>\$ 1,033,655</u>

See accompanying notes to financial statements.

KITCHENER PUBLIC LIBRARY

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (199,715)	\$ 481,900
Item not involving cash:		
Amortization of tangible capital assets	1,380,717	1,354,836
Changes in non-cash operating working capital		
Accounts receivable	170,363	(158,702)
Prepaid expenses	(9,545)	(8,955)
Due from City of Kitchener	(57,218)	(21,143)
Accounts payable and accrued liabilities	(89,693)	274,954
Due to Early Literacy Alliance of Waterloo Region	266,950	300,000
Deferred revenue	(13,279)	(225,843)
Cash provided by operating activities	1,448,580	1,997,047
Capital activities:		
Cash used to acquire tangible capital assets	(1,388,350)	(1,275,551)
Increase in cash	60,230	721,496
Cash, beginning of year	1,896,092	1,174,596
Cash, end of year	<u>\$ 1,956,322</u>	<u>\$ 1,896,092</u>

See accompanying notes to financial statements.

KITCHENER PUBLIC LIBRARY

Notes to Financial Statements

Year ended December 31, 2021

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

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

1. Significant accounting policies:

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

(a) Basis of accounting:

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

(b) Revenue recognition:

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

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

(c) Investments and investment income:

When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss. Investment income is reported as revenue in the period earned.

KITCHENER PUBLIC LIBRARY

Notes to Financial Statements, continued

Year ended December 31, 2021

1. Significant accounting policies (continued):

(d) Endowment investments and income:

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

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

(e) Deferred revenue:

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

(f) Employee future benefits:

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

(g) Non-financial assets:

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

(h) Tangible capital assets:

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

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

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

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

KITCHENER PUBLIC LIBRARY

Notes to Financial Statements, continued

Year ended December 31, 2021

1. Significant accounting policies (continued):

(i) Use of estimates:

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

Actual results could differ from these estimates.

KITCHENER PUBLIC LIBRARY

Notes to Financial Statements, continued

Year ended December 31, 2021

2. Tangible capital assets:

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

KITCHENER PUBLIC LIBRARY

Notes to Financial Statements, continued

Year ended December 31, 2021

2. Tangible capital assets (continued):

2020	Books and audio visual resources	Computers	Furniture, fixtures and equipment	Other equipment and vehicle	Total
Cost					
Balance, beginning of year	\$ 8,110,180	\$ 2,684,395	\$ 2,085,656	\$ 108,462	\$ 12,988,693
Additions	686,278	494,909	38,142	56,222	1,275,551
Disposals	(1,166,230)	(106,194)	(2,400)	–	(1,274,824)
Balance, end year	7,630,228	3,073,110	2,121,398	164,684	12,989,420
Accumulated amortization					
Balance, beginning of year	4,696,182	1,952,973	905,695	68,882	7,623,732
Amortization	934,962	274,054	145,307	513	1,354,836
Disposals	(1,166,230)	(106,194)	(2,400)	–	(1,274,824)
Balance, end of year	4,464,914	2,120,833	1,048,602	69,395	7,703,744
Net book value, end of year	\$ 3,165,314	\$ 952,277	\$ 1,072,796	\$ 95,289	\$ 5,285,676

KITCHENER PUBLIC LIBRARY

Notes to Financial Statements, continued

Year ended December 31, 2021

3. 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 2021 included \$99,960 (2020 - \$98,000) for general renovations, maintenance and upgrading of existing facilities, \$327,517 (2020 - \$345,644) for communication infrastructure and technology upgrades, \$29,131 (2020 - \$28,560) for KPL Accessibility Fund, \$57,222 for resources, furniture and equipment (2020 - \$111,100) and \$4,739,897 (2020 - \$954,000) for the southwest community library.

The portion of these grants and previous year grants that are included in revenue in 2021 is \$684,727 (2020 - \$505,315).

4. 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 2021, the Board received various special non-recurring grants and donations totaling \$197,139 (2020 - \$124,579). The portion of these grants and previous year special grants that are included in revenue in 2021 is \$211,571 (2020 - \$54,473). The remainder is included in deferred revenue.

5. Pension plan:

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

During the year, the Board incurred expenses equal to \$607,866 (2020 - \$599,262) for current service on behalf of its staff.

The latest available report for the OMERS plan was as at December 31, 2021. At that time the plan reported a \$3.1 billion actuarial deficit, based on actuarial liabilities of \$119.3 billion and actuarial assets of \$116.2 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, 2021, the Board has no obligation under the past service provisions of the OMERS agreement.

KITCHENER PUBLIC LIBRARY

Notes to Financial Statements, continued

Year ended December 31, 2021

6. Accumulated surplus:

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

	2021	2020
Invested in tangible capital assets	\$ 5,293,309	\$ 5,285,676
Endowment investments	100,000	100,000
Reserves set aside by the Board:		
Capital fund	344,460	344,460
HR fund	37,000	37,000
Inclusion fund	199,361	253,000
Improvement fund	154,441	307,833
Total reserves	735,262	942,293
Accumulated surplus - unrestricted	—	317
Accumulated surplus	<u>\$ 6,128,571</u>	<u>\$ 6,328,286</u>

7. Impact of COVID-19 pandemic:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. The pandemic resulted in significant financial, market and societal impacts in Canada and around the world.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Board's operations and financial position is not known at this time. These impacts could include a decline in future cash flows, changes to the value of assets and liabilities, and the use of accumulated surplus to sustain operations. An estimate of the financial effect of the pandemic on the Board is not practicable at this time.

8. Comparative information:

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

KITCHENER PUBLIC LIBRARY

Schedules of Expenses

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Schedule 1 – Personnel		
Salaries	\$ 7,069,060	\$ 6,527,373
Pension benefits	930,365	875,506
Health benefits	468,940	428,386
Employment insurance	130,852	115,830
Sick leave reserve	70,000	70,000
Staff training	114,536	44,097
WSIB	18,639	16,916
	\$ 8,802,392	\$ 8,078,108
Schedule 2 – Equipment		
Amortization	\$ 487,610	\$ 419,874
Technology	405,353	435,351
Equipment maintenance	8,867	7,361
	\$ 901,830	\$ 862,586
Schedule 3 – Administrative		
Professional services	\$ 99,521	\$ 77,210
General business	60,771	44,683
Stationery	40,365	52,225
Telephone	21,495	16,718
Insurance	20,389	19,988
Postage and delivery	6,337	5,850
	\$ 248,878	\$ 216,674
Schedule 4 – Facilities		
Facilities expenses	\$ 516,310	\$ 572,142
Main utilities	228,337	236,437
Country Hills building	49,357	50,076
Forest Heights utilities	37,272	25,457
Pioneer Park building	19,018	11,773
Grand River Stanley Park building	9,598	127
	\$ 859,892	\$ 896,012
Schedule 5 – Programs and Publicity		
Promotional	\$ 43,005	\$ 30,831
Public programs	29,191	33,083
	\$ 72,196	\$ 63,914



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INDEPENDENT AUDITORS' REPORT

To the Directors of The Centre In The Square Inc.

Opinion

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

- the statement of financial position as at December 31, 2021
- the statement of operations and changes in accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Centre as at December 31, 2021, 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

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

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

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

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

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

Those charged with governance are responsible for overseeing The Centre's financial reporting process.

Auditors' 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 auditors' 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.



Page 3

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Centre's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on The Centre's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Centre to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

March 17, 2022

THE CENTRE IN THE SQUARE INC.

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Net Assets		
Financial assets:		
Cash	\$ 3,850,581	\$ 1,323,322
Due from City of Kitchener	48,488	47,410
Accounts receivable (note 2)	358,470	65,464
Interest receivable	2,254	1,696
Costs to be recovered	122,105	75,700
Investments (note 3)	1,420,930	1,403,623
<u>Total financial assets</u>	<u>5,802,828</u>	<u>2,917,215</u>
Financial liabilities:		
Accounts payable and accrued liabilities	1,537,203	442,118
Deferred revenue (note 4)	2,719,131	718,750
	4,256,334	1,160,868
<u>Net financial assets</u>	<u>1,546,494</u>	<u>1,756,347</u>
Non-financial assets:		
Tangible capital assets (note 5)	13,270,528	13,298,098
Inventories (note 6)	83,706	57,568
Prepaid expenses	233,609	127,904
	13,587,843	13,483,570
<u>Net assets</u>	<u>\$ 15,134,337</u>	<u>\$ 15,239,917</u>
Accumulated Surplus		
Operating fund activities (note 7)	\$ -	\$ -
Reserves - Capital (notes 8 and 12)	1,032,161	1,128,872
Reserves - Performance Development (note 12)	-	-
Reserves - Sustainability (notes 10 and 12)	202,230	201,271
Reserves - Restricted (notes 10 and 12)	629,418	611,676
Invested in tangible capital assets	13,270,528	13,298,098
Impact of COVID-19 pandemic (note 13)		
<u>Accumulated surplus</u>	<u>\$ 15,134,337</u>	<u>\$ 15,239,917</u>

See accompanying notes to financial statements.

On behalf of the Board:


J. A. Director


Barb Blundon Director

THE CENTRE IN THE SQUARE INC.

Statement of Operations and Changes in Accumulated Surplus

Year ended December 31, 2021, with comparative information for 2020

	Budget 2021	Actual 2021	Actual 2020
Revenues:			
Performances	\$ 1,824,918	\$ 771,978	\$ 1,208,630
Rent - Kitchener-Waterloo Symphony	-	71,625	173,325
Capital reserve fund surcharge (note 8)	316,800	45,147	113,260
Grants from City of Kitchener - Operating	2,000,000	2,000,000	2,000,000
Grants from City of Kitchener – Capital	1,744,175	602,908	618,177
Grants from other governments - Operating	-	700,971	739,223
Grants from other governments - Capital	929,325	160,202	-
Donations	8,000	15,223	17,697
Investment income	18,000	35,828	58,495
Sponsorships and memberships	103,268	26,799	55,529
Rent - Kitchener-Waterloo Art Gallery	105,120	105,120	103,020
Lottery revenue	-	42,951	2,885
Other	137,000	177,779	200,437
Gain (loss) on investments	-	2,026	(11,659)
Total revenue	7,186,606	4,758,557	5,279,019
Expenses:			
Direct:			
Performances	824,579	674,535	971,427
Unrecoverable (recovery) performance costs	-	(2,126)	189,749
Operating:			
Administration	550,462	433,932	393,921
Marketing	105,000	51,611	36,418
Lottery expenses	-	41,568	2,751
Occupancy	790,000	472,700	546,829
Salaries and wages	2,375,476	2,116,580	1,974,461
Amortization	1,000,000	985,732	1,028,720
Write down of tangible capital assets	50,000	50,108	36,275
Reserves expenditures (note 12)	55,000	39,497	54,063
Total expenses	5,750,517	4,864,137	5,234,614
Excess (deficiency) of revenue over expenses	1,436,089	(105,580)	44,405
Accumulated surplus, beginning of year		15,239,917	15,195,512
Accumulated surplus, end of year	\$ 15,134,337	\$ 15,239,917	

See accompanying notes to financial statements.

THE CENTRE IN THE SQUARE INC.

Statement of Changes in Net Financial Assets

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Excess (deficiency) of revenue over expenses	\$ (105,580)	\$ 44,405
Acquisition of tangible capital assets	(1,008,270)	(1,335,544)
Amortization of tangible capital assets	985,732	1,028,720
Write-down of tangible capital assets	50,108	36,275
	<u>(78,010)</u>	<u>(226,144)</u>
Net use (acquisition) of inventories	(26,138)	22,761
Net use (acquisition) of prepaid expenses	(105,705)	143,307
	<u>(131,843)</u>	<u>166,068</u>
Decrease in net financial assets	(209,853)	(60,076)
Net financial assets, beginning of year	1,756,347	1,816,423
Net financial assets, end of year	<u>\$ 1,546,494</u>	<u>\$ 1,756,347</u>

See accompanying notes to financial statements.

THE CENTRE IN THE SQUARE INC.

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (105,580)	\$ 44,405
Items not involving cash:		
Amortization	985,732	1,028,720
Write down of tangible capital assets	50,108	36,275
Change in non-cash operating working capital	2,622,576	(1,946,631)
Cash provided by (used in) operating activities	<u>3,552,836</u>	<u>(837,231)</u>
Capital activities:		
Cash used to acquire tangible capital assets	(1,008,270)	(1,335,544)
Investing activities:		
Cash provided by (used in) (purchasing)/sale of investments	(17,307)	32,749
Increase (decrease) in cash	<u>2,527,259</u>	<u>(2,140,026)</u>
Cash, beginning of year	1,323,322	3,463,348
Cash, end of year	\$ 3,850,581	\$ 1,323,322

See accompanying notes to financial statements.

THE CENTRE IN THE SQUARE INC.

Notes to Financial Statements

Year ended December 31, 2021

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

1. Significant accounting policies:

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

(a) Basis of accounting:

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

(b) Revenue recognition:

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

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

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

(c) Investments:

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

THE CENTRE IN THE SQUARE INC.

Notes to Financial Statements, continued

Year ended December 31, 2021

1. Significant accounting policies (continued):

(d) Non-financial assets:

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

(i) Tangible capital assets:

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

Asset	Rate
Buildings	5 - 100 years
Equipment	4 - 50 years
Computers	3 - 10 years
Software	3 years
Site	2 - 50 years

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

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

(ii) Inventories:

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

(e) 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.

THE CENTRE IN THE SQUARE INC.

Notes to Financial Statements, continued

Year ended December 31, 2021

2. Accounts receivable:

	2021	2020
Accounts receivable	\$ 358,470	\$ 282,475
Allowance for doubtful accounts	- (217,011)	\$ 65,464

3. Investments:

Investments consist of:

	Carrying value 2021	Market 2021	Carrying value 2020	Market 2020
Cash	\$ 28,735	\$ 28,735	\$ 26,481	\$ 26,481
GICs	756,185	756,185	752,873	752,873
Bonds	354,768	353,727	336,592	343,354
Shares	281,242	564,401	287,677	482,693
	\$ 1,420,930	\$ 1,703,048	\$ 1,403,623	\$ 1,605,401

4. Deferred revenue:

Deferred revenue consists of the following:

	2021	2020
Performances	\$ 2,496,475	\$ 630,444
Gift certificates	89,560	53,911
Sponsorships	50,756	28,705
Other	80,483	5,367
Membership	1,857	323
	\$ 2,719,131	\$ 718,750

THE CENTRE IN THE SQUARE INC.

Notes to Financial Statements, continued

Year ended December 31, 2021

5. Tangible capital assets:

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

THE CENTRE IN THE SQUARE INC.

Notes to Financial Statements, continued

Year ended December 31, 2021

5. Tangible capital assets (continued):

2020	Land	Buildings	Equipment	Computers	Software	Site	Work in Progress	Total
Cost								
Balance, beginning of year	\$ 975,300	\$ 12,827,961	6,742,672	\$ 206,052	154,781	\$ 1,790,229	412,704	\$ 23,109,699
Additions	-	308,828\$	500,742	10,764\$		104,443\$	399,912	1,335,544
Disposals	-	(284,536)	(99,623)	-	(141,649)	(16,301)	-	(542,109)
Transfers	-	384,931	-	-	26,013	1,760	(412,704)	-
Cost, end year	975,300	13,237,184	7,143,791	216,816 ^{10,855}	50,000	1,880,131	399,912	23,903,134
Accumulated amortization								
Balance, beginning of year	-	4,924,994	4,052,803	174,511	154,781	775,061	-	10,082,150
Amortization	-	506,578	394,634	28,432	12,289	86,787	-	1,028,720
Disposals	-	(252,075)	(95,809)	-	(141,649)	(16,301)	-	(505,834)
Accumulated amortization, end of year	-	5,179,497	4,351,628	202,943	25,421	845,547	-	10,605,036
Net book value, end of year	\$ 975,300	\$ 8,057,687	\$ 2,792,163	\$ 13,873	24,579	\$ 1,034,584	\$ 399,912	\$ 13,298,098
					\$			

THE CENTRE IN THE SQUARE INC.

Notes to Financial Statements, continued

Year ended December 31, 2021

6. Inventories:

Inventories consist of the following:

	2021	2020
Bar stock	\$ 82,782	\$ 55,388
Supplies	924	2,180
	<hr/> \$ 83,706	<hr/> \$ 57,568

7. Operating fund activities:

	Budget 2021	Actual 2021	Actual 2020
Revenues:			
Performances	\$ 1,669,158	\$ 771,978	\$ 1,208,630
Rent - Kitchener-Waterloo Symphony	-	71,625	173,325
Grants from City of Kitchener	2,000,000	2,000,000	2,000,000
Grants, other governments	-	700,971	739,223
Donations	6,000	12,961	15,474
Investment income	15,999	6,560	21,149
Sponsorships and memberships	103,268	26,799	55,529
Rent - Kitchener-Waterloo Art Gallery	105,120	105,120	103,020
Lottery revenue	-	42,951	2,885
Other	137,000	177,779	200,437
Total revenue	4,036,545	3,916,744	4,519,672
Expenditures:			
Direct:			
Performances	824,579	674,535	971,427
Unrecoverable (recovery) performance costs	-	(2,126)	189,749
Operating:			
Administration	550,462	433,932	393,921
Marketing	105,000	51,611	36,418
Lottery expenses	-	41,568	2,751
Occupancy	790,000	472,700	546,829
Salaries and wages	2,375,476	2,116,580	1,974,461
Total expenditures	4,645,517	3,788,800	4,115,556
Operating fund net revenues (deficiency)			
before amortization	(608,972)	127,944	404,116
Transfer from (to) reserve funds	304,486	(127,944)	(404,116)
Transfer from City of Kitchener	304,486	-	-
Fund balances, end of year	\$ -	\$ -	\$ -

THE CENTRE IN THE SQUARE INC.

Notes to Financial Statements, continued

Year ended December 31, 2021

8. Capital Reserve Fund Surcharge:

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 2021, The Centre's Board of Directors approved transfers out of the Capital Reserve Fund for major capital asset projects of \$1,008,270 (2020 - \$1,335,544).

9. Economic dependence:

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

10. 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.

11. 2021 budget:

The original budgeted figures were approved by the Board of Directors at their meeting on August 18, 2020 and included certain expenses and offsetting recoveries on a net basis.

THE CENTRE IN THE SQUARE INC.

Notes to Financial Statements, continued

Year ended December 31, 2021

12. Schedule of reserve funds:

	Performance Development	Capital	Sustainability	Restricted	Total Funds
Revenue:					
Donations and sundry	\$ -	\$ -	\$ -	\$ 2,262	\$ 2,262
Grants from City of Kitchener	-	602,908	-	-	602,908
Grants, other governments and foundations	-	160,202	-	-	160,202
Ticket surcharge	-	45,147	-	-	45,147
Investment income	-	4,058	959	24,251	29,268
Gain on investments	-	-	-	2,026	2,026
Total revenue	-	812,315	959	28,539	841,813
Expenses:					
Professional fees	-	-	-	10,797	10,797
Capital costs	-	28,700	-	-	28,700
Total expenses	-	28,700	-	10,797	39,497
Excess of revenue over expenses	-	783,615	959	17,742	802,316
Transfer to accumulated surplus - tangible capital assets	-	(1,008,270)	-	-	(1,008,270)
Transfer from operating	-	127,944	-	-	127,944
Balance, beginning of year	-	1,128,872	201,271	611,676	1,941,819
Balance, end of year	\$ -	\$ 1,032,161	\$ 202,230	\$ 629,418	\$ 1,863,809

THE CENTRE IN THE SQUARE INC.

Notes to Financial Statements, continued

Year ended December 31, 2021

13. Impact of COVID-19 pandemic:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. The pandemic has resulted in significant financial, market and societal impacts in Canada and around the world.

For the year ended December 31, 2021 there was \$700,971 (2020 - \$734,223) in Canadian Emergency Wage Subsidy recorded in Grants from other governments – Operating.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on The Centre's operations and financial position are not known at this time. These impacts could include a decline in future cash flows, changes to the value of assets and liabilities, and the use of accumulated surplus to sustain operations. An estimate of the financial effect of the pandemic on The Centre is not practicable at this time.

14. Comparative information:

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



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the statement of operations and accumulated surplus for the year ended December 31, 2021 of the Corporation of the City of Kitchener Gasworks Enterprise (the Entity) (Hereinafter referred to as the "financial statement").

In our opinion, the accompanying financial statement presents fairly, in all material respects, the statement of operations and accumulated surplus for the year ended December 31, 2021 in accordance with Canadian public sector accounting standards relevant to preparing such a financial statement.

Basis for Opinion

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

Auditors' 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 auditors' 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.



Page 3

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 auditors' 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 auditors' 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.



A handwritten signature in black ink that reads "KPMG LLP". A thin horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

July 12, 2022

THE CORPORATION OF THE CITY OF KITCHENER GASWORKS ENTERPRISE

Statement of Operations and Accumulated Surplus

For the Year Ended December 31, 2021

	2021 Budget	2021	2020
DELIVERY OPERATIONS			
Gas delivery			
Revenue	\$ 39,430,431	\$ 39,422,933	\$ 40,256,973
Expenses	<u>22,152,850</u>	<u>22,115,361</u>	22,209,045
	<u>17,277,581</u>	<u>17,307,572</u>	18,047,928
Other programs (Customer service, rental water heaters & financing)			
Revenue	11,025,960	11,783,442	11,277,813
Expenses	<u>8,102,397</u>	<u>7,601,985</u>	7,484,743
	<u>2,923,563</u>	<u>4,181,457</u>	3,793,070
Dispatch			
Revenue	665,186	606,280	620,898
Expenses	<u>665,186</u>	<u>606,280</u>	620,898
	-	-	-
Excess of revenue over expenses	20,201,144	21,489,029	21,840,998
Accumulated surplus - Delivery			
Balance, beginning of year	184,701,184	184,701,184	177,700,742
Interest revenue	76,074	46,104	92,358
Transfer to gas investment reserve	<u>(15,231,571)</u>	<u>(15,231,571)</u>	(14,932,914)
Excess of revenue over expenses	<u>20,201,144</u>	<u>21,489,029</u>	21,840,998
Balance, end of year	189,746,831	191,004,746	184,701,184
SUPPLY OPERATIONS			
Revenue	29,350,224	28,546,577	27,955,741
Expenses	30,700,354	29,232,320	27,190,035
Excess/(deficiency) of revenue over expenses	(1,350,130)	(685,743)	765,706
Accumulated surplus - Supply			
Balance, beginning of year	4,239,900	4,239,900	3,419,298
Interest revenue	76,873	44,697	54,896
Excess/(deficiency) of revenue over expenses	<u>(1,350,130)</u>	<u>(685,743)</u>	765,706
Balance, end of year	\$ 2,966,643	\$ 3,598,854	\$ 4,239,900

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 July 12, 2022.

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

July 12, 2022
Kitchener, Canada

KITCHENER GENERATION CORPORATION

Statement of Financial Position

As at December 31, 2021

(Unaudited)

	2021	2020
Financial assets		
Accounts receivable	\$ 7,676	\$ 10,746
	7,676	10,746
Liabilities		
Due to the Corporation of the City of Kitchener	7,674	16,348
Long-term debt (Note 3)	1,881,239	2,091,995
	1,888,913	2,108,343
Net financial debt	(1,881,237)	(2,097,597)
Non-financial assets		
Tangible capital assets (Note 4)	2,090,264	2,322,516
	2,090,264	2,322,516
Accumulated surplus (Note 5)	\$ 209,027	\$ 224,919

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

KITCHENER GENERATION CORPORATION

Statement of Operations

For the Year Ended December 31, 2021
 (Unaudited)

	2021 Budget	2021	2020
Revenue			
Sale of electricity	\$ 385,000	\$ 401,175	\$ 414,384
Total revenue	385,000	401,175	414,384
Expenses			
Maintenance	35,000	-	2,680
Amortization of tangible capital assets	232,252	232,252	232,252
Total expenses	267,252	232,252	234,932
Surplus before interest and provision for payments-in-lieu of corporate income taxes	117,748	168,923	179,452
Interest expense	104,809	104,809	118,050
Surplus before provision for payments-in-lieu of corporate income taxes	12,939	64,114	61,402
Provision for payments-in-lieu of corporate income taxes	-	-	-
Annual surplus	\$ 12,939	\$ 64,114	\$ 61,402

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, 2021
(Unaudited)

	2021	2020
Annual surplus	\$ 64,114	\$ 61,402
Change in share capital	(23,417)	(29,365)
Dividends	(56,589)	-
Amortization of tangible capital assets	232,252	232,252
Change in net financial debt	216,360	264,289
Net financial debt, beginning of year	(2,097,597)	(2,361,886)
Net financial debt, end of year	\$ (1,881,237)	\$ (2,097,597)

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

KITCHENER GENERATION CORPORATION

Statement of Cash Flow

For the Year Ended December 31, 2021
(Unaudited)

	2021	2020
Operating		
Annual surplus	\$ 64,114	\$ 61,402
Items not involving cash		
Amortization of tangible capital assets	232,252	232,252
Change in non-cash assets and liabilities		
Trade and other accounts receivable	3,070	(2,298)
Accounts payable and accrued liabilities	(8,674)	2,298
Net change in cash from operating activities	290,762	293,654
Financing		
Change in share capital	(23,417)	(29,365)
Change in long-term debt	(210,756)	(264,289)
Dividends paid	(56,589)	-
Net change in cash from financing activities	(290,762)	(293,654)
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, 2021
(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.

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 2021 amounted to \$104,809 (2020 - \$118,050).

KITCHENER GENERATION CORPORATION

Notes to the Financial Statements

For the Year Ended December 31, 2021

(Unaudited)

4. Tangible capital assets

	Cost	Accumulated Amortization	Net Book Value
Opening balance	\$ 4,412,784	\$ (2,090,268)	\$ 2,322,516
Additions	-	-	-
Amortization	-	(232,252)	(232,252)
Disposals	-	-	-
Ending balance	\$ 4,412,784	\$ (2,322,520)	\$ 2,090,264

5. Accumulated surplus

The accumulated surplus consists of the following:

	2021	2020
Share capital - common shares (Note 6)	\$ 209,027	\$ 232,444
Retained earnings	-	(7,525)
	\$ 209,027	\$ 224,919

6. Share capital

Authorized

Unlimited common shares

Issued

1,000 common shares



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Kitchener Power Corp.

Opinion

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

- the consolidated statement of financial position as at December 31, 2021
- 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 significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

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

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

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

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

Auditors' 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 auditors' 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.



Page 3

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

April 11, 2022

KITCHENER POWER CORP.

Consolidated Statement of Financial Position

As at December 31, 2021, with comparative information for 2020
 (Expressed in thousands of dollars)

	Note	2021	2020
Assets			
Current assets			
Cash	4	\$ 6,079	\$ 6,861
Accounts receivable	5	21,287	15,709
Unbilled revenue		14,705	29,865
Inventory	6	3,080	2,458
Prepaid expenses		1,082	1,146
Income taxes receivable		30	5
Total current assets		46,263	56,044
Non-current assets:			
Property, plant and equipment	7	279,444	267,581
Intangible assets	8	11,185	8,079
Deferred tax assets	9	302	211
Investment in subsidiaries and associates		893	838
Total non-current assets		291,824	276,709
Total assets		338,087	332,753
Regulatory deferral account debit balances	10	25,396	19,661
Total assets and regulatory assets		\$ 363,483	\$ 352,414

KITCHENER POWER CORP.

Consolidated Statement of Financial Position

Year ended December 31, 2021, with comparative information for 2020
 (Expressed in thousands of dollars)

	Note	2021	2020
Liabilities and Shareholder's Equity			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 32,821	\$ 37,744
Income taxes payable		-	32
Current portion of lease liabilities	17	42	-
Current portion customer deposits	13	8,530	8,945
Current portion of deferred revenue		1,185	1,069
Total current liabilities		42,578	47,790
Non-current liabilities:			
Long-term debt	11	76,963	76,963
Employee future benefits	12	6,012	5,937
Long-term customer deposits	13	5,675	5,833
Long-term portion of lease liabilities	17	556	-
Deferred revenue		44,451	39,759
Deferred tax liability	9	8,675	4,415
Total non-current liabilities		142,332	132,907
Total liabilities		184,910	180,697
Shareholder's equity:			
Share capital - common shares	14	66,389	66,389
Retained earnings		108,261	101,452
Accumulated other comprehensive loss		-620	-620
Total shareholder's equity		174,030	167,221
Total liabilities and shareholder's equity		358,940	347,918
Regulatory deferral account credit balances	10	779	2,276
Deferred taxes associated with regulatory accounts		3,764	2,220
Impact of COVID-19 pandemic	27		
Total equity, liabilities and shareholder's equity		\$ 363,483	\$ 352,414

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

On behalf of the Board:

 _____ Director

 _____ Director

KITCHENER POWER CORP.

Consolidated Statement of Comprehensive Income

Year ended December 31, 2021, with comparative information for 2020
 (Expressed in thousands of dollars)

	Note	2021	2020
Energy sales	\$	205,727	\$ 239,962
Cost of energy sold		208,472	245,909
		(2,745)	(5,947)
Other operating revenue			
Distribution sales		45,033	42,690
Other income	15	3,319	2,873
Net operating revenue		45,607	39,616
Expenses:			
Operations and maintenance		11,552	11,405
Customer services		5,674	5,313
Administration		6,452	5,542
Amortization		10,977	10,022
		34,655	32,282
Other			
Energy conservation program revenue		(1,262)	(727)
Energy conservation program expense		1,277	713
Net energy conservation programs		15	(14)
Finance income	16	(39)	(132)
Finance charges	16	2,509	2,981
Net finance costs		2,470	2,849
Income before income taxes		8,467	4,499
Income tax expense	9	(520)	907
Income for the year before movements in regulatory deferral account balances		8,987	3,592
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement	10	2,208	6,847
Income for the year and net movements in regulatory deferral account balances		11,195	10,439
Total comprehensive income for the year		\$ 11,195	\$ 10,439

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

KITCHENER POWER CORP.

Consolidated Statement of Changes in Equity

Year ended December 31, 2021, with comparative information for 2020
 (Expressed in thousands of dollars)

	Share capital	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at January 1, 2020	\$ 66,389	\$ (620)	\$ 95,195	\$ 160,964
Net income before other comprehensive income (loss)	-	-	10,439	10,439
Dividends	-	-	(4,182)	(4,182)
Balance at December 31, 2020	66,389	(620)	101,452	167,221
Net income before other comprehensive income (loss)	-	-	11,195	11,195
Dividends	-	-	(4,386)	(4,386)
Balance at December 31, 2021	\$ 66,389	\$ (620)	\$ 108,261	\$ 174,030

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

KITCHENER POWER CORP.

Consolidated Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020
 (Expressed in thousands of dollars)

	2021	2020
Cash flows from operating activities:		
Total comprehensive income for the year	\$ 11,195	\$ 10,439
Adjustments to reconcile net income to cash provided by (used in) operations:		
Amortization	11,690	10,752
Amortization of deferred revenue	(1,140)	(1,016)
Gain on disposal of property, plant and equipment	(51)	(149)
Income tax expense	(520)	907
Income taxes paid	353	(816)
Interest on Lease Liability	24	-
Income from subsidiaries and associates	(55)	425
Increase decrease in employee future benefits	75	77
	21,571	20,619
Change in non-cash operating working capital:		
Accounts receivable	(5,580)	1,802
Unbilled revenue	15,159	(2,216)
Inventory	(622)	(134)
Prepaid expenses	64	201
Accounts payable and accrued liabilities	(4,923)	7,683
Other current liabilities	(299)	(303)
Change in regulatory debit balances	(5,735)	(10,261)
Change in regulatory credit balances	47	654
Change in deferred tax	4,282	1,900
Net cash from operating activities	23,964	19,945
Cash flows from investing activities:		
Proceeds on disposals of property, plant and equipment	370	151
Investments in subsidiaries and associates	-	(500)
Purchase of property, plant and equipment	(22,644)	(21,356)
Purchase of intangible assets	(3,733)	(4,565)
Net cash used in investing activities	(26,007)	(26,270)
Cash flows from financing activities:		
Net change in customer deposits	(158)	(355)
Dividends paid out	(4,386)	(4,182)
Change in contributed capital received	5,832	4,390
Repayment of long-term debt	-	(607)
Payment of lease liability	(27)	-
Net cash from financing activities	1,261	(754)
Change in cash and cash equivalents	(782)	(7,079)
Cash and cash equivalents, beginning of year	6,861	13,940
Cash and cash equivalents, end of year	\$ 6,079	\$ 6,861

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

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021
(Expressed in thousands of dollars)

1. Reporting entity:

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

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

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

The financial statements are for the Corporation as at and for the year ended December 31, 2021.

Mergers of the holding companies, Kitchener Power Corp. and Waterloo North Hydro Holding Corporation and the local distribution companies, Kitchener-Wilmot Hydro Inc. and Waterloo North Hydro Inc. were proposed in 2021. The proposals have been agreed to by the City of Kitchener and Township of Wilmot councils. A Mergers, Amalgamations, Acquisitions and Divestitures (MAADs) application was filed on February 4, 2022 seeking permission from the Ontario Energy Board ("OEB") to proceed with the proposed merger.

2. Basis of presentation:

(a) Statement of compliance:

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements were approved by the Board of Directors on March 25, 2022.

(b) Basis of measurement:

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

- (i) Where held, financial instruments at fair value through profit or loss
- (ii) Contributed assets are initially measured at fair value.

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

(c) Functional and presentation currency:

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

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021

(Expressed in thousands of dollars)

2. Basis of presentation (continued):

(d) Use of estimates and judgments:

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

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

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

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

(e) Rate regulation:

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

Rate setting:

Distribution revenue and electricity rates

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

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021

(Expressed in thousands of dollars)

2. Basis of presentation (continued):

(e) Rate regulation (continued):

Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

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

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

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

The Corporation filed a COS application on April 30, 2019 for rates effective January 1, 2020 to December 31, 2020. The GDP IPI-FDD for 2021 is 3.3%, the Corporation’s productivity factor is 0% and the stretch factor is 0.15%, resulting in a net adjustment of 3.15% to the previous year’s rates.

Electricity rates were impacted by the COVID-19 pandemic, distribution rates were unaffected, which has been discussed further in Note 27.

(f) Investments

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

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021

(Expressed in thousands of dollars)

3. Significant accounting policies:

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

(a) Financial instruments:

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

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

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

The Corporation has not entered into derivative instruments.

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

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

(b) Revenue recognition:

Sale and distribution of electricity

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

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.

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021

(Expressed in thousands of dollars)

3. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Capital contributions

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

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 *Revenue from Contracts with Customers*. The contributions are received to obtain a connection to the distribution system in order 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 year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

(c) Inventory:

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

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

(d) Property, plant and equipment:

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2015 are measured at deemed cost established on the transition date, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is transferred from customers, its fair value, less accumulated depreciation.

Consistent with IFRS 1, the Corporation elected to use the carrying amount as previously

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021

(Expressed in thousands of dollars)

3. Significant accounting policies (continued):

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

determined under Canadian GAAP as the deemed cost at January 1, 2015, the transition date to IFRS.

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

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

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

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

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

Depreciation is calculated over the depreciable amount and is recognized in profit or loss on a straight-line basis over the estimated useful life of each part or component of an item of property, plant and equipment. The depreciable amount is cost. Land is not depreciated. Construction-in-progress assets are not amortized until the projects are complete and in service.

The estimated useful lives are as follows:

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

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

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021

(Expressed in thousands of dollars)

3. Significant accounting policies (continued):

(e) Intangible assets (continued):

(i) Computer software:

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

(ii) Land rights:

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

(iii) Amortization:

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

Computer software	3-10 years
Land rights	100 years

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

(f) Impairment:

(i) Financial assets:

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

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021
(Expressed in thousands of dollars)

3. Significant accounting policies (continued):

(f) Impairment (continued):

(ii) Non-financial assets:

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

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

(g) Provisions:

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

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021

(Expressed in thousands of dollars)

3. Significant accounting policies (continued):

(h) Regulatory deferral accounts:

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

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in profit and loss. The debit balance is reduced by the amount of customer billings as electricity is delivered to the customer and the customer is billed at rates approved by the OEB for the recovery of the capitalized costs.

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

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

Regulatory deferral accounts attract interest at OEB prescribed rates. With the exception of Pension and OEB Forecast Accrual accounts (OPEBs), the rate for 2021 was 0.57%. Prior year rates from January to June 2020 were 2.18%, July to December 2020 were 0.57%.

In 2021, OPEB rates were 2.03% for the period January to March, and 2.29% for the period April to December. In 2020, OPEBs were 2.88% for the period January to March, 2.48% for the period April to September and 2.03% for the period October to December.

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021
(Expressed in thousands of dollars)

3. Significant accounting policies (continued):

(i) Employee future benefits:

(i) Pension plan:

The Corporation provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund"), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

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

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

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

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

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021

(Expressed in thousands of dollars)

3. Significant accounting policies (continued):

(j) Deferred revenue and assets transferred from customers:

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

(k) Leased assets:

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

- (a) The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- (b) The Corporation has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- (c) The Corporation has the right to direct the use of the asset. The Corporation has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Corporation has the right to direct the use of the asset if either the Corporation has the right to operate the asset, or the Corporation designed the asset in a way that predetermines how and for what purpose it will be used.

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

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021
(Expressed in thousands of dollars)

3. Significant accounting policies (continued):

(l) Finance income and finance costs:

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

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

(m) Income taxes:

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

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

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

Deferred tax is recognized using the balance sheet method. Under this method, deferred income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years 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 year that includes the date of enactment or substantive enactment.

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021
 (Expressed in thousands of dollars)

4. Cash:

	2021	2020
Cash	\$ 6,079	\$ 6,861

5. Accounts receivable:

	2021	2020
Customer and other trade receivables	\$ 21,027	\$ 15,667
Trade receivables from related parties	260	42
	<hr/> \$ 21,287	<hr/> \$ 15,709

6. Inventory:

The amount of inventories consumed by the Corporation and recognized as an expense during 2021 was \$373 (2020 - \$279).

7. Property, plant and equipment:

(a) Cost or deemed cost:

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

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Right-of-use assets	Total
Balance at January 1, 2020	\$ 24,729	\$ 260,009	\$ 9,723	\$ 5,487	-	299,948
Additions	1,709	17,846	1,451	350	-	21,356
Disposals/Retirements	(5)	(62)	(1,182)	-	-	(1,249)
Balance at December 31, 2020	<hr/> \$ 26,433	<hr/> \$ 277,793	<hr/> \$ 9,992	<hr/> \$ 5,837	<hr/> \$ 601	<hr/> \$ 320,055

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021

(Expressed in thousands of dollars)

7. Property, plant and equipment (continued):

(b) Accumulated depreciation:

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

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Right-of-use assets	Total
Balance at January 1, 2020	\$ 2,718	\$ 37,766	\$ 2,853	\$ -	\$ -	43,337
Depreciation charge	716	8,317	1,351	-	-	10,384
Disposals/Retirements	(5)	(62)	(1,180)	-	-	(1,247)
Balance at December 31, 2020	\$ 3,429	\$ 46,021	\$ 3,024	\$ -	\$ -	52,474

(c) Carrying amounts:

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Right-of-use assets	Total
At December 31, 2021	\$ 24,318	\$ 245,252	\$ 6,539	\$ 2,754	\$ 581	279,444
At December 31, 2020	\$ 23,004	\$ 231,772	\$ 6,968	\$ 5,837	\$ -	267,581

(d) Leased plant and equipment:

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

(e) Security:

At December 31, 2021, the Corporation had zero properties subject to a general security agreement.

(f) Borrowing costs:

During the year, borrowing costs of \$ nil (2020 - \$ nil) were capitalized as part of the cost of property, plant and equipment.

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021

(Expressed in thousands of dollars)

7. Property, plant and equipment (continued):

(g) Allocation of depreciation and amortization:

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

	Operations and maintenance expense	Customer services expense	Administration expense	Energy conservation expense	Other	Total
December 31, 2021:						
Depreciation of property, plant and equipment	\$ 702	\$ 9	-	\$ 2	\$ 10,350	\$ 11,063
Amortization of intangible assets	-	-	-	-	627	627
	\$ 702	\$ 9	-	\$ 2	\$ 10,977	\$ 11,690
December 31, 2020:						
Depreciation of property, plant and equipment	\$ 717	\$ 6	-	\$ 7	\$ 9,654	\$ 10,384
Amortization of intangible assets	-	-	-	-	368	368
	\$ 717	\$ 6	-	\$ 7	\$ 10,022	\$ 10,752

8. Intangible assets:

(a) Cost or deemed cost:

	Computer Software	Land Rights	Total
Balance at January 1, 2021	\$ 10,938	\$ 8	\$ 10,946
Additions	3,733	-	3,733
Disposals	(2,833)	-	(2,833)
Balance at December 31, 2021	\$ 11,838	\$ 8	\$ 11,846
Balance at January 1, 2020	\$ 6,373	\$ 8	\$ 6,381
Transfers in from CIP	4,565	-	4,565
Balance at December 31, 2020	\$ 10,938	\$ 8	\$ 10,946

Included within Computer Software is \$250 (2020 - \$7,433) of intangible assets under development.

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021

(Expressed in thousands of dollars)

8. Intangible assets (continued):

(b) Accumulated amortization:

	Computer Software	Land Rights	Total
Balance at January 1, 2021	\$ 2,859	\$ 8	\$ 2,867
Additions	627	-	627
Disposals	(2,833)	-	(2,833)
Balance at December 31, 2021	\$ 653	\$ 8	\$ 661
Balance at January 1, 2020	\$ 2,491	\$ 8	\$ 2,499
Additions	368	-	368
Balance at December 31, 2020	\$ 2,859	\$ 8	\$ 2,867

(c) Carrying amounts:

	Computer Software	Land Rights	Total
At December 31, 2021	\$ 11,185	\$ -	\$ 11,185
At December 31, 2020	\$ 8,079	\$ -	\$ 8,079

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Notes to Financial Statements

Year ended December 31, 2021

(Expressed in thousands of dollars)

9. Income tax expense:

Current tax expense:

	2021	2020
Current period	\$ 291	\$ 1,297
Adjustment for prior periods	(700)	(332)
	\$ (409)	\$ 965

Deferred tax expense:

	2021	2020
Original & reversal of temporary differences	\$ (20)	\$ (21)
Recognition of previously unrecognized tax losses	(91)	(38)
	\$ (111)	\$ (59)

Reconciliation of effective tax rate:

	2021	2020
Total comprehensive income for the year	\$ 11,195	\$ 10,439
Total income tax expense	(520)	907
Comprehensive income before income taxes	10,675	11,346
Income tax using the Corporation's statutory tax rate of 26.5%	2,829	3,007
Temporary differences not benefitted	(2,649)	(1,768)
Under (over) provided in prior periods	(700)	(332)
	\$ (520)	\$ 907

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

	2021	2020
Deferred tax assets (liabilities):		
Plant and equipment	\$ (22,536)	\$ (16,989)
Non-vested sick leave	168	168
Employee benefits	1,593	1,573
Intangible assets	7	7
Loss carry-forward	295	204
Ontario refundable tax credits	6	14
Deferred revenue - contributed capital	12,094	10,819
	\$ (8,373)	\$ (4,204)

KITCHENER POWER CORP. - CONSOLIDATED

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Year ended December 31, 2021

(Expressed in thousands of dollars)

Regulatory deferral account balance:

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

	2020	Balances arising in the period	Recovery/ Reversal	Other	2021	Remaining recovery/ reversal period (years)
Regulatory deferral account debit balances						
Group 1 deferred accounts	\$ 8,716	\$ (1,174)	\$ 1,657	\$ 231	\$ 9,430	Note 1, Note 3
Regulatory asset recovery account	773	281	(232)	-	822	Note 1
Deferred tax asset	8,375	5,826	-	-	14,201	Note 2
LRAM	1,728	874	(1,728)	-	874	1
Other	69	-	-	-	69	Note 2
Total amount related to regulatory deferral account debit balances	\$ 19,661	\$ 5,807	\$ (303)	\$ 231	\$ 25,396	
 Regulatory deferral account credit balances						
Group 1 deferred accounts	1,718	(976)	(754)	230	218	Note 1
Other	558	3	-	-	561	3 Year
Total amount related to regulatory deferral account credit balances	2,276	(973)	(754)	230	779	
 Movements in regulatory accounts						
Net change in regulatory deferral account debit and credit balances					7,232	10,292
Less movement related to the balance sheet						
Deferred income tax					(5,826)	(2,585)
Deferred revenue					802	(860)
Amounts moved to property, plant, equipment					-	-
Net movement in regulatory deferral account balances related to profit or loss and the related deferral tax movement					2,208	6,847

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

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021

(Expressed in thousands of dollars)

10. Regulatory deferral account balance (continued):

- Note 2 KWHI has not sought approval for the disposition of this amount as changes in underlying assumptions may reduce the amounts recorded in the account. KWHI may seek refunds in the future
- Note 3 In December 2020, KWHI was informed that beginning June 2015 charges were not included in the monthly power bill for one delivery point for Transmission Network Charges. KWHI has accrued a payable of \$6 million, offset by a regulatory asset. These monies will be collected through an OEB approved rate rider in 2022
- Note 4 COVID-19 Emergency Deferral
The COVID-19 emergency deferral account comprises of four sub-accounts established to track incremental costs and lost revenues related to the COVID-19 pandemic: (i) Impacts from Complying with Government/OEB-initiated Customer Relief Programs, (ii) Bad Debt, (iii) Capital Related Revenue Requirement Impacts, and (iv) Other Costs and Savings.
June 17, 2021, the OEB Staff released their report on the COVID-19 deferral accounts which introduces certain criteria to that need to be satisfied for amounts to be eligible for recovery. \$69 has been recorded in the COVID-19 Emergency Deferral Account as at December 31, 2021 (2020 - \$69).

11. Long-term debt:

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

	2021	2020
Senior unsecured debentures:		
City of Kitchener	\$ 70,998	\$ 70,998
Township of Wilmot	5,965	5,965
Senior unsecured debentures, net proceeds	\$ 76,963	\$ 76,963
Less: current portion of long-term debt	\$ -	\$ -
Total long-term debt	\$ 76,963	\$ 76,963

12. Employee future benefits:

The Corporation pays certain medical and life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-retirement costs in the period in which employees' services were rendered. The accrued benefit liability at December 31, 2021 of \$6,012 was based on an actuarial valuation completed in 2020 using a discount rate of 3.1% (3.1% in 2020).

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021

(Expressed in thousands of dollars)

12. Employee future benefits (continued):

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

	2021	2020
Defined benefit obligation, beginning of year	\$ 5,937	\$ 5,858
Current service cost	191	192
Interest cost	180	178
Benefits paid during the year	(296)	(291)
Accrued benefit liability, end of year	\$ 6,012	\$ 5,937

Components of net benefit expense recognized are as follows:

	2021	2020
Current service cost	\$ 191	\$ 192
Interest cost	180	178
Net benefit expense recognized	\$ 371	\$ 370

Actuarial losses recognized in other comprehensive income:

	2021	2020
Cumulative amount at January 1	\$ (620)	\$ (620)
Cumulative amount at December 31	\$ (620)	\$ (620)

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021

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12. Employee future benefits (continued):

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

	2021	2020
Accrued benefit obligation:		
Discount rate	3.1%	3.1%
Benefit cost for the year:	<u>Age</u>	
Withdrawal rate	18-29	3.50%
	30-34	2.00%
	35-39	1.7%
	40-49	1.3%
	50-54	1.0%
Assumed health care cost trend rates:		
Initial health care cost trend rate	Health	4.7%
	Dental	4.9%

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

	Benefit Obligation	Periodic Benefit Cost
1% increase in health care trend rate	\$ 218	\$ 27
1% decrease in health care trend rate	\$ (196)	\$ (23)

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Notes to Financial Statements

Year ended December 31, 2021

(Expressed in thousands of dollars)

12. Employee future benefits (continued):

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

General inflation - future general inflation levels, as measured by the changes in the Consumer Price Index, were assumed at 2% in 2021, and thereafter (2020 - 2%).

Discount (interest) rate - the discount rate used to determine the present value of future liabilities and the expense for the year ended December 31, 2021, was 3.1% (2020 – 3.1%).

Salary levels - future general salary and wage levels were assumed to increase at 3.3% (2020 - 3.3%) per annum.

Medical costs - medical costs were assumed to be 4.7% for 2021 (4.4% for 2020)

Dental costs - dental costs were assumed to be 4.9% for 2021 (4.7% for 2020)

13. Customer and IESO deposits:

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

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

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

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

The deposits comprise:

	2021	2020
Customer deposits	\$ 5,623	\$ 6,424
Construction deposits	7,424	7,196
IESO deposit for energy conservation programs	1,158	1,158
Total customer and IESO deposits	\$ 14,205	\$ 14,778

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14. Share capital:

	2021	2020
Authorized:		
Unlimited number of common shares		
Issued:		
20,000 common shares	\$ 66,389	\$ 66,389

Dividends:

The holders of the common shares are entitled to receive dividends as declared from time to time. The Corporation paid aggregate dividends in the year on common shares of \$4,386 (2020 - \$4,182).

15. Other operating revenue:

Other income comprises:

	2021	2020
Specific service charges	\$ 1,748	\$ 1,875
Deferred revenue	1,140	1,016
Scrap sales	187	101
Net gain on disposal of capital assets	51	149
Non-Utility Operation	4	-
Retailer services	39	48
Sundry	150	(316)
Total other income	\$ 3,319	\$ 2,873

16. Finance income and expense:

	2021	2020
Interest income on bank deposits	\$ 39	\$ 132
Finance income	39	132
Interest expense on long-term debt	2,472	2,496
Interest expense (recovery) on short-term debt	(256)	271
Interest expense on BMO Letter of Credit	123	123
Interest expense on deposits	35	91
Interest expense on capital lease	24	-
Other	111	-
	2,509	2,981
Net finance costs recognized in profit or loss	\$ 2,470	\$ 2,849

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17. Lease Liabilities:

The Corporation has entered into a lease agreement for solar PV roof-top equipment representing right-of-use assets (note 7). The right-of-use assets are recognized at the present value of the minimum lease payments, plus any extensions estimated to be exercised, with the corresponding equivalent lease liability recognized. The Corporation has determined the lease terms based on all available information as at the reporting date.

Maturity Analysis - contractual undiscounted cash flows	2021	2020
Less than one year	\$ 42	\$ -
One to five years	228	-
More than five years	799	-
Total undiscounted lease liabilities at December 31, 2021	1,069	-
Interest included on the liabilities included in the statement of financial position at December 31, 2021	(471)	-
Lease Liabilities - current	42	-
Lease Liabilities - non-current	\$ 556	\$ -

18. Commitments and contingencies:

Contractual Obligations

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

General

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

General Liability Insurance:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2021, no assessments have been made.

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021

(Expressed in thousands of dollars)

19. Guarantees:

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

20. Pension agreement:

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2021, the Corporation made employer contributions of \$1,681 to OMERS (2020 - \$1,723). The Corporation's net benefit expense has been allocated as follows:

- a) \$439 (2020 - \$449) capitalized as part of property, plant and equipment;
- b) \$1,242 (2020 - \$1,274) charged to net income.

The Corporation estimates that a contribution of \$1,721 to OMERS will be made during the next fiscal year.

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021
(Expressed in thousands of dollars)

21. Employee benefits:

	2021	2020
Salaries, wages and benefits	\$ 19,657	\$ 19,684
CPP and EI remittances	782	732
Contributions to OMERS	1,681	1,723
Expenses related to defined benefit plans	371	370
	<hr/> \$ 22,491	<hr/> \$ 22,509

22. Related party transactions:

(a) Parent and ultimate controlling party:

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

(b) Entity with significant influence:

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

(c) Key management personnel:

The key management personnel of the Corporation have been defined as members of its board of directors and executive management team members and is summarized below.

	2021	2020
Directors' fees	\$ 93	\$ 67
Salaries and other short-term benefits	1,106	1,061
Post employment benefits	20	19
Other long-term benefits (OMERS)	91	90
	<hr/> \$ 1,310	<hr/> \$ 1,237

(d) Transactions with parent:

During the year the Corporation paid management and business development services to its parent in the amount of \$ nil (2020 - \$ nil)

(e) Transactions with entity with significant influence:

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

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021

(Expressed in thousands of dollars)

22. Related party transactions (continued):

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

In 2021, the Corporation had the following significant transactions with its ultimate parent, a government entity:

- Construction, contracted through Kitchener Wilmot Hydro Inc.
- Streetlight maintenance services contracted through Kitchener Energy Services Inc.
- Pre-merger costs paid by the City of Kitchener on behalf of KWHI and reimbursed in 2022

23. Financial instruments and risk management:

Fair value disclosure

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

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

Financial risks

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

(a) Credit risk:

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the City of Kitchener and the Township of Wilmot. As of December 31, 2021, no customers accounted for more than 1% of total accounts receivable, \$21,287.

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021

(Expressed in thousands of dollars)

23. Financial instruments and risk management (continued):

(a) Credit risk (continued):

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in net income. Subsequent recoveries of receivables previously provisioned are credited to net income. The balance of the allowance for impairment at December 31, 2021 is \$250 (2020 - \$500). The allowance was decreased due to an expected decrease in Covid-19 related bad debt. An impairment gain of \$127 (2020 loss of \$793) was recognized during the year. This is due to lower than expected bad debt related to COVID-19 and a reduction of the allowance for bad debt from \$500 to \$250 resulting from the lessening of economic impacts caused by the pandemic

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2021, approximately \$112 (2020 - \$314) is considered 60 days past due. The Corporation has over 100 thousand customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2021, the Corporation holds security deposits in the amount of \$14,205 (2020 - \$14,778).

(b) Market risk:

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

The Corporation does not hold any long-term debt that is subject to market rates. Consequently a 1% increase or decrease in the interest rate at December 31, 2021 would have no financial impact.

(c) Liquidity risk:

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a \$35,000 credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they come due. As at December 31, 2021, no amounts had been drawn under Bank of Montreal credit facility (2020 - \$ nil).

The Corporation also has a bilateral facility for \$35,000 (the "LC" facility) for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which \$35,000 has been drawn and posted with the IESO (2019 - \$35,000). The majority of accounts payable, as reported on the balance sheet, are due within 30 days.

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021

(Expressed in thousands of dollars)

23. Financial instruments and risk management (continued):

(c) Liquidity risk (continued):

The Company's currently available liquidity is also expected to be sufficient to address any reasonably foreseeable impacts that the COVID-19 pandemic may have on the Company's cash requirements.

(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, 2021, shareholder's equity amounts to \$174,830 (2020 - \$167,221) and long-term debt amounts to \$76,963 (2020 - \$76,963).

24. Revenue from Contracts with Customers

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

	2021	2020
Revenue from Contracts with Customers	\$ 252,110	\$ 284,230
 Other Revenue:		
CDM programs	1,262	727
Other	2,007	1,426
 Total	 \$ 255,379	 \$ 286,383

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

	2021	2020
Residential	\$ 111,252	\$ 127,780
Commercial	137,661	153,515
Large Users	1,565	1,346
Other	1,632	1,589
 Total Revenue	 \$ 252,110	 \$ 284,230

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021
(Expressed in thousands of dollars)

25. Change in Accounting Policy

The International Accounting Standards Board (IASB) has issued the following Standards, Interpretations and Amendments to Standards that were adopted by the Corporation effective January 1, 2021:

- a) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS9, IAS 39, IFRS 7, IFRS 4, and IFRS 16)
- b) COVID-19 Related Rent Concessions (Amendment to IFRS 16)

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

26. Future accounting pronouncements:

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

- (a) Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16)

On May 14, 2020, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16). The amendments clarify that proceeds from selling items before the related item of Property, Plant and Equipment is available for use should be recognized in profit or loss, together with the cost of producing those items. The amendments are effective for annual periods beginning on or after January 1, 2022. Early adoption is permitted.

- (b) Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

On May 14, 2020, the IASB issued Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37). This amendment clarifies which costs are included as a cost of fulfilling a contract when determining whether a contract is onerous. The amendments are effective for annual periods beginning on or after January 1, 2022 and apply to contracts existing at the date when the amendments are first applied. Early adoption is permitted.

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021

(Expressed in thousands of dollars)

26. Future accounting pronouncements (continued):

(c) Annual Improvements to IFRS Standards 2018 -2020

On May 14, 2020, the IASB issued *Annual Improvements to IFRS Standards 2018 -2020*.

The amendments are effective for annual periods beginning on or after January 1, 2022. Early adoption is permitted.

IFRS 9 *Financial Instruments*

Clarifies which fees are included for the purpose of performing the '10 per cent test' for derecognition of financial liabilities.

IFRS 16 *Leases*

Removes the illustration of payments from the lessor relating to leasehold improvements.

The impact of adoption of these improvements is not expected to have an impact on the business.

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

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

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

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

KITCHENER POWER CORP. - CONSOLIDATED

Notes to Financial Statements

Year ended December 31, 2021

(Expressed in thousands of dollars)

27. Impact of COVID-19 pandemic:

On March 11, 2020, the World Health Organization declared that the COVID-19 outbreak was a global pandemic. In response, the Ontario Government implemented a number of emergency orders and/or other legislation to address the COVID related risks and support customers.

On March 25, 2020, the OEB established a deferral account for regulatory balances to record the costs of changes to billing systems resulting from the Ontario Government's TOU emergency order, other incremental costs and lost revenues associated with the COVID-19 pandemic. On June 17, 2021, the OEB Staff released their report on the COVID-19 deferral accounts which introduces certain criteria to that may need to be satisfied for amounts to be eligible for recovery.

On December 22, 2020, the Ontario Government amended O. Reg. 95/05 Classes of Consumers and Determination of Rates, setting both the TOU rates for on-peak, mid-peak, and off-peak and tiered rates at the TOU off-peak rate of 8.5 cents per kWh. That regulatory amendment was effective through February 22, 2021. On February 23, 2021, residential and small business customers resumed paying TOU and tiered pricing under the RPP at prices that were set by the OEB.

In light of the COVID-19 pandemic, new stay at home measures were introduced in Ontario on April 8, 2021 and the OEB ordered a ban on issuing disconnection notices to residential customers until May 6, 2021, which was extended until June 2, 2021. The Corporation extended its ban on disconnecting residential and low volume customers until the transition back into the OEB's annual recurring winter disconnection ban on November 15, 2020.

On June 17, 2021, the OEB issued its report on the Regulatory Treatment of Impacts Arising from the COVID-19 Emergency. The Corporation has assessed the balances recorded in the deferral account and has made no changes as a result of the report.

The financial impacts of COVID have been reflected in the financial statements. While the pandemic has resulted in incremental operating costs and lost revenues, the Company has evaluated the impact on the financial results as at and for the year ended December 31, 2021 and has determined that there was no material impact.

The Company continues to monitor and assess the impact of COVID to the Company's financial results and operations. Potential adverse impacts of the pandemic include, but are not limited to changes in cash flows, working capital and debt requirements.

28. Comparative Figures:

Certain comparative figures have been reclassified for conform with the current period's presentation.

THE CORPORATION OF THE CITY OF KITCHENER

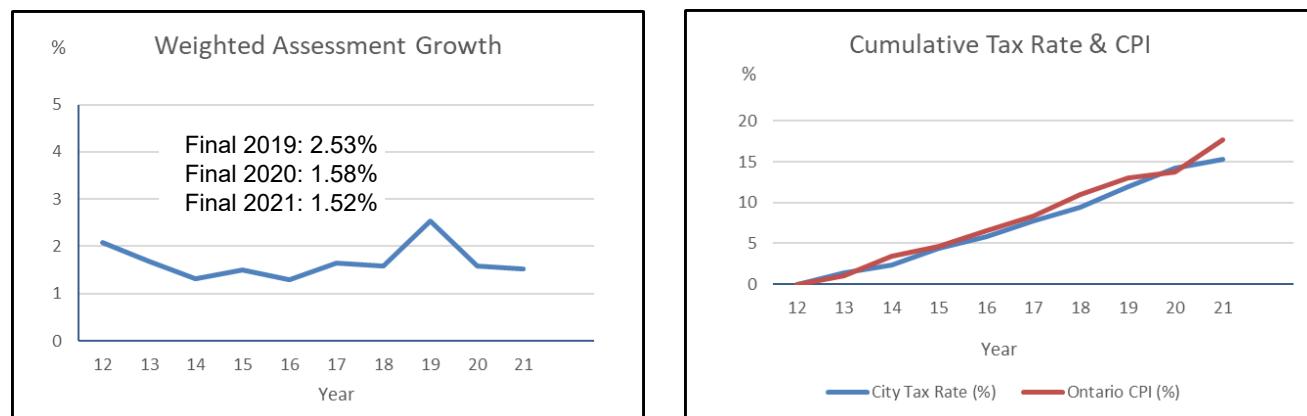
FINANCIAL & STATISTICAL REVIEW

As at December 31 (unaudited)

	2021	2020	2019	2018	2017
1. DEMOGRAPHIC STATISTICS					
Population ¹	270,840	262,220	261,610	255,070	252,520
Households ¹	101,100	100,440	98,820	97,830	96,720
Area in acres ²	33,797	33,797	33,797	33,797	33,797
2. TAXABLE ASSESSMENT (\$000's)					
Residential and farm	27,938,484	27,435,305	26,184,498	24,878,827	23,639,290
Commercial and industrial	4,328,278	4,315,742	4,087,831	3,740,833	3,525,281
Total	32,266,762	31,751,047	30,272,329	28,619,660	27,164,571
3. TAX RATES					
Residential and Farm Taxable Full					
City	0.34864	0.34540	0.35002	0.35470	0.36212
Region	0.60450	0.60110	0.59982	0.60505	0.61147
School Boards	0.15300	0.15300	0.16100	0.17000	0.17900
Total	1.10614	1.09950	1.11084	1.12975	1.15259
Commercial Taxable Full					
City	0.67984	0.67352	0.68255	0.69166	0.70613
Region	1.17878	1.17215	1.16964	1.17984	1.19237
School Boards	0.88000	1.25000	1.29000	1.34000	1.39000
Total	2.73862	3.09567	3.14219	3.21150	3.28850
Industrial Taxable Full					
City	0.67984	0.67352	0.68255	0.69166	0.70613
Region	1.17878	1.17215	1.16964	1.17984	1.19237
School Boards	0.88000	1.25000	1.29000	1.34000	1.39000
Total	2.73862	3.09567	3.14219	3.21150	3.28850

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

2. Source: Statistics Canada, 2016 Census Data (2017 to 2021)



THE CORPORATION OF THE CITY OF KITCHENER

FINANCIAL & STATISTICAL REVIEW

As at December 31 (unaudited)

(\$000's)	2021	2020	2019	2018	2017
4. COLLECTION STATISTICS					
Total taxes billed	449,852	454,288	439,831	423,032	406,605
Total collections	449,654	453,047	436,211	422,659	405,060
Total collections as a % of current levy	100%	100%	99%	100%	100%
Taxes receivable, net of allowance	22,423	22,377	21,597	18,933	16,878
Total receivable as a % of current levy	5%	5%	5%	4%	4%
5. CONSOLIDATED REVENUE					
Taxation and user charges ³	388,230	378,568	396,951	381,356	367,621
Grants	23,920	31,767	15,310	13,516	12,908
Share of net income of Kitchener Power					
Corp. and its affiliates	10,327	9,630	9,362	10,104	9,348
Development charge revenue recognized	21,836	9,582	12,174	10,294	7,303
Other	37,890	32,996	43,006	34,857	15,852
Total revenue	482,203	462,543	476,803	450,127	413,032
6. CONSOLIDATED EXPENSES					
Expenses by Function					
General government	34,604	33,745	37,088	36,263	39,436
Protection services	56,441	55,408	51,360	49,751	47,268
Transportation services	39,002	38,266	45,833	39,164	37,805
Environmental services ³	99,841	98,326	94,518	88,316	80,380
Health services	3,843	2,315	2,814	2,694	2,296
Social and family services	2,235	2,322	2,865	2,797	2,662
Recreation and cultural services	69,608	64,481	79,449	76,236	69,847
Planning and development	11,777	12,609	13,670	11,479	13,123
Gasworks	59,324	56,677	59,578	67,610	67,386
Total Expenses	376,675	364,149	387,175	374,310	360,203
Expenses by Object					
Salaries, wages and employee benefits	160,718	156,421	164,070	158,659	151,980
Materials and services ³	153,783	149,253	161,745	162,538	152,371
Debenture debt interest	1,604	2,286	2,613	2,881	3,180
Grants and other	4,952	4,456	4,188	6,186	5,295
Amortization	55,589	51,793	49,546	47,876	46,188
Loss/(Gain) on sale of assets	29	(60)	5,013	(3,830)	1,189
Total Expenses	376,675	364,149	387,175	374,310	360,203
7. ANNUAL SURPLUS	105,528	98,394	89,628	75,817	52,829

3. Water purchases and wastewater treatment surcharge had previously been netted against user charges. In 2018 this process was changed to present the gross revenue and expenses. 2017 figures have been restated to match the current year presentation.

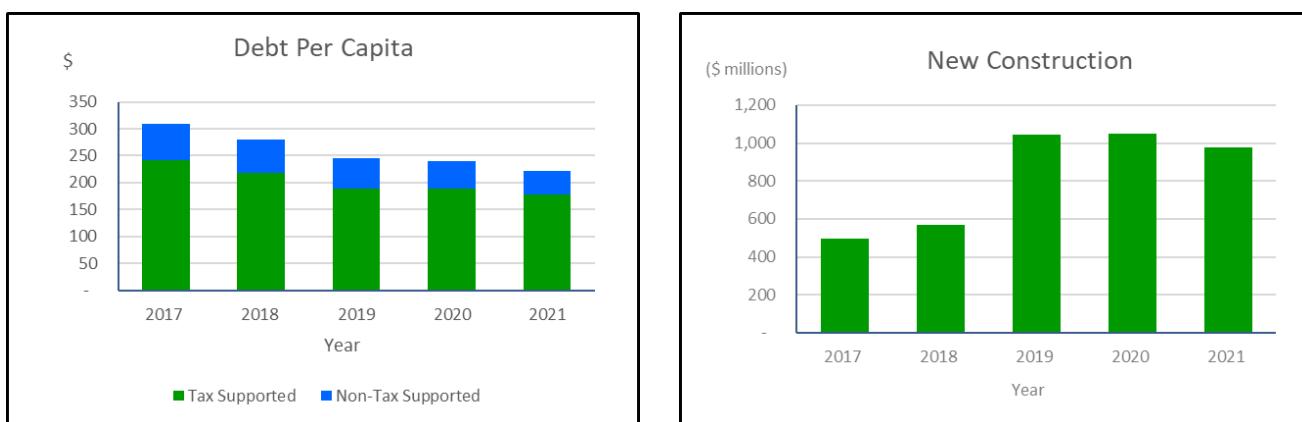
THE CORPORATION OF THE CITY OF KITCHENER

FINANCIAL & STATISTICAL REVIEW

As at December 31 (unaudited)

	2021	2020	2019	2018	2017
8. ANALYSIS OF LONG-TERM DEBT (\$000's)					
Gross debt issued by the municipality	59,962	62,739	63,993	71,179	77,889
Less debt recoverable from municipal enterprises and consolidated boards	7,361	7,922	8,498	9,056	9,596
Less debt recoverable from other sources	4,411	5,151	5,870	6,571	7,252
Net debt to be repaid from property taxes	48,190	49,666	49,625	55,552	61,041
Net debt per capita (\$'s)	178	189	190	218	242
Repayment of principal & interest (\$000's)	12,449	13,094	13,886	13,903	14,589
Annual repayment limit (\$000's) ⁴	87,621	85,330	80,148	73,789	71,777
Interest on long-term debt as a % of total expenses	0.4%	0.6%	0.7%	0.8%	1.0%
9. ACCUMULATED SURPLUS (\$000's)					
Reserves, reserve funds and deferred revenue - obligatory reserve funds	200,766	159,233	130,274	104,780	98,754
Unexpended capital financing	138,092	103,250	99,856	99,849	118,172
Accumulated surplus	1,705,199	1,599,671	1,501,277	1,411,650	1,335,832
10. NEW CONSTRUCTION					
Value of construction (\$000's)	978,353	1,048,527	1,046,476	566,135	498,220
Number of building permits	3,201	2,670	2,975	2,624	2,503
Number of single family dwelling starts	567	559	345	303	300
11. NET FINANCIAL ASSETS (\$000's)	309,589	270,286	254,471	221,799	220,788

4. The debt limit is based on the Financial Information Return from the second immediate preceding year.



THE CORPORATION OF THE CITY OF KITCHENER

FINANCIAL & STATISTICAL REVIEW

As at December 31 (unaudited)

12. PRINCIPAL CORPORATE TAXPAYERS

2021 Taxable Assessment Value (\$000's)

DREWLO HOLDINGS INC	371,627
CF/REALTY HOLDINGS INC	272,963
ONTREA INC.	250,972
EUROPRO (KITCHENER) GP INC	127,462
ACTIVA HOLDINGS INC	118,778
HOMESTEAD LAND HOLDINGS LIMITED	115,106
ONTARIO MINISTER OF ENERGY & INFRASTRUCTURE	93,467
VOISIN DEVELOPMENTS LIMITED	84,284
THE INCC CORP	84,083
GF 200 OLD CARRIAGE DRIVE LTD	78,900
MORGUARD NAR (ONTARIO) HOLDINGS LIMITED	71,057
CATALYST 137 KITCHENER INC	70,690
KITCHENER HOUSING INC	69,431
KILLAM PROPERTIES SGP LTD	66,308
BOARDWALK REIT PROPERTIES HOLDINGS LTD	63,582



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