KITCHENER

FINANCIAL REPORT

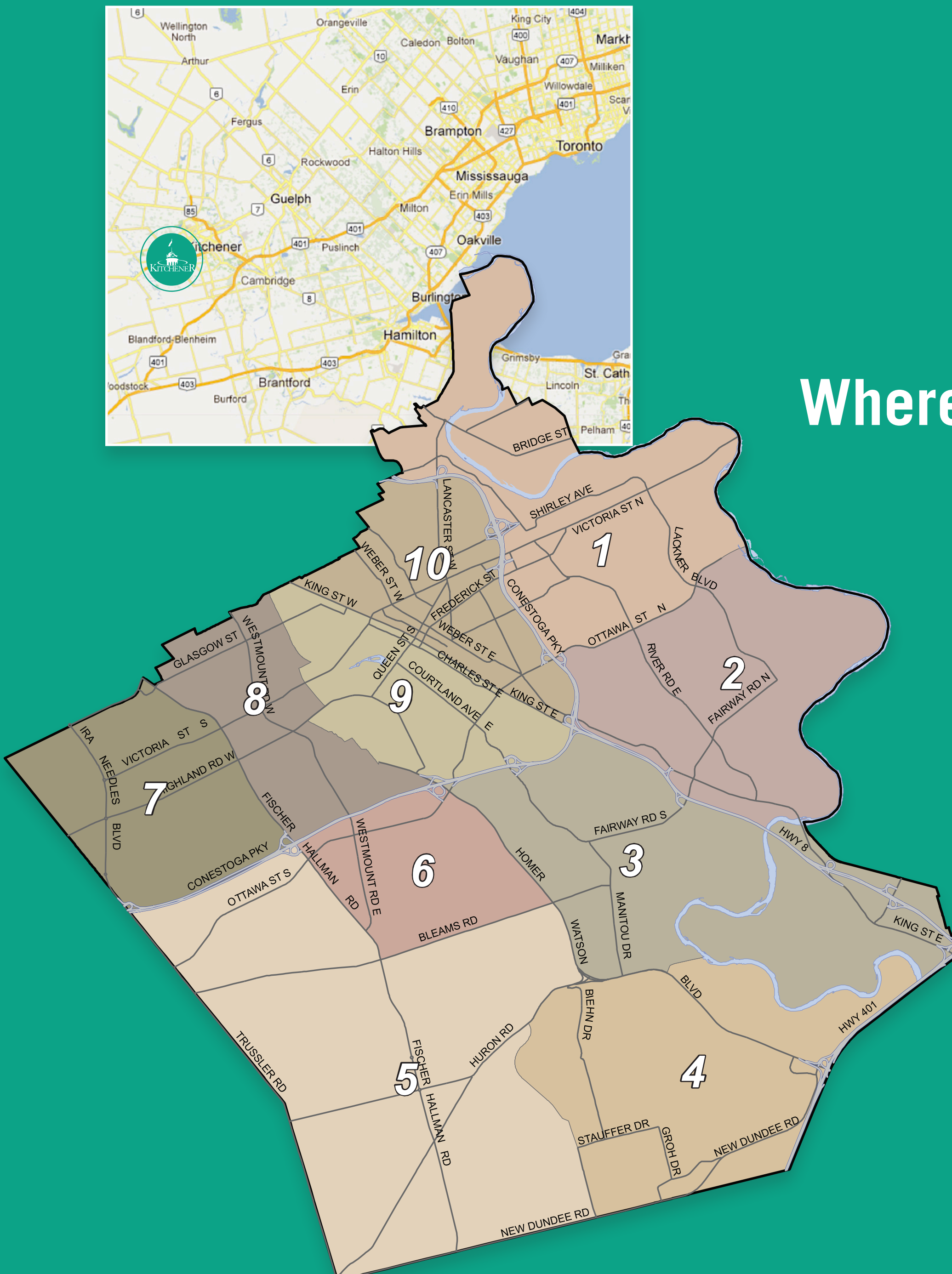
DECEMBER 31, 2020

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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Message from the Mayor

2020 was a year like no other. The COVID-19 pandemic evolved quickly and unexpectedly, disrupting our community's normal way of life, and forcing us to reimagine our routines. Kitchener took decisive action early for the health and safety of our citizens, but our resilience has been defined by our joint actions as a caring family of communities within the region.

While responding to the pandemic locally to ensure the well-being of residents and taking steps to build back better, the City of Kitchener remained a strong steward of public funds and continued to deliver important programs, services and projects that propel our vision for being an innovative and inclusive city.

On behalf of Kitchener City Council, I am pleased to present the 2020 Annual Financial Report. We are proud to continue our commitment to transparency and sharing our financial position with the community.

Last year, we made investments that advanced the City's strategic priorities including the development of a protected cycling network, making enhancements in customer service, improving the reliability of our water infrastructure, approving the Housing for All strategy to address affordable housing challenges, and delivering climate action that helped the City mark a 27 per cent reduction in greenhouse gas emissions since 2010.

In addition, we provided timely relief programs for residents and businesses amidst the COVID-19 pandemic including the Early Economic Support Plan, helping small businesses adapt online with Digital Main Street and driving new economic development with Make It Kitchener 2.0. Our abilities to respond, were partially made possible by the Safe Restart funding contributions from the Government of Canada and the Province of Ontario.

2020 showed us how important it is for us to remain agile and flexible to respond to the emerging needs of community. Every decision, and every investment was made with Kitchener citizens in mind.

As we continue the journey towards our city's recovery, I'm both humbled and proud of the strength of our city's leadership and the resilience of our community's spirit. Together, we're building a community that everyone in Kitchener can be proud of.

Kitchener City Council

MAYOR
Berry Vrbanovic

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

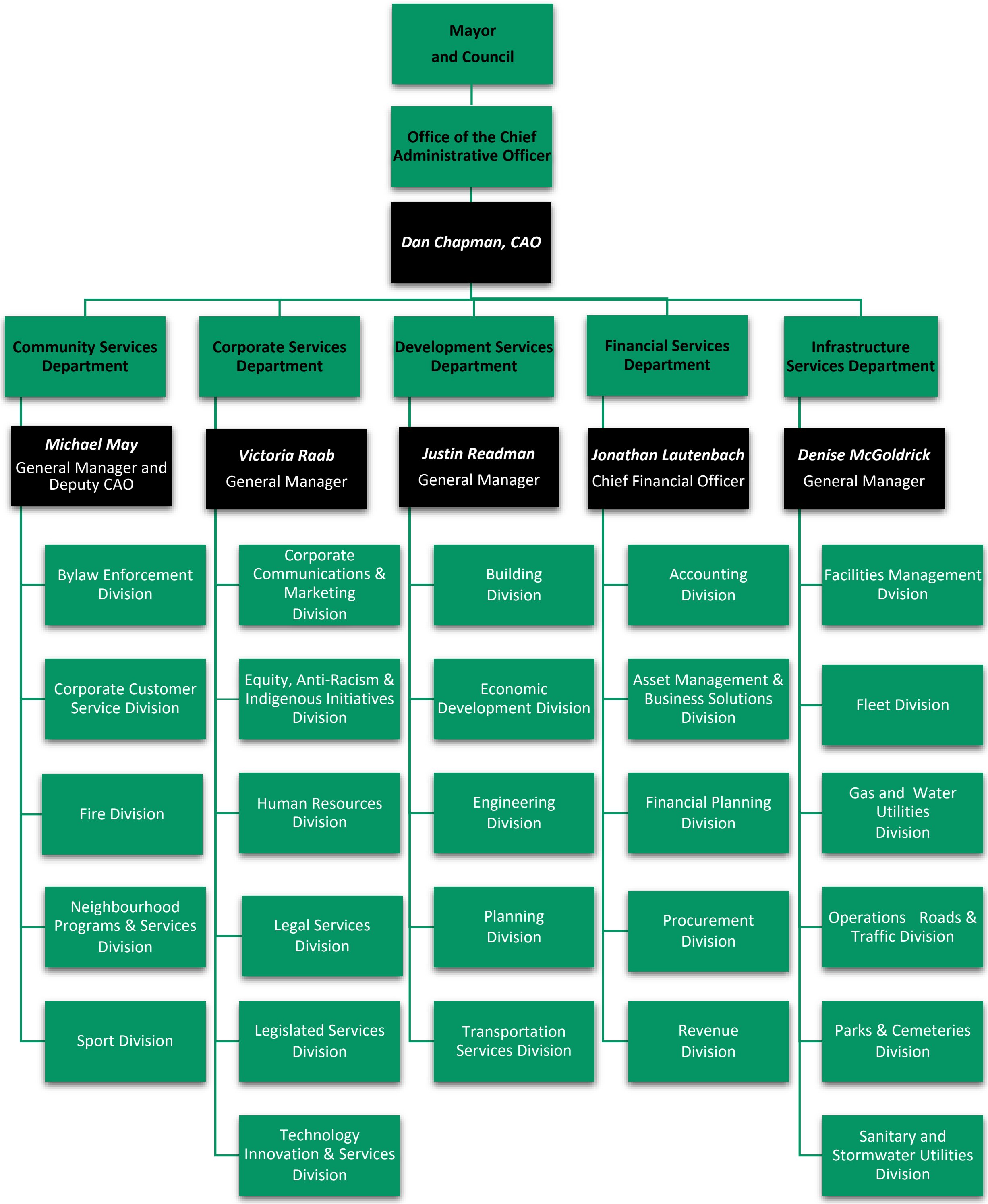
WARD 7 Councillor
Bil Ioannidis

WARD 8 Councillor
Margaret Johnston

WARD 9 Councillor
Debbie Chapman

WARD 10 Councillor
Sarah Marsh

Organizational Structure



Message from the City Treasurer

Reflecting on This Past Year

This past year was a year unlike any other in recent history. On March 11, 2020, a global pandemic was declared by the World Health Organization as COVID-19 started spreading rapidly in communities around the world. It's been an unprecedented event that continues to disrupt our daily lives. Over the past year, the pandemic has also had an impact on the programs and services that the city was able to provide to the residents of Kitchener.

The pandemic not only represented a major public health crisis for the world, but it has also created one of the most significant financial challenges that we have faced in modern times. Many individuals and businesses in Kitchener have felt the financial impacts of the pandemic, and the city also faced similar challenges.

The impacts of the pandemic can be seen through the city's 2020 Financial Statements, reflected in the differences for various line items when comparing to the previous year. One of the most significant impacts in 2020 was 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.

Although the city experienced significant shortfalls in revenue, the federal and provincial government provided operating funding for municipalities through the Safe Restart Agreement. The city was facing a significant deficit prior to receiving this funding and would have had to fully utilize stabilization reserves to cover the impacts had it not been received. This funding addressed

all of the city's 2020 pandemic related impacts, allowing the city to maintain a strong financial position heading into 2021.

Even though it has been a challenging year, I am still pleased to present the Annual Financial Report for the City of Kitchener for the year ended December 31, 2020. This report communicates the 2020 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 extreme financial pressure.

Looking Forward

With the pandemic's effects expected to continue into 2021 and beyond, additional funding has been provided from the federal and provincial government to help address continued financial pressures faced by municipalities. This funding, along with the city's continued cost mitigation measures, will help to reduce the overall financial impact and future projected deficits.

Kitchener has always had a strong reputation for financial stability, and we expect to demonstrate this strength even through this most challenging period. We will come through this together and make every effort to build an even better Kitchener.

JLautenbach

Jonathan Lautenbach, CPA, CGA
Chief Financial Officer & City Treasurer
June 28, 2021

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.

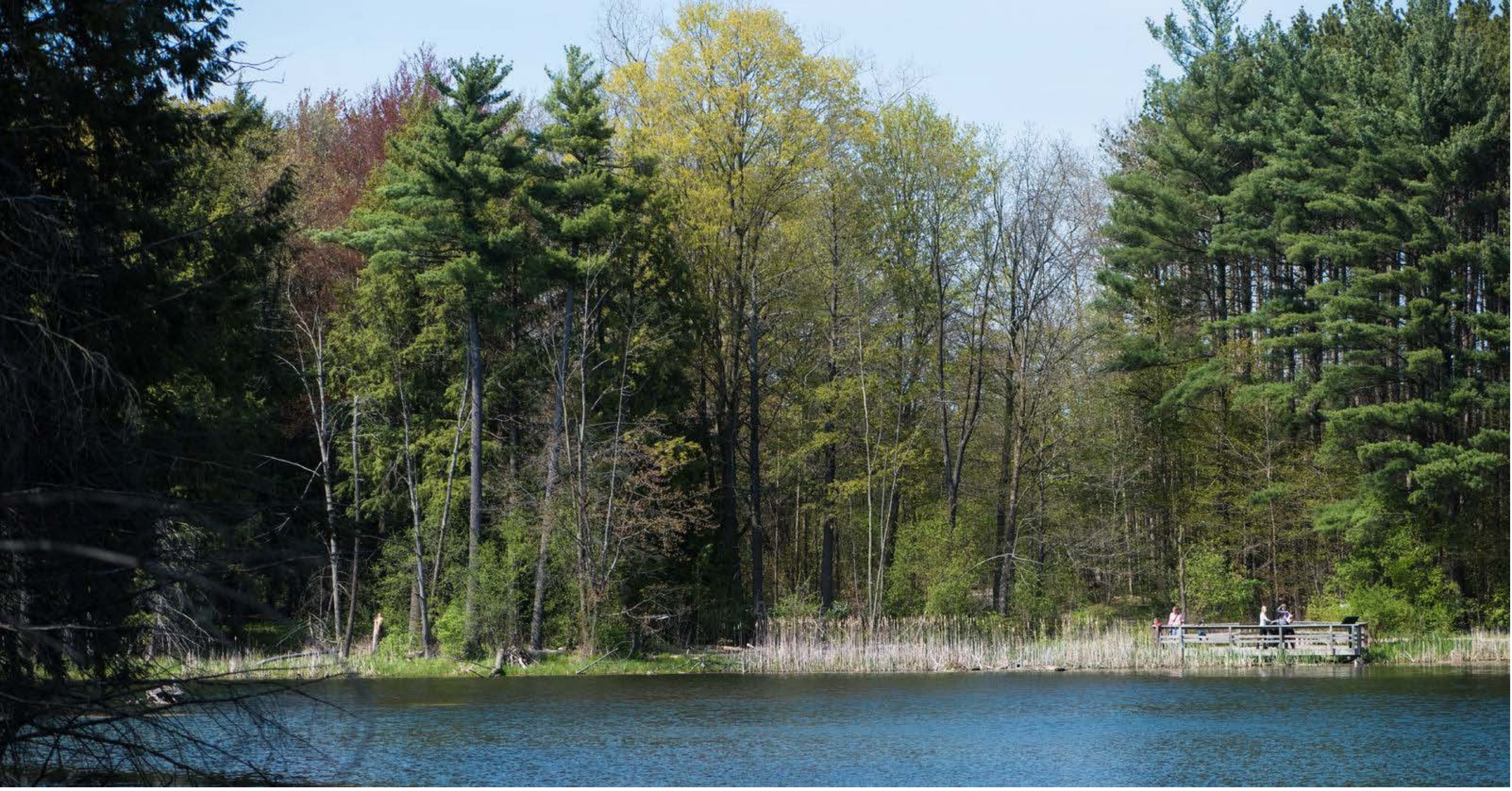
To provide transparency in the budget process, budget information is posted on the city's website and budget meetings are held in a public forum. Citizens are able to provide their input through a number of channels, including by phone, letter, email, social media, or in person at a public delegation 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 entitled Our City, Our Plan, Our Future highlights the city's strong financial position and identifies emerging challenges and trends that will be important to address as we work to ensure the city can maintain this position over time. The plan provides 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 current financial strength and ensure that the city is well positioned both now, and in the future, to meet the needs of a growing community.

The recommended actions included in this plan are intended to be implemented over the term of Council. It is expected that this plan will be updated every term of Council to identify new actions that may be needed to continue to move the city forward in a financially responsible, flexible, and sustainable way.



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, City 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 (PSAB) 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.

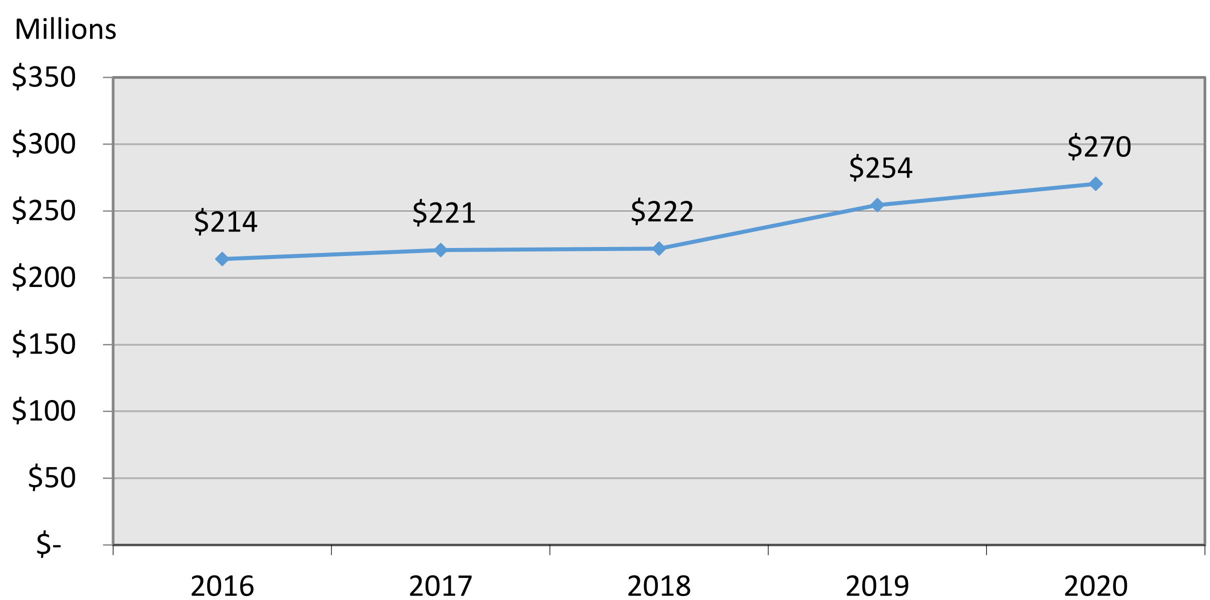
The consolidated financial statements reflect the assets, liabilities, reserves, surpluses/deficits, revenue, and expenditures of city funds and governmental functions or entities. These functions and entities comprise a part of the combined city operations based upon control exercised by the city. The 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 $270 million, an increase of $16 million from 2019. 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 the city 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



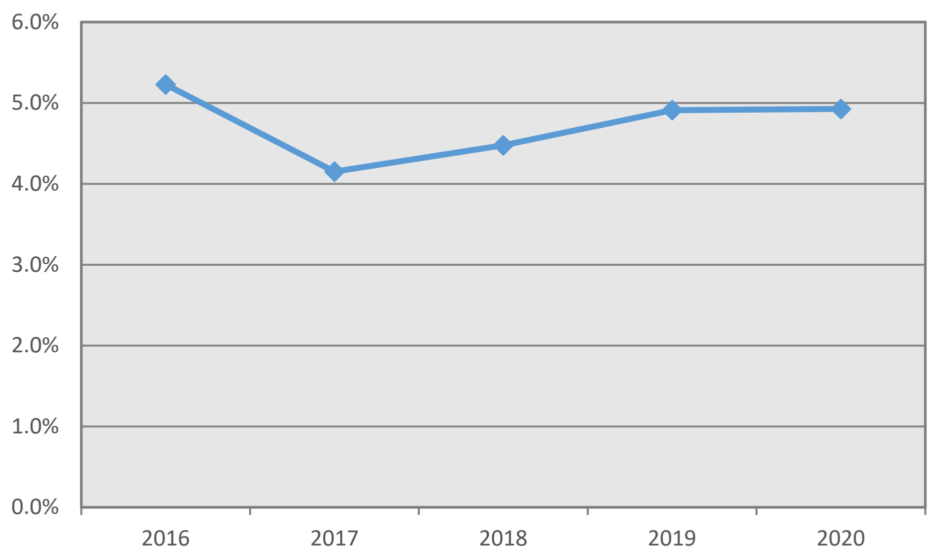
Cash and cash equivalents

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 increased to $140 million from $75 million in 2019. The Consolidated Statement of Cash Flows summarizes the sources and uses of cash in both 2020 and 2019. The increase in cash represents a shift from investments to maintain liquidity due to the unknowns associated with the ongoing pandemic. Interest rates at yearend were also very low so there was little incentive to move the funds out of the city's bank account.

Taxes receivable

Taxes receivable increased only slightly at the end of 2020 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 the highest return 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 decrease in investments at the end of 2020 to $130 million from $182 million at the end of 2019. As certain investments matured, the city kept the funds in cash. 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 in Kitchener Power Corp. & Kitchener Generation Corporation

The city's investment in both Kitchener Power Corp. and its affiliates and Kitchener Generation Corporation is 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 services or goods the city has received. The balance at the end of 2020 decreased to $106 million from $114 million at the end of 2019. This relates to a onetime multi-million-dollar amount owed to the Region of Waterloo for work they had done on the city's behalf in 2019 that the city did not pay until 2020.

Deferred revenue – obligatory reserve funds

There is a legislated requirement to defer specific funding until those funds have been spent on eligible projects. The increase in deferred revenue – obligatory reserve funds to $61 million from $46 million in 2019 is primarily due to higher amounts of development charges and building permit revenue collected in the year and the fact that the city deferred work on a variety of capital projects in 2020 to help prevent potential cash flow issues during the pandemic. See Note 10 to the financial statements which provides greater detail regarding activity in both years.

Deferred Revenue – Other

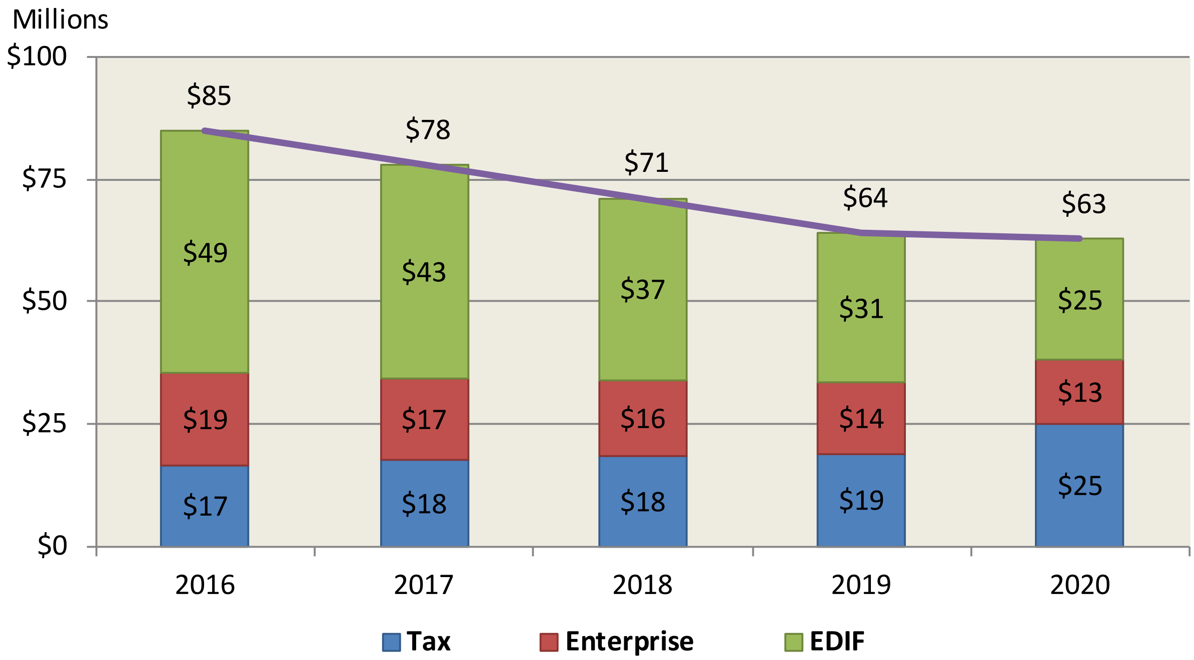
Certain user fees and charges are collected for which the related services have yet to be performed and are recorded under the classification Deferred revenue - other. This amount has decreased by $5 million to $20 million in 2020 and relates to funds contributed by developers in 2019 to move up the timing of capital projects. A large portion of these funds were returned to these developers in 2020, some of which was through a reduction in the amount of development charges collected from them in 2020.

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



The city must comply with annual debt and financial obligations limits as outlined in Ontario Regulation 403/02. The Province provides the city with 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 $63 million from $64 million in 2019. The change in debt is a result of new debt issuance of $9.6 million offset by repayment of $10.8 million of existing debt.

Employee future benefits

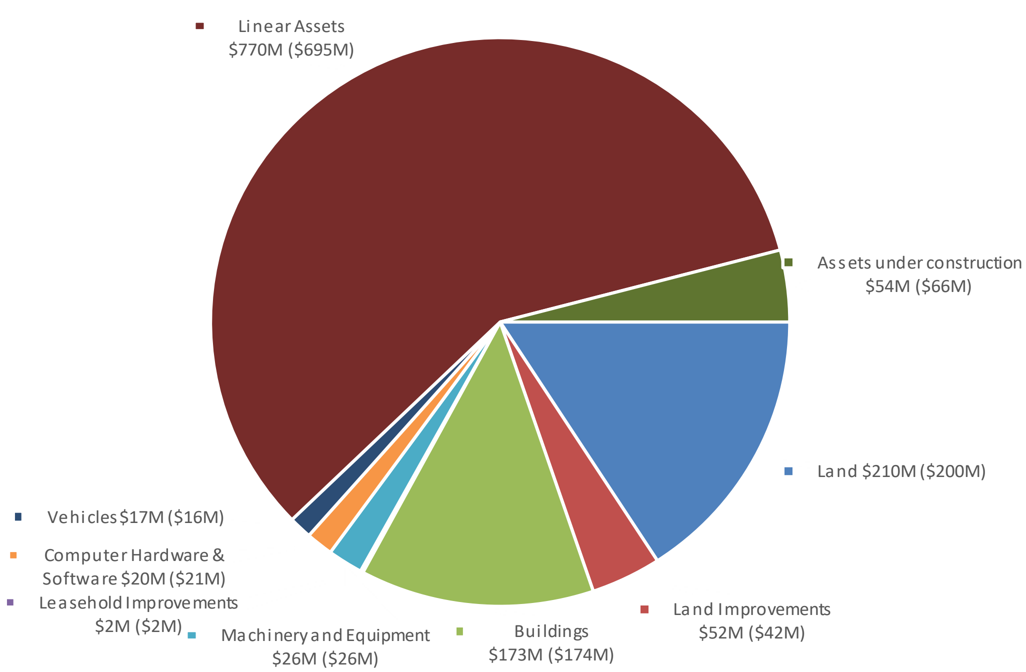
Total employee future benefits include liabilities for future sick leave costs, post-retirement benefits and future Workplace Safety and Insurance Board (WSIB) payments. The liability has increased from $51 million in 2019 to $54 million in 2020. The increase relates to rising cost of benefits and additional coverages introduced by WSIB as well as a decrease in the interest rate used.

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 ranging from 2 to 100 years.

During 2020, the city acquired $135 million in tangible capital assets (2019 - $116 million). Amortization of assets was $52 million (2019 - $50 million). Refer to Note 14 and Schedule A of the Consolidated Financial Statements for a detailed breakdown of tangible capital asset activity for 2020 and 2019. The net book value of tangible capital assets at December 31, 2020 is $1.32 billion, up from $1.24 billion in 2019.

TANGIBLE CAPITAL ASSETS BY ASSET TYPE



Accumulated surplus

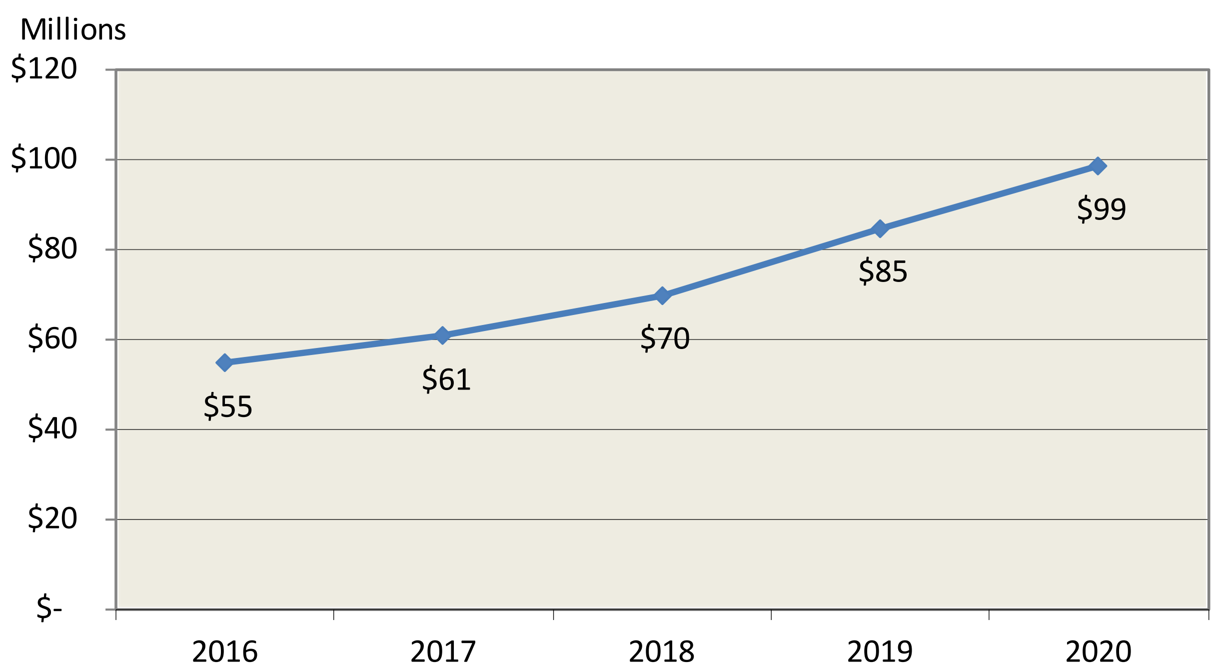
The city's accumulated surplus for fiscal 2020 was $1.60 billion (2019 - $1.50 billion). The accumulated surplus reflects the resources that have been built over time at the city and the balance includes items such as tangible capital assets, equity in Kitchener Power Corp. and Kitchener Generation Corporation, and various reserves.

Reserve funds

Reserve funds are included as part of accumulated surplus and these balances are disclosed in Note 15 to the financial statements. Reserve fund balances have increased during 2020 to $99 million (2019 - $85 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

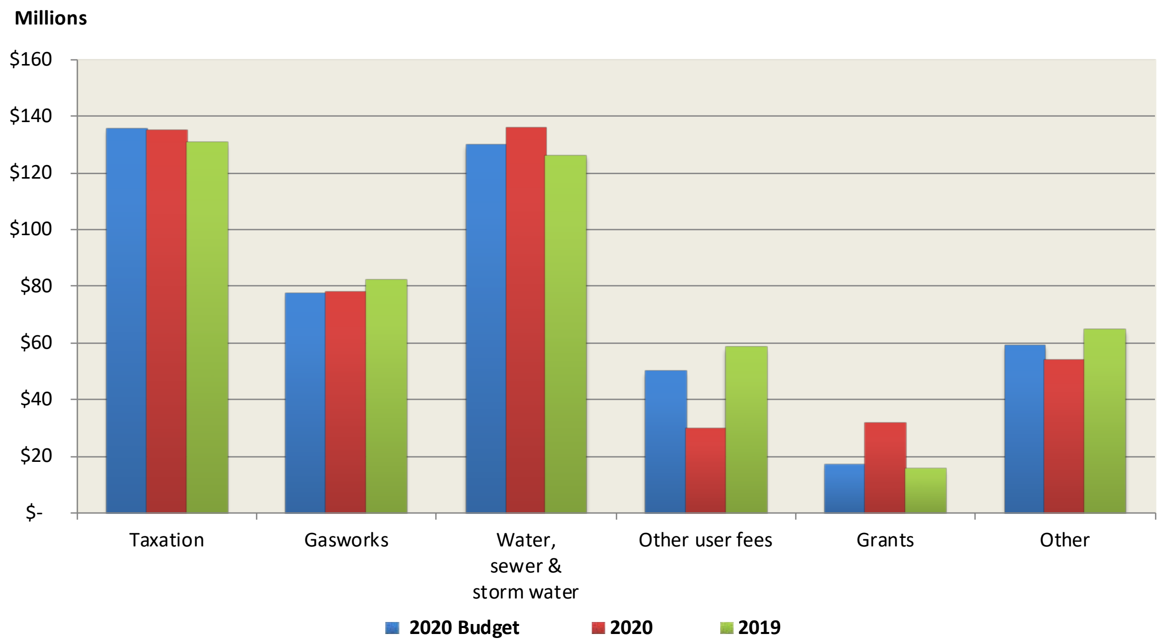


CONSOLIDATED STATEMENT OF OPERATIONS

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 2020, overall assessment growth was 1.58%. 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 2020 operations was 2.09%.

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.

Gasworks revenue was $4 million lower than in 2019 which is attributable to less gas usage by customers as 2020 was a warmer year than 2019.

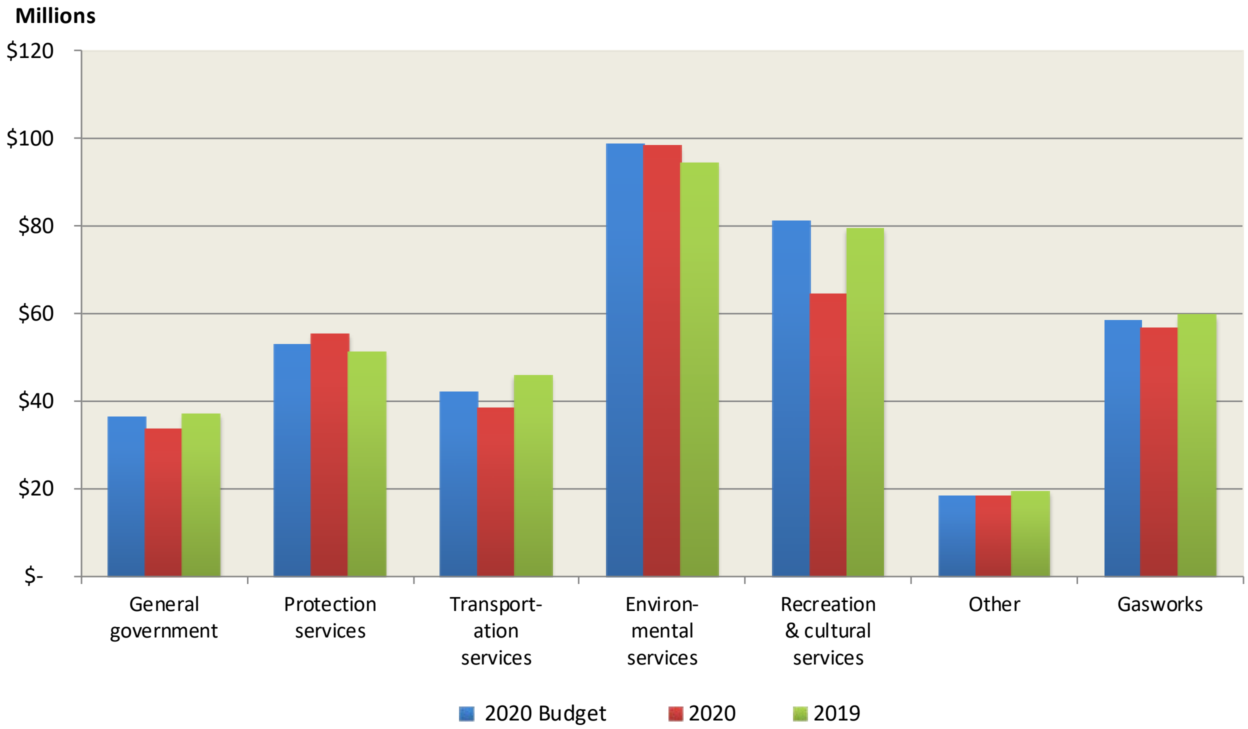
Water, sewer & storm water revenue was $10 million greater than in 2019 due to the approved increases in the user fee rates charged for these services in addition to greater water consumption by the city's customers. The increased consumption explains why revenue has exceeded budget by $6 million.

Other user fees were considerably less than budget and prior year as a result the COVID-19 global pandemic. The revenue of the Centre in the Square alone was $7.4 million lower than in 2019 due to physical distancing requirements and provincially mandated orders limiting gatherings. The city also saw significant reductions in parking revenue, recreational programming registration fees, and a variety of facility rental charges.

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 more than $13 million in Safe Restart Grant funding to the city. The city earned additional Federal Gas Tax grant funds in 2020 as it was able to spend more of the additional funds the federal government transferred in 2019. These funds had to be deferred until they were spent on eligible projects. The city has started work on projects that fall under the Disaster Mitigation and Adaptation Fund and will receive funds related to this from senior levels of government over the next decade.

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 lower in 2020 compared to 2019 primarily due to lower amounts of contributed assets to the city and lower 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. Many capital projects were postponed to future years in order to help limit cash flow challenges that the city may have faced as a result of the pandemic.

EXPENSES BY FUNCTION

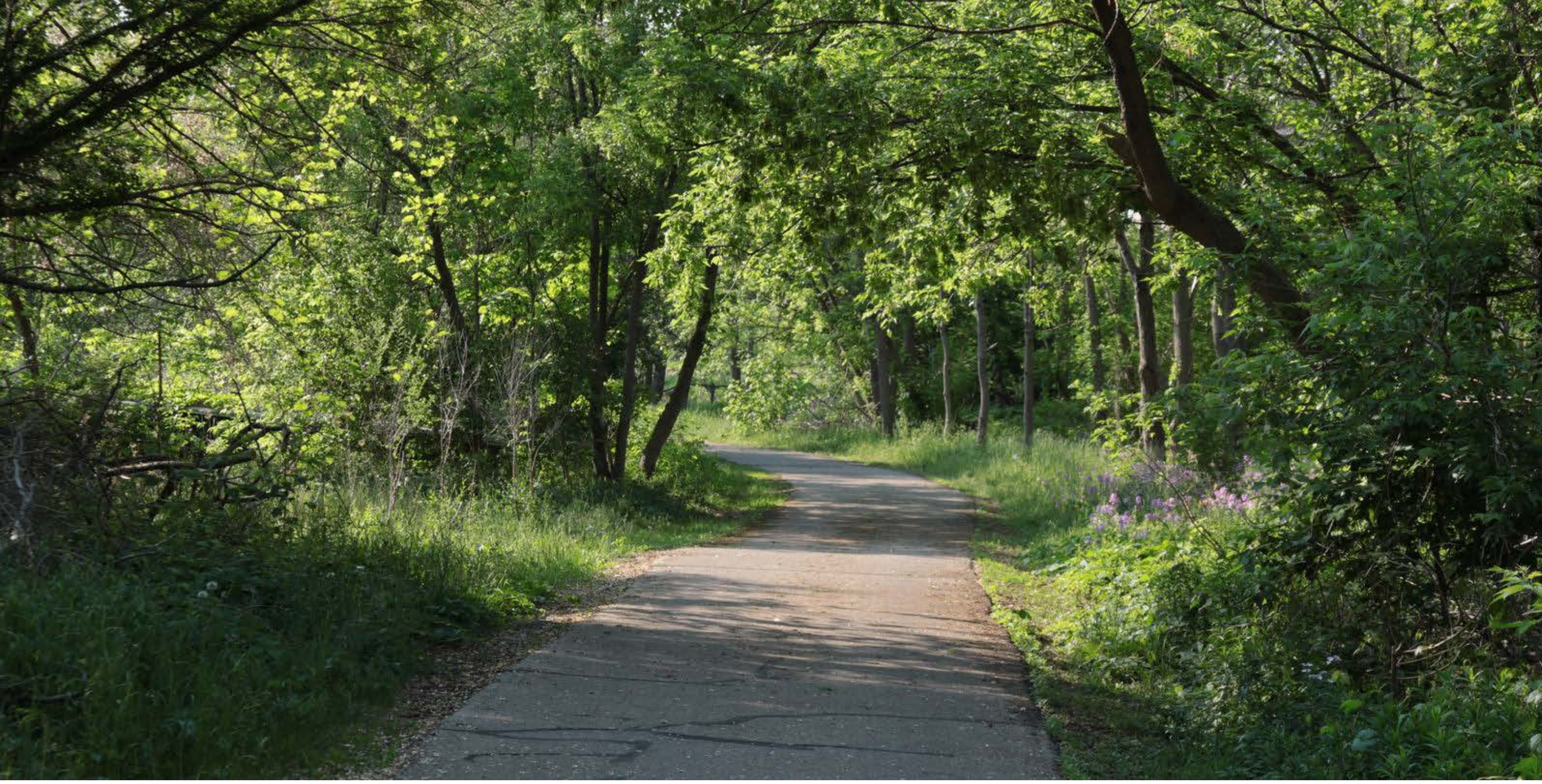


Expenses

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 and 2019 as a result of the pandemic. The city experienced 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 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 $7 million lower than 2019 in part due to reduced discretionary spending and also because the prior year figure included a large expense due to the LED light replacement project in that year. This project is reducing current electricity costs with the higher efficiency LED bulbs. Winter maintenance expenses in 2020 were lower than 2019 due to the high costs of treating the city roads during the various freezing rain events of 2019.

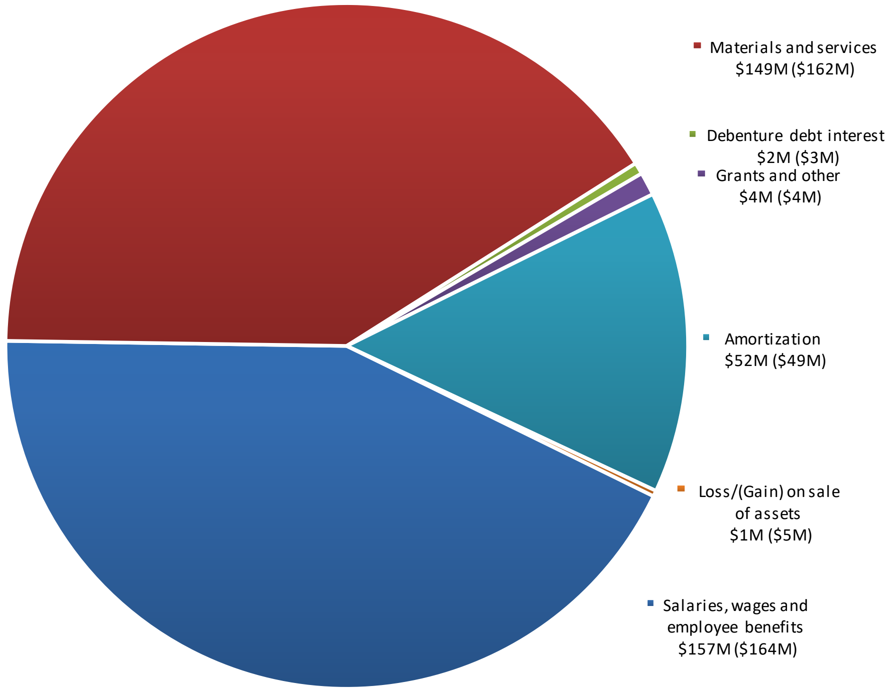
Environmental services expenses were $4 million higher than in 2019 as a result of the increased rates for water and sewage treatment being charged by the Region of Waterloo and because amortization of linear assets had increased due to greater tangible capital asset additions in recent years.

Recreation and cultural services expenses were $15 million lower in 2020 than in 2019 and were $17 million less than budget due to the fact that many programs were suspended or had to run at much lower capacity to allow for adequate physical distancing to prevent the spread of the virus. Facilities were closed at specific times throughout the year in line with provincial pandemic response measures and projects were put on hold.

The ‘Other’ category in the Expenses by Function chart includes Health services, Social and family services, and Planning and development. As in other areas, there were savings compared to budget and prior year due to the pandemic.

Gasworks expenses were $3 million less than in 2019 and $2 million less than budget primarily due to the lower commodity price and consumption being lower than planned as the 2020 year was slightly warmer than normal.

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 flows reports changes in cash and cash equivalents resulting from operations, capital, investing and financing activities and shows how the city financed its activities during the year and met its cash requirements.

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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, 2020
- 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, 2020, 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.

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.

- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

June 28, 2021

THE CORPORATION OF THE CITY OF KITCHENER
Consolidated Statement of Financial Position
As at December 31, 2020

		2020		2019
Financial assets				
Cash and cash equivalents	**$**	**140,456,509**	$	74,923,101
Taxes receivable (Note 2)		**22,376,508**		21,596,640
Trade and other accounts receivable (Note 2)		**34,441,122**		35,133,433
Loans receivable (Note 5)		**6,289,834**		6,454,776
Inventory for resale		**13,698,269**		12,758,338
Investments (Note 6)		**129,817,073**		182,496,579
Investment in Kitchener Power Corp. and its affiliates (Note 7)		**224,960,021**		219,188,143
Investment in Kitchener Generation Corporation (Note 8)		**2,316,914**		2,549,166
		574,356,250		555,100,176
Liabilities				
Accounts payable and accrued liabilities		**106,127,746**		113,948,709
Deferred revenue - obligatory reserve funds (Note 10)		**60,677,659**		45,529,467
Deferred revenue - other		**20,263,897**		25,669,211
Municipal debt (Note 11)		**62,739,124**		63,993,013
Employee future benefits (Note 13)		**54,261,751**		51,488,958
		304,070,177		300,629,358
Net financial assets		**270,286,073**		254,470,818
Non-financial assets				
Tangible capital assets (Note 14)		**1,324,000,850**		1,241,636,238
Inventory of supplies		**3,518,415**		3,414,528
Prepaid expenses		**1,865,594**		1,755,561
		1,329,384,859		1,246,806,327
Accumulated surplus (Note 15)	**$**	**1,599,670,932**	$	1,501,277,145

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, 2020

	2020 Budget	2020	2019
Revenue			
Taxation	**$ 135,598,281**	**$ 135,010,285**	$ 130,528,229
User fees and charges			
Gasworks	**77,350,891**	**77,964,599**	81,973,614
Water, sewer and storm water	**129,830,793**	**136,073,048**	126,055,779
Other	**49,984,886**	**29,520,236**	58,393,112
Grants	**16,749,762**	**31,767,318**	15,309,825
Contributions of tangible capital assets	**19,856,345**	**19,856,345**	23,892,012
Investment income	**9,276,831**	**7,936,940**	11,232,605
Penalties and interest on taxes	**3,286,520**	**2,925,246**	3,429,802
Development charge revenue recognized	**13,225,825**	**9,582,100**	12,174,473
Share of net income of Kitchener Power Corp. and its affiliates (Note 7)	**10,450,818**	**9,629,978**	9,361,530
Share of net income of Kitchener Generation Corporation (Note 8)	**-**	**61,402**	30,716
Other	**1,555,613**	**2,215,377**	4,421,363
Total revenue	**467,166,565**	**462,542,874**	476,803,060
Expenses			
General government	**36,170,290**	**33,744,592**	37,087,611
Protection services	**52,910,882**	**55,408,373**	51,360,579
Transportation services	**41,695,214**	**38,266,483**	45,832,625
Environmental services	**98,640,171**	**98,325,470**	94,518,477
Health services	**2,974,048**	**2,315,444**	2,813,822
Social and family services	**2,691,212**	**2,322,018**	2,865,035
Recreation and cultural services	**81,060,645**	**64,481,190**	79,448,840
Planning and development	**11,837,671**	**12,608,810**	13,670,257
Gasworks	**58,313,337**	**56,676,707**	59,578,390
Total expenses	**386,293,470**	**364,149,087**	387,175,636
Annual surplus	**80,873,095**	**98,393,787**	89,627,424
Accumulated surplus, beginning of year	**1,501,277,145**	**1,501,277,145**	1,411,649,721
Accumulated surplus, end of year (Note 15)	**$ 1,582,150,240**	**$ 1,599,670,932**	$ 1,501,277,145

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, 2020

	2020 Budget	2020	2019
Annual surplus	**$ 80,873,095**	**$ 98,393,787**	$ 89,627,424
Amortization of tangible capital assets	**51,792,737**	**51,792,737**	49,546,311
Acquisition of tangible capital assets	**(95,555,879)**	**(135,189,619)**	(116,282,859)
Loss (gain) on disposals of tangible capital assets	**(233,773)**	**(233,773)**	9,080,685
Proceeds on disposal of tangible capital assets	**1,266,043**	**1,266,043**	1,503,355
Acquisition of inventory of supplies	**-**	**(6,692,694)**	(6,918,776)
Acquisition of prepaid expenses	**-**	**(887,281)**	(1,480,151)
Consumption of inventory of supplies	**-**	**6,588,807**	6,592,238
Use of prepaid expenses	**-**	**777,248**	1,003,742
Change in net financial assets	**38,142,223**	**15,815,255**	32,671,969
Net financial assets, beginning of year	**254,470,818**	**254,470,818**	221,798,849
Net financial assets, end of year	**$ 292,613,041**	**$ 270,286,073**	$ 254,470,818

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, 2020

	2020	2019
Operating		
Annual surplus	**$ 98,393,787**	$ 89,627,424
Items not involving cash		
Amortization	**51,792,737**	49,546,311
Loss (gain) on disposals of tangible capital assets	**(233,773)**	9,080,685
Share of net income of Kitchener Power Corp. and its affiliates	**(9,629,978)**	(9,361,530)
Share of net income of Kitchener Generation Corporation	**(61,402)**	(30,716)
Change in employee future benefits	**2,772,793**	2,438,603
Contributions of tangible capital assets	**(19,856,345)**	(23,892,012)
Change in non-cash assets and liabilities		
Taxes receivable	**(779,868)**	(2,663,466)
Trade and other accounts receivable	**692,311**	2,404,988
Loans receivables	**164,942**	926,958
Inventory of supplies	**(103,887)**	(326,538)
Inventory for resale	**(939,931)**	(4,535,882)
Prepaid expenses	**(110,033)**	(476,409)
Deferred revenue - obligatory reserve funds	**15,148,192**	10,587,320
Deferred revenue - other	**(5,405,314)**	2,154,487
Accounts payable and accrued liabilities	**(7,820,963)**	406,890
Net change in cash from operating activities	**124,023,268**	125,887,113
Investing		
Dividends received from Kitchener Power Corp.	**3,858,100**	3,721,401
Debt and equity payments received from Kitchener Generation Corporation	**293,654**	267,053
Net disposal of investments	**52,679,506**	3,060
Net change in cash from investing activities	**56,831,260**	3,991,514
Financing		
Municipal debt issued	**9,554,000**	4,087,000
Municipal debt repaid	**(10,807,889)**	(11,272,884)
Net change in cash from financing activities	**(1,253,889)**	(7,185,884)
Capital		
Acquisition of tangible capital assets	**(115,333,274)**	(92,390,847)
Proceeds on disposal of tangible capital assets	**1,266,043**	1,503,355
Net change in cash from capital activities	**(114,067,231)**	(90,887,492)
Net change in cash and cash equivalents	**65,533,408**	31,805,251
Cash and cash equivalents, beginning of year	**74,923,101**	43,117,850
Cash and cash equivalents, end of year	**$ 140,456,509**	$ 74,923,101

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

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

1. Summary of significant accounting policies

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

a. Basis of consolidation

i. Consolidated entities

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

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

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

ii. Government business enterprises

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.

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, but are reported separately on the "Trust Funds Statement of Continuity and Balance Sheet" (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, 2020

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, 2020, no liability is recorded on the Consolidated Statement of Financial Position.

x. Non-financial assets

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

1. Summary of significant accounting policies (continued)

b. Basis of accounting (continued)

x. Non-financial assets (continued)

a. Tangible capital assets

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

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

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 $8,569,879 (*2019* - $*7,950,561*). Trade and other accounts receivable are reported net of a valuation allowance of $1,373,767 (*2019* - $*1,187,117*).

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	**$ 93,392,753**	**$ 281,725,628**	**$ 375,118,381**
Share of payments in lieu of taxes	**559**	**3,034,203**	**3,034,762**
Share of linear properties	**61,563**	**125,291**	**186,854**
Amounts requisitioned	**$ 93,454,875**	**$ 284,885,122**	**$ 378,339,997**

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 $16,786,440 *(2019 - $16,119,407)*.

5. Loans receivable

Loans receivable are made up of the following:

	2020	2019
Major capital improvement loans receivable	**$ 6,062,000**	$ 6,153,137
Loans receivable with forgiveness provisions	**25,396**	25,396
Minor capital improvement and other loans receivable	**202,438**	276,243
	$ 6,289,834	$ 6,454,776

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 *(2019 - 10 to 12 years)*. All major capital improvement loans are unsecured and bear interest at rates ranging from 1.32% to 1.58% *(2019 - 1.53% to 1.95%)*.

Forgivable loans are those initially offered with forgiveness provisions built into the agreement. All loans in this category are unsecured and have repayment terms of 5 years *(2019 - 5 years)*. The forgiveness provisions range from 15% to 15% *(2019 - 15% to 15%)*. The balances recorded are net of the allowance for forgiveness. Interest rates on these loans range from 8% to 8% *(2019 - 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 *(2019 - 6 months to 20 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 0.0% to 0.0% *(2019 - 0.0% to 12.9%)*.

6. Investments

Investments are made up of the following:

	2020 Cost	**2020 Market Value**	2019 Cost	2019 Market Value
Guaranteed investment certificates	**$ 116,027,115**	**$ 116,641,471**	$ 172,290,253	$ 174,439,738
Bonds and debentures	**13,502,281**	**13,713,173**	9,927,502	9,946,128
Shares	**287,677**	**482,693**	278,824	450,887
	$ 129,817,073	**$ 130,837,337**	$ 182,496,579	$ 184,836,753

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:

	2020	2019
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	**92,718,237**	86,946,359
	$ 224,960,021	$ 219,188,143

The Kitchener-Wilmot Hydro Inc. notes are unsecured and bear interest at the rate of 3.23% *(2019 - 4.88%)*. There are no repayment terms and there is no intent to redeem the notes or the shares.

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

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

	2020	2019
Current assets	**$ 56,044,000**	$ 62,901,000
Non-current assets	**276,709,000**	261,429,000
Regulatory assets	**19,661,000**	9,400,000
Total assets	**352,414,000**	333,730,000
Current liabilities	**47,790,000**	40,994,000
Long-term debt	**76,963,000**	76,963,000
Regulatory liabilities	**4,496,000**	3,842,000
Other liabilities	**55,944,000**	50,967,000
Total liabilities	**185,193,000**	172,766,000
Net assets	**167,221,000**	160,964,000
Results of operations		
Revenues	**293,231,000**	254,597,000
Expenses	**(282,792,000)**	(244,449,000)
Net income	**10,439,000**	10,148,000
City's share of net income - 92.25%	**$ 9,629,978**	$ 9,361,530

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:

	2020	2019
Kitchener Generation Corporation common shares	**$ 232,444**	$ 261,809
Kitchener Generation Corporation long-term notes receivable	**2,091,995**	2,356,284
Share of net income since acquisition, net of dividends	**(7,525)**	(68,927)
	$ 2,316,914	$ 2,549,166

The notes receivable are unsecured and bear interest at the rate of 5.01%. To the extent that Kitchener Generation Corporation has positive annual cash flows after any dividend payment, the cash will be returned to the City as repayment of the outstanding debt and return of capital. The proportion to which they contribute is 90% debt, 10% equity.

8. Investment in Kitchener Generation Corporation (continued)

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

	2020	2019
Current assets	$ **10,746**	$ 8,448
Capital assets	**2,322,516**	2,554,768
Total assets	**2,333,262**	2,563,216
Current liabilities	**16,348**	14,050
Long-term debt	**2,091,995**	2,356,284
Total liabilities	**2,108,343**	2,370,334
Net assets	**224,919**	192,882
Results of operations		
Revenues	**414,384**	396,078
Expenses	**(352,982)**	(365,362)
Net income	**61,402**	30,716
City's share of net income - 100%	$ **61,402**	$ 30,716

9. Insurance pool

Liabilities include an amount of $11,585,331 *(2019 - $10,330,324)* 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 24.38% *(2019 - 24.05%)* and its share of the Pool surplus as at May 31, 2020 was $2,088,790 *(2019 - $2,020,873).* The City's share of the Pool 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:

	2020	2019
Development charges	$ **35,029,877**	$ 20,330,610
Federal gas tax	**6,302,509**	10,135,140
Building	**13,818,330**	12,484,064
Recreational land	**5,526,943**	2,579,653
	$ **60,677,659**	$ 45,529,467

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, 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**
Balance, January 1, 2019	15,860,990	4,796,771	7,705,113	6,579,273	34,942,147
Collections	16,644,093	14,185,313	4,580,252	2,232,956	37,642,614
Interest earned	-	79,007	198,699	27,488	305,194
Deferred revenue recognized	(12,174,473)	(8,925,951)	-	(6,260,064)	(27,360,488)
Balance, December 31, 2019	$ 20,330,610	$ 10,135,140	$ 12,484,064	$ 2,579,653	$ 45,529,467

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 $62,739,124 *(2019 - $63,993,013).*

The annual principal repayments are:

2021	**$ 10,845,850**
2022	**12,955,325**
2023	**7,716,327**
2024	**6,863,268**
2025	**7,231,372**
2026 and thereafter	**17,126,982**
	$ 62,739,124

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 0.45% to 6.40% *(2019 - 1.45% to 5.40%)*. Interest charges for 2020 relating to municipal debt totalled $2,286,127 *(2019 - $2,612,914)*.

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 2020 amounting to $11,469,111 *(2019 - $11,301,959).*

The latest available report for the OMERS plan was as at December 31, 2020. At that time the plan reported a $3.2 billion actuarial deficit, based on actuarial liabilities of $113.1 billion and actuarial assets of $109.8 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, 2020, 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:

	2020	2019
Sick leave benefit plan	**$ 21,261,308**	$ 20,634,016
Post-retirement benefits	**22,662,843**	21,096,542
Future payments to WSIB	**10,337,600**	9,758,400
	$ 54,261,751	$ 51,488,958

Significant actuarial assumptions

	Workplace Safety Insurance Board		**Sick Leave & Post-Retirement Benefits**	
	2020	2019	**2020**	2019
Discount rate	**2.25**	3.00	**2.25**	3.00
Salary growth assumptions	**3.00**	3.00	**3.00**	3.00
CPI increase assumptions	**2.00**	2.50	**2.50**	2.50
Health care initial trend rate	**n/a**	n/a	**5.90**	8.00
Health care ultimate trend rate	**n/a**	n/a	**4.50**	5.00
Dental care initial trend rate	**n/a**	n/a	**4.00**	4.00
Dental care ultimate trend rate	**n/a**	n/a	**4.00**	4.00

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 $1,831,663 *(2019 - $1,460,889).*

A reserve fund to provide for this liability is included in accumulated surplus, in the amount of $5,432,999 *(2019 - $4,210,025)*.

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

2021	$	**3,379,814**
2022		**822,481**
2023		**1,087,140**
2024		**1,190,091**
2025		**1,064,426**
2026 and thereafter		**7,280,484**
	$	**14,824,436**

The actuarial valuation of the future liability for sick leave assumes a discount rate of 2.25% *(2019 - 3.00%)*. The last actuarial valuation for this liability was completed at December 31, 2020.

The actuarial expense for the current year was $2,458,955 *(2019 - $2,483,618)* and is comprised of the following items:

		2020		2019
Current period benefit cost	**$**	**1,244,705**	$	1,123,601
Amortization of actuarial losses		**568,042**		577,255
Sick leave benefit expense		**1,812,747**		1,700,856
Sick leave benefit interest expense		**646,208**		782,762
Total expenses related to sick leave benefits	**$**	**2,458,955**	$	2,483,618

As at December 31, 2020, the unamortized actuarial losses were $713,059 *(2019 - $577,427)* and are amortized over 11 to 13 years *(2019 - 11 to 13 years)*.

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 $1,168,498 *(2019 - $1,243,528).*

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 2.25% *(2019 - 3.00%)* and inflation rates for benefit premiums of 3.0% to 4.5% *(2019 - 4.0% to 8.0%)*. The last actuarial valuation for this liability was completed at December 31, 2020.

The actuarial expense for the year was $2,734,799 *(2019 - $2,477,902)* and is comprised of the following items:

		2020		2019
Current period benefit cost	**$**	**1,219,537**	$	1,048,409
Amortization of actuarial losses		**766,915**		597,949
Post-retirement benefit expense		**1,986,452**		1,646,358
Post-retirement benefit interest expense		**748,347**		831,544
Total expenses related to post-retirement benefits	**$**	**2,734,799**	$	2,477,902

As at December 31, 2020, the unamortized actuarial losses were $626,736 *(2019 - $3,213,052)* and are amortized over 11 to 13 years *(2019 - 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 $1,872,600 *(2019 - $1,650,800).*

A reserve fund to provide for this liability is included in accumulated surplus, in the amount of $3,607,523 *(2019 - $2,610,604)*.

The actuarial valuation of the future liability for WSIB assumes a discount rate of 2.25% *(2019 - 3.00%)*. The last actuarial valuation for this liability was completed at December 31, 2019.

The actuarial expense for the current year was $2,451,800 *(2019 - $1,832,300)* and is comprised of the following items:

		2020		2019
Current period benefit cost	**$**	**926,100**	$	1,169,700
Amortization of actuarial losses		**960,200**		261,700
WSIB benefit expense		**1,886,300**		1,431,400
WSIB benefit interest expense		**565,500**		400,900
Total expenses related to WSIB benefits	**$**	**2,451,800**	$	1,832,300

As at December 31, 2020, the unamortized actuarial losses were $1,059,300 *(2019 - $9,103,300)* and are amortized over 12 years *(2019 - 11 years)*.

14. Tangible capital assets

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

Assets under construction having a value of $53,677,804 *(2019 - $65,929,958)* have not been amortized. Amortization of these assets will commence when the assets are put into service.

Contributed tangible capital assets of $19,856,345 *(2019 - $23,892,012)* 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 $36,275 *(2019 - $3,073,424)*.

The amount of interest capitalized was $nil *(2019 - $nil)*.

15. Accumulated surplus

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

	2020	2019
Surplus:		
Invested in tangible capital assets	**$ 1,324,000,850**	$ 1,241,636,238
Other	**4,099,661**	4,647,888
Equity in Kitchener Power Corp. and its affiliates	**224,960,021**	219,188,143
Equity in Kitchener Generation Corporation	**2,316,914**	2,549,166
Employee future benefits (unfunded)	**(54,261,751)**	(51,488,958)
Total surplus	**1,501,115,695**	1,416,532,477
Reserve funds set aside for specific purposes by Council for:		
Capital	**35,604,598**	31,274,244
Stabilization	**39,039,907**	29,203,988
Program specific	**9,884,795**	13,253,425
Corporate	**11,091,825**	8,413,588
	95,621,125	82,145,245
Reserve funds set aside for specific purposes by consolidated entities:		
Kitchener Public Library	**942,293**	381,460
Kitchener Downtown Improvement Area Board of Management	**50,000**	50,000
The Centre in the Square Inc.	**1,941,819**	2,167,963
	2,934,112	2,599,423
Total reserve funds	**98,555,237**	84,744,668
Accumulated surplus	**$ 1,599,670,932**	$ 1,501,277,145

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 20, 2020. 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

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
- Deferred certain capital projects to address potential cash flow concerns
- 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, 2020

	General								Infrastructure				
	Land	Land Improvements	Buildings	Leasehold Improvements	Machinery & Equipment	Computer Software	Computer Hardware	Vehicles	Land	Buildings	Linear Assets	Assets Under Construction	Total
Cost													
Balance, beginning of year	$ 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 A - Tangible Capital Assets (Continued)

For the Year Ended December 31, 2019

	General								Infrastructure				
	Land	Land Improvements	Buildings	Leasehold Improvements	Machinery & Equipment	Computer Software	Computer Hardware	Vehicles	Land	Buildings	Linear Assets	Assets Under Construction	Total
Cost													
Balance, beginning of year	$ 43,159,033	$ 52,733,665	$ 252,551,466	$ 3,054,251	$ 47,423,184	$ 33,025,867	$ 8,674,902	$ 28,214,478	$ 150,658,880	$ 67,159,013	$ 972,568,510	$ 45,131,973	$1,704,355,222
Additions	3,434,971	5,444,628	2,288,311	-	4,672,931	1,025,211	1,018,436	1,905,083	9,153,608	85,619	44,682,698	42,571,363	116,282,859
Transfers	-	2,414,919	129,902	-	-	666,606	2,025	-	-	-	18,552,563	(21,766,015)	-
Disposals	(6,279,308)	(284,032)	(195,956)	-	(3,683,396)	(372,233)	(848,961)	(1,869,073)	(297,776)	-	(16,360,138)	(7,330)	(30,198,203)
Balance, end 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
Accumulated amortization													
Balance, beginning of year	-	(16,510,079)	(119,981,752)	(878,948)	(22,315,512)	(15,672,587)	(3,835,067)	(11,146,961)	-	(18,837,863)	(309,692,723)	-	(518,871,492)
Disposals	-	284,032	56,555	-	3,450,673	372,233	848,371	1,738,238	-	-	12,864,061	-	19,614,163
Amortization expense	-	(2,370,318)	(7,238,162)	(70,697)	(4,157,022)	(2,433,127)	(1,479,099)	(2,417,455)	-	(2,162,646)	(27,217,785)	-	(49,546,311)
Balance, end 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)
Net book value, end 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
Net book value, beginning of year	$ 43,159,033	$ 36,223,586	$ 132,569,714	$ 2,175,303	$ 25,107,672	$ 17,353,280	$ 4,839,835	$ 17,067,517	$ 150,658,880	$ 48,321,150	$ 662,875,787	$ 45,131,973	$1,185,483,730

THE CORPORATION OF THE CITY OF KITCHENER

Schedule B - Segmented Information

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

THE CORPORATION OF THE CITY OF KITCHENER

Schedule B - Segmented Information (Continued)

For the Year Ended December 31, 2019

	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	$ 20,621,082	$ 38,369,826	$ 17,301,419	$ 1,537,925	$ 276,914	$ 1,419,782	$ 43,021,829	$ 7,979,452	$ -	$ 130,528,229
User fees and charges	1,711,821	10,867,745	8,367,647	126,055,879	1,897,871	497,096	31,022,423	4,028,409	81,973,614	266,422,505
Grants	294,066	12,489	9,458,754	786,684	11,199	763,421	3,866,330	116,882	-	15,309,825
Investment income	9,389,705	214,580	123,024	343,579	316,639	3,428	198,888	322,006	320,756	11,232,605
Penalties and interest on taxes	3,429,802	-	-	-	-	-	-	-	-	3,429,802
Development charge revenue recognized	1,163,760	10,955	1,183,016	5,163,000	-	-	4,535,657	118,085	-	12,174,473
Share of net income of Kitchener Power Corp. and its affiliates	9,361,530	-	-	-	-	-	-	-	-	9,361,530
Share of net income of Kitchener Generation Corporation	30,716	-	-	-	-	-	-	-	-	30,716
Contributions of tangible capital assets	-	1,527,325	11,509,909	8,808,484	-	-	1,399,886	-	646,408	23,892,012
Other	585,178	198,674	240,093	2,009,377	6,450	20,191	1,019,019	162,647	179,734	4,421,363
Total revenue	46,587,660	51,201,594	48,183,862	144,704,928	2,509,073	2,703,918	85,064,032	12,727,481	83,120,512	476,803,060
Operating expenses										
Salaries, wages and employee benefits	36,685,667	42,818,113	14,001,627	11,277,237	1,616,009	2,143,660	43,193,895	6,776,860	5,556,537	164,069,605
Materials	18,974,685	4,328,789	8,368,213	64,254,633	517,847	572,144	19,882,600	2,706,390	42,139,967	161,745,268
Municipal debt interest	414,629	135,516	419,005	25,621	30,748	7,394	1,007,125	572,876	-	2,612,914
Interfunctional and program support	(24,490,650)	2,499,855	3,967,710	7,610,502	480,263	66,753	4,533,091	1,291,237	4,041,239	-
External transfers	152,677	-	17,670	475,127	-	700	1,628,879	1,882,189	30,907	4,188,149
Amortization of tangible capital assets	6,390,563	1,348,766	14,144,161	10,748,372	165,238	74,384	8,750,849	478,102	7,445,876	49,546,311
Loss (gain) on disposals of tangible capital assets	(1,039,960)	229,540	4,914,239	126,985	3,717	-	452,401	(37,397)	363,864	5,013,389
Total expenses	37,087,611	51,360,579	45,832,625	94,518,477	2,813,822	2,865,035	79,448,840	13,670,257	59,578,390	387,175,636
Annual surplus	$ 9,500,049	$ (158,985)	$ 2,351,237	$ 50,186,451	$ (304,749)	$ (161,117)	$ 5,615,192	$ (942,776)	$ 23,542,122	$ 89,627,424

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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, 2020
- 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, 2020, 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.

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.
- 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

June 28, 2021

CORPORATION OF THE CITY OF KITCHENER TRUST FUNDS

Balance Sheet

As at December 31, 2020

	2020	2019
Assets		
Accounts receivable	**$ 58,299**	$ 60,934
Interest receivable	**170,577**	117,999
Loans receivable (Note 2)	**524,842**	575,000
Investments (Note 3)		
Short-term	**520,828**	4,423,669
Long-term	**15,511,894**	10,941,805
	16,786,440	16,119,407
Fund Balance	**$16,786,440**	$16,119,407

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

CORPORATION OF THE CITY OF KITCHENER TRUST FUNDS

Statement of Continuity

For the Year Ended December 31, 2020

		2020		2019
Receipts				
Perpetual care	**$**	**434,431**	$	334,501
Interest earned		**434,240**		485,578
Other		**65,617**		184,536
		934,288		1,004,615
Expenditures				
Transfer to cemeteries operations		**267,255**		313,722
		267,255		313,722
Net change in fund		**667,033**		690,893
Balance, beginning of year		**16,119,407**		15,428,514
Balance, end of year	**$**	**16,786,440**	$	16,119,407

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

CORPORATION OF THE CITY OF KITCHENER TRUST FUNDS

Notes to the Financial Statements

For the Year Ended December 31, 2020

1. **Summary of significant accounting policies**

The Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles for local government as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The significant accounting policies are summarized below.

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 $15,511,894 *(2019 - $10,941,805)* reported on the Balance Sheet at cost, have a market value of $16,183,064 *(2019 - $11,488,467)*.

4. **Statement of Cash Flow**

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

CORPORATION OF THE CITY OF KITCHENER TRUST FUNDS

Schedule of Continuity by Fund

For the Year Ended December 31, 2020

	Balance December 31, 2019	Perpetual Care Funds	Interest Earned	Other Receipts	Transfer Interest to Cemeteries	Disbursements	Balance December 31, 2020
Perpetual care							
Mount Hope Cemetery	$ 597,216	$ 2,069	$ 15,725	$ 650	$ 15,725	$ -	$ 599,935
Woodland Cemetery	5,253,020	125,913	143,138	10,050	125,889	-	5,406,232
Bridgeport Cemetery	161,767	5,514	4,296	700	4,296	-	167,981
Williamsburg Cemetery	3,870,868	300,660	104,947	15,100	104,947	-	4,186,628
St. Peter's Cemetery	495,538	275	13,024	250	13,024	-	496,063
Cemetery Trusts							
F. E. Tremain	15,550	-	409	-	409	-	15,550
Florence V. Cober	8,783	-	231	-	231	-	8,783
L. F. Glick	20,664	-	543	-	543	-	20,664
Edna Atherton	1,331	-	35	-	35	-	1,331
George Wright Estate	42,614	-	1,120	-	1,120	-	42,614
E. L. Goetz	1,357	-	36	-	36	-	1,357
E. Weiderhold	38,065	-	1,000	-	1,000	-	38,065
Prepaid Interments	5,612,634	-	149,736	38,867	-	-	5,801,237
	$ 16,119,407	$ 434,431	$ 434,240	$ 65,617	$ 267,255	$ -	$ 16,786,440

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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, 2020
- 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, 2020, 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.

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.
- 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

June 28, 2021

BELMONT IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Financial Position

As at December 31, 2020

		2020		2019
Financial assets				
Cash	**$**	**16,757**	$	1,679
Financial liabilities				
Accounts payable and accrued liabilities		**8,355**		12,148
Net financial assets (liabilities)		**8,402**		(10,469)
Non-financial assets				
Tangible capital assets		**46,588**		49,551
Prepaid expenses		**918**		841
		47,506		50,392
Net assets		**55,908**		39,923
Accumulated Surplus				
Accumulated net revenue (deficit)		**9,320**		(9,628)
Invested in tangible capital assets		**46,588**		49,551
Total accumulated surplus	**$**	**55,908**	$	39,923

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, 2020

	2020	2019
Revenue		
Assessments	**$ 40,616**	$ 40,753
Grants	**12,850**	-
Other revenue	**2,336**	7,586
	55,802	48,339
Expenses		
Streetscaping	**1,081**	4,767
Audit	**1,808**	1,808
Summer maintenance	**147**	11,646
Insurance	**1,895**	1,741
Winter maintenance	**14,370**	18,083
Advertising	**10,581**	5,282
Miscellaneous	**5,616**	5,068
Amortization	**4,319**	2,303
	39,817	50,698
Net surplus (deficit) for year	**15,985**	(2,359)
Accumulated surplus, beginning of year	**39,923**	42,282
Accumulated surplus, end of year	**$ 55,908**	$ 39,923

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, 2020

		2020		2019
Net surplus (deficit) for year	**$**	**15,985**	$	(2,359)
Acquisition of tangible capital assets		**(1,356)**		(50,286)
Amortization of tangible capital assets		**4,319**		2,303
Acquisition of prepaid expenses		**(77)**		(66)
Change in net financial assets		**18,871**		(50,408)
Net financial assets, beginning of year		**(10,469)**		39,939
Net financial assets (liabilities), end of year	**$**	**8,402**	$	(10,469)

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, 2020

1. Summary of significant accounting policies

The financial statements of the Belmont Improvement Area Board of Management 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 Canadian Institute of Chartered Accountants. 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
Equipment	5 to 15 years
Computer Hardware	2 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 time of receipt and are recorded as revenue.

b) Accrual basis of accounting

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses 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.

BELMONT IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements

For the Year Ended December 31, 2020

2. Tangible capital assets

	Machinery & Equipment	Computer Hardware	Total
Cost			
Balance, beginning of year	$ 59,523	$ -	$ 59,523
Additions	-	1,356	1,356
Balance, end of year	59,523	1,356	60,879
Accumulated amortization			
Balance, beginning of year	(9,972)	-	(9,972)
Disposals	-	-	-
Amortization expense	(3,979)	(339)	(4,318)
Balance, end of year	(13,951)	(339)	(14,290)
Net book value, end of year	45,572	1,017	46,589
Net book value, beginning of year	$ 49,551	$ -	$ 49,551

3. Statement of cash flow

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

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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, 2020
- 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, 2020, 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.

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.
- 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
May 26, 2021

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Financial Position

Year ended December 31, 2020, with comparative information for 2019

		2020		2019
Financial Assets				
Cash	$	429,461	$	263,352
Term deposits (note 2)		114,921		113,712
Accounts receivable		38,463		75,426
Prepaid expenses		9,821		10,817
		592,666		463,307
Financial Liabilities				
Accounts payable and accrued charges		251,073		92,683
Due to the City of Kitchener (note 4)		107,997		184,312
		359,070		276,995
Net financial assets		233,596		186,312
Non-Financial Assets				
Tangible capital assets (note 5)		21,450		30,688
Net assets	$	255,046	$	217,000
Accumulated Surplus				
Reserve for rate stabilization	$	50,000	$	50,000
Accumulated net revenue		183,596		136,312
Invested in tangible capital assets		21,450		30,688
Impact of COVID-19 (note 7)				
Total accumulated surplus	$	255,046	$	217,000

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, 2020, with comparative information for 2019

	Budget 2020 (note 6)	Actual 2020	Actual 2019
Revenue:			
Assessments	$ 1,379,000	$ 1,379,000	$ 1,379,000
Interest	-	1,250	833
Other income	10,000	15,856	25,585
	1,389,000	1,396,106	1,405,418
Expenses:			
Promotions and advertising	311,000	311,786	435,582
Salaries, wages and benefits	342,702	362,005	406,341
Administration	114,198	87,818	106,604
Meetings and seminars	600	1,371	7,920
Safety and beautification	100,000	76,882	241,594
Member relations	375,500	297,585	11,153
Amortization	-	12,616	14,175
Downtown Improvement Project	-	-	29,241
Queen Street Project	100,000	100,000	100,000
	1,344,000	1,250,063	1,352,610
Net revenue before other items	45,000	146,043	52,808
Net assessment write-offs (note 4)	45,000	107,997	84,312
Annual surplus (deficit)	-	38,046	(31,504)
Accumulated surplus, beginning of year	217,000	217,000	248,504
Accumulated surplus, end of year	$ 217,000	$ 255,046	$ 217,000

See accompanying notes to financial statements.

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Changes in Net Financial Assets

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Annual surplus (deficit)	$ 38,046	$ (31,504)
Acquisition of tangible capital assets	(3,378)	(609)
Amortization of tangible capital assets	12,616	14,175
Change in net financial assets	47,284	(17,938)
Net financial assets, beginning of year	186,312	204,250
Net financial assets, end of year	$ 233,596	$ 186,312

See accompanying notes to financial statements.

KITCHENER DOWNTOWN IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	$ 38,046	$ (31,504)
Item not involving cash:		
Amortization	12,616	14,175
Changes in non-cash assets and liabilities:		
Accounts receivable	36,963	(45,204)
Prepaid expenses	996	(4,418)
Accounts payable and accrued liabilities	158,390	(29,520)
Due to the City of Kitchener	(76,315)	109,294
Cash from operating activities	170,696	12,823
Investing activities:		
Acquisition of tangible capital assets	(3,378)	(609)
Purchase of investments	(1,209)	(826)
Cash used in investing activities	(4,587)	(1,435)
Increase in cash	166,109	11,388
Cash, beginning of year	263,352	251,964
Cash, end of year	$ 429,461	$ 263,352

See accompanying notes to financial statements.

1. Summary of significant accounting policies:

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

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

(a) Tangible capital assets:

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

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

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, 2020

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 2016, the Board executed a new lease agreement. The lease expires on June 30, 2021. The Board is committed to the following minimum payments under the agreement:

2021	$ 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 $107,997 (2019 - $84,312).

5. Tangible capital assets:

	Opening balance	Additions	Disposals/ Transfers	Write-downs	Balance, end of year	Accumulated amortization, beginning of year	Net book value, beginning of year	Deletions	Amortization	Accumulated amortization, end of year	Net book value, end of year
Computers	$ 27,148	$ 3,378	$ -	$ -	$ 30,526	$ 25,772	$ 1,376	$ -	$ 1,419	$ 27,191	$ 3,335
Furniture	67,005	-	-	-	67,005	56,179	10,826	-	4,452	60,631	6,374
Leasehold improvements	3,498	-	-	-	3,498	3,498	-	-	-	3,498	-
Event equipment	48,175	-	-	-	48,175	29,689	18,486	-	6,745	36,434	11,741
	$ 145,826	$ 3,378	$ -	$ -	$ 149,204	$ 115,138	$ 30,688	$ -	$ 12,616	$ 127,754	$ 21,450

6. 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 27, 2019.

7. 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, 2020
- 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, 2020, 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.

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.

- 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, 2021

KITCHENER PUBLIC LIBRARY

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial assets		
Cash	$ 1,896,092	$ 1,174,596
Accounts receivable	313,171	165,351
Due from City of Kitchener	137,924	116,781
Investments	50,000	50,000
Endowment investments	100,000	100,000
Total financial assets	2,497,187	1,606,728
Financial liabilities		
Accounts payable and accrued liabilities	758,751	483,797
Due to Early Literacy Alliance of Waterloo Region	300,000	–
Deferred revenue	404,781	641,506
	1,463,532	1,125,303
Net financial assets	1,033,655	481,425
Non-financial assets		
Tangible capital assets (note 2)	5,285,676	5,364,961
Prepaid expenses	8,955	–
	5,294,631	5,364,961
Impact of COVID-19 pandemic (note 8)		
Accumulated surplus (note 6)	$ 6,328,286	$ 5,846,386

See accompanying notes to financial statements.

On behalf of the Board:

____________________ Director

____________________ Director

KITCHENER PUBLIC LIBRARY

Statement of Operations and Accumulated Surplus

Year ended December 31, 2020, with comparative information for 2019

	Budget 2020	Actual 2020	Actual 2019
Revenues:			
Grants:			
The City of Kitchener – Operating	$ 11,249,620	$ 11,297,620	$ 11,039,863
The City of Kitchener – Capital and special (note 3)	–	505,315	771,687
The City of Kitchener – special (note 4)	–	54,473	542,226
Province of Ontario	286,755	306,980	306,980
Fines	206,000	59,180	206,613
Interest and miscellaneous	35,649	330,890	59,237
Photocopy	43,000	18,695	45,665
Room rental	60,000	7,876	35,428
Partnerships	55,000	50,032	29,401
Total revenue	11,936,024	12,631,061	13,037,100
Expenses:			
Personnel costs (schedule 1)	9,150,900	8,078,108	8,922,094
Resource materials	1,207,900	1,514,742	1,459,024
Facilities costs (schedule 4)	795,800	896,012	852,639
Equipment (schedule 2)	366,500	862,586	706,897
Required expenditures related to special grants (note 4)	–	54,473	562,451
Expenditures related to capital and special (note 3)	–	310,944	475,048
Administrative (schedule 3)	217,574	216,674	209,470
Processing/bindery	111,000	92,553	118,887
Programs and publicity (schedule 5)	76,500	63,914	72,763
General library equipment	9,850	59,155	5,827
Total expenses	11,936,024	12,149,161	13,385,100
Excess (deficiency) of expenses over revenue	–	481,900	(348,000)
Accumulated surplus, beginning of year	5,846,386	5,846,386	6,194,386
Accumulated surplus, end of year	$ 5,846,386	$ 6,328,286	$ 5,846,386

See accompanying notes to financial statements.

KITCHENER PUBLIC LIBRARY

Statement of Change in Net Financial Assets

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Excess (deficiency) of expenses over revenue	$ 481,900	$ (348,000)
Acquisition of tangible capital assets	(1,275,551)	(1,084,430)
Amortization of tangible capital assets	1,354,836	1,432,468
	561,185	38
Change in prepaid expenses	(8,955)	–
Change in net financial assets	552,230	38
Net financial assets, beginning of year	481,425	481,387
Net financial assets, end of year	$ 1,033,655	$ 481,425

See accompanying notes to financial statements.

KITCHENER PUBLIC LIBRARY

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Operating activities:		
Excess (deficiency) of expenses over revenue	$ 481,900	$ (348,000)
Item not involving cash:		
Amortization of tangible capital assets	1,354,836	1,432,468
Changes in non-cash operating working capital		
Accounts receivable	(147,820)	(47,503)
Prepaid expenses	(8,955)	–
Due from City of Kitchener	(21,143)	164,850
Accounts payable and accrued liabilities	274,954	(382,621)
Due to Early Literacy Alliance of Waterloo Region	300,000	–
Deferred revenue	(236,725)	(258,694)
Cash provided by operating activities	1,997,047	560,500
Capital activities:		
Cash used to acquire tangible capital assets	(1,275,551)	(1,084,430)
Increase (decrease) in cash	721,496	(523,930)
Cash, beginning of year	1,174,596	1,698,526
Cash, end of year	$ 1,896,092	$ 1,174,596

See accompanying notes to financial statements.

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

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

1. Significant accounting policies:

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

(a) 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.

(b) 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 assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible assets are acquired.

1. Significant accounting policies (continued):

(c) Investments:

Investments consist of bonds and are recorded at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments. 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.

(d) Endowment investments:

Endowment investments received are recorded as financial assets which have the principal restricted for use.

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) 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 equipment	2 - 10 years

(f) 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.

2. Tangible capital assets:

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

2. Tangible capital assets (continued):

2019	Books and audio visual resources	Computers	Furniture, fixtures and equipment	Other equipment and vehicle	Total
Cost					
Balance, beginning of year	$ 8,459,103	$ 2,565,456	$ 2,045,157	$ 70,806	$ 13,140,522
Additions	819,351	164,847	62,576	37,656	1,084,430
Disposals	(1,168,274)	(45,908)	(22,077)	–	(1,236,259)
Balance, end year	8,110,180	2,684,395	2,085,656	108,462	12,988,693
Accumulated amortization					
Balance, beginning of year	4,854,990	1,718,820	785,565	68,148	7,427,523
Amortization	1,009,466	280,061	142,207	734	1,432,468
Disposals	(1,168,274)	(45,908)	(22,077)	–	(1,236,259)
Balance, end of year	4,696,182	1,952,973	905,695	68,882	7,623,732
Net book value, end of year	$ 3,413,998	$ 731,422	$ 1,179,961	$ 39,580	$ 5,364,961

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 2020 included $98,000 (2019 - $96,000) for general renovations, maintenance and upgrading of existing facilities, $345,644 (2019 - $290,251) for communication infrastructure and technology upgrades, $28,560 (2019 - $28,000) for KPL Accessibility Fund, $nil for the library automation system (2019 - $200,000), $111,100 for resources, furniture and equipment (2019 - $nil) and $954,000 (2019 - $4,508,159) for the southwest community library.

The portion of these grants and previous year grants that are included in revenue in 2020 is $505,315 (2019 - $771,687).

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 2020, the Board received various special non-recurring grants and donations totaling $124,579 (2019 - $410,689). The portion of these grants and previous year special grants that are included in revenue in 2020 is $54,473 (2019 - $542,226). 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 $599,262 (2019 - $618,799) for current service on behalf of its staff.

The latest available report for the OMERS plan was as at December 31, 2019. At that time the plan reported a $3.4 billion actuarial deficit, based on actuarial liabilities of $106.4 billion and actuarial assets of $103.0 billion. Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements. As at December 31, 2019, the Board has no obligation under the past service provisions of the OMERS agreement.

6. Accumulated surplus:

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

	2020	2019
Invested in tangible capital assets	$ 5,285,676	$ 5,364,761
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	253,000	–
Improvement fund	307,833	–
Total reserves	942,293	381,460
Surplus	317	165
	$ 6,328,286	$ 5,846,386

7. 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 accumulated surplus.

8. Impact of COVID-19 pandemic:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (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 Board has experienced the following in relation to the pandemic:

- limiting in-person activities affecting room rental, photocopying and fines; and
- investment in infrastructure to support mandatory working from home requirements for those able to do so.

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.

(b) Subsequent events related to COVID-19:

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. 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 Board is not practicable at this time.

KITCHENER PUBLIC LIBRARY
Schedules of Expenses

Year ended December 31, 2020, with comparative information for 2019

		2020		2019
Schedule 1 – Personnel				
Salaries	$	6,527,373	$	7,296,398
Pension benefits		875,506		916,484
Health benefits		428,386		441,813
Employment insurance		115,830		136,883
Sick leave reserve		70,000		70,000
Staff training		44,097		37,387
WSIB		16,916		23,129
	$	8,078,108	$	8,922,094
Schedule 2 – Equipment				
Amortization	$	419,874	$	423,002
Technology		435,351		269,618
Equipment maintenance		7,361		14,277
	$	862,586	$	706,897
Schedule 3 – Administrative				
General business	$	44,683	$	61,254
Stationery		52,225		55,857
Professional services		77,210		50,507
Insurance		19,988		19,596
Telephone		16,718		15,439
Postage and delivery		5,850		6,817
	$	216,674	$	209,470
Schedule 4 – Facilities				
Facilities expenses	$	572,142	$	488,384
Main utilities		236,437		264,002
Country Hills building		50,076		54,174
Forest Heights utilities		25,457		22,959
Pioneer Park building		11,773		22,525
Grand River Stanley Park building		127		595
	$	896,012	$	852,639
Schedule 5 – Programs and Publicity				
Promotional	$	30,831	$	44,697
Public programs		33,083		28,066
	$	63,914	$	72,763

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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, 2020
- the statement of operations for the year then ended
- the statement of change in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Centre as at December 31, 2020, 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 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.

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- 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, 2021

THE CENTRE IN THE SQUARE INC.

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Net Assets		
Financial assets:		
Cash	$ 1,323,322	$ 3,463,348
Due from City of Kitchener	47,410	151,853
Accounts receivable (note 2)	65,464	209,396
Interest receivable	1,696	2,218
Costs to be recovered	75,700	197,541
Investments (note 3)	1,403,623	1,436,372
Total financial assets	2,917,215	5,460,728
Financial liabilities:		
Accounts payable and accrued liabilities	442,118	1,541,044
Deferred revenue (note 4)	718,750	2,103,261
	1,160,868	3,644,305
Net financial assets	1,756,347	1,816,423
Non-financial assets:		
Tangible capital assets (note 5)	13,298,098	13,027,549
Inventories (note 6)	57,568	80,329
Prepaid expenses	127,904	271,211
	13,483,570	13,379,089
Net assets	$ 15,239,917	$ 15,195,512
Accumulated Surplus		
Operating fund activities (note 7)	$ -	$ -
Reserves - Capital (notes 8 and 12)	1,128,872	1,362,582
Reserves - Performance Development (note 9)	-	-
Reserves - Sustainability (notes 9 and 12)	201,271	199,068
Reserves - Restricted (notes 10 and 12)	611,676	606,313
Invested in tangible capital assets	13,298,098	13,027,549
Impact of COVID-19 pandemic (note 13)		
Accumulated surplus	$ 15,239,917	$ 15,195,512

See accompanying notes to financial statements.

On behalf of the Board:

____________________ Director

____________________ Director

THE CENTRE IN THE SQUARE INC.

Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	Budget 2020	Actual 2020	Actual 2019 (note 14)
Revenues:			
Performances	$ 6,165,915	$ 1,208,630	$ 4,859,040
Rent - Kitchener-Waterloo Symphony	102,485	173,325	203,210
Capital reserve fund surcharge (note 8)	316,800	113,260	432,917
Grants from City of Kitchener - Operating	2,000,000	2,000,000	2,000,000
Grants from City of Kitchener – Capital	1,560,492	618,177	925,984
Grants from other governments - Operating	45,000	739,223	45,000
Grants from other governments - Capital	-	-	248,127
Donations	2,000	17,697	26,727
Investment income	67,500	58,495	118,746
Sponsorships and memberships	142,722	55,529	74,901
Rent - Kitchener-Waterloo Art Gallery	101,100	103,020	101,100
Lottery revenue	-	2,885	7,493
Other	198,000	200,437	677,274
Gain (loss) on investments	-	(11,659)	21,321
Total revenue	10,702,014	5,279,019	9,741,840
Expenses:			
Direct:			
Performances	5,068,400	866,456	3,425,292
Unrecoverable performance costs	-	189,749	-
Operating:			
Administration	530,000	351,999	553,187
Marketing	105,000	36,418	100,406
Lottery expenses	-	2,751	7,348
Occupancy	850,000	554,614	778,781
Salaries and wages	2,837,484	2,326,070	3,419,955
Recoveries - performances	(593,978)	(212,501)	(641,297)
Amortization	800,000	1,028,720	934,191
Write down of tangible capital assets	150,000	36,275	190,865
Reserves expenditures (note 12)	20,000	54,063	55,733
Total expenses	9,766,906	5,234,614	8,824,461
Excess of revenue over expenses	935,108	44,405	917,379
Accumulated surplus, beginning of year	15,195,512	15,195,512	14,278,133
Accumulated surplus, end of year	$ 16,130,620	$ 15,239,917	$ 15,195,512

See accompanying notes to financial statements.

THE CENTRE IN THE SQUARE INC.

Statement of Change in Net Financial Assets

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Excess of revenue over expenses	$ 44,405	$ 917,379
Acquisition of tangible capital assets	(1,335,544)	(1,530,159)
Amortization of tangible capital assets	1,028,720	934,191
Write-down of tangible capital assets	36,275	190,865
	(226,144)	512,276
Net use of inventories	22,761	1,539
Net use (acquisition) of prepaid expenses	143,307	(21,075)
	166,068	(19,536)
Increase (decrease) in net financial assets	(60,076)	492,740
Net financial assets, beginning of year	1,816,423	1,323,683
Net financial assets, end of year	$ 1,756,347	$ 1,816,423

See accompanying notes to financial statements.

THE CENTRE IN THE SQUARE INC.

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Operating activities:		
Excess of revenue over expenses	$ 44,405	$ 917,379
Items not involving cash:		
Amortization	1,028,720	934,191
Write down of tangible capital assets	36,275	190,865
Change in non-cash operating working capital	(1,946,631)	(1,791,794)
Cash provided by (used in) operating activities	(837,231)	250,641
Capital activities:		
Cash used to acquire tangible capital assets	(1,335,544)	(1,530,159)
Investing activities:		
Investments	32,749	(46,667)
Decrease in cash	(2,140,026)	(1,326,185)
Cash, beginning of year	3,463,348	4,789,533
Cash, end of year	$ 1,323,322	$ 3,463,348

See accompanying notes to financial statements.

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

1. Significant accounting policies:

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

(b) Accrual basis of accounting:

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

(c) Inventories:

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

1. **Significant accounting policies (continued):**

   (d) 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.

   (e) Revenue:

   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.

2. **Accounts receivable:**

	2020	2019
Accounts receivable	$ 282,475	$ 209,396
Allowance for doubtful accounts	(217,011)	-
	$ 65,464	$ 209,396

3. **Investments:**

   Investments consist of:

	Carrying value 2020	Market 2020	Carrying value 2019	Market 2019
Cash	$ 26,481	$ 26,481	$ 11,793	$ 11,793
GICs	752,873	752,873	788,417	788,417
Bonds	336,592	343,354	357,338	358,257
Shares	287,677	482,693	278,824	450,887
	$ 1,403,623	$ 1,605,401	$ 1,436,372	$ 1,609,354

4. **Deferred revenue:**

   Deferred revenue consists of the following:

	2020	2019
Performances	$ 630,444	$ 1,991,661
Gift certificates	53,911	45,701
Sponsorships	28,705	19,116
Other	5,367	39,618
Membership	323	7,165
	$ 718,750	$ 2,103,261

THE CENTRE IN THE SQUARE INC.

Notes to Financial Statements, continued

Year ended December 31, 2020

5. Tangible capital assets:

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	10,855	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	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

5. Tangible capital assets (continued):

2019	Land	Buildings	Equipment	Computers	Software	Site	Work in Progress	Total
Cost								
Balance, beginning of year	$ 975,300	$ 12,081,401	$ 6,694,213	$ 245,548	$ 154,781	$ 1,731,398	$ 140,732	$ 22,023,373
Additions	-	812,614	218,219	20,090	-	70,032	409,204	1,530,159
Disposals	-	(195,956)	(169,760)	(59,586)	-	(11,201)	(7,330)	(443,833)
Transfers	-	129,902	-	-	-	-	(129,902)	-
Cost, end year	975,300	12,827,961	6,742,672	206,052	154,781	1,790,229	412,704	23,109,699
Accumulated amortization								
Balance, beginning of year	-	4,519,508	3,818,491	204,358	154,781	703,789	-	9,400,927
Amortization	-	462,041	360,528	29,149	-	82,473	-	934,191
Disposals	-	(56,555)	(126,216)	(58,996)	-	(11,201)	-	(252,968)
Accumulated amortization, end of year	-	4,924,994	4,052,803	174,511	154,781	775,061	-	10,082,150
Net book value, end of year	$ 975,300	$ 7,902,967	$ 2,689,869	$ 31,541	$ -	$ 1,015,168	$ 412,704	$ 13,027,549

6. Inventories:

Inventories consist of the following:

	2020	2019
Bar stock	$ 55,388	$ 75,175
Supplies	2,180	5,154
	$ 57,568	$ 80,329

7. Operating fund activities:

	Budget 2020	Actual 2020	Actual 2019 (note 14)
Revenues:			
Performances	$ 6,165,915	$ 1,208,630	$ 4,859,040
Rent - Kitchener-Waterloo Symphony	102,485	173,325	203,210
Grants from City of Kitchener	2,000,000	2,000,000	2,000,000
Grants, other governments	45,000	739,223	45,000
Donations	-	15,474	24,329
Investment income	42,000	21,149	74,797
Sponsorships and memberships	142,722	55,529	74,901
Rent - Kitchener-Waterloo Art Gallery	101,100	103,020	101,100
Lottery revenue	-	2,885	7,493
Other	198,000	200,437	677,274
Total revenue	8,797,222	4,519,672	8,067,144
Current fund expenditures:			
Direct:			
Performances	5,068,400	866,456	3,425,292
Unrecoverable performance costs	-	189,749	-
Operating:			
Administration	530,000	351,999	553,187
Marketing	105,000	36,418	100,406
Lottery expenses	-	2,751	7,348
Occupancy	850,000	554,614	778,781
Salaries and wages	2,837,484	2,326070	3,419,955
Recoveries - performances	(593,978)	(212,501)	(641,297)
Total current fund expenditures	8,796,906	4,115,556	7,643,672
Operating fund net revenues before amortization	316	404,116	423,472
Transfer to reserve funds	(316)	(404,116)	(423,472)
Transfer to City of Kitchener	-	-	-
Fund balances, end of year	$ -	$ -	$ -

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 2020, the Centre's Board of Directors approved transfers out of the Capital Reserve Fund for major capital asset projects of $1,335,544 (2019 - $1,530,159).

9. Performance Development and Sustainability Reserve Funds:

At the direction of the Board of Directors, transfers are made to and from the Performance Development and Sustainability Reserve Funds, equal to one-half of the annual operating net revenue.

In 2020, The Centre's Board of Directors approved the transfer of the funds to the Performance Development and Sustainability Reserve Funds of $nil (2019 - $nil) from the operating fund.

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. 2020 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, 2020

12. Schedule of reserve funds:

	Performance Development	Capital	Sustainability	Restricted	Total Funds
Revenue:					
Donations and sundry	$ -	$ -	$ -	$ 2,223	$ 2,223
Grants from City of Kitchener	-	618,177	-	-	618,177
Ticket surcharge	-	113,260	-	-	113,260
Investment income	-	10,342	2,203	24,801	37,346
Loss on investments	-	-	-	(11,659)	(11,659)
Total revenue	-	741,779	2,203	15,365	759,347
Expenses:					
Professional fees	-	-	-	10,002	10,002
Costs to be recovered	-	27,261	-	-	27,261
Capital costs	-	16,800	-	-	16,800
Total expenses	-	44,061	-	10,002	54,063
Excess of revenue over expenses	-	697,718	2,203	5,363	705,284
Transfer to accumulated surplus - tangible capital assets	-	(1,335,544)	-	-	(1,335,544)
Other transfers	-	404,116	-	-	404,116
Balance, beginning of year	-	1,362,582	199,068	606,313	2,167,963
Balance, end of year	$ -	$ 1,128,872	$ 201,271	$ 611,676	$ 1,941,819

13. Impact of COVID-19 pandemic:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (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 Centre has experienced the following in relation to the pandemic:

- postponement or cancellation of events starting March 14, 2020
- closure of all facilities from March 24, 2020 to the public based on public health recommendations; and
- temporary layoff of non-essential employees

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.

For the year ended December 31, 2020 there was $734,223 in Canadian Emergency Wage Subsidy recorded in Grants from other governments – Operating.

(b) Subsequent events related to COVID-19

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. There remains uncertainty over the resumption of performances and services for the 2021 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 Centre is not practicable at this time.

14. Change in accounting practice:

Management revised the accounting for third party promoter charges during the year. The change resulted in a reduction of performance revenues, performance expenditures and recoveries, with no impact to the excess of revenue over expenditures or accumulated surplus. Corresponding adjustments to the comparative information in the statement of operations in these financial statements have been made from the amount previously presented.

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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 Corporation of the City of Kitchener Gasworks Enterprise (the Entity), which comprise:

- the statement of operations and accumulated surplus for the year ended December 31, 2020

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

In our opinion, the accompanying financial statements presents fairly, in all material respects, the statement of operations and accumulated surplus for the year ended December 31, 2020 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.

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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

June 28, 2021

THE CORPORATION OF THE CITY OF KITCHENER
GASWORKS ENTERPRISE

Statement of Operations and Accumulated Surplus

For the Year Ended December 31, 2020

	2020 Budget	**2020**	2019
DELIVERY OPERATIONS			
Gas delivery			
Revenue	**38,389,274**	**40,256,973**	45,468,737
Expense	**22,381,325**	**22,209,045**	19,658,364
	16,007,949	**18,047,928**	25,810,373
Other programs			
(Customer Service, Rental Water Heaters & Financing)			
Revenue	**10,807,482**	**11,277,813**	10,766,759
Expenses	**7,589,530**	**7,484,743**	7,179,685
	3,217,952	**3,793,070**	3,587,074
Dispatch			
Revenue	**657,526**	**620,898**	612,528
Expenses	**657,526**	**620,898**	612,528
	-	**-**	-
Excess of revenue over expenses	**19,225,901**	**21,840,998**	29,397,447
Accumulated Surplus - Delivery			
Balance, beginning of year	**177,700,742**	**177,700,742**	162,822,657
Interest Revenue	**149,657**	**92,358**	120,749
Transfer to Gas Investment Reserve	**(14,932,914)**	**(14,932,914)**	(14,640,111)
Add excess of revenue over expenses	**19,225,901**	**21,840,998**	29,397,447
Balance, end of year	**182,143,386**	**184,701,184**	177,700,742
SUPPLY OPERATIONS			
Gas supply			
Revenue	**28,689,685**	**27,955,741**	31,175,062
Expenses	**29,076,838**	**27,190,035**	32,700,729
Excess of revenue over expenses	**(387,153)**	**765,706**	(1,525,667)
Accumulated Surplus - Supply			
Balance, beginning of year	**3,419,298**	**3,419,298**	4,819,584
Interest Revenue	**54,896**	**54,896**	125,381
Add excess of revenue over expenses	**(387,153)**	**765,706**	(1,525,667)
Balance, end of year	**3,087,041**	**4,239,900**	3,419,298

MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

The accompanying financial statements of Kitchener Generation Corporation are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards. The significant accounting policies followed by Kitchener Generation Corporation are described in the Significant Accounting Policies contained in Note 2 of the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been prepared within reasonable limits of materiality and in light of information available up to June 28, 2021.

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,

JLautenbach

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

June 28, 2021
Kitchener, Canada

KITCHENER GENERATION CORPORATION

Statement of Financial Position

As at December 31, 2020
(Unaudited)

		2020		2019
Financial assets				
Accounts receivable	**$**	**10,746**	$	8,448
		10,746		8,448
Liabilities				
Due to The Corporation of the City of Kitchener		**16,348**		14,050
Long-term debt (Note 3)		**2,091,995**		2,356,284
		2,108,343		2,370,334
Net financial debt		**(2,097,597)**		(2,361,886)
Non-financial assets				
Tangible capital assets (Note 4)		**2,322,516**		2,554,768
Total non-current assets		**2,322,516**		2,554,768
Accumulated surplus (Note 5)	**$**	**224,919**	$	192,882

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

KITCHENER GENERATION CORPORATION

Statement of Operations

For the Year Ended December 31, 2020
(Unaudited)

	2020 Budget	2020	2019
Revenue			
Sale of electricity	$ **385,000**	$ **414,384**	$ 396,078
Total revenue	**385,000**	**414,384**	396,078
Expenses			
Maintenance	**35,019**	**2,680**	3,019
Amortization	**232,252**	**232,252**	232,252
Total expenses	**267,271**	**234,932**	235,271
Surplus before interest and provision for payments-in-lieu of corporate income taxes	**117,729**	**179,452**	160,807
Interest expense	**118,050**	**118,050**	130,091
Surplus/(deficit) before provision for payments-in-lieu of corporate income taxes	**(321)**	**61,402**	30,716
Provision for payments-in-lieu of corporate income taxes	**-**	**-**	-
Annual surplus/(deficit)	$ **(321)**	$ **61,402**	$ 30,716

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, 2020
(Unaudited)

	2020	2019
Annual surplus	**$ 61,402**	$ 30,716
Change in share capital	**(29,365)**	(26,705)
Amortization of tangible capital assets	**232,252**	232,252
Change in net financial debt	**264,289**	236,263
Net financial debt, beginning of year	**(2,361,886)**	(2,598,149)
Net financial debt, end of year	**$ (2,097,597)**	$ (2,361,886)

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

KITCHENER GENERATION CORPORATION

Statement of Cash Flow

For the Year Ended December 31, 2020
(Unaudited)

		2020		2019
Operating				
Annual surplus	**$**	**61,402**	$	30,716
Items not involving cash				
Amortization		**232,252**		232,252
Change in non-cash assets and liabilities				
Trade and other accounts receivable		**(2,298)**		(1,419)
Accounts payable and accrued liabilities		**2,298**		5,503
Net change in cash from operating activities		**293,654**		267,052
Financing				
Change in contributed capital		**(29,365)**		(26,705)
Change in long-term debt		**(264,289)**		(240,347)
Net change in cash from financing activities		**(293,654)**		(267,052)
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, 2020
(Unaudited)

1. Incorporation

On December 9, 2011 KITCHENER GENERATION CORPORATION (the company) was incorporated under the Business Corporation 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

a. Basis of accounting

The financial statements 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.

b. Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost less residual value of the tangible capital 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

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 judgments. Actual results could differ from these estimates.

3. Long-term debt

Effective January 1, 2012 the Company incurred an unsecured promissory note payable to The Corporation of the City of Kitchener. For shareholder debt, payments are made annually including interest and principal. Interest is calculated at the fixed rate of 5.01% per annum. Interest paid in 2020 amounted to $118,050 *(2019 - $130,091).*

4. Tangible capital assets

	Cost	Accumulated Amortization	Net Book Value
Opening balance	$ 4,412,784	$ (1,858,016)	$ 2,554,768
Additions	-	-	-
Amortization expense	-	(232,252)	(232,252)
Disposals	-	-	-
Ending balance	**$ 4,412,784**	**$ (2,090,268)**	**$ 2,322,516**

5. Accumulated surplus

The accumulated surplus consists of the following:

		2020		2019
Share capital - common shares (Note 6)	**$**	**232,444**	$	261,809
Retained earnings		**(7,525)**		(68,927)
	$	**224,919**	$	192,882

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, 2020
- 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, 2020, 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.

- 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.

KPMG

- 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

March 26, 2021

KITCHENER POWER CORP.

Consolidated Statement of Financial Position

As at December 31, 2020, with comparative information for 2019
(Expressed in thousands of dollars)

	Note	2020	2019
Assets			
Current assets			
Cash	4	$ 6,861	$ 13,940
Accounts receivable	5	15,709	17,511
Unbilled revenue		29,865	27,648
Inventory	6	2,458	2,324
Prepaid expenses		1,146	1,347
Income taxes receivable		5	131
Total current assets		56,044	62,901
Non-current assets:			
Property, plant and equipment	7	275,014	259,864
Intangible assets	8	646	629
Deferred tax assets	9	211	173
Investment in subsidiaries and associates		838	763
Total non-current assets		276,709	261,429
Total assets		332,753	324,330
Regulatory deferral account debit balances	10	19,661	9,400
Deferred taxes associated with regulatory accounts		-	-
Total assets and regulatory assets		$ 352,414	$ 333,730

KITCHENER POWER CORP.

Consolidated Statement of Financial Position

Year ended December 31, 2020, with comparative information for 2019
(Expressed in thousands of dollars)

	Note	2020	2019
Liabilities and Shareholder's Equity			
Current liabilities:			
Accounts payable and accrued liabilities		$ 37,744	$ 30,060
Income taxes payable		32	9
Current portion of long-term debt	11	-	607
Current portion customer deposits	13	8,945	9,366
Current portion of deferred revenue		1,069	952
Total current liabilities		47,790	40,994
Non-current liabilities:			
Long-term debt	11	76,963	76,963
Employee future benefits	12	5,937	5,858
Long-term customer deposits	13	5,833	6,188
Deferred revenue		39,759	36,385
Deferred tax liablilty	9	4,415	2,536
Total non-current liabilities		132,907	127,930
Total liabilities		180,697	168,924
Shareholder's equity:			
Share capital - common shares	14	66,389	66,389
Retained earnings		101,452	95,195
Accumulated other comprehensive loss		(620)	(620)
Total shareholder's equity		167,221	160,964
Total liabilities and shareholder's equity		347,918	329,888
Regulatory deferral account credit balances	10	2,276	2,307
Deferred taxes associated with regulatory accounts		2,220	1,535
Impact of COVID-19 pandemic	26		
Total equity, liabilities and shareholder's equity		$ 352,414	$ 333,730

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

On behalf of the Board:

J. Phillips Director

J. Van Ooteghem Director

KITCHENER POWER CORP.

Consolidated Statement of Comprehensive Income

Year ended December 31, 2020, with comparative information for 2019
(Expressed in thousands of dollars)

	Note		2020		2019
Energy sales		$	239,962	$	206,409
Cost of energy sold			245,909		207,393
			(5,947)		(984)
Other operating revenue					
Distribution sales			42,690		38,285
Other income	15		2,873		2,867
Net operating revenue			39,616		40,168
Expenses:					
Operations and maintenance			11,405		11,684
Customer services			5,313		4,474
Administration			5,542		4,341
Amortization			10,022		9,550
			32,282		30,049
Other					
Energy conservation program revenue			(727)		(1,676)
Energy conservation program expense			713		1,676
Net energy conservation programs			(14)		-
Finance income	16		(132)		(433)
Finance charges	16		2,981		4,119
Net finance costs			2,849		3,686
Income before income taxes			4,499		6,433
Income tax expense	9		907		870
Income for the year before movements in regulatory deferral account balances			3,592		5,563
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement	10		6,847		4,927
Income for the year and net movements in regulatory deferral account balances			10,439		10,490
Other comprehensive loss	12		-		(342)
Total comprehensive income for the year		$	10,439	$	10,148

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

KITCHENER POWER CORP.

Consolidated Statement of Changes in Equity

Year ended December 31, 2020, with comparative information for 2019
(Expressed in thousands of dollars)

	Share capital	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at January 1, 2019	$ 66,389	$ (278)	$ 88,739	$ 154,850
Net income before other comprehensive income (loss)	-	-	10,490	10,490
Other comprehensive income (loss)	-	(342)	-	(342)
Dividends	-	-	(4,034)	(4,034)
Balance at December 31, 2019	66,389	(620)	95,195	160,964
Net income before other comprehensive income (loss)	-	-	10,439	10,439
Other comprehensive income (loss)	-	-	-	-
Dividends	-	-	(4,182)	(4,182)
Balance at December 31, 2020	$ 66,389	$ (620)	$ 101,452	$ 167,221

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

KITCHENER POWER CORP.

Consolidated Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019
(Expressed in thousands of dollars)

	2020	2019
Cash flows from operating activities:		
Total comprehensive income for the year	$ 10,439	$ 10,148
Adjustments to reconcile net income to cash provided by (used in) operations:		
Amortization	10,752	10,251
Amortization of deferred revenue	(1,016)	(908)
Gain on disposal of property, plant and equipment	(149)	(36)
Income tax expense	907	870
Income taxes paid	(816)	(1,360)
Increase decrease in employee future benefits	77	551
	20,194	19,516
Change in non-cash operating working capital:		
Accounts receivable	1,802	1,029
Unbilled revenue	(2,216)	(5,526)
Inventory	(134)	(375)
Prepaid expenses	201	(302)
Other current assets	-	-
Accounts payable and accrued liabilities	7,683	7,410
Other current liabilities	(303)	1,339
Change in regulatory assets	(10,261)	(2,038)
Change in regulatory liabilities	654	(4,468)
Change in deferred tax	1,900	489
Net cash from operating activities	19,520	17,074
Cash flows from investing activities:		
Proceeds on disposals of property, plant and equipment	151	40
Purchase of property, plant and equipment	(25,536)	(24,487)
Purchase of intangible assets	(385)	(315)
Net cash used in investing activities	(25,770)	(24,762)
Cash flows from financing activities:		
Net change in customer deposits	(355)	52
Investments in subsidiaries and associates	(75)	204
Dividends paid out	(4,182)	(4,034)
Change in contributed capital received	4,390	4,383
Repayment of long-term debt	(607)	(1,176)
Net cash from financing activities	(829)	(571)
Change in cash and cash equivalents	(7,079)	(8,259)
Cash and cash equivalents, beginning of year	13,940	22,199
Cash and cash equivalents, end of year	$ 6,861	$ 13,940

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

1. Reporting entity:

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

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

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

The financial statements are for the Corporation as at and for the year ended December 31, 2020.

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 26, 2021.

(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 22.

(c) Functional and presentation currency:

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

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 17 – 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

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.

Electricity rates were impacted by the COVID-19 pandemic, distribution rates were unaffected, which has been discussed further in Note 26.

(f) Investments

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

3. Significant accounting policies:

The accounting policies set out below have been applied consistently in all 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.

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

(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.

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.

3. Significant accounting policies (continued):

(f) Impairment (continued):

(ii) Non-financial assets:

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

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

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

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

(g) Provisions:

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

3. Significant accounting policies (continued):

(h) Regulatory deferral accounts:

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

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

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

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

Regulatory deferral accounts attract interest at OEB prescribed rates. With the exception of Pension and OEB Forecast Accrual accounts (OPEBs), the rates from January to June 2020 were 2.18%, and July to December 2020 were 0.57%. Prior year rates from January to March 2019 were 2.45%, April to December 2019 were 2.18%.

In 2020, OPEBs were 2.88% for the period January to March, 2.48% for the period April to September and 2.03% for period October to December. In 2019, OPEBs were 3.82% for the period January to March, 3.39% for the period April – June and 2.88% for the period July to December.

3. Significant accounting policies (continued):

(i) Employee future benefits:

(i) Pension plan:

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

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

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

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

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

3. Significant accounting policies (continued):

(j) Deferred revenue and assets transferred from customers:

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

(k) Leased assets:

This policy is effective for periods before January 1, 2019. Refer to Note 24 for the change in accounting policy to IFRS 16.

Leases, where the terms cause the Corporation to assume substantially all the risks and rewards of ownership, are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

All other leases are classified as operating leases and the leased assets are not recognized on the Corporation's balance sheet. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(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.

3. Significant accounting policies (continued):

(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.

(Expressed in thousands of dollars)

4. Cash:

	2020	2019
Cash	$ 6,861	$ 13,940

5. Accounts receivable:

	2020	2019
Customer and other trade receivables	$ 15,667	$ 17,397
Trade receivables from related parties	42	114
	$ 15,709	$ 17,511

6. Inventory:

The amount of inventory consumed by the Corporation and recognized as an expense during 2020 was $279 (2019 - $363).

7. Property, plant and equipment:

(a) Cost or deemed cost:

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Total
Balance at January 1, 2020	$ 24,729	$ 260,009	$ 12,976	$ 5,487	$ 303,201
Additions	1,709	17,846	5,631	350	25,536
Transfers	-	-	-	-	-
Disposals/Retirements	(5)	(62)	(1,182)	-	(1,249)
Balance at December 31, 2020	$ 26,433	$ 277,793	$ 17,425	$ 5,837	$ 327,488

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Total
Balance at January 1, 2019	$ 24,463	$ 242,418	$ 8,850	$ 3,622	$ 279,353
Additions	279	17,723	4,614	1,865	24,481
Transfers	-	-	-	-	-
Disposals/Retirements	(13)	(132)	(488)	-	(633)
Balance at December 31, 2019	$ 24,729	$ 260,009	$ 12,976	$ 5,487	$ 303,201

(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	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

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Total
Balance at January 1, 2019	$ 2,053	$ 30,012	$ 2,059	$ -	$ 34,124
Depreciation charge	678	7,886	1,282	-	9,846
Disposals/Retirements	(13)	(132)	(488)	-	(633)
Balance at December 31, 2019	$ 2,718	$ 37,766	$ 2,853	$ -	$ 43,337

(c) Carrying amounts:

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Total
At December 31, 2020	$ 23,004	$ 231,772	$ 14,401	$ 5,837	$ 275,014
At December 31, 2019	$ 22,011	$ 222,243	$ 10,123	$ 5,487	$ 259,864

(d) Leased plant and equipment:

The Corporation does not have leases for plant or equipment.

(e) Security:

At December 31, 2020, the Corporation had zero properties subject to a general security agreement.

(f) Borrowing costs:

During the year, borrowing costs of $nil (2019 - $nil) were capitalized as part of the cost of property, plant and equipment.

(Expressed in thousands of dollars)

7. Property, plant and equipment (continued):

(g) Allocation of depreciation and amortization:

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

	Operations and maintenance expense	Customer services expense	Administration expense	Energy conservation expense	Other	Total
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

	Operations and maintenance expense	Customer services expense	Administration expense	Energy conservation expense	Other	Total
December 31, 2019:						
Depreciation of property, plant and equipment	$ 688	$ 6	$ -	$ 7	$ 9,145	$ 9,846
Amortization of intangible assets	-	-	-	-	405	405
	$ 688	$ 6	$ -	$ 7	$ 9,550	$ 10,251

8. Intangible assets:

(a) Cost or deemed cost:

	Computer Software	Land Rights	Total
Balance at January 1, 2020	$ 3,120	$ 8	$ 3,128
Additions	385	-	385
Disposals	-	-	-
Balance at December 31, 2020	$ 3,505	$ 8	$ 3,513
Balance at January 1, 2019	$ 2,802	$ 8	$ 2,810
Additions	321	-	321
Additions	4	-	4
Balance at December 31, 2019	$ 3,119	$ 8	$ 3,127

(Expressed in thousands of dollars)

8. Intangible assets (continued):

(b) Accumulated amortization:

	Computer Software	Land Rights	Total
Balance at January 1, 2020	$ 2,491	$ 8	$ 2,499
Additions	368	-	368
Balance at December 31, 2020	$ 2,859	$ 8	$ 2,867
Balance at January 1, 2019	$ 2,086	$ 8	$ 2,094
Additions	404	-	404
Balance at December 31, 2019	$ 2,490	$ 8	$ 2,498

(c) Carrying amounts:

	Computer Software	Land Rights	Total
At December 31, 2020	$ 646	$ -	$ 646
At December 31, 2019	$ 629	$ -	$ 629

(Expressed in thousands of dollars)

9. Income tax expense:

Current tax expense:

		2020		2019
Current period	$	1,297	$	1,138
Adjustment for prior periods		(332)		(194)
	$	965	$	944

Deferred tax expense:

		2020		2019
Original & reversal of temporary differences	$	(21)	$	(47)
Recognition of previously unrecognized tax losses		(38)		(26)
	$	(59)	$	(73)

Reconciliation of effective tax rate:

		2020		2019
Total comprehensive income for the year	$	10,715	$	10,148
Total income tax expense		907		870
Comprehensive income before income taxes		11,622		11,018
Income tax using the Corporation's statutory tax rate of 26.5%		3,080		2,920
Temporary differences not benefitted		(1,841)		(1,856)
Under (over) provided in prior periods		(332)		(194)
	$	907	$	870

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

		2020		2019
Deferred tax assets (liabilities):				
Plant and equipment	$	(16,989)	$	(14,168)
Non-vested sick leave		168		168
Employee benefits		1,573		1,552
~~Intangible assets~~		~~7~~		~~7~~
~~Loss carry-forward~~		~~204~~		~~166~~
Ontario refundable tax credits		14		18
~~Deferred tax liability~~		~~4,415~~		~~2,536~~
Deferred revenue - contributed capital		10,819		9,894
	$	211	$	173

(Expressed in thousands of dollars)

10. Regulatory deferral account balance:

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

	2019	Balances arising in the period	Recovery/ Reversal	Other	2020	Remaining recovery/ reversal period (years)
Regulatory deferral account debit balances						
Group 1 deferred accounts	$ 1,239	$ 2,202	$ 5,428	$ (153)	$ 8,716	Note 1, Note 3
Regulatory asset recovery account	630	285	(141)	-	774	Note 1
Smart meter recovery	13	-	(13)	-	-	
Deferred tax asset	5,790	2,585	-	-	8,375	Note 2
LRAM	837	1,728	(837)	-	1,728	1
Other	891	69	(892)	-	68	
Total amount related to regulatory deferral account debit balances	**$ 9,400**	**$ 6,869**	**$ 3,545**	**$ (153)**	**$ 19,661**	

	2019	Balances arising in the period	Recovery/ Reversal	Other	2020	Remaining recovery/ reversal period (years)
Regulatory deferral account credit balances						
Group 1 deferred accounts	1,057	975	(160)	(152)	1,720	Note 1
Regulatory asset recovery account	-	-	-	-	-	Note 1
Deferred tax liability	-	-	-	-	-	Note 2
Other	1,250	2	(696)	-	556	
Total amount related to regulatory deferral account credit balances	**2,307**	**977**	**(856)**	**(152)**	**2,276**	

	2020	2019
Movements in regulatory accounts		
Net change in regulatory deferral account debit and credit balances	10,292	6,677
Less movement related to the balance sheet		
Deferred income tax	(2,585)	(933)
Deferred revenue	(860)	(817)
Amounts moved to property, plant, equipment	-	-
Net movement in regulatory deferral account balances related to profit or loss and the related deferral tax movement	6,847	4,927

10. Regulatory deferral account balance (continued):

Note 1 KWHI expects to be approved for collection of these amounts in its 2021 filing for 2022 rates.

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 for one delivery point were not included in the monthly power bill. KWHI has accrued a payable of $6 million, offset by a regulatory asset. These monies are expected to begin being collected through a Board approved rate rider in 2022.

Note 4 COVID-19 Emergency Deferral
The COVID-19 emergency deferral account comprises of five sub-accounts established to track incremental costs and lost revenues related to the COVID-19 pandemic: (i) Billing and System Changes as a Result of the Emergency Order Regarding Time-of-Use Pricing, (ii) Lost Revenues Arising from the COVID-19 Emergency, (iii) Other Incremental Costs, (iv) Foregone Revenues from Postponing Rate Implementation, and (v) Bad Debt.

On December 16, 2020, the OEB Staff released their proposal on the COVID-19 deferral accounts which introduces certain criteria to that may need to be satisfied for amounts to be eligible for recovery. Based on this information, management believes there is high uncertainty in regards to the recoverability of costs and lost revenues related to government and OEB customer relief actions, and therefore a low probability of recovery. Costs directly related to the implementation of safety measures as a result of the COVID-19 pandemic were tracked. $69k has been recorded in the COVID-19 Emergency Deferral Account as at December 31, 2020.

(Expressed in thousands of dollars)

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. In 2019 the interest rate was 4.88%.

Effective February 1, 2010, the Corporation incurred a ten year senior unsecured debenture payable to Ontario Infrastructure Projects Corporation. An initial payment of $7,000 was received February 1, 2010, followed by a second payment of $3,000 on May 17, 2010. The debenture had an interest rate of 4.28%, and interest was payable in equal semi-annual installments, in arrears, on May 17th and November 17th each year commencing November 17, 2010. The debenture was paid off in in 2020 in accordance with the payment schedule.

		2020		2019
Senior unsecured debentures:				
City of Kitchener	$	70,998	$	70,998
Township of Wilmot		5,965		5,965
Ontario Infrastructure Projects Corporation		-		607
Senior unsecured debentures, net proceeds	$	76,963	$	77,570
Less: current portion of long-term debt	$	-	$	(607)
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, 2020 of $5,937 was based on an actuarial valuation completed in 2020 using a discount rate of 3.1% (3.1% in 2019).

(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:

		2020		2019
Defined benefit obligation, beginning of year	$	5,858	$	5,305
Current service cost		192		160
Interest cost		178		202
Benefits paid during the year		(291)		(274)
Actuarial loss recognized in other comprehensive income		-		465
Accrued benefit liability, end of year	$	5,937	$	5,858

Components of net benefit expense recognized are as follows:

		2020		2019
Current service cost	$	192	$	160
Interest cost		178		202
Net benefit expense recognized	$	370	$	362

Actuarial losses recognized in other comprehensive income:

		2020		2019
Cumulative amount at January 1	$	(620)	$	(278)
Recognized during the year		-		(342)
Cumulative amount at December 31	$	(620)	$	(620)

(Expressed in thousands of dollars)

12. Employee future benefits (continued):

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

		2020	2019
Accrued benefit obligation:			
Discount rate		3.1%	3.1%
Benefit cost for the year:	Age		
Withdrawal rate	18-29	3.50%	3.50%
	30-34	2.00%	2.00%
	35-39	1.7%	1.7%
	40-49	1.3%	1.3%
	50-54	1.0%	1.0%
Assumed health care cost trend rates:			
Initial health care cost trend rate	Health	4.4%	4.2%
	Dental	4.7%	4.5%

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	$ 215	$ 22
1% decrease in health care trend rate	$ (193)	$ (19)

Historical Information

Amounts for the current and previous year, for the entire plan, are as follows:

	2020	2019
Defined benefit obligation	$ 5,937	$ 5,858
Experience adjustments	$ -	$ (342)

(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 2020, and thereafter (2019 - 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, 2020, was 3.1% (2019 - 3.1%).

Salary levels - future general salary and wage levels were assumed to increase at 3.3% (2019 - 3.3%) per annum.

Medical costs - medical costs were assumed to be 4.4% for 2020, (2019 - 4.5%) increasing annually to 4.9% in 2022.

Dental costs - dental costs were assumed to be 4.7% for 2020 increasing annually to 5.1% in 2022.

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:

	2020	2019
Customer deposits	$ 6,424	$ 7,414
Construction deposits	7,196	6,982
IESO deposit for energy conservation programs	1,158	1,158
Total customer and IESO deposits	$ 14,778	$ 15,554

(Expressed in thousands of dollars)

14. Share capital:

	2020	2019
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 $4,182 (2019 - $4,034).

15. Other operating revenue:

Other income comprises:

	2020	2019
Specific service charges	$ 1,875	$ 1,844
Deferred revenue	1,016	908
Scrap sales	101	190
Net gain on disposal of capital assets	149	36
Retailer services	48	44
Sundry	(316)	(155)
Total other income	$ 2,873	$ 2,867

16. Finance income and expense:

	2020	2019
Interest income on bank deposits	$ 132	$ 433
Finance income	132	433
Interest expense on long-term debt	2,496	3,816
Interest expense on short-term debt	271	-
Interest expense on BMO Letter of Credit	123	122
Interest expense on deposits	91	170
Other	-	11
	2,981	4,119
Net finance costs recognized in profit or loss	$ 2,849	$ 3,686

17. Commitments and contingencies:

Contractual Obligations

There are no contractual obligations.

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, 2020, no assessments have been made.

18. 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. This increased from $3 million to $6 million on April 1, 2020.

19. Pension agreement:

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2020, the Corporation made employer contributions of $1,723 to OMERS (2019 - $1,661). The Corporation’s net benefit expense has been allocated as follows:

a) $449 (2019 - $459) capitalized as part of property, plant and equipment;

b) $1,274 (2019 - $1,202) charged to net income.

The Corporation estimates that a contribution of $1,739 to OMERS will be made during the next fiscal year.

(Expressed in thousands of dollars)

20. Employee benefits:

		2020		2019
Salaries, wages and benefits	$	19,684	$	19,022
CPP and EI remittances		732		722
Contributions to OMERS		1,723		1,661
Expenses related to defined benefit plans		370		361
	$	22,509	$	21,766

21. 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.

		2020		2019
Directors' fees	$	67	$	58
Salaries and other short-term benefits		1,061		993
Post employment benefits		19		18
Other long-term benefits (OMERS)		90		84
	$	1,237	$	1,153

(d) Transactions with parent:

During the year the Corporation paid management and business development services to its parent in the amount of $nil (2019 - $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.

21. Related party transactions (continued):

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

In 2020, 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.

22. 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.

The fair value of the long-term debt (senior unsecured debentures) issued by Ontario Infrastructure Projects Corporation at December 31, 2020 is zero (2019 - $607). The final loan balance was paid in full in 2020. The fair value prior to 2020 was calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The interest rate used to calculate fair value at was 4.28%.

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, 2020, two customers accounted for more than 1% of total accounts receivable, totaling $341 (or 2.2%) out of a total accounts receivable of $15,709.

22. 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, 2020 is $500 (2019 - $250). The allowance was increased due to an expected increase in Covid-19 related bad debt. An impairment loss of $793 (2019 - $44) was recognized during the year. This included a significant loss of $385 as a result of the bankruptcy of a single customer in 2020, in addition to a general increase due to the pandemic lockdowns. The future impact of the pandemic remains uncertain.

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2020, approximately $314 (2019 - $245) is considered 60 days past due. The Corporation has over 99 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, 2020, the Corporation holds security deposits in the amount of $14,800 (2019 - $15,600).

(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.

A 1% increase in the interest rate at December 31, 2020 would have increased interest expense on the long-term debt by $nil (2019 - $6), assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

(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, 2020, no amounts had been drawn under Bank of Montreal credit facility (2019 - $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.

(Expressed in thousands of dollars)

22. 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, 2020, shareholder's equity amounts to $167,496 (2019 - $160,964) and long-term debt amounts to $76,963 (2019 - $76,963).

23. 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.

		2020		2019
Revenue from Contracts with Customers	$	284,230	$	246,092
Other Revenue:				
CDM programs		727		1,676
Other		1,426		1,901
Total	**$**	**286,383**	**$**	**249,669**

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

		2020		2019
Residential	$	127,780	$	93,701
Commercial		153,515		149,386
Large Users		1,346		1,448
Other		1,589		1,557
Total Revenue	**$**	**284,230**	**$**	**246,092**

24. 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 Company effective January 1, 2020:

- Amendments to Hedge Accounting Requirements - IBOR Reform and its Effects on Financial Reporting (Phase 1)
- Amendments to References to the Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Covid-19-Related Rent Concessions (Amendment to IFRS 16)

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

25. 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.

25. 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) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

On August 27, 2020, the IASB finalized its response to the ongoing reform of inter-bank offered rates and other interest rate benchmarks by issuing a package of amendments to IFRS Standards.

The amendments are effective for annual periods beginning on or after January 1, 2021. Earlier application is permitted. The impact of adoption of these amendments is not expected to have an impact on the business.

26. Impact of COVID-19 pandemic:

On March 11, 2020, the World Health Organization declared that the COVID-19 outbreak was a global pandemic. On March 17, 2020, the Ontario Government declared a State of Emergency pursuant to the Emergency Management and Civil Protection Act. The Ontario Government renewed the declaration, as required by the legislation, until July 24, 2020. During the State of Emergency, the Ontario Government issued emergency orders under the legislation and extended them as required by the legislation. On July 24, 2020, the Reopening Ontario (A Flexible Response to COVID-19) Act, 2020 came into effect, bringing the declared State of Emergency to an end. The Reopening Ontario Act also enabled the Ontario Government to extend, amend, and revoke the remaining emergency orders in order to facilitate a flexible response to the ongoing COVID-19 risks.

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

On March 19, 2020, the OEB extended the ban on disconnecting residential customers to July 31, 2020, in light of the COVID-19 pandemic. For the same reason, at the same time, the OEB also banned the disconnection of other low volume customers (as defined in the OEB Act) prior to July 31, 2020. In addition, 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 March 24, 2020, the Ontario Government issued an emergency order setting TOU rates for on-peak, mid-peak, and off-peak at 10.1 cents per kWh, which prior to the emergency order was the TOU off-peak rate. That emergency order was effective through May 7, 2020. On May 6, 2020, the Ontario Government issued an emergency order extending those TOU rates through May 31, 2020. On May 30, 2020, the Ontario Government announced the COVID19 Recovery Rate, setting a fixed TOU electricity price at 12.8 cents per kWh, 24 hours a day, seven days a week, effective June 1, 2020 until October 31, 2020. On October 13, 2020, the OEB announced new TOU rates for on-peak, mid-peak, and off-peak, that once again vary according to when electricity is used, effective November 1, 2020. There was no impact to net income to the Corporation.

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 May 14, 2020, the OEB launched a consultation process to inform its decision-making with respect to how the account will operate, including eligibility requirements, and the process and timing for the disposition. On December 16, 2020, OEB staff issued a proposal with respect to the deferral account and related consultation [note 8].

On August 20, 2020, the Ontario Government amended O. Reg. 95/05 Classes of Consumers and Determination of Rates. Accordingly, customers on the RPP have the choice to pay TOU rates or tiered rates, effective November 1, 2020. By default, RPP customers will pay TOU rates. RPP customers who choose to pay tiered rates will pay a lower rate for consumption below a monthly threshold, and a higher rate for consumption above that threshold. The tiered rates and the threshold are set by the OEB twice per year, at the same time as the OEB sets TOU rates. There was no impact to net income to the Corporation.

On December 15, 2020, the OEB announced new RPP TOU and tiered rates to reflect a decrease in supply cost resulting from the Ontario Government's decision to remove certain renewable generation costs from the global adjustment and funding them directly through the tax base. The reduction was accompanied by a corresponding reduction to the Ontario Electricity Rebate. There was no net income impact to the Corporation.

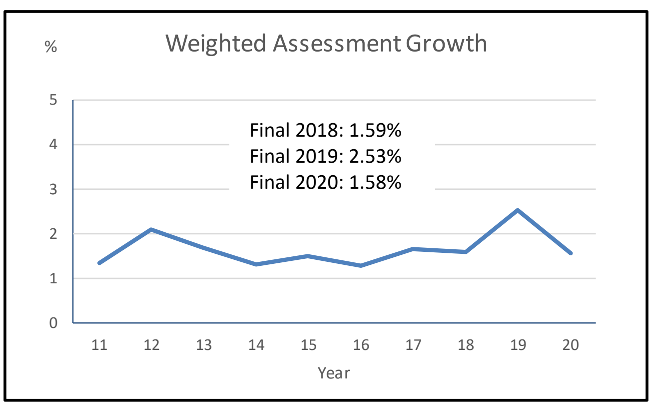
26. Impact of COVID-19 pandemic (continued):

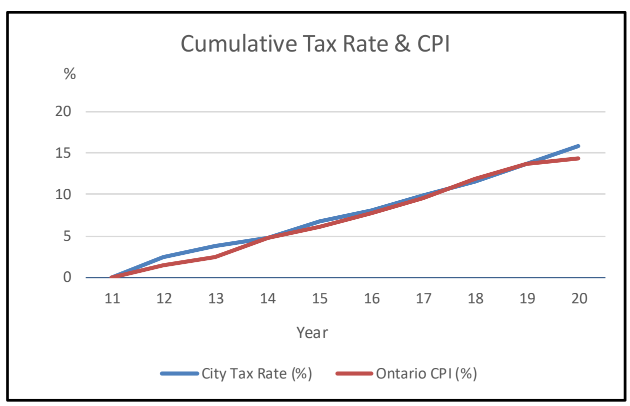
On December 22, 2020, the Ontario Government amended O. Reg. 95/05 Classes of Consumers and Determination of Rates, setting both the TOU rates for on-peak, mid-peak, and off-peak and tiered rates at the TOU off-peak rate of 8.5 cents per kWh. That regulatory amendment was effective through January 28, 2021, and most recently extended until 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 on December 15, 2020. There was no net income impact to the Corporation.

THE CORPORATION OF THE CITY OF KITCHENER
FINANCIAL & STATISTICAL REVIEW
As at December 31 (unaudited)

	2020	2019	2018	2017	2016
1. DEMOGRAPHIC STATISTICS					
Population[1]	**262,220**	261,610	255,070	252,520	246,700
Households[1]	**100,440**	98,820	97,830	96,720	94,170
Area in acres[2]	**33,797**	33,797	33,797	33,797	33,802
2. TAXABLE ASSESSMENT ($000's)					
Residential and farm	**27,435,305**	26,184,498	24,878,827	23,639,290	22,414,567
Commercial and industrial	**4,315,742**	4,087,831	3,740,833	3,525,281	3,390,259
Total	**31,751,047**	30,272,329	28,619,660	27,164,571	25,804,826
3. TAX RATES					
Residential and Farm Taxable Full					
City	**0.34540**	0.35002	0.35470	0.36212	0.36742
Region	**0.60110**	0.59982	0.60505	0.61147	0.61359
School Boards	**0.15300**	0.16100	0.17000	0.17900	0.18800
Total	**1.09950**	1.11084	1.12975	1.15259	1.16901
Commercial Taxable Full					
City	**0.67352**	0.68255	0.69166	0.70613	0.71647
Region	**1.17215**	1.16964	1.17984	1.19237	1.19650
School Boards	**1.25000**	1.29000	1.34000	1.39000	1.40000
Total	**3.09567**	3.14219	3.21150	3.28850	3.31297
Industrial Taxable Full					
City	**0.67352**	0.68255	0.69166	0.70613	0.71647
Region	**1.17215**	1.16964	1.17984	1.19237	1.19650
School Boards	**1.25000**	1.29000	1.34000	1.39000	1.50000
Total	**3.09567**	3.14219	3.21150	3.28850	3.41297

1. Source: Planning, Housing and Community Services Department, Regional Municipality of Waterloo
2. Source: Statistics Canada, 2016 Census Data (2017 to 2020); 2011 Census Data (2016)





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($000's)	**2020**	2019	2018	2017	2016
4. COLLECTION STATISTICS					
Total taxes billed	**452,817**	439,831	423,032	406,605	394,020
Total collections	**453,047**	436,211	422,659	405,060	389,608
Total collections as a % of current levy	**100%**	99%	100%	100%	99%
Taxes receivable, net of allowance	**22,377**	21,597	18,933	16,878	20,598
Total receivable as a % of current levy	**5%**	5%	4%	4%	5%
5. CONSOLIDATED REVENUE					
Taxation and user charges[3]	**378,568**	396,951	381,356	367,621	339,203
Grants	**31,767**	15,310	13,516	12,908	5,830
Share of net income of Kitchener Power Corp. and its affiliates	**9,630**	9,362	10,104	9,348	9,593
Development charge revenue recognized	**9,582**	12,174	10,294	7,303	10,388
Other	**32,996**	43,006	34,857	15,852	21,097
Total revenue	**462,543**	476,803	450,127	413,032	386,111
6. CONSOLIDATED EXPENSES					
Expenses by Function					
General government	**33,745**	37,088	36,262	39,436	38,932
Protection services	**55,408**	51,360	49,751	47,268	45,291
Transportation services	**38,266**	45,833	39,164	37,805	35,100
Environmental services[3]	**98,326**	94,518	88,316	80,380	76,317
Health services	**2,315**	2,814	2,694	2,296	2,257
Social and family services	**2,322**	2,865	2,797	2,662	2,722
Recreation and cultural services	**64,481**	79,449	76,236	69,847	68,496
Planning and development	**12,609**	13,670	11,479	13,123	13,160
Gasworks	**56,677**	59,578	67,610	67,386	52,184
Total Expenses	**364,149**	387,175	374,309	360,203	334,459
Expenses by Object					
Salaries, wages and employee benefits	**156,421**	164,070	158,659	151,980	147,224
Materials and services[3]	**149,253**	161,745	162,538	152,371	138,301
Debenture debt interest	**2,286**	2,613	2,881	3,180	3,534
Grants and other	**4,456**	4,188	6,186	5,295	4,214
Amortization	**51,793**	49,546	47,876	46,188	42,658
Loss/(Gain) on sale of assets	**(60)**	5,013	(3,830)	1,189	(1,472)
Total Expenses	**364,149**	387,175	374,310	360,203	334,459
7. ANNUAL SURPLUS	**98,394**	89,628	75,817	52,829	51,652

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. 2016 to 2017 figures have been restated to match the current year presentation.

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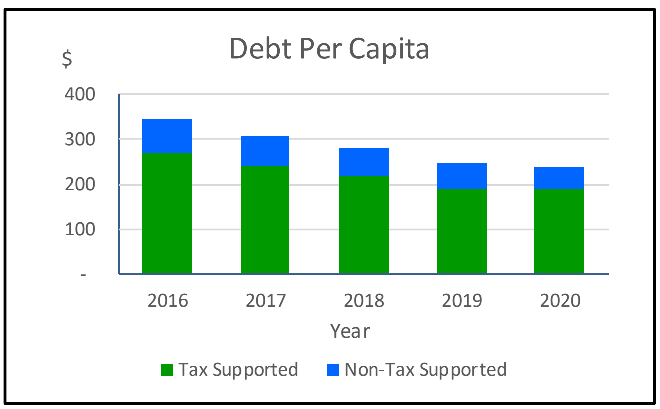
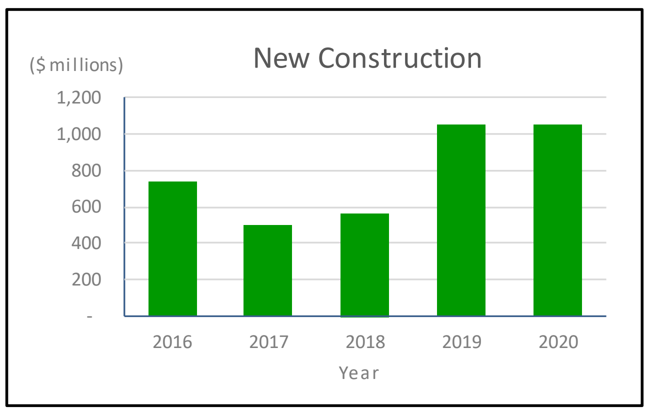
	2020	2019	2018	2017	2016
8. ANALYSIS OF LONG-TERM DEBT ($000's)					
Gross debt issued by the municipality	**62,739**	63,993	71,179	77,889	84,859
Less debt recoverable from municipal enterprises and consolidated boards	**7,922**	8,498	9,056	9,596	10,121
Less debt recoverable from other sources	**5,151**	5,870	6,571	7,252	8,587
Net debt to be repaid from property taxes	**49,666**	49,625	55,552	61,041	66,151
Net debt per capita ($'s)	**189**	190	218	242	268
Repayment of principal & interest ($000's)	**13,094**	13,886	13,903	14,589	14,592
Annual repayment limit ($000's)[4]	**85,330**	80,148	73,789	71,777	72,327
Interest on long-term debt as a % of total expenditures	**0.6%**	0.7%	0.8%	1.0%	1.2%
9. ACCUMULATED SURPLUS ($000's)					
Reserves, reserve funds and deferred revenue - obligatory reserve funds	**159,233**	130,274	104,780	98,754	88,097
Unexpended capital financing	**103,250**	99,856	99,849	118,172	108,099
Accumulated surplus	**1,599,671**	1,501,277	1,411,650	1,335,832	1,283,004
10. NEW CONSTRUCTION					
Value of construction ($000's)	**1,048,527**	1,046,476	566,135	498,220	739,739
Number of building permits	**2,670**	2,975	2,624	2,503	3,158
Number of single family dwelling starts	**559**	345	303	300	840
11. NET FINANCIAL ASSETS ($000's)	**270,286**	254,471	221,799	220,788	214,048

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





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12. PRINCIPAL CORPORATE TAXPAYERS	
2020 Taxable Assessment Value ($000's)	
DREWLO HOLDINGS INC	372,720
CF/REALTY HOLDINGS INC	271,773
ONTREA INC.	249,782
EUROPRO (KITCHENER) GP INC	125,081
HOMESTEAD LAND HOLDINGS LIMITED	115,106
ONTARIO MINISTER OF ENERGY & INFRASTRUCTURE	93,467
ACTIVA HOLDINGS INC	88,419
VOISIN DEVELOPMENTS LIMITED	86,538
THE INCC CORP	84,647
GF 200 OLD CARRIAGE DRIVE LTD	78,900
MORGUARD NAR (ONTARIO) HOLDINGS LIMITED	71,057
KITCHENER HOUSING INC	69,431
CATALYST 137 KITCHENER INC	65,491
STAMM INVESTMENTS LIMITED	63,651
BOARDWALK REIT PROPERTIES HOLDINGS LTD	63,582

KITCHENER

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