TOWNSHIP OF WILMOT

Council Meeting Agenda

Monday, April 23, 2018

Regular Council Meeting

Council Chambers

7:00 P.M.

1. MOTION TO CONVENE INTO CLOSED SESSION (IF NECESSARY)

2. MOTION TO RECONVENE IN OPEN SESSION (IF NECESSARY)

3. MOMENT OF SILENCE

4. ADDITIONS TO THE AGENDA

5. DISCLOSURE OF PECUNIARY INTEREST UNDER THE MUNICIPAL CONFLICT OF INTEREST ACT

6. MINUTES OF PREVIOUS MEETINGS

6.1 Council Meeting Minutes April 9, 2018

Recommendation

THAT the minutes of the following meeting be adopted as presented:

Council Meeting April 9, 2018.

7. PUBLIC MEETINGS

8. PRESENTATIONS/DELEGATIONS

8.1 Jerry Van Ooteghem, President and CEO
Jim Phillips, Chair
Kitchener-Wilmot Hydro Inc.
Annual Report

Recommendation

THAT the audited financial statements of the corporation for the year ended December 31, 2017 as audited by KPMG LLP, as presented, are hereby received;

THAT James Phillips, Dave Schnarr and during their tenure, Berry Vrbanovic, Les Armstrong, Dave Schnider, Sarah Marsh and Jerry Van Ooteghem be and are hereby elected Directors of Kitchener Power Corp. for the ensuing year; and,

THAT KPMG, LLP be hereby appointed Auditors of Kitchener Power Corp. for the ensuing fiscal year and the Directors are authorized to set their remuneration.

8.2 Mike Arndt, CPA, CA
Graham Mathew Professional Corporation LLP

8.2.1 REPORT NO. FIN 2018-19
2017 Audited Financial Statements

Recommendation

THAT Report FIN 2018-19 regarding the 2017 Annual Financial Report be received for information purposes.

9. REPORTS

9.1 CAO – no reports

9.2 CLERKS

9.2.1 REPORT NO. CL 2018-09

Use of Municipal Resources During a Municipal Election Policy

Recommendation

THAT the Use of Municipal Resources During a Municipal Election Policy be endorsed.

9.2.2 REPORT NO. CL 2018-10

By-law Enforcement Quarterly Activity Report,
January 1st to March 31st, 2018

Recommendation

THAT the Enforcement Activity Report for January 1, 2018 to March 31, 2018 be received for information purposes.

9.3 FINANCE

9.3.1 REPORT NO. FIN 2018-18

2018 Final Tax Levy By-Law

Recommendation

THAT report FIN 2018-18 prepared by the Manager of Accounting, regarding the 2018 Final Tax Levy By-law be received.

9.4 PUBLIC WORKS

9.4.1 REPORT NO. PW-2018-09

Wilmot & Church Street Reconstruction, New Hamburg
Consulting Engineering Services – Award of Contract

Recommendation

THAT RFP 2018-12 be awarded to MTE Consultants to provide consulting engineering services for the reconstruction of Wilmot and Church Street in New Hamburg as per their proposal dated March 29, 2018 for the fee of $89,972.50, plus HST.

9.5 DEVELOPMENT SERVICES – no reports

9.6 FACILITIES AND RECREATION SERVICES

9.6.1 REPORT NO. PRD 2018-03

Award of Tender

A) Stake Truck with Aluminum Box

B) Maintenance Cargo Van

Recommendation

THAT Oxford Dodge Chrysler (1992) Ltd. be awarded the tender for the supply and delivery of a new four wheel drive crew cab and chassis c/w aluminum dump box, for the bid price of $57,648.00 plus applicable taxes, and further

THAT 709226 Ontario Ltd. be awarded the tender for the supply and delivery of a new commercial maintenance cargo van, for the bid price of $30,000.00 plus applicable taxes.

9.7 FIRE – no reports

9.8 CASTLE KILBRIDE – no reports

10. CORRESPONDENCE

10.1 Grand River Conservation Authority – GRCA Current, April, 2018

Recommendation

THAT Correspondence Item No. 10.1 be received for information.

11. BY-LAWS

11.1 By-Law No. 2018-18 – 2018 Final Tax Levy

Recommendation

THAT By-Law No. 2018-18 be read a first, second and third time and finally passed in Open Council.

12. NOTICE OF MOTIONS

13. QUESTIONS/NEW BUSINESS/ANNOUNCEMENTS

14. BUSINESS ARISING FROM CLOSED SESSION

15. CONFIRMATORY BY-LAW

15.1 By-law No. 2018-19

Recommendation

THAT By-law No. 2018-19 to Confirm the Proceedings of Council at its Meeting held on April 23, 2018 be introduced, read a first, second, and third time and finally passed in Open Council.

16. ADJOURNMENT

Recommendation

THAT we do now adjourn to meet again at the call of the Mayor.

TOWNSHIP OF WILMOT

Council Meeting Minutes

Monday, April 9, 2018

Regular Council Meeting

Council Chambers

7:00 P.M.

Members Present:	Mayor L. Armstrong, Councillors A. Junker, P. Roe, B. Fisher and M. Murray
Regrets:	Councillor J. Gerber
Staff Present:	Chief Administrative Officer G. Whittington, Director of Clerk's Services D. Mittelholtz, Director of Public Works J. Molenhuis, Director of Facilities and Recreation Services S. Nancekivell, Director of Development Services H. O'Krafka, Fire Chief R. Leeson, Director of Finance P. Kelly, Curator/Director of Castle Kilbride T. Loch, Manager of Accounting A. Romany

1. MOTION TO CONVENE INTO CLOSED SESSION (IF NECESSARY)

2. MOTION TO RECONVENE IN OPEN SESSION (IF NECESSARY)

3. MOMENT OF SILENCE

Mayor L. Armstrong asked all those present to think of those affected by the Humboldt Broncos tragedy.

4. ADDITIONS TO THE AGENDA

5. DISCLOSURE OF PECUNIARY INTEREST UNDER THE MUNICIPAL CONFLICT OF INTEREST ACT

None disclosed.

6. MINUTES OF PREVIOUS MEETINGS

6.1 Council Meeting Minutes March 26, 2018

Resolution No. 2018-054

Moved by: A. Junker **Seconded by: M. Murray**

THAT the minutes of the following meeting be adopted as presented:

Council Meeting March 26, 2018.

CARRIED.

7. PUBLIC MEETINGS

7.1 REPORT NO. DS 2018-08

Zone Change Application 03/18

Keith Hallman / Craig and Brenda Swartzentruber

Part of Lot 20, Concession South of Snyder's Road

Parts 3 & 4, 58R-3758

1140B Waterloo Street

Resolution No. 2018-055

Moved by: M. Murray **Seconded by: B. Fisher**

THAT Report DS 2018-08 be received for information.

CARRIED.

Mayor Armstrong declared the public meeting open and stated that Council would hear all interested parties who wished to speak. He indicated that if the decision of Council is appealed to the Ontario Municipal Board, the Board has the power to dismiss an appeal if individuals do not speak at the public meeting or make written submissions before the by-law is passed.

Mayor Armstrong stated that persons attending as delegations at this meeting are required to leave their names and addresses which will become part of the public record and advised that this information may be posted on the Township's official website along with email addresses, if provided.

The Director of Development Services highlighted the report.

Mayor L. Armstrong asked if there were questions of a technical nature from Council. There was none.

Mayor L. Armstrong asked twice if anyone wished to address Council on this matter, and in the absence of any comments, declared the public meeting to be closed.

8. PRESENTATIONS/DELEGATIONS

9. REPORTS

9.1 CAO – no reports

9.2 CLERKS

9.2.1 REPORT NO. CL 2018-07

Notice of Request for Drain Improvement

Leonard Haid

Part Lot 6, Concession South of Erb's Road

Township of Wilmot

Resolution No. 2018-056

Moved by: P. Roe **Seconded by: A. Junker**

THAT the Township of Wilmot accept the Notice of Request for Drain Improvement received from Leonard Haid for Part of Lot 6, Concession South of Erb's Road, Township of Wilmot; and,

THAT the Clerk be authorized to proceed accordingly under The Drainage Act.

CARRIED.

The Director of Clerk's Services highlighted the report

9.2.2 REPORT NO. CL 2018-08

Temporary Road Designation Request

William Scott Festival

Resolution No. 2018-057

Moved by: M. Murray **Seconded by: A. Junker**

THAT Council designate Hunter Street (from Huron Street to William Scott Park) as closed on June 23, 2018 from 12:00 noon until 6:00 p.m. for the purposes of a soap box derby in connection with the William Scott Festival.

CARRIED.

The Director of Clerk's Services highlighted the report.

Mayor L. Armstrong clarified for Councillor B. Fisher that the William Scott Festival will include events, other than the Soap Box Derby, occurring in Scott Park.

Councillor A. Junker noted the success of the New Dundee Soap Box Derby which was recently revived as an annual event.

Mayor L. Armstrong concurred that having these traditional family events return is a benefit for the community.

9.3 FINANCE

9.3.1 REPORT NO. FIN 2018-16

Statement of Operations as of March 31, 2018 (un-audited)

Resolution No. 2018-058

Moved by: P. Roe **Seconded by: M. Murray**

THAT the Statement of Operations as of March 31, 2018, as prepared by the Manager of Accounting, be received for information purposes.

CARRIED.

The Manager of Accounting highlighted the report.

Councillor B. Fisher noted the hydro cost savings realized through the conversion to LED street lighting.

9.3.2 REPORT NO. FIN 2018-17

Ontario's Main Streets Revitalization Initiative

Resolution No. 2018-059

Moved by: M. Murray **Seconded by: A. Junker**

THAT the Township of Wilmot enter into a Municipal Funding Agreement (MFA) with the Ministry of Agriculture, Food and Rural Affairs, under the Main Streets Revitalization Initiative; and further

THAT the Mayor and Clerk be authorized to execute said Municipal Funding Agreement, for a funding allocation of up to $55,820.73, towards revitalization activities that support main streets.

CARRIED.

The Director of Finance highlighted the report.

9.4 PUBLIC WORKS

9.4.1 REPORT NO. PW-2018-06

Public Works 1st Quarter Operations Activity Report

January – March 2018

Resolution No. 2018-060

Moved by: P. Roe **Seconded by: M. Murray**

THAT the Public Works Operations 1st Quarter Activity Reports for the months of January, February and March 2018 be received for information.

CARRIED.

The Director of Public Works highlighted the report.

In response to Councillor B. Fisher, the Director of Public Works confirmed that the Township has been in correspondence with the Township of Blandford-Blenheim regarding the Oxford-Waterloo Road bridge and that further details from the consultant are needed before options can be reported. He stated that additional details are also needed for the Bridge Street bridge before staff can make recommendations.

9.4.2 REPORT NO. PW-2018-07
Surface Treatment Program – Award of Contract

Resolution No. 2018-061

Moved by: P. Roe **Seconded by: M. Murray**

THAT Council award Tender 2018-05 to Cornell Construction Limited, in the amount of $487,198.00 (plus HST), for surface treatment of Township roads.

CARRIED.

The Director of Public Works highlighted the report.

9.4.3 REPORT NO. PW-2018-08
Hot Mix Asphalt Paving Program – Award of Contract

Resolution No. 2018-062

Moved by: B. Fisher **Seconded by: M. Murray**

THAT Council award Tender 2018-06 to Brantco Construction, in the amount of $296,206.00 (plus HST), inclusive of provisional items, for the paving of Township roads with hot mix asphalt.

CARRIED.

The Director of Public Works highlighted the report.

The Director of Public Works confirmed for Councillor A. Junker, with the addition of new members of staff in 2018, additional staff resources can be allocated to oversee projects, whereby potential underlying conditions can be identified and remedied.

9.5 DEVELOPMENT SERVICES

9.5.1 REPORT NO. DS 2018-09

2018 First Quarter Building Statistics Summary

Resolution No. 2018-063

Moved by: B. Fisher **Seconded by: A. Junker**

THAT the 1st Quarter 2018 Building Statistics Summary be received for information.

CARRIED

The Director of Development Services highlighted the report.

Councillor B. Fisher requested clarification on the permit issued that was categorized under Miscellaneous. The Director of Development Services advised that he would respond back to Council with details.

9.6 FACILITIES AND RECREATION SERVICES

9.6.1 REPORT NO. PRD 2018-02

Facilities & Recreation Services Quarterly Activity Reports

Resolution No. 2018-064

Moved by: M. Murray **Seconded by: B. Fisher**

THAT the Facilities & Recreation Services Activity Reports for the first quarter of 2018 be received for information.

CARRIED.

The Director of Facilities and Recreation Services highlighted the report and noted that staff is expecting Township parks to be opened for May 1.

The Director of Facilities and Recreation Services confirmed for Councillor B. Fisher that staff are working towards repairing and replacing the picnic tables from Norm S. Hill Park.

9.7 FIRE

9.7.1 REPORT NO. FD 2018-02

Quarterly Activity Report

Resolution No. 2018-065

Moved by: P. Roe **Seconded by: A. Junker**

THAT the Fire Department Activity Report for the first quarter of 2018 be received for information purposes.

CARRIED.

The Fire Chief highlighted the report.

9.8 CASTLE KILBRIDE

9.8.1 REPORT NO. CK 2018-02

Quarterly Activity Report – January, February & March 2018

PR AJ

Resolution No. 2018-066

Moved by: **Seconded by:**

THAT the Castle Kilbride Activity Report for the months of January, February and March be received for information purposes.

CARRIED.

The Director/Curator of Castle Kilbride highlighted the report.

Councillor A. Junker announced to Council that he received compliments from a member of the public who visited the Township Office to conduct research in the archives. The visitor spoke highly of Township staff and stated that the assistance he received exceeded his expectations.

10. CORRESPONDENCE

10.1 Region of Waterloo – Smart Cities Challenge – Phase One Application

Resolution No. 2018-067

Moved by: M. Murray **Seconded by: B. Fisher**

THAT the Township of Wilmot endorse the collaborative Smart Cities Application for Waterloo Region addressing the theme of Healthy Children and Youth as outlined in Report PDL-ECD-18-02 as prepared by the Region of Waterloo.

CARRIED.

11. BY-LAWS

11.1 By-Law No. 2018-16 – By-law to Authorize the Execution of a Municipal Funding Agreement Under Ontario's Main Streets Revitalization Initiative

Resolution No. 2018-068

Moved by: M. Murray **Seconded by: B. Fisher**

THAT By-Law No. 2018-16 be read a first, second and third time and finally passed in Open Council.

CARRIED.

12. NOTICE OF MOTIONS

13. QUESTIONS/NEW BUSINESS/ANNOUNCEMENTS

14. BUSINESS ARISING FROM CLOSED SESSION

15. CONFIRMATORY BY-LAW

15.1 By-law No. 2018-17

Resolution No. 2018-069

Moved by: P. Roe **Seconded by: A. Junker**

THAT By-law No. 2018-17 to Confirm the Proceedings of Council at its Meeting held on April 9, 2018 be introduced, read a first, second, and third time and finally passed in Open Council.

CARRIED.

16. ADJOURNMENT (7:28 P.M.)

Resolution No. 2018-070

Moved by: M. Murray **Seconded by: A. Junker**

THAT we do now adjourn to meet again at the call of the Mayor.

CARRIED.

____
Mayor

____
Clerk

KITCHENER-WILMOT HYDRO INC.

Kitchener-Wilmot Hydro Inc.

Your Local Supplier of Safe, Reliable and Efficient Electricity Distribution Services

ANNUAL REPORT

2017

MESSAGE TO OUR SHAREHOLDERS: **March 23, 2018**

CORPORATION OF THE CITY OF KITCHENER
CORPORATION OF THE TOWNSHIP OF WILMOT

We are pleased to provide you with Kitchener-Wilmot Hydro's annual report, which highlights our achievements for 2017.

For over 100 years, Kitchener-Wilmot Hydro has been a proud contributor to the success of the communities we serve. We remain focused on achieving the objectives laid out in our Strategic Plan, and are making great progress in doing so.

Growth and Sustainability

Kitchener-Wilmot Hydro is one of the most efficient utilities in the province, offering high value for our customers. Our disciplined approach to financial management helps ensure competitive costs and rates, which contributes to Kitchener-Wilmot Hydro having the second-lowest operating cost per customer among electricity utilities in Ontario. In 2017, controllable costs were 41 per cent lower than the 2016 provincial average of $317 for all electricity distributors across the province.

The year began with many customers expressing frustration over escalating electricity costs and perceived mismanagement of the energy file, and ended with the roll out of the Ontario Fair Hydro Plan, which saw electricity rates drop an average of 25 per cent for residential customers, and the Ontario Energy Board's moratorium on winter disconnections. Both of these changes have helped quiet the frustration customers expressed in 2016 for the short term but challenges remain with the cost of energy in the long term. In 2017, electricity consumption and demand declined primarily as a result of moderate temperatures during both the winter and summer. Despite the decline in sales, we continue to strategically pace investment to keep costs in line and distribution rates low.

Our service territory and customer count grew in 2017, thanks not only to the new residents and businesses that chose to make our great community their home, but also through acquisition of 71 load transfer customers from Hydro One, which will ensure those customers receive the most efficient electricity service possible.

Our Conservation Demand Management team is making great progress in achieving our energy savings target under the Conservation First Framework and is on track to surpass our mid-term target.

Finally, through its partnerships in the GridSmartCity Cooperative, Kitchener-Wilmot Hydro continues to pursue collaborative opportunities with other regulated local distribution companies to improve distribution service and control costs for customers. Of particular note is a $2.7 million dollar research project that was awarded to McMaster University, in partnership with the GridSmartCity Cooperative and other partners, by the Ontario Centres of Excellence and the Natural Sciences and Engineering Research Council of Canada (NSERC) under the TargetGHG Collaborative R&D Program, for the innovative ICE-Harvest project. This one-of-a-kind Integrated Community Energy and

Harvesting Systems project combines thermal and electrical energy research technologies to harvest waste heat, improve energy efficiency and reduce GHG emissions to support local community energy and climate change action plans. The GridSmartCity Cooperative is proud to be the major sponsor for this project.

Operational Excellence

Our thoughtful approach to prioritize capital projects contributed to the successes we realized in 2017. We continue to take a long term view of managing our assets and pace investments to strengthen our distribution system and improve reliability. In 2017, we performed better than the provincial average in key reliability indices.

The outage management system introduced in 2016 was put to the test in October as a windstorm swept through the area, bringing down tree branches and powerlines and knocking out power to more than 5,300 customers. The system performed well, and our staff were able to efficiently re-route power and get customers restored quickly and efficiently.

Our engineering and power line crews completed much of the service work needed to get the Region of Waterloo's light-rail transit system, ION, up and running. This critical infrastructure project has encompassed much of the design and construction work undertaken by Kitchener-Wilmot Hydro over the last five years, and we are proud to have played a role in getting the system powered up and ready to roll.

Customer/Stakeholder Focused

We are driven by a key measure: Customer satisfaction. In 2017, we surveyed our customers to measure our performance, and are proud to have received an overall rating of "A" and exceeded both National and Provincial results in many areas, including customer experience performance rating, overall satisfaction, providing good value for money, reliability and outage response, and billing accuracy, among others. The results of the survey also revealed opportunities for improvement in some key areas, and the management team continues to review and refine its practices and procedures to improve score levels.

We opened our doors to more than 500 visitors as a tour stop for Doors Open Waterloo Region in 2017, many of whom stayed for more than an hour and commented that the tour was a highlight of their day. This is due in no small part to the more than 50 employees who volunteered part or all of that Saturday to enthusiastically give a steady stream of visitors tours and information about what it takes to keep the lights on in the City of Kitchener and Township of Wilmot. We thank them for doing such a great job and for representing Kitchener-Wilmot Hydro so well.

Cultivating a high-performance culture

Our highly-skilled workforce is the backbone of the service we provide, and ensuring they have the training and resources they need to succeed is a priority for the company. In 2017 a number of new initiatives were introduced to engage employees and improve communication, including Day in the Life Tours, Breakfast with Jerry, and workshops to improve mindfulness and positive thinking. These initiatives have been well received, and work continues in 2018.

The information contained within these pages shares the story of the hard work and relentless pursuit of excellence demonstrated by the management and employees of Kitchener-Wilmot Hydro, and we are proud of their achievements. On behalf of the Board of Directors, we thank our team for their commitment to outstanding service to our communities. Our success could not be possible without them.

J. Phillips, Chair KPC

C. Motz, Chair KWHI

J. Van Ooteghem, President & CEO

KITCHENER-WILMOT HYDRO INC.

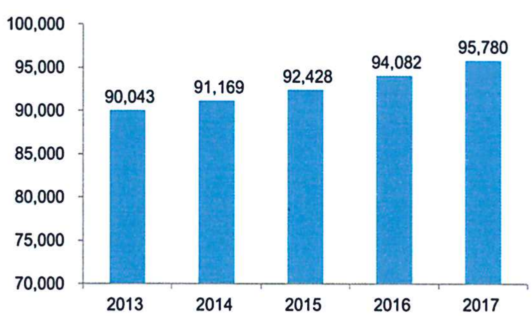
2017 ANNUAL REPORT

Year End Statistics

Number of Customers Served

During the year, total customers served increased by 1,698 or 1.8% to 95,780 (2016 – 94,082) at December 31, 2017. Over the past five years our customer base has increased by 6.4%.

Number of Customers



Kilowatt Hour Consumption

Kilowatt hour consumption decreased by 3.2% to 1.765 billion kWh compared to sales of 1.824 billion kWh in 2016. The decrease in total consumption volume is considerable and reflects the cool weather that we had during the summer and a warmer winter. Any consumption increase due to additional customers was offset by a reduction in electricity usage due to customer conservation initiatives.

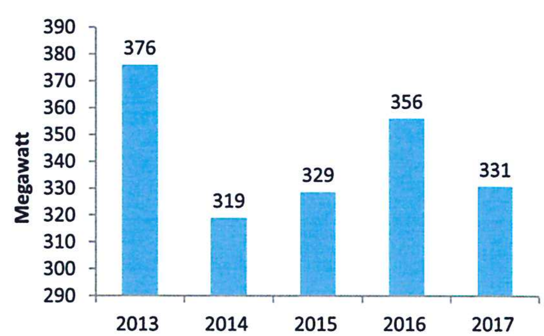
Kilowatt Hour Consumption

Peak Demand

The Ontario system peak demand for electricity consumption for the year was 21,786 MW, which is down 6.1% from 23,213 MW in 2016, a considerable decrease compared to the record peak of 27,005 MW in 2006.

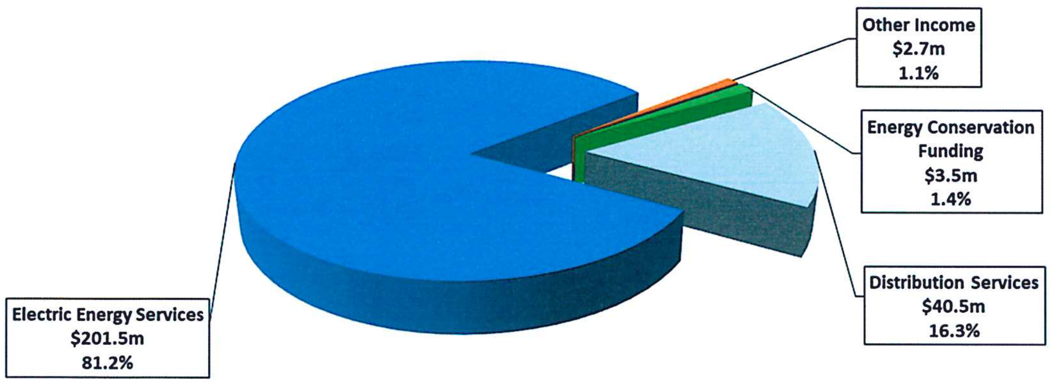
Kitchener-Wilmot Hydro Inc.'s system peak occurred in September and was 331 MW, which is down from 2016 (356 MW) and a significant decrease from the all-time record peak of 387 MW in June 2005

Peak Demand



Financial Performance

Source of Revenue Dollars



Total Revenue

Total revenue from all sources for the year decreased by 9.4% to $248.1m (2016 $274.0m). This is a decrease in total revenue of $25.8m from the prior year.

This revenue decrease is a result of the decrease in electric energy sales due primarily to the implementation of the Fair Hydro Plan.

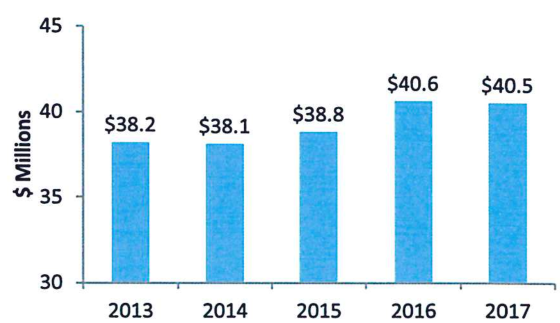
Approximately 81.2% of total revenue or $201.5 million represents electric energy charges collected by Kitchener-Wilmot Hydro Inc. on behalf of third parties.

Total Revenue

Distribution Revenue

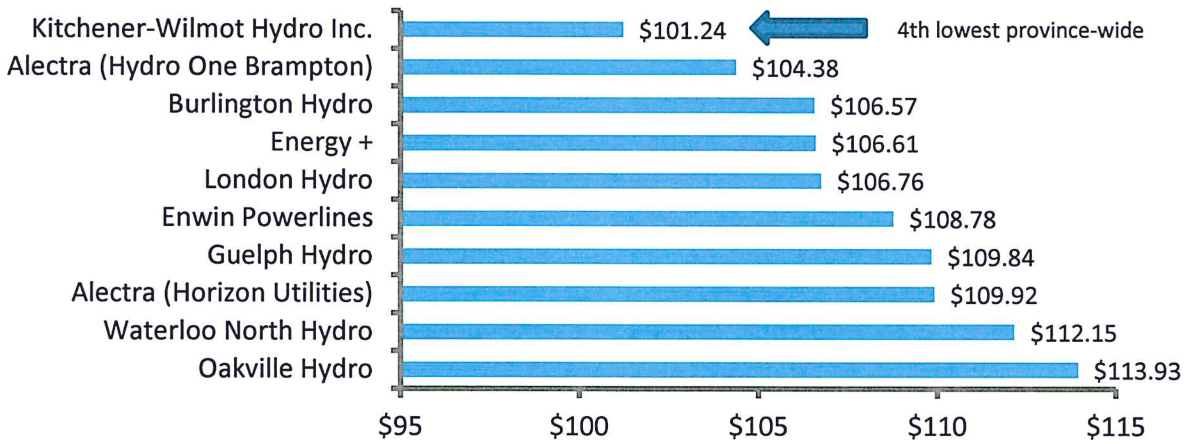
Distribution revenue amounted to $40.5m (2016 - $40.6m) a decrease of 0.3%.

Distribution Revenue

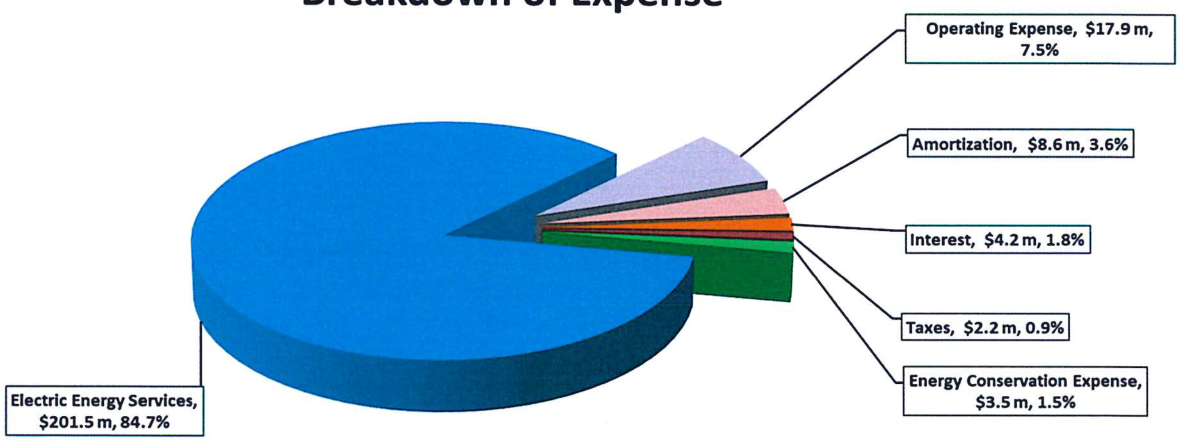


Customers of Kitchener-Wilmot Hydro Inc. continue to benefit from lower residential rates than most residential customers in the province. A comparison of the annual distribution charges paid by an average residential customer to their local LDC is shown below.

Monthly Residential bill (750 kWh) as at Jan. 1, 2018



Breakdown of Expense



Expense

Total expenses including the provision in lieu of corporate income taxes amounted to $237.9m (2016 $263.5m), which is a decrease of $25.5m or 9.7% from the prior year.

Costs associated with purchase of electric energy services from the IESO represents 84.7% of these expenses and are "pass-through" costs to the customer.

Total Expense

Operating Expense

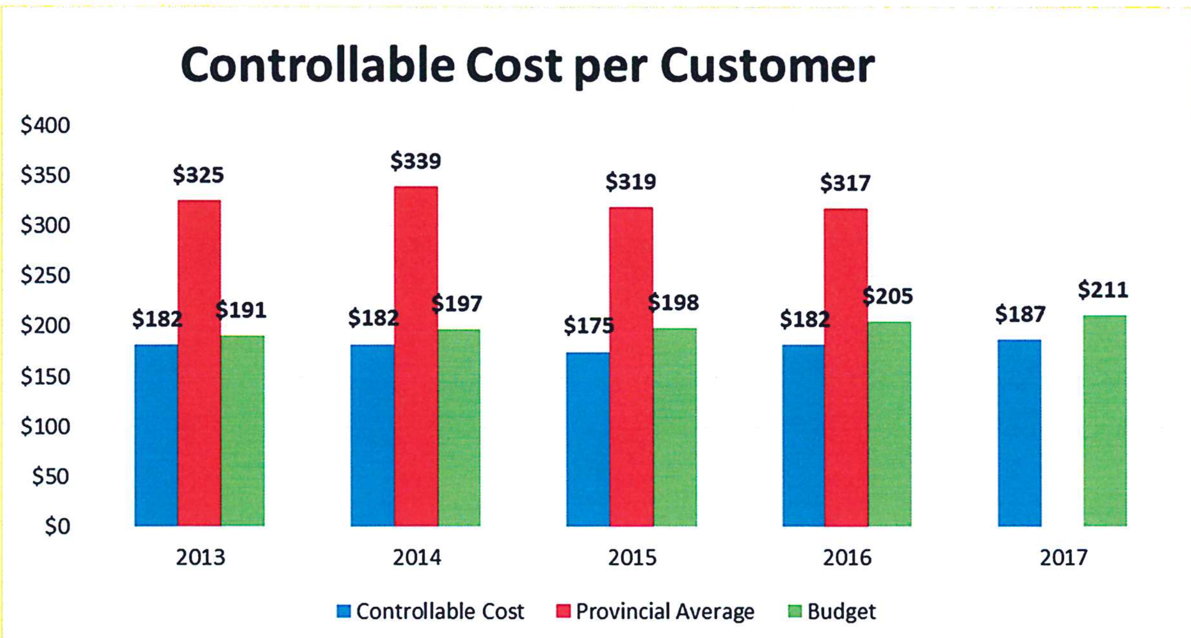
Controllable expenses for the year amounted to $17.9m (2016 - $17.1m) and represents 7.5% of total expenses. This is an increase of $820k or 4.8% from the prior year.

Controllable cost per customer increased to $187 (2016 - $182 excluding non-utility OPA funded CDM expense), which is 2.9% higher than last year.

According to the OEB's Yearbook for results published for 2016, Kitchener-Wilmot Hydro Inc. had the second lowest controllable costs in the province and was 41% lower than the 2016 provincial average of $317 per customer.

Regulatory costs continue to have a major impact on our corporation, amounting to 4.0% (2016 – 4.2%) of total controllable expenses.

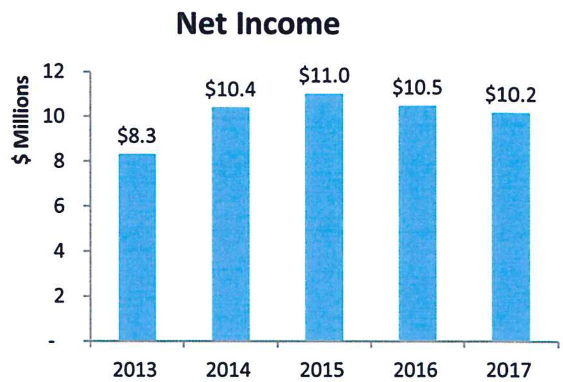
As a direct result of regulatory requirements, direct costs totaling $690k were incurred in 2017 (2016 - $711k). This equates to $7.20 per customer compared to $7.56 per customer in the prior year.



Net Income

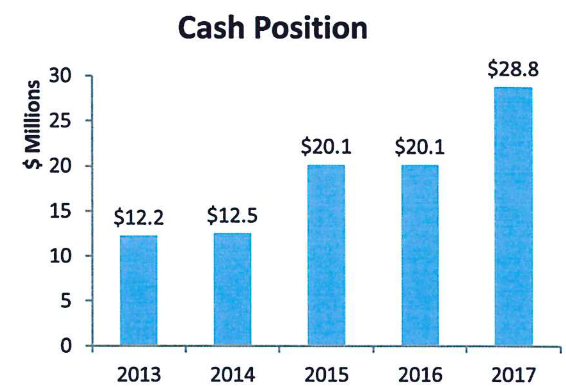
The net income from operations amounted to $10.2m, which is a decrease of $311k from the year 2016. This equates to a rate of return on the deemed rate base of 9.3%.

All earned income was reinvested in plant and equipment to meet demands and to provide a safe, reliable and efficient distribution system, which services both new and existing customers.



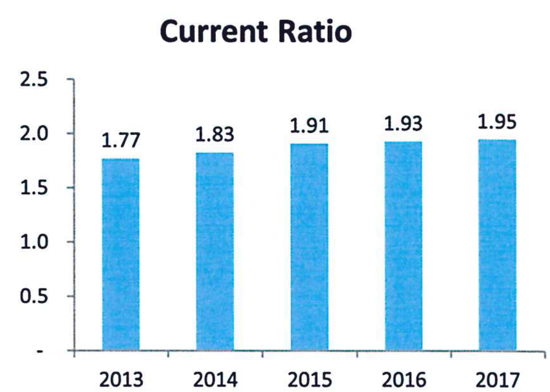
Cash Position

At the end of December 2017, the cash position increased by $8.6m to a total of $28.8m. The higher level of cash from 2016 to 2017 can be attributed to the reduction in accounts receivable.



Current Ratio

Our ratio of current assets to current liabilities remains strong at 1.95 (1.93 in 2016) to support financial obligations as they become due.



Capital Investments

Capital infrastructure investments in system upgrades and expansions continued as planned in accordance with our long term asset management strategy. These investments are vital to ensuring the continued delivery of safe and reliable electricity in the future.

Investments in new plant and equipment amounted to $21.1m, which is a decrease of $4.5m or 18% from 2016 expenditures of $25.6m. Fourteen (14%) of the capital expenditures can be attributed to expenditures associated with the relocation of plant for the new LRT system.

Capital investments include:

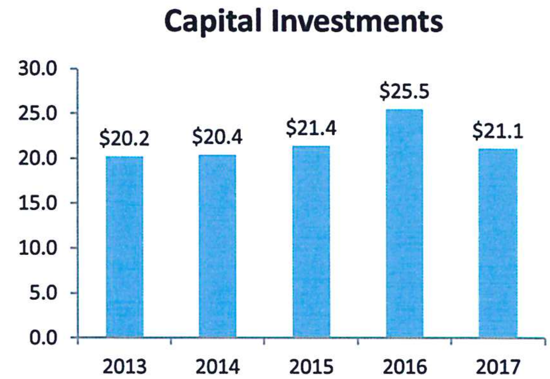
- Service Centre and transformer station building and equipment expenditures totaling $2.1m;

- Overhead distribution system expansion, relocations and rebuilds totaling $6.1m;

- Underground distribution system expansion, relocations and rebuilds in the amount of $7.8m;

- Distribution transformer expenditures totaling $2.7m.

All expenditures were fully financed through internally generated funds.

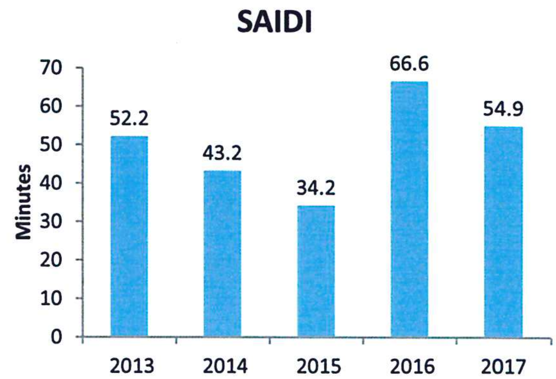


In 2010, Kitchener-Wilmot Hydro Inc. incurred a ten year senior unsecured debenture of $10 million payable to Ontario Infrastructure Projects Corporation for the installation of smart meters. Kitchener-Wilmot Hydro Inc. made two payments on this loan in 2017 totaling $1.2m (principle and interest).

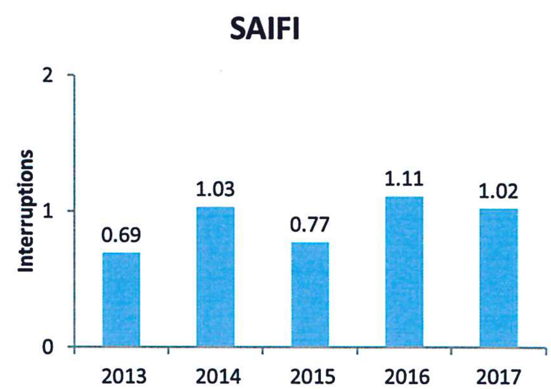
ANNUAL REPORT 2017

Service Reliability Indices

SAIDI is one indicator of the reliability of the distribution system. This shows the length of time on average, that Kitchener-Wilmot Hydro Inc.'s customers were without power in the year (excluding Hydro One transmission system outages). During 2017, the average length of time was 54.9 minutes compared to 66.6 minutes in 2016 (2016 does not include the outages due to the ice storm on March 24). The main causes for the decrease are a reduction in planned outages to accommodate infrastructure upgrades (5 minutes) and a decrease in the number of equipment failures (9 minutes).



SAIFI is another indicator of the reliability of the distribution system. This shows the average number of interruptions per customer during the year (again excluding Hydro One transmission system outages). All planned and unplanned interruptions of one minute or more are used to calculate this ratio. During 2017, the average number of interruptions per customer was 1.02 compared to 1.11 in 2016.



Service Quality Performance

Kitchener-Wilmot Hydro Inc. continued to perform extremely well with respect to several customer service quality performance indicators as specified by the Ontario Energy Board for electricity distributors in the province.

Of significant note are substantial improvements in three areas due to a concerted effort by our staff to improve outcomes in the Connection of new Low Voltage services, Telephone accessibility and Emergency response in the city.

Customer Service Performance Indicator	Criteria	OEB Min Std	2015 %	2016 %	2017 %
Connection of new LV services	5 working days	90%	90%	93%	99%
Connection of new HV services	10 working days	90%	100%	100%	100%
Telephone accessibility	Within 30 secs	65%	78%	78%	93%
Appointments scheduling	5 working days	90%	96%	98%	96%
Written response to inquiries	10 working days	100%	100%	100%	100%
Emergency response - urban	Within 60 mins	80%	84%	81%	95%
Emergency response - rural	Within 120 mins	80%	100%	95%	100%
Telephone call abandon rate	Less than 10%	10%	2%	4%	1%
Appointments met	5 working days	90%	94%	96%	97%
Rescheduling a missed appointment	5 working days	100%	100%	100%	100%
Reconnection performance standard	5 working days	85%	1. 100%	100%	100%

Regulatory Compliance

The year 2017 was again an extremely busy year submitting regulatory filings and responding to OEB reviews and studies as well as implementing business processes and system changes to ensure compliance with continuing regulatory demands on local distribution companies in the province of Ontario

Kitchener-Wilmot Hydro Inc. participated in several major activities in response to legislative, regulatory and market requirements including:

- Introduction of the Fair Hydro Plan
- 2018 IRM rate application (for rates effective January 1, 2018)

In addition, all mandatory quarterly and annual filings as per the OEB's Reporting and Record Keeping Requirements (RRRs) were also completed.

Kitchener-Wilmot Hydro Inc. continues to be ranked among the top 15% of all Ontario LDCs for efficiency (cohort 2 – 8th of 68 LDCs) as published by the OEB under the Renewed Regulatory Framework on August 17th, 2017.

Community Initiatives

In addition to providing safe, reliable and efficient electricity distribution services, Kitchener-Wilmot Hydro Inc. is also a local and proud supporter of our communities.

In 2017, Kitchener-Wilmot Hydro Inc. delivered 26 electrical safety presentations to 1,045 Grade 5 and 6 students at 16 elementary schools. In addition, Kitchener-Wilmot Hydro Inc. sponsored the local Children's Safety Village.

Kitchener-Wilmot Hydro Inc. sponsored two student awards at Conestoga College in 2017 in the Energy System Technology and Electrical Engineering Technology programs.

The Corporation continued its support of the arts and culture community as the Title sponsor for The Centre In The Square's "Classic Albums Live" and "Electric Thursdays" musical series for the tenth consecutive year.

Kitchener-Wilmot Hydro Inc. also provides an annual grant to the City of Kitchener and the Township of Wilmot for tree reforestation, to compensate for the tree trimming which is required to maintain a safe, reliable electrical distribution system. Since 1990, we have contributed $1.86m to this environmental initiative. Kitchener-Wilmot Hydro Inc. is committed to keeping our community green and reducing its carbon footprint.

Conservation and Demand Management

Kitchener-Wilmot Hydro is currently in its third year of the new Conservation First Framework. The Conservation First Framework, a directive from the Ministry of Energy, is designed to reduce electricity consumption within the province of Ontario by 7 terawatt-hours (TWh) by December 31st 2020.

KWHI was assigned a local target of 105.7 GWh of electricity savings. These savings will be achieved through energy saving programs targeting residential and commercial customers.

Residential programs include rebates for LED light bulbs, furnace and AC upgrades and smart thermostats.

Business programs include incentives for lighting, process and equipment modification and combined heat and power projects just to name a few.

Unverified savings results for the end of 2017 puts KWHI conservation results in the top third out of 68 local distribution companies in Ontario. Based on preliminary results it is estimated that KWHI achieved 74.5 GWh of electricity savings during the first three years of the Framework which is equivalent to the average energy consumed by approximately 8300 homes for a year. Continued local participation in savings programs will help KWHI to achieve its long term electricity savings target while continuously helping homeowners and businesses to conserve and remain competitive.

Financial Statements of

Kitchener Power Corp.

Consolidated

Year ended December 31, 2017
(Expressed in thousands of dollars)

KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J 5A3
Canada
Tel 519 747-8800
Fax 519 747-8830

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Kitchener Power Corporation

We have audited the accompanying consolidated financial statements of Kitchener Power Corporation, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Kitchener Power Corporation as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada
March 23, 2018

KITCHENER POWER CORP.

Consolidated Statement of Financial Position

As at December 31, 2017, with comparative information for 2016
(Expressed in thousands of dollars)

	Note		2017		2016
Assets					
Current assets					
Cash	4	$	29,045	$	20,448
Accounts receivable	5		18,203		23,764
Unbilled revenue			21,854		27,589
Inventory	6		2,209		2,864
Prepaid expenses			809		949
Total current assets			72,120		75,614
Non-current assets:					
Property, plant and equipment	7		234,215		222,159
Intangible assets	8		890		1,174
Deferred tax assets	9		140		2,015
Investment in subsidiaries and associates			42		69
Total non-current assets			235,287		225,417
Total assets			307,407		301,031
Regulatory deferral account debit balances	10		10,073		4,487
Deferred taxes associated with regulatory accounts			-		141
Total assets and regulatory assets		$	317,480	$	305,659

KITCHENER POWER CORP.

Consolidated Statement of Financial Position

Year ended December 31, 2017, with comparative information for 2016
(Expressed in thousands of dollars)

	Note	2017	2016
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		$ 26,057	$ 28,608
Income taxes payable		336	195
Current portion of long-term debt	11	1,127	1,080
Current portion customer deposits	13	8,638	8,592
Current portion of deferred revenue		732	584
Total current liabilities		36,890	39,059
Non-current liabilities:			
Long-term debt	11	78,745	79,872
Employee future benefits	12	5,213	5,035
Long-term customer deposits	13	5,886	5,571
Deferred revenue		29,118	23,772
Deferred tax liablilty	9	1,535	-
Total non-current liabilities		120,497	114,250
Total liabilities		157,387	153,309
Shareholders' equity:			
Share capital - common shares	14	66,389	66,389
Retained earnings		81,857	75,886
Accumulated other comprehensive loss		(278)	(245)
Total shareholders' equity		147,968	142,030
Total liabilities and shareholders' equity		305,355	295,339
Regulatory deferral account credit balances	10	11,021	10,320
Deferred taxes associated with regulatory accounts		1,104	-
Total equity, liabilities and shareholders' equity		$ 317,480	$ 305,659

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

On behalf of the Board:

Director

J. Van Ooteghem Director

KITCHENER POWER CORP.

Consolidated Statement of Comprehensive Income

Year ended December 31, 2017, with comparative information for 2016
(Expressed in thousands of dollars)

	Note	2017	2016
Energy sales		$ 204,010	$ 232,647
Cost of energy sold		204,075	228,633
		(65)	4,014
Other operating revenue			
Distribution sales		40,508	40,600
Other income	15	2,785	2,006
Net operating revenue		43,228	46,620
Expenses:			
Operations and maintenance		10,674	9,174
Customer services		4,230	4,415
Administration		4,204	4,133
Amortization		8,552	8,721
		27,660	26,443
Other			
Energy conservation - IESO program revenue		(3,523)	(2,443)
Energy conservation - IESO program expense		3,523	2,443
Net energy conservation - IESO programs		-	-
Finance income	16	(301)	(234)
Finance charges	16	4,109	4,145
Net finance costs		3,808	3,911
Income before income taxes		11,760	16,266
Income tax expense	9	1,823	1,999
Income for the year before movements in regulatory deferral account balances		9,937	14,267
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement	10	229	(3,868)
Income for the year and net movements in regulatory deferral account balances		10,166	10,399
Other comprehensive loss	12	(33)	-
Total comprehensive income for the year		$ 10,133	$ 10,399

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

KITCHENER POWER CORP.

Consolidated Statement of Changes in Equity

Year ended December 31, 2017, with comparative information for 2016
(In thousands of Canadian dollars)

	Share capital	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at January 1, 2016	$ 66,389	$ (245)	$ 69,897	$ 136,041
Net income			10,399	10,399
Other comprehensive income		-	-	-
Dividends			(4,410)	(4,410)
Balance at December 31, 2016	66,389	(245)	75,886	142,030
Net income			10,166	10,166
Other comprehensive income		(33)		(33)
Dividends			(4,195)	(4,195)
Balance at December 31, 2017	$ 66,389	$ (278)	$ 81,857	$ 147,968

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

KITCHENER POWER CORP.

Consolidated Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016
(Expressed in thousands of dollars)

	2017	2016
Cash flows from operating activities:		
Total comprehensive income for the year	$ 10,133	$ 10,399
Adjustments to reconcile net income to cash provided by (used in) operations:		
Amortization	9,252	9,411
Amortization of deferred revenue	(658)	(480)
Gain on disposal of property, plant and equipment	(29)	(54)
Income tax expense	1,823	1,999
Income taxes paid	(1,711)	(2,209)
Increase decrease in employee future benefits	178	135
	18,988	19,201
Change in non-cash operating working capital:		
Accounts receivable	5,561	(26)
Unbilled revenue	5,735	(1,799)
Inventory	655	681
Prepaid expenses	139	66
Accounts payable and accrued liabilities	(2,551)	32
Other current liabilities	194	250
Change in regulatory assets	(5,445)	574
Change in regulatory liabilities	1,834	3,450
Change in deferred tax	3,410	346
Net cash from operating activities	28,520	22,775
Cash flows from investing activities:		
Proceeds on disposals of property, plant and equipment	29	72
Purchase of property, plant and equipment	(20,888)	(25,776)
Purchase of intangible assets	(136)	(710)
Net cash used in investing activities	(20,995)	(26,414)
Cash flows from financing activities:		
Net change in customer deposits	315	253
Investments in subsidiaries and associates	28	(69)
Dividends paid out	(4,195)	(4,410)
Change in contributed capital received	6,004	8,715
Repayment of long-term debt	(1,080)	(1,036)
Net cash from financing activities	1,072	3,453
Change in cash and cash equivalents	8,597	(186)
Cash and cash equivalents, beginning of year	20,448	20,634
Cash and cash equivalents, end of year	$ 29,045	$ 20,448

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, 2017.

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 23, 2018.

(b) Basis of measurement:

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

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

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

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

(c) Functional and presentation currency:

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

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 7 – Property, plant and equipment
ii) Note 9 – Deferred tax assets
iii) Note 12 – Employee future benefits
iv) 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.

The Corporation is required to bill customers for the debt retirement charge set by the province. The Corporation may file to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation ("OEFC") once each year.

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 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.

2. Basis of presentation (continued):

(e) Rate regulation (continued):

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 last filed a COS application on June 21, 2013 for rates effective January 1, 2014 to December 31, 2014. The GDP IPI-FDD for 2017 is 1.9%, the Corporation’s productivity factor is 0% and the stretch factor is 0.15%, resulting in a net adjustment of 1.75% to the previous year’s rates.

(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.

3. Significant accounting policies (continued):

(a) Financial instruments:

All financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(f). The Corporation does not enter 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:

Electricity sales:

Electricity sales are recognized as the electricity is delivered to customers and includes the amounts billed to customers for electricity, including the cost of electricity supplied, distribution, and any other regulatory charges. Electricity revenue is recorded on the basis of regular meter readings and estimated customer usage since the last meter reading date to the end of the year. 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.

Customer billings for debt retirement charges are recorded on a net basis as the Corporation is acting as an agent for this revenue stream.

3. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Revenue from contracts with customers:

Certain customers and developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. Cash contributions are initially 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 economic useful life of the constructed or contributed asset, which represents the period of ongoing service to the customer.

Rendering of services:

Revenue earned from the provision of services is recognized as the service is rendered.

Government grants

Incentive payments to which the Corporation is entitled from the Independent Electricity System Operator ("IESO") are recognized as revenue in the period when they are determined by the IESO and the amount is communicated to the Corporation.

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

(Expressed in thousands of dollars)

3. Significant accounting policies (continued):

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

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.

(e) Intangible assets

(i) Computer software:

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

3. Significant accounting policies (continued):

(e) Intangible assets (continued):

(ii) Land rights:

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Corporation does not hold title. 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	**3-5 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 financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its current carrying amount (using prevailing interest rates), and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

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. The rates from January to September 2017 were 1.1% and from October to December 2017 1.5% (2016 – 1.1%).

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:

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:

		2017		2016
Cash	$	29,045	$	20,448

5. Accounts receivable:

	2017	2016
Customer and other trade receivables	17,985	23,695
Trade receivables from related parties	218	69
	18,203	23,764

6. Inventory:

The amount of inventories consumed by the Corporation and recognized as an expense during 2017 was $406 (2016 - $275).

(Expressed in thousands of dollars)

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, 2017	$ 22,606	$ 203,502	$ 6,727	$ 6,900	$ 239,735
Additions	1,016	20,900	1,530	-	23,446
Transfers	-	-	-	(2,558)	(2,558)
Disposals/Retirements	(24)	29	(1,166)	-	(1,161)
Balance at December 31, 2017	$ 23,598	$ 224,431	$ 7,091	$ 4,342	$ 259,462

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Total
Balance at January 1, 2016	$ 23,880	$ 181,825	$ 6,280	$ 4,672	$ 216,657
Additions	222	22,176	1,150	2,228	25,776
Transfers	-	-	-	-	-
Disposals/Retirements	(1,496)	(499)	(703)	-	(2,698)
Balance at December 31, 2016	$ 22,606	$ 203,502	$ 6,727	$ 6,900	$ 239,735

(b) Accumulated depreciation:

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Total
Balance at January 1, 2017	$ 829	$ 15,701	$ 1,046	$ -	$ 17,576
Depreciation charge	656	6,969	1,207	-	8,832
Disposals/Retirements	(24)	29	(1,166)	-	(1,161)
Balance at December 31, 2017	$ 1,461	$ 22,699	$ 1,087	$ -	$ 25,247

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Total
Balance at January 1, 2016	$ 1,501	$ 9,223	$ 522	$ -	$ 11,246
Depreciation charge	824	6,978	1,209	-	9,011
Disposals/Retirements	(1,496)	(500)	(685)	-	(2,681)
Balance at December 31, 2016	$ 829	$ 15,701	$ 1,046	$ -	$ 17,576

(Expressed in thousands of dollars)

7. Property, plant and equipment (continued) :

(c) Carrying amounts:

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Total
At December 31, 2017	$ 22,137	$ 201,732	$ 6,004	$ 4,342	$ 234,215
At December 31, 2016	$ 21,777	$ 187,801	$ 5,681	$ 6,900	$ 222,159

(d) Leased plant and equipment:

The Corporation does not have leases for plant or equipment.

(e) Security:

At December 31, 2017, the Corporation had zero properties subject to a general security agreement.

(f) Borrowing costs:

During the year, borrowing costs of $ nil (2016 - $ 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, 2017:						
Depreciation of property, plant and equipment	$ 685	$ 8	$ -	$ 7	$ 8,132	$ 8,832
Amortization of intangible assets	-	-	-	-	420	420
	$ 685	$ 8	$ -	$ 7	$ 8,552	$ 9,252

	Operations and maintenance expense	Customer services expense	Administration expense	Energy conservation expense	Other	Total
December 31, 2016:						
Depreciation of property, plant and equipment	$ 677	$ 6	$ -	$ 7	$ 8,311	$ 9,001
Amortization of intangible assets	-	-	-	-	410	410
	$ 677	$ 6	$ -	$ 7	$ 8,721	$ 9,411

8. Intangible assets:

(a) Cost or deemed cost:

	Computer Software	Land Rights	Total
Balance at January 1, 2017	$ 2,390	$ 8	$ 2,398
Additions	136	-	136
Balance at December 31, 2017	$ 2,526	$ 8	$ 2,534
Balance at January 1, 2016	$ 1,680	$ 8	$ 1,688
Additions	710	-	710
Balance at December 31, 2016	$ 2,390	$ 8	$ 2,398

(Expressed in thousands of dollars)

8. Intangible assets(continued):

(b) Accumulated amortization:

	Computer Software	Land Rights	Total
Balance at January 1, 2017	$ 1,216	$ 8	$ 1,224
Additions	420	-	420
Balance at December 31, 2017	$ 1,636	$ 8	$ 1,644
Balance at January 1, 2016	$ 819	$ 5	$ 824
Additions	398	2	400
Balance at December 31, 2016	$ 1,217	$ 7	$ 1,224

(c) Carrying amounts:

	Computer Software	Land Rights	Total
At December 31, 2017	$ 890	$ -	$ 890
At December 31, 2016	$ 1,173	$ 1	$ 1,174

9. Income tax expense:

Current tax expense:

	2017	2016
Current period	$ 1,906	$ 2,029
Adjustment for prior periods	(55)	9
	$ 1,851	$ 2,038

(Expressed in thousands of dollars)

9. Income tax expense (continued):

Deferred tax expense:

		2017		2016
Original & reversal of temporary differences	$	(12)	$	(36)
Recognition of previously unrecognized tax losses		(17)		(3)
	$	(29)	$	(39)

Reconciliation of effective tax rate:

		2017		2016
Total comprehensive income for the year	$	10,133	$	10,399
Total income tax expense		1,823		1,999
Comprehensive income before income taxes		11,956		12,398
Income tax using the Corporation's statutory tax rate of 26.5%		3,169		3,286
Temporary differences not benefitted		(1,291)		(1,296)
Under (over) provided in prior periods		(55)		9
	$	1,823	$	1,999

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

		2017		2016
Deferred tax assets (liabilities):				
Plant and equipment	$	(11,145)	$	(6,063)
Non-vested sick leave		144		167
Employee benefits		1,381		1,334
Intangible assets		7		7
Loss carry-forward		133		116
Deferred tax liability		1,535		-
Deferred revenue - contributed capital		8,085		6,454
	$	140	$	2,015

(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:

	2016	Balances arising in the period	Recovery/ Reversal	Other	2017	Remaining recovery/ reversal period (years)
Regulatory deferral account debit balances						
Group 1 deferred accounts	$ 3,362	$ 184	$ -	$ 1,030	$ 4,576	Note 1
Regulatory asset recovery account	825	10	(41)	-	794	Note 1
Smart meter recovery	13	-	-	-	13	3
Deferred tax asset	-	4,164	-	-	4,164	
Other	287	239	-	-	526	3
Total amount related to regulatory deferral account debit balances	**$ 4,487**	**$ 4,597**	**$ (41)**	**$ 1,030**	**$ 10,073**	

	2016	Balances arising in the period	Recovery/ Reversal	Other	2017	Remaining recovery/ reversal period (years)
Regulatory deferral account credit balances						
Group 1 deferred accounts	$ 9,443	$ 184	$ -	$ 1,030	$ 10,657	Note 1
Deferred tax liability	532	(532)	-	-	-	Note 2
Other	345	19	-	-	364	3
Total amount related to regulatory deferral account credit balances	**$ 10,320**	**$ (329)**	**$ -**	**$ 1,030**	**$ 11,021**	

	2017	2016
Movements in regulatory accounts		
Net change in regulatory deferral account debit and credit balances	$ 4,885	$ (3,847)
Less movement related to the balance sheet		
Deferred income tax	(4,697)	(523)
Deferred revenue	41	502
Amounts moved to property, plant, equipment	-	-
Net movement in regulatory deferral account balances related to profit or loss and the related deferral tax movement	$ 229	$ (3,868)

(Expressed in thousands of dollars)

10. Regulatory deferral account balance (continued):

Note 1 The Corporation expects to be approved for the collection of these amounts in its 2017 filing for 2018 rates.

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

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 4.88% per annum. Interest is payable in quarterly installments, in arrears, on March 31st, June 30th, September 30th and December 31st.

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 million on May 17, 2010. The debenture has an interest rate of 4.28%, and interest is payable in equal semi-annual installments, in arrears, on May 17th and November 17th each year commencing November 17, 2010 until maturity.

	2017	2016
Senior unsecured debentures:		
City of Kitchener	$ 70,998	$ 70,998
Township of Wilmot	5,965	5,965
Ontario Infrastructure Projects Corporation	2,909	3,989
Senior unsecured debentures, net proceeds	$ 79,872	$ 80,952
Less: current portion of long-term debt	$ (1,127)	$ (1,080)
Total long-term debt	$ 78,745	$ 79,872

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, 2017 of $5,213 was based on an actuarial valuation completed in 2016 using a discount rate of 3.9%.

(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:

		2017		2016
Defined benefit obligation, beginning of year	$	5,035	$	4,900
Current service cost		166		156
Interest cost		194		188
Benefits paid during the year		(227)		(209)
Actuarial loss recognized in other comprehensive income		45		-
Accrued benefit liability, end of year	$	5,213	$	5,035

Components of net benefit expense recognized are as follows:

		2017		2016
Current service cost	$	166	$	156
Interest cost		194		188
Net benefit expense recognized	$	360	$	344

Actuarial losses recognized in other comprehensive income:

		2017		2016
Cumulative amount at January 1	$	(245)	$	(245)
Recognized during the year		(33)		-
Cumulative amount at December 31		(278)		(245)
Net benefit expense recognized	$	(33)	$	-

(Expressed in thousands of dollars)

12. Employee future benefits (continued):

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

		2017	2016
Accrued benefit obligation:			
Discount rate		3.9%	3.9%
Benefit cost for the year:	Age		
Withdrawal rate	18-29	3.50%	2.75%
	30-34	2.50%	2.25%
	35-39	2.2%	2.0%
	40-49	1.8%	1.5%
	50-54	1.4%	1.5%
Assumed health care cost trend rates:			
Initial health care cost trend rate	Health	6.2%	6.4%
	Dental	4.5%	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	$ 186	$ 28
1% decrease in health care trend rate	$ (149)	$ (24)

Historical Information

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

	2017	2016
Defined benefit obligation	$ 5,213	$ 5,035
Experience adjustments	$ (33)	$ -

(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 2017, and thereafter (2016 - 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, 2017, was 3.9% (2016 – 3.9%).

Salary levels - future general salary and wage levels were assumed to increase at 3.3% (2016 - 3.3%) per annum.

Medical costs - medical costs were assumed to increase 6.4% for 2016, 6.2% for 2017, decreasing annually to 4.5% in 2025 and beyond.

Dental costs - dental costs were assumed to be 4.5% for 2016, 4.5% for 2017 and thereafter.

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:

	2017	2016
Customer deposits	$ 7,664	$ 7,546
Construction deposits	5,702	5,459
IESO deposit for energy conservation programs	1,158	1,158
Total customer and IESO deposits	$ 14,524	$ 14,163

(Expressed in thousands of dollars)

14. Share capital:

	2017	2016
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 $4,195 (2016 - $4,410).

15. Other operating revenue:

Other income comprises:

	2017	2016
Specific service charges	$ 1,654	$ 1,223
Deferred revenue	658	480
Scrap sales	363	170
Net gain on disposal of capital assets	29	54
Retailer services	35	39
Sundry	46	40
Total other income	$ 2,785	$ 2,006

16. Finance income and expense:

	2017	2016
Interest income on bank deposits	$ 301	$ 234
Finance income	301	234
Interest expense on long-term debt	3,911	3,957
Interest expense on BMO Letter of Credit	123	123
Interest expense on deposits	70	58
Other	5	7
	4,109	4,145
Net finance costs recognized in profit or loss	$ 3,808	$ 3,911

(Expressed in thousands of dollars)

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, 2017, no assessments have been made.

18. Guarantees:

Guarantees are not applicable to the Corporation.

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 2017, the Corporation made employer contributions of $1,600 to OMERS (2016 - $1,500). The Corporation's net benefit expense has been allocated as follows:

a. $400 (2016 - $400) capitalized as part of property, plant and equipment;

b. $1,200 (2016 - $1,100) charged to net income.

The Corporation estimates that a contribution of $1,700 to OMERS will be made during the next fiscal year

20. Employee benefits:

	2017	2016
Salaries, wages and benefits	$ 18,426	$ 18,356
CPP and EI remittances	700	724
Contributions to OMERS	1,582	1,528
Expenses related to defined benefit plans	360	345
	$ 21,068	$ 20,953

(Expressed in thousands of dollars)

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.

		2017		2016
Directors' fees	$	112	$	104
Salaries and other short-term benefits		900		981
Post employment benefits		17		18
Other long-term benefits (OMERS)		74		79
	$	1,103	$	1,182

(d) Transactions with parent:

During the year the Corporation paid management and business development services to its parent in the amount of $ nil (2016 - $ 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.

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

In 2017, 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, 2017 is $2,900 (2016 - $4,000). The fair value is 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 December 31, 2017 was 4.28% (2016 – 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, 2017, one customer accounted for more than 1% of total accounts receivable. Totaling $207 (or 1.1%) out of a total accounts receivable of $18,329. The outstanding balance was paid in January 2018.

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, 2017 is $250 (2016 - $250). An impairment loss of $155 (2016 - $129) was recognized during the year.

22. Financial instruments and risk management (continued):

(a) Credit risk (continued):

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2017, approximately $210 (2016 - $178) is considered 60 days past due. The Corporation has over 95 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, 2017, the Corporation holds security deposits in the amount of $14,500 (2016 - $14,200).

(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, 2017 would have increased interest expense on the long-term debt by $29 (2016 - $80), 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 $5,000 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, 2017, no amounts had been drawn under BMO Bank of Montreal credit facility (2016, $ 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 (2016 - $35,000).

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

22. Financial instruments and risk management (continued):

(d) Capital disclosures:

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

The Corporation’s definition of capital includes shareholder’s equity and long-term debt. As at December 31, 2017, shareholder’s equity amounts to $147,968 (2016 - $142,030) and long-term debt amounts to $78,745 (2016 - $79,872).

23. Future accounting pronouncements:

The Company is evaluating the adoption of the following new and revised standards along with any subsequent amendments.

Revenue Recognition

The IASB has issued IFRS 15 Revenue from Contracts with Customers (“IFRS 15”). IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and various interpretations and establishes principles regarding the nature, amount, timing and uncertainty of revenue arising from contracts with customers. The standard requires entities to recognize revenue for the transfer of goods or services to customers measured at the amounts an entity expects to be entitled to in exchange for those goods or services. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Corporation is assessing the impact of IFRS 15 on its results of operations, financial position and disclosures.

Financial Instruments

In July 2015, the IASB issued a new standard, IFRS 9 Financial Instruments, which will replace IAS 39 Financial Instruments: Recognition and Measurement. The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 is part of the first phase of this project. IFRS 9 is effective for periods beginning on or after January 1, 2018 and must be applied retrospectively. The Corporation is assessing the impact of IFRS 9 on its results of operations, financial position, and disclosures.

23. Future accounting pronouncements (continued):

Leases

In January 2016, the IASB issued IFRS 16 to establish principles for the recognition, measurement, presentation and disclosures of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 replaces IAS17 and it is effective for annual periods beginning on or after January 1, 2019. The Corporation is assessing the impact of IFRS 16 on its results of operations, financial position and disclosures.

Financial Statements of

Kitchener Power Corp.

(Unconsolidated)

Year ended December 31, 2017
(Expressed in thousands of dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Kitchener Power Corporation

We have audited the accompanying non-consolidated financial statements of Kitchener Power Corporation, which comprise the non-consolidated statement of financial position as at December 31, 2017, the non-consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

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

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of Kitchener Power Corporation as at December 31, 2017, and its non-consolidated financial performance and its non-consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants

KPMG LLP

Waterloo, Canada
March 23, 2018

KITCHENER POWER CORP.

Statement of Financial Position

As at December 31, 2017, with comparative information for 2016
(Expressed in thousands of dollars)

	Note	2017	2016
Assets			
Current assets			
Cash and cash equivalents	4	$ 258	$ 330
Accounts receivable	5	5	1
Prepaid Expenses		-	2
Total current assets		263	333
Non-current assets:			
Deferred tax assets	6	$ 140	$ 123
Investment in subsidiaries and associates	7	147,569	141,584
Total non-current assets		147,709	141,707
Total assets		$ 147,972	$ 142,040

	Note	2017	2016
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		$ 4	$ 10
Total liabilities		4	10
Shareholders' equity:			
Share capital - common shares	8	$ 66,389	$ 66,389
Retained earnings		81,579	75,641
Total shareholders' equity		147,968	142,030
Total equity, liabilities and shareholders' equity		$ 147,972	$ 142,040

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

On behalf of the Board:

Director

Director

KITCHENER POWER CORP.

Statement of Comprehensive Income

Year ended December 31, 2017, with comparative information for 2016
(Expressed in thousands of dollars)

	Note		2017		2016
Revenue					
Income from subsidiaries and associates	7		10,180		10,457
Net operating revenue			10,180		10,457
Expenses:					
Administration			68		68
			68		68
Other					
Finance income			(4)		(7)
Net finance income			(4)		(7)
Income before income taxes			10,116		10,396
Income tax recovery	6		(17)		(3)
Total comprehensive income for the year		$	10,133	$	10,399

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

KITCHENER POWER CORP.

Statement of Changes in Equity

Year ended December 31, 2017, with comparative information for 2016
(In thousands of Canadian dollars)

		Share capital	Accumulated other comprehensive income (loss)		Retained earnings		Total
Balance at January 1, 2016	$	66,389		$	69,652	$	136,041
Net income					10,399		10,399
Other comprehensive income					-		-
Dividends					(4,410)		(4,410)
Balance at December 31, 2016		66,389			75,641		142,030
Net income					10,133		10,133
Other comprehensive income					0		-
Dividends					(4,195)		(4,195)
Balance at December 31, 2017	$	66,389		$	81,579	$	147,968

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

KITCHENER POWER CORP.

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016
(Expressed in thousands of dollars)

	2017	2016
Cash flows from operating activities:		
Total comprehensive income for the year	$ 10,133	$ 10,399
Adjustments to reconcile net income to cash provided by (used in) operations:		
Income from subsidiaries	(10,180)	(10,457)
Income tax recovery	(17)	(3)
	(64)	(61)
Change in non-cash operating working capital:		
Accounts receivable	(4)	(1)
Prepaid expenses	2	(2)
Accounts payable and accrued liabilities	(6)	6
Net cash from operating activities	(72)	(58)
Cash flows from investing activities:		
Dividends received	4,195	4,410
Net cash from investing activities	4,195	4,410
Cash flows from financing activities:		
Investments in subsidiaries	-	(100)
Dividends paid out	(4,195)	(4,410)
Net cash from financing activities	(4,195)	(4,510)
Change in cash and cash equivalents	(72)	(158)
Cash and cash equivalents, beginning of year	330	487
Cash and cash equivalents, end of year	$ 258	$ 330

The accompanying notes are an integral part of these unconsolidated 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 Corp., 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, 2017, unconsolidated.

2. Basis of presentation:

(a) Statement of compliance:

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), with the exception that investments in subsidiary and associate companies are accounted for by the equity method. The financial statements were approved by the Board of Directors on March 23, 2018.

(b) Basis of measurement:

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

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

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

The methods used to measure fair values are discussed further in note 12.

(c) Functional and presentation currency:

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

(d) 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.

2. Basis of presentation (continued):

(e) 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 6 – Income tax expense
(ii) Note 7 – Long term investments in subsidiaries and associates

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:

All financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets. The Corporation does not enter 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.

3. Significant accounting policies (continued):

(b) Impairment:

(i) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its current carrying amount (using prevailing interest rates), and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

(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.

3. Significant accounting policies (continued):

(c) 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.

(d) 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.

(e) Income taxes:

The income tax expense is comprised of 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.

4. Cash:

	2017	2016
Cash	$ 258	$ 330

5. Accounts receivable:

	2017	2016
Accounts receivable	$ 5	$ 1

(Expressed in thousands of dollars)

6. Income tax expense:

The current tax expense for 2017 is nil (2016 - nil).

Deferred tax expense:

	2017	2016
Original & reversal of temporary differences	$ (17)	$ (3)
Recognition of previously unrecognized tax losses	-	-
	$ (17)	$ (3)

Reconciliation of effective tax rate:

	2017	2016
Profit for the period	$ 10,133	$ 10,399
Total income tax expense	(17)	(3)
Profit excluding income tax	10,116	10,396
Income tax using the Corporation's statutory tax rate	2,681	2,755
Taxes associated with non-taxable equity income	(2,690)	(2,771)
Other differences	(8)	13
	$ (17)	$ (3)

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

	2017	2016
Deferred tax assets (liabilities):		
Intangible assets	$ 7	$ 7
Loss carry-forward	133	116
	$ 140	$ 123

(Expressed in thousands of dollars)

7. Long-term investments in subsidiaries and associates:

The Company owns 100% of Kitchener-Wilmot Hydro Inc., a regulated distribution company, Kitchener Energy Services Inc., an unregulated retail services company. The Company also owns 33% of Grand River Energy Corp., an unregulated company.

2017	Investment in Kitchener-Wilmot Hydro Inc.	Investment in Grand River Energy Corp.	Investment in Kitchener Energy Services Inc.	Total Investment
Balance, beginning of year	$ 141,515	$ 69	$ -	$ 141,584
Investment in associate		-		-
Equity share of earnings	10,177	(27)	30	10,180
Dividends issued	(4,195)	-	-	(4,195)
Balance, end of year	$ 147,497	$ 42	$ 30	$ 147,569

2016				
Balance, beginning of year	$ 135,437	$ -	$ -	$ 135,437
Investment in associate	$ -	$ 100	$ -	$ 100
Equity share of earnings	10,488	(31)	-	$ 10,457
Dividends issued	(4,410)	-	-	(4,410)
Balance, end of year	$ 141,515	$ 69	$ -	$ 141,584

8. Share capital:

	2017	2016
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 $4,195 (2016 - $4,410).

(Expressed in thousands of dollars)

9. 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, 2017, no assessments have been made.

10. Guarantees:

Guarantees are not applicable to the Corporation.

11. 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 is defined as members of its board of directors, and is summarized below.

	2017	2016
Directors' remuneration	$ 50	$ 47
CPP remittances	1	1
	$ 51	$ 48

11. Related party transactions (continued):

(d) Transactions with shareholders:

During the year the Corporation paid management and business development services to its shareholders in the amount of nil (2016 - nil).

(e) Transactions with entity with significant influence:

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

12. 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.

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 interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

(a) 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.

(b) 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.

(c) Capital disclosures:

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2017, shareholder's equity amounts to $147,968 (2016 - $142,030) and long-term debt amounts of nil (2016 - nil).

13. Future accounting pronouncements

The Company is evaluating the adoption of the following new and revised standards along with any subsequent amendments.

Revenue Recognition

The IASB has issued IFRS 15 Revenue from Contracts with Customers (“IFRS 15”). IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and various interpretations and establishes principles regarding the nature, amount, timing and uncertainty of revenue arising from contracts with customers. The standard requires entities to recognize revenue for the transfer of goods or services to customers measured at the amounts an entity expects to be entitled to in exchange for those goods or services. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Corporation is assessing the impact of IFRS 15 on its results of operations, financial position and disclosures.

Financial Instruments

In July 2015, the IASB issued a new standard, IFRS 9 Financial Instruments, which will replace IAS 39 Financial Instruments: Recognition and Measurement. The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 is part of the first phase of this project. IFRS 9 is effective for periods beginning on or after January 1, 2018 and must be applied retrospectively. The Corporation is assessing the impact of IFRS 9 on its results of operations, financial position, and disclosures.

Leases

In January 2016, the IASB issued IFRS 16 to establish principles for the recognition, measurement, presentation and disclosures of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 replaces IAS17 and it is effective for annual periods beginning on or after January 1, 2019. The Corporation is assessing the impact of IFRS 16 on its results of operations, financial position and disclosures.

Financial Statements of

Kitchener-Wilmot Hydro Inc.

Year ended December 31, 2017
(Expressed in thousands of dollars)

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Kitchener-Wilmot Hydro Inc.

We have audited the accompanying financial statements of Kitchener-Wilmot Hydro Inc., which comprise the statement of financial position as at December 31, 2017, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Kitchener-Wilmot Hydro Inc. as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada
March 23, 2018

KITCHENER-WILMOT HYDRO INC.

Statement of Financial Position

As at December 31, 2017, with comparative information for 2016
(Expressed in thousands of dollars)

	Note	2017	2016
Assets			
Current assets			
Cash	4	$ 28,765	$ 20,119
Accounts receivable	5	18,167	23,763
Unbilled revenue		21,854	27,589
Inventory	6	2,209	2,864
Prepaid expenses		810	946
Total current assets		71,805	75,281
Non-current assets:			
Property, plant and equipment	7	234,215	222,159
Intangible assets	8	890	1,174
Deferred tax assets	9	-	1,892
Total non-current assets		235,105	225,225
Total assets		306,910	300,506
Regulatory deferral account debit balances	10	10,073	4,487
Deferred taxes associated with regulatory accounts		-	141
Total assets and regulatory assets		$ 316,983	$ 305,134

KITCHENER-WILMOT HYDRO INC.

Statement of Financial Position

Year ended December 31, 2017, with comparative information for 2016
(Expressed in thousands of dollars)

	Note	2017	2016
Liabilities and Shareholder's Equity			
Current liabilities:			
Accounts payable and accrued liabilities		$ 26,031	$ 28,598
Income taxes payable		336	195
Current portion of long-term debt	11	1,127	1,080
Current portion customer deposits	13	8,638	8,592
Current portion of deferred revenue		732	584
Total current liabilities		36,864	39,049
Non-current liabilities:			
Long-term debt	11	78,745	79,872
Employee future benefits	12	5,213	5,035
Long-term customer deposits	13	5,886	5,571
Deferred revenue		29,118	23,772
Deferred tax liability	9	1,535	-
Total non-current liabilities		120,497	114,250
Total liabilities		157,361	153,299
Shareholder's equity:			
Share capital - common shares	14	63,689	63,689
Retained earnings		84,086	78,071
Accumulated other comprehensive loss		(278)	(245)
Total shareholder's equity		147,497	141,515
Total liabilities and shareholder's equity		304,858	294,814
Regulatory deferral account credit balances	10	11,021	10,320
Deferred taxes associated with regulatory accounts		1,104	-
Total equity, liabilities and shareholder's equity		$ 316,983	$ 305,134

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

On behalf of the Board:

______________ Director ______________ Director

KITCHENER-WILMOT HYDRO INC.

Statement of Comprehensive Income

Year ended December 31, 2017, with comparative information for 2016
(Expressed in thousands of dollars)

	Note	2017	2016
Energy sales		$ 204,010	$ 232,647
Cost of energy sold		204,075	228,633
		(65)	4,014
Other operating revenue			
Distribution revenue		40,506	40,600
Other income	15	2,297	2,037
Net operating revenue		42,738	46,651
Expenses:			
Operations and maintenance		10,205	9,173
Customer services		4,230	4,415
Administration		4,130	4,066
Amortization		8,552	8,721
		27,117	26,375
Other			
Energy conservation - IESO program revenue		(3,523)	(2,443)
Energy conservation - IESO program expense		3,523	2,443
Net energy conservation - IESO programs		-	-
Finance income	16	(297)	(227)
Finance charges	16	4,109	4,145
Net finance costs		3,812	3,918
Income before income taxes		11,809	16,358
Income tax expense	9	1,828	2,002
Income for the year before movements in regulatory deferral account balances and OCI		9,981	14,356
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement	10	229	(3,868)
Other comprehensive loss	12	(33)	-
Total comprehensive income for the year		$ 10,177	$ 10,488

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

KITCHENER-WILMOT HYDRO INC.

Statement of Changes in Equity

Year ended December 31, 2017, with comparative information for 2016
(In thousands of Canadian dollars)

	Share capital		Accumulated other comprehensive income (loss)		Retained earnings		Total	
Balance at January 1, 2016	$	63,689	$	(245)	$	71,992	$	135,436
Net income					$	10,489	$	10,489
Dividends					$	(4,410)	$	(4,410)
Balance at December 31, 2016	$	63,689	$	(245)	$	78,071	$	141,515
Net income before OCI					$	10,210	$	10,210
Other comprehensive income			$	(33)			$	(33)
Dividends					$	(4,195)	$	(4,195)
Balance at December 31, 2017	$	63,689		(278)	$	84,086	$	147,497

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

KITCHENER-WILMOT HYDRO INC.

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016
(Expressed in thousands of dollars)

	2017	2016
Cash flows from operating activities:		
Total comprehensive income for the year	$ 10,177	$ 10,488
Adjustments to reconcile net income to cash provided by (used in) operations:		
Amortization	9,252	9,411
Amortization of deferred revenue	(658)	(480)
Gain on disposal of property, plant and equipment	(29)	(54)
Income tax expense	1,828	2,002
Income taxes paid	(1,699)	(2,209)
Increase in employee future benefits	178	135
	19,049	19,293
Change in non-cash operating working capital:		
Accounts Receivable	5,596	(25)
Unbilled revenue	5,735	(1,800)
Inventory	655	681
Prepaid expenses	136	68
Accounts payable and accrued liabilities	(2,567)	25
Other current liabilities	194	250
Change in regulatory assets	(5,445)	576
Change in regulatory liabilities	1,817	3,447
Change in deferred tax	3,427	349
Net cash from operating activities	28,597	22,864
Cash flows from investing activities:		
Proceeds on disposals of property, plant and equipment	29	72
Purchase of property, plant and equipment	(20,888)	(25,776)
Purchase of intangible assets	(136)	(710)
Net cash used in investing activities	(20,995)	(26,414)
Cash flows from financing activities:		
Net change in customer deposits	315	253
Dividends paid out	(4,195)	(4,410)
Change in contributed capital received	6,004	8,715
Repayment of long-term debt	(1,080)	(1,036)
Net cash from financing activities	1,044	3,522
Change in cash and cash equivalents	8,646	(28)
Cash and cash equivalents, beginning of year	20,119	20,147
Cash and cash equivalents, end of year	$ 28,765	$ 20,119

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

1. Reporting entity:

Kitchener-Wilmot Hydro Inc. (the "Corporation") is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Corporation is located in the City of Kitchener. The address of the Corporation's registered office is 301 Victoria Street South, Kitchener, Ontario, Canada.

The Corporation delivers electricity and related energy services to residential and commercial customers in the City of Kitchener and the Township of Wilmot. The Corporation is wholly owned by Kitchener Power Corporation, which is itself wholly owned by the Corporation of the City of Kitchener and the Corporation of the Township of Wilmot.

The financial statements are for the Corporation as at and for the year ended December 31, 2017.

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 23, 2018.

(b) Basis of measurement:

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

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

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

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

(c) Functional and presentation currency:

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

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 7 – Property, plant and equipment
(j) Note 9 – Deferred tax assets
(ii) Note 12 – Employee future benefits
(iii) 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.

The Corporation is required to bill customers for the debt retirement charge set by the province. The Corporation may file to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation ("OEFC") once each year.

Rate setting:

Distribution revenue and electricity rates

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

2. Basis of presentation (continued):

(e) Rate regulation (continued):

For the distribution revenue included in electricity sales, the Corporation files a "Cost of Service" ("COS") rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenses, debt and shareholder's equity required to support the Corporation's business. The Corporation estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and intervenors 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 last filed a COS application on June 21, 2013 for rates effective January 1, 2014 to December 31, 2014. The GDP IPI-FDD for 2017 is 1.9%, the Corporation's productivity factor is 0% and the stretch factor is 0.15%, resulting in a net adjustment of 1.75% to the previous year's rates.

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:

All financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(f). The Corporation does not enter 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:

Electricity sales:

Electricity sales are recognized as the electricity is delivered to customers and includes the amounts billed to customers for electricity, including the cost of electricity supplied, distribution, and any other regulatory charges. Electricity revenue is recorded on the basis of regular meter readings and estimated customer usage since the last meter reading date to the end of the year. 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.

Customer billings for debt retirement charges are recorded on a net basis as the Corporation is acting as an agent for this revenue stream.

3. Significant accounting policies (continued):

Revenue recognition (continued):

Revenue from contracts with customers:

Certain customers and developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. Cash contributions are initially 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 economic useful life of the constructed or contributed asset, which represents the period of ongoing service to the customer.

Rendering of services:

Revenue earned from the provision of services is recognized as the service is rendered.

Government grants

Incentive payments to which the Corporation is entitled from the Independent Electricity System Operator (“IESO”) are recognized as revenue in the period when they are determined by the IESO and the amount is communicated to the Corporation.

(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, 2014 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 determined under Canadian GAAP as the deemed cost at January 1, 2014, the transition date to IFRS.

(Expressed in thousands of dollars)

3. Significant accounting policies (continued):

Property, plant and equipment (continued):

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.

(e) Intangible assets

(i) Computer software:

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

3. Significant accounting policies (continued):

Intangible assets (continued):

(ii) Land rights:

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Corporation does not hold title. 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	**3-5 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 financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its current carrying amount (using prevailing interest rates), and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

3. Significant accounting policies (continued):

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. The rates from January to September 2017 were 1.1% and October to December 2017 were 1.5% (2016 – 1.1%).

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:

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:

		2017		2016
Cash	$	28,765	$	20,119

5. Accounts receivable:

		2017		2016
Customer and other trade receivables	$	17,960	$	23,696
Trade receivables from related parties		207		67
	$	18,167	$	23,763

6. Inventory:

The amount of inventories consumed by the Corporation and recognized as an expense during 2017 was $406 (2016 - $275).

(Expressed in thousands of dollars)

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, 2017	$ 22,606	$ 203,502	$ 6,727	$ 6,900	$ 239,735
Additions	1,016	20,900	1,530	-	23,446
Transfers	-	-	-	(2,558)	(2,558)
Disposals/Retirements	(24)	29	(1,166)	-	(1,161)
Balance at December 31, 2017	$ 23,598	$ 224,431	$ 7,091	$ 4,342	$ 259,462

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Total
Balance at January 1, 2016	$ 23,880	$ 181,825	$ 6,280	$ 4,672	$ 216,657
Additions	222	22,176	1,150	2,228	25,776
Transfers	-	-	-	-	-
Disposals/Retirements	(1,496)	(499)	(703)	-	(2,698)
Balance at December 31, 2016	$ 22,606	$ 203,502	$ 6,727	$ 6,900	$ 239,735

(b) Accumulated depreciation:

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Total
Balance at January 1, 2017	$ 829	$ 15,701	$ 1,046	$ -	$ 17,576
Depreciation charge	656	6,969	1,207	-	8,832
Disposals/Retirements	(24)	29	(1,166)	-	(1,161)
Balance at December 31, 2017	$ 1,461	$ 22,699	$ 1,087	$ -	$ 25,247

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Total
Balance at January 1, 2016	$ 1,501	$ 9,223	$ 522	$ -	$ 11,246
Depreciation charge	824	6,978	1,209	-	9,011
Disposals/Retirements	(1,496)	(500)	(685)	-	(2,681)
Balance at December 31, 2016	$ 829	$ 15,701	$ 1,046	$ -	$ 17,576

(Expressed in thousands of dollars)

7. Property, plant and equipment (continued):

(c) Carrying amounts:

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Total
At December 31, 2017	$ 22,137	$ 201,732	$ 6,004	$ 4,342	$ 234,215
At December 31, 2016	$ 21,777	$ 187,801	$ 5,681	$ 6,900	$ 222,159

(d) Leased plant and equipment:

The Corporation does not have leases for plant or equipment.

(e) Security:

At December 31, 2017, the Corporation had zero properties subject to a general security agreement.

(f) Borrowing costs:

During the year, borrowing costs of $ nil (2016 - $ 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	General and administration expense	Energy Conservation expense	Other	Total
December 31, 2017:						
Depreciation of property, plant and equipment	$ 685	$ 8	$ -	$ 7	$ 8,132	$ 8,832
Amortization of intangible assets	-	-	-	-	420	420
	$ 685	$ 8	$ -	$ 7	$ 8,552	$ 9,252
December 31, 2016:						
Depreciation of property, plant and equipment	$ 677	$ 6	$ -	$ 7	$ 8,321	$ 9,011
Amortization of intangible assets	-	-	-	-	400	400
	$ 677	$ 6	$ -	$ 7	$ 8,721	$ 9,411

8. Intangible assets:

(a) Cost or deemed cost:

	Computer Software	Land Rights	Total
Balance at January 1, 2017	$ 2,390	$ 8	$ 2,398
Additions	136	-	136
Balance at December 31, 2017	$ 2,526	$ 8	$ 2,534
Balance at January 1, 2016	$ 1,680	$ 8	$ 1,688
Additions	710	-	710
Balance at December 31, 2016	$ 2,390	$ 8	$ 2,398

(Expressed in thousands of dollars)

8. Intangible assets (continued):

(b) Accumulated amortization:

	Computer Software	Land Rights	Total
Balance at January 1, 2017	$ 1,216	$ 8	$ 1,224
Additions	420	-	420
Balance at December 31, 2017	$ 1,636	$ 8	$ 1,644
Balance at January 1, 2016	$ 819	$ 5	$ 824
Additions	398	2	400
Balance at December 31, 2016	$ 1,217	$ 7	$ 1,224

(c) Carrying amounts:

	Computer Software	Land Rights	Total
At December 31, 2017	$ 890	$ -	$ 890
At December 31, 2016	$ 1,173	$ 1	$ 1,174

(Expressed in thousands of dollars)

9. Income tax expense:

Current tax expense:

		2017		2016
Current period	$	1,895	$	2,029
Adjustment for prior periods		(55)		9
	$	1,840	$	2,038

Deferred tax expense:

		2017		2016
Original & reversal of temporary differences	$	(12)	$	(36)
	$	(12)	$	(36)

Reconciliation of effective tax rate:

		2017		2016
Total comprehensive income for the year	$	10,177	$	10,488
Total income tax expense		1,828		2,002
Comprehensive income before income taxes		12,005		12,490
Income tax using the Corporation's statutory tax rate of 26.5%		3,181		3,310
Temporary differences not benefitted		(1,298)		(1,317)
Under (over) provided in prior periods		(55)		9
	$	1,828	$	2,002

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

		2017		2016
Deferred tax assets (liabilities):				
Plant and equipment	$	(11,146)	$	(6,063)
Non-vested sick leave		144		167
Employee benefits		1,382		1,334
Deferred revenue - contributed capital		8,085		6,454
	$	(1,535)	$	1,892

(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:

	2016	Balances arising in the period	Recovery/ Reversal	Other	2017	Remaining recovery/ reversal period (years)
Regulatory deferral account debit balances						
Group 1 deferred accounts	$ 3,362	$ 184	$ -	$ 1,030	$ 4,576	Note 1
Regulatory asset recovery account	825	10	(41)	-	794	Note 1
Smart meter recovery	13	-	-	-	13	3
Deferred tax asset	-	4,164	-	-	4,164	
Other	287	239	-	-	526	3
Total amount related to regulatory deferral account debit balances	**$ 4,487**	**$ 4,597**	**$ (41)**	**$ 1,030**	**$ 10,073**	

	2016	Balances arising in the period	Recovery/ Reversal	Other	2017	Remaining recovery/ reversal period (years)
Regulatory deferral account credit balances						
Group 1 deferred accounts	$ 9,443	$ 184	$ -	$ 1,030	$ 10,657	Note 1
Deferred tax liability	532	(532)	-	-	-	Note 2
Other	345	19	-	-	364	3
Total amount related to regulatory deferral account credit balances	**$ 10,320**	**$ (329)**	**$ -**	**$ 1,030**	**$ 11,021**	

	2017	2016
Movements in regulatory accounts		
Net change in regulatory deferral account debit and credit balances	$ 4,885	$ (3,847)
Less movement related to the balance sheet		
Deferred income tax	(4,697)	(523)
Deferred revenue	41	502
Net movement in regulatory deferral account balances related to profit or loss and the related deferral tax movement	$ 229	$ (3,868)

(Expressed in thousands of dollars)

10. Regulatory deferral account balance (continued):

Note 1 The Corporation expects to be approved for the collection of these amounts in its 2017 filing for 2018 rates.

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

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 4.88% per annum. Interest is payable in quarterly installments, in arrears, on March 31st, June 30th, September 30th and December 31st.

Effective February 1, 2010, the Corporation entered into 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 has an interest rate of 4.28%, and interest is payable in equal semi-annual installments, in arrears, on May 17th and November 17th each year commencing November 17, 2010 until maturity.

		2017		2016
Senior unsecured debentures:				
City of Kitchener	$	70,998	$	70,998
Township of Wilmot		5,965		5,965
Ontario Infrastructure Projects Corporation		2,909		3,989
Senior unsecured debentures, net proceeds	$	79,872	$	80,952
Less: current portion of long-term debt	$	(1,127)	$	(1,080)
Total long-term debt	$	78,745	$	79,872

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, 2017 of $5,213 was based on an actuarial valuation completed in 2016 using a discount rate of 3.9%.

(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:

	2017	2016
Defined benefit obligation, beginning of year	$ 5,035	$ 4,900
Current service cost	166	156
Interest cost	194	188
Benefits paid during the year	(227)	(209)
Actuarial loss recognized in other comprehensive income	45	-
Accrued benefit liability, end of year	$ 5,213	$ 5,035

Components of net benefit expense recognized are as follows:

	2017	2016
Current service cost	$ 166	$ 157
Interest cost	194	188
Net benefit expense recognized	$ 360	$ 345

Actuarial losses recognized in other comprehensive income:

	2017	2016
Cumulative amount at January 1	(245)	(245)
Recognized during the year	(33)	-
Cumulative amount at December 31	(278)	(245)
Net benefit expense recognized	$ (33)	$ -

(Expressed in thousands of dollars)

12. Employee future benefits (continued):

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

		2017	2016
Accrued benefit obligation:			
Discount rate		3.9%	3.9%
Benefit cost for the year:	Age		
Withdrawal rate	18-29	3.50%	2.75%
	30-34	2.50%	2.25%
	35-39	2.2%	2.0%
	40-49	1.8%	1.5%
	50-54	1.4%	1.5%
Assumed health care cost trend rates:			
Initial health care cost trend rate	Health	6.2%	6.4%
	Dental	4.5%	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	$ 186	$ 28
1% decrease in health care trend rate	$ (149)	$ (24)

Historical Information

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

	2017	2016
Defined benefit obligation	$ 5,213	$ 5,035
Experience adjustments	$ (33)	$ -

(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 2.0% in 2017, and thereafter (2016 - 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, 2017, was 3.9% (2016 – 3.9%).

Salary levels - future general salary and wage levels were assumed to increase at 3.3% (2016 - 3.3%) per annum.

Medical costs - medical costs were assumed to increase 6.4% for 2016, 6.2% for 2017, decreasing annually to 4.5% in 2025 and beyond.

Dental costs - dental costs were assumed to be 4.5% for 2016, 4.5% for 2017 and thereafter.

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:

	2017	2016
Customer deposits	$ 7,664	$ 7,546
Construction deposits	5,702	5,459
IESO deposit for energy conservation programs	1,158	1,158
Total customer and IESO deposits	$ 14,524	$ 14,163

(Expressed in thousands of dollars)

14. Share capital:

		2017		2016
Authorized:				
Unlimited number of common shares				
Issued:				
10,000 common shares	$	63,689	$	63,689

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 $4,195 (2016 - $4,410).

15. Other operating revenue:

Other income comprises:

		2017		2016
Specific service charges	$	1,138	$	1,222
Deferred revenue		658		480
Scrap sales		363		170
Net gain on disposal of capital assets		29		54
Retailer services		35		39
Sundry		74		72
Total other income	$	2,297	$	2,037

16. Finance income and expense:

		2017		2016
Interest income on bank deposits	$	297	$	227
Finance income		297		227
Interest expense on long-term debt		3,911		3,957
Interest expense on BMO letter of credit		123		123
Interest expense on deposits		70		58
Other		5		7
		4,109		4,145
Net finance costs recognized in profit or loss	$	3,812	$	3,918

(Expressed in thousands of dollars)

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, 2017, no assessments have been made.

18. Guarantees:

Guarantees are not applicable to the Corporation.

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 2017, the Corporation made employer contributions of $1,600 to OMERS (2016 - $1,500). The Corporation's net benefit expense has been allocated as follows:

(a) $400 (2016 - $400) capitalized as part of property, plant and equipment;

(b) $1,200 (2016 - $1,100) charged to net income.

The Corporation estimates that a contribution of $1,700 to OMERS will be made during the next fiscal year.

20. Employee benefits:

	2017	2016
Salaries, wages and benefits	$ 18,426	$ 18,356
CPP and EI remittances	700	724
Contributions to OMERS	1,582	1,528
Expenses related to defined benefit plans	360	345
	$ 21,068	$ 20,953

(Expressed in thousands of dollars)

21. Related party transactions:

(a) Parent and ultimate controlling party:

The sole shareholder of the Corporation is Kitchener Power Corporation, which in turn 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.

	2017	2016
Directors' fees	$ 62	$ 56
Salaries and other short-term benefits	900	981
Post employment benefits	17	18
Other long-term benefits (OMERS)	74	79
	$ 1,053	$ 1,134

(d) 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.

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

In 2017, the Corporation had the following significant transactions with its ultimate parent, a government entity:

- construction
- streetlight maintenance services under contract through a related party, 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, 2017 is $2,900 (2016 - $4,000). The fair value is 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 December 31, 2017 was 4.28% (2016 – 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, 2017 two customers accounted for more than 1% of total accounts receivable. Totaling $388 (or 2.1%) out of a total accounts receivable of $18,167. Outstanding amounts for both accounts were paid in January 2018.

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, 2017 is $250 (2016 - $250). An impairment loss of $155 (2016 - $129) was recognized during the year.

22. Financial instruments and risk management (continued):

(a) Credit risk (continued):

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2017, approximately $210 (2016 - $178) is considered 60 days past due. The Corporation has over 95 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, 2017, the Corporation holds security deposits in the amount of $14,500 (2016 - $14,200).

(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, 2017 would have increased interest expense on the long-term debt by $29 (2016 - $80), 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 $5,000 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, 2017, no amounts had been drawn under BMO Bank of Montreal credit facility (2016 - $ 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 (2016 - $35,000).

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

22. Financial instruments and risk management (continued):

(d) Capital disclosures:

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

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2017, shareholder's equity amounts to $147,497 (2016 - $141,515) and long-term debt amounts to $78,745 (2016 - $79,872).

23. Future accounting pronouncements

The Company is evaluating the adoption of the following new and revised standards along with any subsequent amendments.

Revenue Recognition

The IASB has issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and various interpretations and establishes principles regarding the nature, amount, timing and uncertainty of revenue arising from contracts with customers. The standard requires entities to recognize revenue for the transfer of goods or services to customers measured at the amounts an entity expects to be entitled to in exchange for those goods or services. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Corporation is assessing the impact of IFRS 15 on its results of operations, financial position and disclosures.

Financial Instruments

In July 2014, the IASB issued a new standard, IFRS 9 Financial Instruments, which will replace IAS 39 Financial Instruments: Recognition and Measurement. The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 is part of the first phase of this project. IFRS 9 is effective for periods beginning on or after January 1, 2018 and must be applied retrospectively. The Corporation is assessing the impact of IFRS 9 on its results of operations, financial position, and disclosures.

23. Future accounting pronouncements (continued)

Leases

In January 2016, the IASB issued IFRS 16 to establish principles for the recognition, measurement, presentation and disclosures of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 replaces IAS17 and it is effective for annual periods beginning on or after January 1, 2019. The Corporation is assessing the impact of IFRS 16 on its results of operations, financial position and disclosures.

Township of Wilmot REPORT

REPORT NO.	**FIN 2018-19**
TO:	**Council**
PREPARED BY:	**Patrick Kelly, Director of Finance**
DATE:	**April 23, 2018**
SUBJECT:	**2017 Audited Financial Statements**

Recommendation:

That Report FIN 2018-19 regarding the 2017 Annual Financial Report be received for information purposes.

Background:

In accordance with the Municipal Act 2001, Section 296 Section 5, the auditor of a municipality shall report to the council of the municipality the audited financial report at the conclusion of the annual audit.

Municipalities are also required to submit a copy of the Financial Information Return (FIR) together with the audited financial statements to the Ministry of Municipal Affairs and Housing by May 31, 2018. A copy of the 2017 FIR was submitted to the Ministry of Municipal Affairs and Housing on April 4, 2018. The timely submission of the FIR will ensure that the Township will continue to receive Ontario Municipal Partnership Funding (OMPF) from the Ministry of Finance.

Discussion:

Graham Mathew Professional Corporation LLP was retained by the Township to prepare audited financial statements. The interim audit occurred in November 2017, and the year-end audit was completed in March 2018.

Attached to this report is the 2017 audited financial report for the Township of Wilmot, dated April 23, 2018 for information purposes.

Mr. Mike Arndt, CPA, CA of Graham Mathew Professional Corporation will be in attendance to highlight the report.

Strategic Plan Conformity:

This report is aligned with the Strategic Plan goal of being an engaged community through communication of municipal matters. The public disclosure of financial information to Council and the community adheres to the requirements of the Municipal Act, and the Township's Policy on Accountability and Transparency.

Financial Considerations:

Submission of the audited financial statements and FIR to the Ministry of Municipal Affairs and Housing will ensure the continuation of OMPF grant funding for 2018. This funding source of $1,159,700 is essential for the Township to maintain the operating requirements outlined within the 2018 budget.

Conclusion:

Upon Council approval, a copy of the 2017 Audited Financial Statements will be posted to the Township website.

Patrick Kelly CPA, CMA	Grant Whittington
Prepared/Submitted by Director of Finance	Reviewed by Chief Administrative Officer

Financial Statements of

THE CORPORATION OF THE TOWNSHIP OF WILMOT

Year ended December 31, 2017

THE CORPORATION OF THE TOWNSHIP OF WILMOT
INDEX

THE CORPORATION OF THE TOWNSHIP OF WILMOT

SIX-YEAR FINANCIAL REVIEW (UNAUDITED)

(All dollar amounts are in (000's) of dollars, except per capita figures)

	2017	2016	2015	2014	2013	2012
POPULATION at the end of the year	21,429	21,151	20,982	20,828	20,541	20,286
AREA in acres at the end of the year	65,767	65,767	65,767	65,767	65,767	65,767
EMPLOYEES - continuous full time	62	62	61	60	60	56
NUMBER of households	7,890	7,822	7,771	7,714	7,604	7,500
ASSESSMENT - Taxable assessment upon which the year's rates of taxation were set						
Residential, multi-residential and farm	3,113,367	2,960,690	2,819,008	2,674,206	2,528,385	2,358,972
Commercial - all classes	131,630	128,835	116,868	111,762	107,291	105,698
Industrial - all classes	37,009	39,948	40,371	41,292	40,314	38,149
Pipeline & Managed Forests	13,740	12,984	11,877	11,451	11,014	10,552
Total	3,295,746	3,142,457	2,988,124	2,838,711	2,687,004	2,513,371
Per capita	$ 153,798	$ 148,573	$ 142,414	$ 136,293	$ 130,812	$ 123,897
Commercial and industrial, as a percentage of taxable assessment	5%	5%	5%	5%	5%	6%
Exempt assessment	$ 110,821	$ 114,611	$ 110,791	$ 99,241	$ 93,708	$ 91,226
TAX ARREARS -per capita	$38.14	$40.90	$48.10	$69.90	$57.40	$70.20
- percentage of current levy	2.61%	2.80%	3.39%	4.84%	4.16%	5.24%
EXPENDITURE -general municipal purposes	$ 19,442	$ 18,591	$ 17,834	$ 17,007	$ 16,102	$ 15,396
TRANSFERS TO THE REGION	$ 16,766	$ 16,394	$ 15,949	$ 15,431	$ 15,016	$ 14,584
TRANSFERS TO THE SCHOOL BOARDS	$ 7,535	$ 7,644	$ 7,643	$ 7,502	$ 7,424	$ 7,352
REVENUE FOR GENERAL MUNICIPAL SERVICES						
Taxation	$ 7,592	$ 7,419	$ 7,153	$ 6,950	$ 6,726	$ 6,564
Payment in lieu of taxes	161	160	157	153	157	161
Government grants	3,290	2,137	1,933	2,220	1,706	3,235
Fees and service charges	5,295	4,864	5,066	4,086	3,908	4,026
Equity income from Kitchener Power Corporation	785	806	850	823	642	710
Other	3,547	1,027	4,359	1,350	1,690	1,213
Total	$ 20,670	$ 16,413	$ 19,517	$ 15,582	$ 14,829	$ 15,908

THE CORPORATION OF THE TOWNSHIP OF WILMOT

SIX-YEAR FINANCIAL REVIEW (UNAUDITED)

(All dollar amounts are in (000's) of dollars, except per capita figures)

	2017	2016	2015	2014	2013	2012
NET LONG TERM LIABILITIES						
General municipal activities	$0	$0	$0	$0	$60	$739
- per capita	$0	$0	$0	$0	$3	$36
- percentage of taxable assessment	0.00%	0.00%	0.00%	0.00%	0.00%	0.03%
- Municipal enterprises	Nil	Nil	Nil	Nil	Nil	Nil
CHARGES FOR NET LONG TERM LIABILITIES						
General municipal activities	$0	$0	$0	$60	$269	$266
-per capita	$0	$0	$0	$3	$13	$13
-as a tax rate	$0.000	$0.000	$0.000	$0.021	$0.100	$0.106
ACCUMULATED SURPLUS						
- OPERATING FUND	$5,157	$1,677	$706	$1,175	$1,515	$859
- TANGIBLE CAPITAL ASSETS	$139,955	$143,567	$146,639	$101,630	$104,288	$107,228
- RESERVES AND RESERVE FUNDS	$8,304	$7,210	$7,168	$6,110	$5,103	$4,449
- KITCHENER POWER CORPORATION	$17,432	$16,972	$16,508	$15,963	$15,398	$15,041
DEFERRED REVENUES - obligatory reserve funds	-$947	$1,776	$1,708	$3,320	$2,806	$2,037

TOWNSHIP OF WILMOT
60 Snyder's Road West, Baden, Ontario N3A 1A1

Management Responsibility for Financial Reporting

For the Year ended December 31, 2017

The accompanying Financial Statements and all other information contained in this Annual Report are the responsibility of the management of The Corporation of the Township of Wilmot. The preparation of periodic financial statements involves the use of estimates and approximations because the precise determination of financial information frequently depends on future events. These Financial Statements have been prepared by management within the reasonable limits of materiality and within the framework of Canadian generally accepted accounting principles for governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

Prior to their submission to Council, the Financial Statements are reviewed and approved by management. In addition, management meets periodically with the Township's external auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged.

Graham Mathew Professional Corporation, Chartered Professional Accountants, as the Township's appointed external auditors have audited the Financial Statements. The external auditors have full and free access to management and Council. The Independent Auditors' Report is dated April 23, 2018 and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Financial Statements are free of material misstatements and present fairly the financial position and results of the operations of the Township in accordance with Canadian public sector accounting standards.

Grant Whittington,
Chief Administrative Officer

Patrick Kelly CPA, CMA
Director of Finance /Treasurer

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p: 519.623.1870 f: 519.623.9490 w: gmpca.com

Graham Mathew

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Township of Wilmot

We have audited the accompanying financial statements of **The Corporation of the Township of Wilmot**, which comprise the statement of financial position as at December 31, 2017, and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **The Corporation of the Township of Wilmot** as at December 31, 2017, and the results of its operations, change in its net financial position and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Graham Mathew Professional Corporation

Cambridge, Ontario
April 23, 2018

Chartered Professional Accountants, authorized to practise public accounting by the Chartered Professional Accountants of Ontario

THE CORPORATION OF THE TOWNSHIP OF WILMOT

Statement of Financial Position

December 31, 2017

	2017	2016
Financial Assets		
Cash	$ 12,515,078	$ 10,804,063
Taxes receivable	817,306	866,008
Accounts receivable	2,504,621	1,949,003
Investment in Kitchener Power Corp. (note 6)	17,432,101	16,971,930
	33,269,106	30,591,004
Liabilities		
Accounts payable and accrued liabilities	2,093,613	2,143,774
Deferred revenue	1,343,061	1,003,504
Deferred revenue - obligatory reserve funds (note 8)	(947,340)	1,775,924
	2,489,334	4,923,202
Net Financial Assets	$ 30,779,772	$ 25,667,802
Non-Financial Assets		
Tangible capital assets (note 7)	139,955,498	143,566,863
Inventories and supplies	63,998	110,745
Prepaid expenses	48,859	80,551
	140,068,355	143,758,159
Accumulated Surplus (note 12)	$ 170,848,127	$ 169,425,961

See accompanying notes to financial statements.

Approved on behalf of Council

THE CORPORATION OF THE TOWNSHIP OF WILMOT

Statement of Operations and Accumulated Surplus

Year ended December 31, 2017

	2017 Budget (Note 11b)	2017 Actual	2016 Actual
Revenues			
Taxation	$ 7,560,955	$ 7,591,967	$ 7,419,040
Taxation from other governments	161,060	160,660	160,154
User fees and charges	4,833,590	4,700,853	4,696,547
Government transfer			
Canada	10,929	50,474	8,207
Ontario	1,480,908	1,520,599	1,372,660
Investment income	698,500	401,759	354,591
Interest and penalties on taxes	200,000	199,976	197,607
Other	923,018	309,321	187,094
	15,868,960	14,935,609	14,395,900
Expenses			
General government	2,134,150	2,291,010	2,401,929
Protection to persons and property	2,479,295	2,065,602	2,228,314
Transportation services	7,673,375	6,079,560	5,787,305
Environmental services	3,544,471	1,868,010	2,236,047
Health services	115,350	37,801	55,361
Recreation and cultural services	6,270,335	5,618,065	5,646,469
Planning and development	228,330	1,287,650	417,757
	22,445,306	19,247,698	18,773,182
Net expenses before other income (expense)	(6,576,346)	(4,312,089)	(4,377,282)
Other income (expense)			
Grants and transfers related to capital			
Deferred revenue earned	4,549,229	3,584,531	458,312
Grants and transfers - Canada	725,602	729,590	627,179
Grants and transfers - Ontario	1,262,915	989,006	128,861
Loss on disposal of tangible capital assets	-	(579,238)	(131,817)
Change in equity in Kitchener Power Corp.	-	785,308	805,923
Donations	26,600	72,643	18,165
Sale of Publications, Equipment	12,000	91,375	50,765
Interest earned on reserve funds	-	61,040	59,791
	6,576,346	5,734,255	2,017,179
Annual Surplus (Deficit)	-	1,422,166	(2,360,103)
Accumulated Surplus, beginning of the year		169,425,961	171,021,273
Asset Management Plan Adjustment (note 13)		-	764,791
Accumulated Surplus, end of the year		$ 170,848,127	$ 169,425,961

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWNSHIP OF WILMOT

Statement of Change in Net Financial Assets

Year ended December 31, 2017

	2017 Budget (Note 11b)	2017 Actual	2016 Actual
Annual Surplus (Deficit)	$ -	$ 1,422,166	$ (2,360,103)
Amortization of tangible capital assets	-	5,994,229	6,011,527
Acquisition of tangible capital assets	(8,949,690)	(2,962,103)	(2,306,416)
Loss on disposal of tangible capital assets	-	579,238	131,817
Change in inventories and supplies	-	46,748	219,624
Change in prepaid expenses	-	31,692	23,346
Increase In Net Financial Assets	(8,949,690)	5,111,970	1,719,795
Net Financial Assets, beginning of year	25,667,802	25,667,802	23,948,007
Net Financial Assets, end of year	$ 16,718,112	$ 30,779,772	$ 25,667,802

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWNSHIP OF WILMOT

Statement of Cash Flows

Year ended December 31, 2017

	2017	2016
Operating activities		
Annual Surplus (Deficit)	$ 1,422,166	$ (2,360,103)
Sources (uses)		
Taxes receivable	48,702	144,149
Accounts receivable	(555,618)	(120,888)
Accounts payable and accrued liabilities	(50,161)	507,454
Deferred revenue	(2,383,707)	14,142
Inventories and supplies	46,748	219,624
Prepaid expenses	31,692	23,346
	(1,440,178)	(1,572,276)
Non-cash charges to operations		
Amortization	5,994,229	6,011,527
Loss on sale of tangible capital assets	579,238	131,817
	5,133,289	4,571,068
Capital activities		
Acquisition of tangible capital assets	(2,962,103)	(2,306,416)
Contributed tangible capital assets	-	-
	(2,962,103)	(2,306,416)
Investing activities		
Net increase in investments	(460,171)	(464,171)
Net increase in cash	1,711,015	1,800,481
Cash, beginning of year	10,804,063	9,003,582
Cash, end of year	$ 12,515,078	$ 10,804,063

1. Municipal Status

The Corporation of The Township of Wilmot was created on January 1, 1973 when the municipalities of Wilmot and New Hamburg were amalgamated into a single legal entity under the Wilmot name. The Township operates as a lower tier government in the Province of Ontario, Canada. Wilmot provides municipal services such as fire protection, public works, water/sanitary distribution, urban/rural planning, recreation and cultural services, and other general government services. The Township owns 7.75% of Kitchener Power Corporation and its affiliates.

2. Summary of Significant Accounting policies:

The financial statements of the Municipality are the representation of management, prepared in accordance with local government accounting standards established by the Public Sector Accounting Board (PSAB) 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 Presentation:

(i) Financial Statements:

These statements reflect the financial assets, liabilities, operating revenues and expenses, reserve funds and reserves, changes in investment in tangible capital assets and cash flows and include the activities of all governmental functions controlled and exercised by the Township Council.

All interfund transfers have been eliminated.

(ii) Government Business Enterprises:

The government business enterprise, Kitchener Power Corp., is accounted for on the modified equity basis which reflects the Township's investment in the enterprise and its share of net income (loss) since acquisition. Under the modified equity basis, the enterprise's accounting principles are not adjusted to conform to those of the Township, and inter-organizational transactions and balances are not eliminated.

(iii) Accounting for Region and School Board Transactions:

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the School Boards and the Regional Municipality of Waterloo, are not reflected in these financial statements.

(iv) Trust Funds:

Trust funds and their related operations administered by the Municipality are not consolidated herein but are reported separately on the "Trust Funds Statement of Financial Position and Statement of Continuity" (see also Note 4).

2. Summary of Significant Accounting policies (continued):

(b) Non-Financial Assets

Non-financial assets are not normally available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending 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 revenues over expenses, provides the change in net financial assets for the year.

(i) 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 of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Land	not amortized
Land Improvements	15 years
Buildings	40 years
Machinery and Equipment	10 years
Technological Equipment	5 years
Vehicles	10 years
Roads (tar & chip, gravel, paved)	25 years
Bridges	60 years
Water and Wastewater	75 years

Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of Tangible Capital Assets (Donated)

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

(iii) Interest Capitalization

The Township does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(iv) Works of art and cultural and historic assets

These assets are not recorded in these financial statements.

(v) Inventories and Prepaid Expenses

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

Prepaid expenses relate to expenditures incurred in the current period which relate to and will be expensed in a future fiscal period.

2. Summary of Significant Accounting policies (continued):

(c) 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 recognized 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.

Tax revenue is recognized when it is authorized and in the period for which the tax is levied.

(d) Use of estimates

The preparation of 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 taxation assessment appeals, legal claims provisions, the valuation of tangible capital assets and their related useful lives and amortization, are based on management’s best information and judgement and may differ significantly from future actual results.

3. Operations of School Boards and the Region of Waterloo:

Further to note 2(a)(iii), the taxation, other revenues, and requisitions for the School Boards and the Region of Waterloo are comprised of the following:

	School Boards	Region
Taxation and user charges	$ 7,423,789	$ 16,658,748
Share of payments in lieu of taxes	111,589	107,406
	7,535,378	16,766,154
Payment	7,535,378	16,766,154
Overlevies (underlevies) end of year	$ -	$ -

4. Trust Funds:

Further to note 2(a)(iv), trust fund assets administered by the Township amounting to $591,051 (2016 - $587,771) have not been included in the Statement of Financial Position nor have their operations been included in the Statement of Operations and Accumulated Surplus.

5. Ontario Municipal Employees' Retirement Fund:

The Township makes matching contributions on behalf of its staff to the Ontario Municipal Employees' Retirement Fund (OMERS), which is a multi-employer plan. 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, age and rates of pay.

Employee contributions in 2017 were at rates ranging from 9.0% to 14.6% based on member earnings and were matched by the Township on a dollar for dollar basis. The amount contributed to OMERS by the Township for 2017 was $431,928 (2016 - $422,000) for current service and is included as an expense on the statement of operations and accumulated surplus.

The OMERS pension plan has a deficit. The last available report for the OMERS plan was on December 31, 2017. At that time the plan reported a $5.4 billion actuarial deficit (2016 - $6.3 billion), based on actuarial liabilities of $94.4 billion (2016 - $91.7 billion) and actuarial assets of $89.0 billion (2016 - $85.4 billion). If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future. There were no changes to contribution rates or benefits for 2017.

The Township does not participate in any past service provisions of the OMERS agreement.

6. Investment in Kitchener Power Corp.:

Under the provincial government's Electricity Competition Act (Bill 35), Kitchener Power Corp., a holding company, along with its wholly-owned affiliates, Kitchener-Wilmot Hydro Inc., and Kitchener Energy Services Inc. was incorporated on July 1, 2004.

The Township holds 7.75% of the common shares of Kitchener Power Corp. and a 7.75% share in long-term notes payable by subsidiaries and investees of Kitchener Power Corp.

The investment in Kitchener Power Corp. consists of the following elements:

	2017	2016
Kitchener Power Corp. common shares, initial valuation	$ 5,113,962	$ 5,113,962
Kitchener-Wilmot Hydro Inc. long-term notes receivable	5,964,566	5,964,566
	11,078,528	11,078,528
Accumulated equity increase, beginning of year	5,893,402	5,429,231
	16,971,930	16,507,759
Share of net income for year	785,308	805,923
Dividends received in year	(325,137)	(341,752)
Cost of investment	$ 17,432,101	$ 16,971,930

The Kitchener-Wilmot Hydro Inc. notes bear interest at the annual rate of 6.0%, and are unsecured.

6. Investment in Kitchener Power Corp. (continued):

The following table provides condensed financial information in respect of Kitchener Power Corp.:

	2017	2016
	(in thousands)	(in thousands)
Current assets	$ 72,120	$ 75,614
Long-term assets	245,360	230,045
Total assets	$ 317,480	$ 305,659
Current liabilities	36,890	39,059
Long-term liabilities	120,497	114,250
Total liabilities	157,387	153,309
Net assets	$ 160,093	$ 152,350

	2017	2016
	(in thousands)	(in thousands)
Results of operations:		
Revenues	$ 251,323	$ 277,930
Operating expenses	(241,190)	(267,531)
Net income	$ 10,133	$ 10,399
Township's share of net income - 7.75%	$ 785	$ 806

THE CORPORATION OF THE TOWNSHIP OF WILMOT

Notes to Financial Statements, continued

Year ended December 31, 2017

7. Tangible Capital Assets

2017	Land	Land Improvements	Buildings	Machinery & Equipment	Infrastructure	Vehicles	Total
Cost							
Balance, beginning of year	$ 10,320,181	$ 3,780,158	$ 34,317,163	$ 3,181,730	$ 172,881,770	$ 5,893,042	$ 230,374,045
Additions	-	216,692	18,826	378,763	1,889,812	513,783	3,017,875
Disposals	(4,811)	(8,980)	(284,608)	(46,972)	(1,401,872)	(333,734)	(2,080,978)
Cost, end of year	**10,315,370**	**3,987,869**	**34,051,381**	**3,513,520**	**173,369,710**	**6,073,091**	**231,310,941**
Accumulated ammortization							
Balance, beginning of year	-	1,710,047	9,903,466	2,003,905	70,547,765	4,012,465	88,177,648
Disposals	-	(1,417)	(284,608)	(46,972)	(1,164,652)	(4,090)	(1,501,738)
Amortization expense	-	222,341	832,216	251,103	4,304,117	384,452	5,994,229
Accumulated ammortization, end of year	**-**	**1,930,972**	**10,451,074**	**2,208,035**	**73,687,230**	**4,392,827**	**92,670,138**
Work in Progress	**-**	**-**	**-**	**-**	**-**	**-**	**1,314,695**
Net Book Value, end of year	**$ 10,315,370**	**$ 2,056,897**	**$ 23,600,307**	**$ 1,305,485**	**$ 99,682,480**	**$ 1,680,263**	**$ 139,955,498**

2016	Land	Land Improvements	Buildings	Machinery & Equipment	Infrastructure	Vehicles	Total
Cost							
Balance, beginning of year	$ 10,320,181	$ 3,680,877	$ 34,093,639	$ 2,628,615	$ 172,437,977	$ 5,611,612	$ 228,772,900
Additions	-	165,977	223,525	615,192	982,491	531,593	2,518,778
Disposals	-	(66,696)	-	(62,077)	(538,698)	(250,162)	(917,633)
Cost, end of year	**10,320,181**	**3,780,158**	**34,317,163**	**3,181,730**	**172,881,770**	**5,893,042**	**230,374,045**
Accumulated ammortization							
Balance, beginning of year	-	1,561,273	9,073,864	1,840,074	66,601,066	3,875,689	82,951,967
Disposals	-	(63,161)	-	(60,794)	(413,587)	(248,274)	(785,816)
Amortization expense	-	211,965	829,601	224,624	4,360,286	385,051	6,011,527
Accumulated ammortization, end of year	**-**	**1,710,047**	**9,903,466**	**2,003,905**	**70,547,765**	**4,012,465**	**88,177,648**
Work in Progress	**-**	**-**	**-**	**-**	**-**	**-**	**1,370,467**
Net Book Value, end of year	**$ 10,320,181**	**$ 2,070,111**	**$ 24,413,697**	**$ 1,177,825**	**$ 102,334,005**	**$ 1,880,577**	**$ 143,566,863**

There were no tangible capital assets contributed to the Township in 2017. Donated land and other tangible capital assets are capitalized at their fair market value at the time of receipt and included in income as “donated tangible capital assets”.

Amortization expense for the year amounts to $5,994,229 ($6,011,527 in 2016).

8. Deferred revenue - obligatory reserve funds:

A requirement of PSAB is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded.

(a) The balances in the obligatory reserve funds of the Township are summarized as follows:

	2017	2016
Recreational parkland (The Planning Act)	$ 1,374,965	$ 1,330,930
Development charges and sub-dividers contributions	(1,587,334)	1,148,416
Federal Gas Tax	25,000	42,225
Building Department (Bill 124)	(759,971)	(745,647)
	$ (947,340)	$ 1,775,924

(b) Continuity schedule:

	2017	2016
Revenue		
Development charges and user fees	$ 746,691	$ 477,909
Federal Gas Tax funding	594,787	584,440
Investment income	13,306	20,739
	1,354,784	1,083,088
Deferred revenue recognized	(4,078,048)	(1,014,924)
Change in deferred revenue	(2,723,264)	68,164
Deferred revenue, beginning of year	1,775,924	1,707,760
Deferred revenue, end of year	$ (947,340)	$ 1,775,924

9. Net long-term liabilities:

(a) The balance of net long-term liabilities reported on the statement of financial position is made up of the following:

	2017	2016
The municipality has assumed responsibility for the payment of principal and interest charges on certain long-term liabilities issued by the Region of Waterloo. At the end of the year, the outstanding principal amount of this liability is	$ 1,131,599	$1,230,321
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges that has been assumed by individuals amounts to	(1,131,599)	(1,230,321)
Net long-term liabilities at end of year	$ nil	$ nil

(b) Of the long-term liabilities reported in (a) of this note, future principal payments are summarized as follows:

	2018 to 2022	2023 and thereafter	Total
From benefiting landowners	$ 569,447	$ 562,152	$ 1,131,599

(c) The Township is contingently liable for the long-term liability with respect to tile drainage loans and the water system indebtedness. The total amount of this contingent liability outstanding at December 31, 2017 is $1,131,599 (2016 - $1,230,321).

10. Self Insurance Coverage:

The Township has an agreement with members of the Waterloo Region Municipalities Insurance Pool to purchase property damage and public liability insurance on a group basis and share a retained level of risk. The members pay an annual levy to fund insurance coverage, losses, and contribute to a surplus. The pool has purchased insurance to fund losses above a pre-determined deductible and any losses above a pre-determined total in any year.

The Township is self-insured for public liability claims up to $10,000 (2016 - $10,000) for any individual claim and $10,000 (2016 - $10,000) for any number of claims arising out of a single occurrence. Outside coverage is in place for claims in excess of these limits.

During the year, claims amounting to $54,410 (2016 - $41,935) were settled and insurance premiums of $245,374 (2016 - $246,687) were paid. Both amounts are reported as an expenditure on the Statement of Operations and Accumulated Surplus.

The Township is from time to time, involved in legal suits of varying dollar amounts for which no provision for possible liability has been recorded in these financial statements. In the event the Township is found liable, any amounts not recoverable from Township's insurers will be adjusted against future revenues.

11. Other explanatory notes

(a) Expenditures by object

The following is a summary of the operating expenditures on the statement of financial activities by the object of expenditure:

	2017	2016
Salaries, wages and employee benefits	$ 7,393,293	$ 7,306,913
Materials	5,519,072	4,803,509
Amortization	5,994,229	6,011,527
Contracted services	252,770	578,876
External transfers	88,334	72,357
	$ 19,247,698	18,773,182

11. Other explanatory notes: (continued)

(b) Budget Figures

Budget figures reported on the Statement of Operations and Accumulated Surplus are based on the 2017 operating and capital budgets, as approved by Council. Approved budget figures have been reclassified and adjusted for the purposes of these financial statements to comply with Public Sector Accounting Board (PSAB) reporting requirements. The Township has provided the following reconciliation of the PSAB reported surplus to the approved Council budget.

		2017		2016
Annual Surplus (Deficit) under PSAB	$	1,422,166	$	(2,360,103)
Less:				
Grants and transfer related to capital	$	1,953,195		1,678,847
Deferred Revenue, net change	$	1,093,895		41,512
Contribution from Developers	$	3,454,750		224,538
Tangible capital assets additions	$	2,962,103		2,306,416
Increase in Government Business Enterprises	$	460,171		464,171
	$	9,924,114		4,715,484
Add:				
Amortization	$	5,994,229		6,011,527
Capital expenses	$	1,928,481		932,243
Loss on disposal of capital assets	$	579,238		131,817
	$	8,501,948		7,075,587
Budget Surplus, Council approved	$	-	$	-

12. Accumulated surplus

	2017	2016
Reserve and Reserve Funds		
Baden West Noise Wall	69,998	69,359
Elections	41,168	27,112
Hamilton Road Noise Wall	138,482	137,219
Heritage Lighting	5,631	5,579
Heritage Wilmot	1,213	1,202
Information Technology	868	862
Infrasructure Reserve - Cemetery	(65,850)	(34,850)
Infrastructure Reserve - Equipment	855,542	604,665
Infrastructure Reserve - Facilities	924,238	910,013
Infrastructure Reserve - Sanitary Sewers	1,965,323	1,712,955
Infrastructure Reserve - Street Lighting	(279,699)	(151,709)
Infrastructure Reserve - Transportation	1,144,505	1,074,179
Infrastructure Reserve - Water	2,641,055	2,089,445
Infrastructure Reserve - Water Meter	222,108	219,411
Self-Insurance	20,184	20,000
Winter Maintenance	116,767	140,946
Working Funds	502,139	383,388
Total Reserves and Reserve Funds	8,303,672	7,209,776
Surplus		
Invested in tangible capital assets	139,955,498	143,566,863
Operating Fund	22,588,957	18,649,322
Total Surplus	162,544,455	162,216,185
Accumulated Surplus	$ 170,848,127	$ 169,425,961

13. Asset Management Plan Adjustment

In accordance with the Ministry of Infrastructure “Building Together” guide, the Township completed an Asset Management Plan (AMP) which was a first step in establishing an overall infrastructure strategy.

As a result of refinements to AMP data, certain tangible capital assets are revalued to match AMP records, resulting in an increase/decrease in tangible capital assets as follows:

	2017	2016
Cost	$ -	$ 2,856,426
Accumulated amortization	-	2,091,635
	$ -	$ 764,791

The impact of this adjustment in 2017 was an increase in accumulated surplus of $0 (2016 - $764,791).

14. Segmented Information

Segmented information has been identified based upon lines of service provided by the Township. Township services are provided by departments and their activities are reported by functional area in the body of the financial statements. Certain lines of service have been separately disclosed in the segmented information, along with the services they provide.

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 financial statements as disclosed in note 2.

(i) General Government:

The Township is responsible for the delivery of administrative services, including Council, Clerks, Finance, Information Technology, By-Law Enforcement and Human Resources.

(ii) Protection Services – Fire:

The Township is responsible for the delivery of Fire and Rescue services.

(iii) Transportation Services:

The Township is responsible for the delivery of municipal public works services related to the maintenance of roadway systems.

14. Segmented Information (continued):

(iv) Environmental Services:

The Township is responsible for environmental programs such as the engineering and operation of water distribution and wastewater collection systems.

(v) Health Services:

The Township is responsible for the care, maintenance and operations of the Riverside Cemetery.

(vi) Recreation and Cultural Services:

The Township is responsible for operation and rental of space in facilities such as Wilmot Recreation Complex, New Hamburg Arena/CC, Community Parks and Castle Kilbride.

(vii) Development Services:

The Township is responsible for development services which includes planning services, economic development and building permit administration.

14. Segmented Information (continued):

Year Ended December 31, 2017	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation & Culture	Development Services	Total
Revenue								
Taxation	$ 977,762	$ 670,425	$ 2,739,115	$ -	$ -	$ 2,558,784	$ 806,540	$ 7,752,627
User fees and charges	210,252	14,633	3,254	2,006,659	54,781	1,621,618	936,487	4,847,684
Government Transfers								
Canada	51,732	-	658,649	-	-	69,683	-	780,064
Ontario	172,066	117,981	1,567,452	-	-	466,900	185,206	2,509,605
Investment income	118,512	51,931	447,973	157,878	3,520	340,613	127,680	1,248,107
Interest and penalty on taxes	199,976	-	-	-	-	-	-	199,976
Other	232,373	5,055	2,002,430	450,075	-	583,279	58,589	3,331,801
Total Revenue	**1,962,673**	**860,024**	**7,418,874**	**2,614,612**	**58,301**	**5,640,878**	**2,114,502**	**20,669,864**
Expenses								
Salaries, Wages, Benefits	1,495,841	944,197	953,150	525,607	19,428	2,855,252	599,818	7,393,293
Materials and Services	848,078	318,564	1,515,228	300,103	15,596	1,691,675	1,082,598	5,771,842
Debenture Debt Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Grants to Organizations	-	-	-	-	-	88,334	-	88,334
Amortization	154,841	195,634	3,611,182	1,042,300	2,777	982,804	4,691	5,994,229
Internal Transfers	(354,850)	11,625	(73,585)	327,430	15,507	(7,496)	81,369	-
Total Expenditures	**2,143,910**	**1,470,020**	**6,005,975**	**2,195,440**	**53,308**	**5,610,569**	**1,768,476**	**19,247,698**
Annual surplus (deficit)	**$ (181,237)**	**$ (609,996)**	**$ 1,412,899**	**$ 419,172**	**$ 4,993**	**$ 30,309**	**$ 346,026**	**$ 1,422,166**

Year Ended December 31, 2016	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation & Culture	Development Services	Total
Revenue								
Taxation	$ 1,076,539	$ 763,348	$ 2,678,067	$ -	$ -	$ 2,643,419	$ 417,821	$ 7,579,194
User Fees and Charges	188,986	12,979	1,671	2,504,859	70,299	1,559,552	495,465	4,833,811
Government Transfers								
Canada	1,577	-	556,610	-	-	77,199	-	635,386
Ontario	202,151	122,068	645,689	-	-	461,115	70,498	1,501,521
Investment Income	142,541	76,244	301,707	201,194	5,647	395,176	97,796	1,220,305
Interest and Penalty on Taxes	197,607	-	-	-	-	-	-	197,607
Other	107,772	50,847 -	125,784	-	-	178,645	233,775	445,255
Total Revenue	**1,917,173**	**1,025,487**	**4,057,960**	**2,706,053**	**75,946**	**5,315,105**	**1,315,356**	**16,413,079**
Expenses								
Salaries, Wages, Benefits	1,509,038	975,013	922,796	496,402	23,880	2,753,132	626,652	7,306,913
Materials and Services	953,250	458,550	1,193,898	701,950	28,704	1,865,144	180,889	5,382,385
Debenture Debt Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Grants to Organizations	-	-	-	-	-	72,357	-	72,357
Amortization	157,841	183,307	3,670,611	1,037,695	2,777	955,836	3,460	6,011,527
Internal Transfers	(323,485)	11,625	(74,028)	297,711	14,924	(7,109)	80,362	-
Total Expenditures	**2,296,644**	**1,628,495**	**5,713,277**	**2,533,758**	**70,285**	**5,639,360**	**891,363**	**18,773,182**
Annual surplus (deficit)	**$ (379,471)**	**$ (603,008)**	**$ (1,655,317)**	**$ 172,295**	**$ 5,661**	**$ (324,255)**	**$ 423,993**	**$ (2,360,103)**

Trust Funds Financial Statements of

THE CORPORATION OF THE TOWNSHIP OF WILMOT

Year ended December 31, 2017

150 Pinebush Road, P.O. Box 880, Cambridge, Ontario N1R 5X9
p: 519.623.1870 f: 519.623.9490 w: gmpca.com

Graham Mathew

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Township of Wilmot

We have audited the accompanying financial statements of the **Trust Funds of The Corporation of the Township of Wilmot**, which comprise the statement of financial position as at December 31, 2017, and the statement of continuity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Trust Funds of The Corporation of the Township of Wilmot** as at December 31, 2017, and the continuity of Trust Funds for the year then ended in accordance with Canadian public sector accounting standards.

Graham Mathew Professional Corporation

Cambridge, Ontario
April 23, 2018

Chartered Professional Accountants, authorized to practise public accounting by the Chartered Professional Accountants of Ontario

THE CORPORATION OF THE TOWNSHIP OF WILMOT

Trust Funds Statement of Continuity

Year ended December 31, 2017

	Riverside Cemetery	Castle Kilbride	WRC Youth Ctr	WRC Adult Ctr	Baden Comm Ctr	Financial Assistance	Fairmont Cemetery	Festival of Lights	Wilmot Fire Service	Trail System	Wilmot Splash Pad	TOTALS 2017	2016
Opening Balance	331,414	31,004	20,213	16,702	18,509	9,546	35,109	2,204	960	42,764	79,346	**587,771**	550,774
Receipts:													
Donations		1,983	1,186				300		5,700			**9,169**	38,100
Care & Maintenance	11,533											**11,533**	14,303
Transfer from Revenue Fund						658						**658**	725
Investment Income	4,006	380	243	200	221	115	419	26	30	437	944	**7,021**	6,131
	15,539	2,363	1,429	200	221	773	719	26	5,730	437	944	**28,381**	59,259
Expenditures:													
Transfer to Revenue Fund	4,006	-							5,526		542	**10,074**	21,796
Transfer to Others						553	374			14,100		**15,027**	466
	4,006	-	-	-	-	553	374	-	5,526	14,100	542	**25,101**	22,262
Ending Balance	342,947	33,367	21,642	16,902	18,730	9,766	35,454	2,230	1,164	29,101	79,748	**591,051**	587,771

THE CORPORATION OF THE TOWNSHIP OF WILMOT

Trust Funds Statement of Financial Position

December 31, 2017

	Riverside Cemetery	Castle Kilbride	WRC Youth Ctr	WRC Adult Ctr	Baden Comm Ctr	Financial Assistance	Fairmont Cemetery	Festival of Lights	Wilmot Fire Service	Trail System	Wilmot Splash Pad	TOTALS 2017	2016
Assets													
Cash	342,947	33,367	21,642	16,902	18,730	9,766	35,454	2,230	1,164	29,101	79,748	**591,051**	$ 587,771
	342,947	33,367	21,642	16,902	18,730	9,766	35,454	2,230	1,164	29,101	79,748	**$ 591,051**	$ 587,771
Liabilities and Fund Balances													
Fund Balance	342,947	33,367	21,642	16,902	18,730	9,766	35,454	2,230	1,164	29,101	79,748	**591,051**	587,771
	342,947	33,367	21,642	16,902	18,730	9,766	35,454	2,230	1,164	29,101	79,748	**$ 591,051**	$ 587,771

See accompanying notes to financial statements

1. **Accounting Policies**

The financial statements of The Trust Funds of the Corporation of the Township of Wilmot are the representation of management prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

(a) **Basis of Accounting**

Donation receipts are reported on the cash basis of accounting. Investment income is reported on the accrual basis of accounting.

Expenditures, including transfers to the operating fund, are reported on the cash basis of accounting.

(b) **Use of Estimates**

The preparation of 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 are based on management's best information and judgement and may differ significantly from future actual results.

Township of Wilmot REPORT

REPORT NO.	**CL2018-09**
TO:	**Council**
PREPARED BY:	**Dawn Mittelholtz, Director of Clerk's Services**
DATE:	**April 23, 2018**
SUBJECT:	**Use of Municipal Resources During a Municipal Election Policy**

Recommendation:

THAT the Use of Municipal Resources During a Municipal Election Policy be endorsed.

Background:

As Council has been made aware, the most recent changes to the Municipal Elections Act has prompted municipalities across Ontario to establish new policies, procedures and guidelines. Section 88.18 requires all municipalities to establish rules and procedures with respect to the use of municipal resources during the election campaign period.

Discussion:

The current Code of Conduct for Members of Council for the Township of Wilmot states the following:

> *No member shall use municipal facilities, services, or property for his or her re-election campaign use unless in accordance with township procedures and fee schedules.*
>
> *No member shall use the services of municipal employees for his or her re-election campaign, during hours in which the employees are in the paid employment of the municipality.*

Whereas this has been sufficient in Wilmot and no concerns exist, it is to the benefit of the municipality to have an expanded policy on this topic. Not only is it a legislative requirement, it helps to ensure all candidates have an equal understanding of how municipal resources may or may not be used during the election campaign period and equal access to resources. The policy will also provide clarity to staff during this time if a candidate approaches them regarding possible campaigning or other activities outside of their regular duties.

Strategic Plan Conformity:

The endorsement of the Use of Municipal Resources During a Municipal Election Policy communicates municipal matters and strengthens the Township's customer service.

Financial Considerations:

None.

Conclusion:

Staff recommend that the Use of Municipal Resources During a Municipal Election Policy be endorsed.

Dawn Mittelholtz
Prepared/Submited by
Director of Clerk's Services

Grant Whittington
Reviewed by Chief Administrative Officer

Use of Municipal Resources in a Municipal Election Policy

Principles of the Municipal Elections Act

The Municipal Elections Act, 1996 ("the Act") applies to and governs all elections in the Township of Wilmot. The Act is based on the following principles:

- fair and consistent treatment of electors and candidates
- certainty that election results truly reflect electorate vote
- secrecy, confidentiality and privacy of voters is paramount
- the intention of the voter in marking the ballot should be the primary consideration in any counting decision
- voter accessibility, convenience, integrity and scrutiny of the election process should take priority over administrative convenience and efficiency

Legislative Authority

The Act as amended under the Municipal Elections Modernization Act, 2016 (Bill 181) requires the following from all municipalities in Ontario:

Use of municipal, board resources

> ***88.18 Before May 1 in the year of a regular election, municipalities and local boards shall establish rules and procedures with respect to the use of municipal or board resources, as the case may be, during the election campaign period.***

PART 1 - Definitions:

"**Acclaimed**" means a Candidate elected by acclamation pursuant to section 37 of the Act.

"**Act**" means the Municipal Elections Act, 1996, S.O. 1996, Chapter 32, as amended.

"**Campaigning**" means a municipal election-related activity for the purpose of supporting or opposing the election of a Candidate or a question on the ballot, and includes, without limiting the generality of the foregoing, the distribution of materials, advertising, display of signage, etc.

"**Candidate**" means a person who has filed a nomination for an office pursuant to section 33 of the Act, and includes a person who has filed a nomination for election to a school board pursuant to the Education Act, R.S.O. 1990, Chapter E.2, as amended.

"**Clerk**" means the Clerk of the Township or his/her designate. "Council" means the Council of the Township.

"**Member**" means a member of the Council of the Township, and includes the Mayor of the Township.

"**Nomination Day**" means, in the case of a regular election, the fourth Friday in July in the year of the election pursuant to section 31 of the Act, or in the case of a by-election as noted in subsection 65(4) of the Act.

"**Policy**" means this Use of Municipal Resources During a Municipal Election Policy

"**Staff**" means all full-time and part-time persons hired by the Township, including but not limited to the Chief Administrative Officer, Directors, salaried employees, administrative staff, and contract, temporary, student, co-operative placement, and volunteer staff.

"**Township**" means The Corporation of the Township of Wilmot.

"**Township resources**" means real property, goods and/or services owned, controlled, leased, acquired, or operated by the Township including but not limited to: facilities, parks, materials, equipment, monetary funds, technology, Township IT systems and resources, databases, intellectual property, and supplies.

"**Voting Day**" means, in the case of a regular election, the fourth Monday in October in the year of the election pursuant to section 5 of the Act, or in the case of a by-election, the 45th day after Nomination Day, as noted in subsection 65(4) of the Act.

PART 2 - GENERAL PROVISIONS

a) No person shall use Township resources for campaigning.
b) Notwithstanding Part 2 (a), "All Candidates" meetings may be held in a Township facility at the discretion of the Clerk, provided that subsection Part 2 (d) is adhered to.
c) Notwithstanding Part 2 (a), campaigning on public walkways, thoroughfares, and rights-of- way are permitted, provided that all campaigning is in compliance with Township by- laws.
d) No campaign signs or material may be displayed in any Township owned or operated facilities.
e) Campaigning shall not be permitted at any Township operated events, e.g., Summer Concert Series, Prime Minister statue unveilings, annual community event, etc.
f) No person shall use the services of staff for campaigning during working hours of such staff, unless such staff are on a leave of absence without pay, float day, maternity/parental leave, or vacation leave.
g) In any material printed, distributed, or paid for by the Township, a candidate is not permitted to:
    i. illustrate that an individual is a candidate;
    ii. identify where they or any other individual will be running for office; or
    iii. profile or make reference to a candidate.
h) Websites or domain names that are funded, owned, or operated by the Township shall not include any campaigning, other than non-partisan election information material that is required for the proper administration of the election under the Act and basic contact information for candidates.
i) The Township's voicemail system shall not be used to record campaign messages, and the municipality's technology systems comprising of the computer network, Township laptops, emails, internet, fax, smart phones, data plans and related IT systems shall not be used for campaigning.
j) Use any Council or Councillor budgets for election-related purposes or to advertise, promote or support any candidate, third party or any position related to any questions which may be authorized to be placed on the ballot
k) Any Township logo, crest, coat of arms, slogan, brand, other marks, chain of office, etc. shall not be used in any campaigning or included on any campaign related website, social media, or electronic publication.
l) Photographs and videos produced for and owned by the Township may not be used for campaigning.

m) No candidate shall use municipal facilities, services, or property for his or her campaign use unless in accordance with Township procedures and fee schedules.

n) No candidate shall use the services of municipal employees for his or her campaign, during hours in which the employees are in the paid employment of the municipality.

o) As provided for in section 11 of the Act, the Clerk is responsible for conducting elections within the Township. Accordingly, any decision regarding the conduct of an election, including the interpretation and application of this Policy, shall fall under the authority of the Clerk.

PART 3 - TOWNSHIP STAFF

a) Staff shall not use any Township resources for any campaigning purposes.

b) Staff shall neither canvass nor actively work in support of a Candidate during working hours, unless such staff is on a leave of absence without pay, float day, maternity/parental leave, or vacation leave.

c) Staff shall neither canvass nor actively work in support of a Candidate while wearing a Township uniform, badge, crest or other item identifying them as a member of Township staff, or while using a Township owned or leased vehicle.

d) Staff who are also relatives of any member of Council or Candidate shall not be assigned to work in any part of the voting process.

e) Staff shall not use their official authority or influence for the purpose of interfering with or affecting the result of a municipal election or a question on the ballot, nor use their official title while participating in otherwise permissible political activities.

f) Staff are advised to be especially mindful of public perception during municipal elections, and to ensure that their activities neither conflict with nor adversely affect their duties as members of Township staff. Moreover, staff have a responsibility to ensure that public resources are not used for campaigning by any person.

g) Any member of staff who considers being a Candidate in a municipal election should familiarize themselves with the rules set out in the Act and the Education Act, R.S.O. 1990, c. E.2, as amended.

h) Staff are to behave in a manner that is impartial, fair and unbiased toward all registered candidates and third parties;

i) Consult with their direct Supervisor prior to agreeing to perform any task requested by a member of Council, registered candidate, or third party.

j) Not rent any corporate facility/property for any municipal election-related purpose to members of Council, candidates, third parties, or the public during any day that voting is taking place anywhere on the property, including set-up, hosting, or take-down activities.

PART 4 - MEMBERS OF COUNCIL

a) A member of Council is responsible for ensuring that the content of any communication material that is printed, sponsored, hosted, or distributed by the Township at the request of such member of Council is not for campaigning.

b) A member of Council shall not print or distribute campaign material using Township resources and/or paid for by Township funds.

c) Office furnishings, office/desk locations, stationary, and other supplies normally provided for members of Council will remain status quo from Nomination Day until the end of the Council term. However, none of these Township resources may be used for campaigning.

PART 5 - POLICY MANAGEMENT

a) Staff are authorized and directed to take the necessary action to give effect to this Policy.

b) The Clerk is delegated the authority to make administrative changes to this Policy that may be required from time to time due to legislative changes or if, in the opinion of the Clerk, the amendments do not change the intent of the Policy during an election period.

PART 6 - LIMITATIONS

a) Nothing in this Policy shall prohibit a member of Council from performing his/her job as a member of Council, nor impede them from representing the interests of his/her constituents.

b) Nothing in this Policy shall preclude a Staff member from exercising his/her civic right and duty to participate in the municipal election process as a private citizen.

c) Nothing in this Policy shall prevent Staff from conducting an election in accordance with the Act, or providing non-partisan election information material on behalf of the Township so as to inform the public about the election and the election process.

Township of Wilmot REPORT

REPORT NO. **CL2018-10**

TO: **Council**

PREPARED BY: **Erin Merritt, Municipal Law Enforcement Officer**

DATE: **April 23, 2018**

SUBJECT: **By-law Enforcement Quarterly Activity Report, January 1st to March 31st, 2018**

Recommendation:

THAT the Enforcement Activity Report for January 1, 2018 to March 31, 2018 be received for information purposes.

Background:

Type of Call	Jan/March 2017	Jan /March 2018
Property Standards/Clean Yards	2	7
Parking/Traffic	18	34
Animal Control Complaints	20	20
Noise Complaints	5	5
Fire Complaints	1	1
Ice and Snow Complaints (sidewalks)	45	39
Signs	4	1
General Inquires	48	46
Dumping	5	2
Zoning	0	0
Discharge of Firearms	0	1

Breakdown of Activities:

Property Standards and Clean Yard:

- 7 properties were investigated by the Township
- 5 have complied under the by-law, 2 working with owners to gain compliance

Parking:

- 50 warnings were issued
- 202 parking tickets were issued (mainly overnight parking or fire route violations)
- Assisted with ensuring that the fire route was kept clear at Forest Glen Public School during their performances of the Lion King (2 evenings)

Animal Control:

- 13 dogs were impounded
- 7 warnings given for dogs running at large, no tickets issued

Noise Complaints:

- 5 complaints investigated ranging from loud stereos, barking dogs, noisy vehicles
- all complaints have been investigated and appropriate warnings have been issued
- no tickets issued

Fire Complaints:

- 1 complaints regarding open burning, a warning was given

Ice and Snow Complaints (sidewalks):

- 39 complaints investigated
- 1 property was not in compliance, contractors cleared the sidewalk

Signs:

- 1 complaint received
- the complaint was investigated and the sign was removed by voluntary compliance by the property owners
- ongoing monitoring of illegal signage is occurring and removal carried out on a regular basis by By-law (68 signs removed this quarter by By-law Officers)

Dumping

- 2 illegal dumping calls investigated, no action was required

Discussion:

N/A

Strategic Plan Conformity:

Communicating municipal matters.

Financial Considerations:

N/A

Conclusion:

That the report be received for information purposes.

Erin Merritt
Prepared by
Municipal Law Enforcement Officer

Derek Wallace
Prepared by Senior
Municipal Law Enforcement Officer

Dawn Mittelholtz
Submitted by
Director of Clerk's Services

Grant Whittington
Reviewed by
Chief Administrative Officer

Township of Wilmot
REPORT

REPORT NO.	**FIN 2018-18**
TO:	**Council**
PREPARED BY:	**Ashton Romany, Manager of Accounting**
DATE:	**April 23, 2018**
SUBJECT:	**2018 Final Tax Levy By-Law**

Recommendation:

That report FIN 2018-18 prepared by the Manager of Accounting, regarding the 2018 Final Tax Levy By-law be received.

Background:

Council approved the 2018 Municipal Budget on February 12, 2018. The approved Budget includes a total Tax Levy for municipal purposes of $7,709,930, representing an increase of 1.95% over the 2017 Levy. By-law 2018-18, presented for Council's approval, will give Finance staff the authority to issue the final tax bills for 2018.

Discussion:

Through the 2018 budget process, it was determined that the levy required for municipal operating and capital needs for the year would be $7,709,930. In addition to the municipal levy, the Township is responsible for billing on behalf of the Region of Waterloo and School Boards. Final tax bills are issued upon receipt of information on Regional tax ratios and tax rates, as well as information from the Ministry on the distribution of taxes amongst the four school boards.

Strategic Plan Conformity:

This report is aligned with the Strategic Plan goal of being an engaged community through the communication of municipal matters, by providing the rates of taxation required to raise the 2018 tax levy. The revenue from this levy will fulfill the 2018 financial requirements of the Township.

Financial Considerations:

The tax levy is utilized to fund both the operating and capital expenses of the Township of Wilmot, as identified within the 2018 budget.

Conclusion:

Upon Council's approval of the by-law, staff will prepare final tax bills to the ratepayers in the Township.

Ashton Romany, CPA
Prepared by Manager of Accounting

Patrick Kelly CPA, CMA
Submitted by Director of Finance

Grant Whittington
Reviewed by Chief Administrative Officer

Township of Wilmot
REPORT

REPORT NO.	**PW-2018-09**
TO:	**Council**
PREPARED BY:	**Alastair Duncan CET**
DATE:	**April 23, 2018**
SUBJECT:	**Wilmot & Church Street Reconstruction, New Hamburg Consulting Engineering Services – Award of Contract** **ATTACHMENT – PROJECT LOCATION**

Recommendation:

That RFP 2018-12 be awarded to MTE Consultants to provide consulting engineering services for the reconstruction of Wilmot and Church Street in New Hamburg as per their proposal dated March 29, 2018 for the fee of $89,972.50, plus HST.

Background:

Engineering services related to the design, tendering, contract administration and site inspection for the reconstruction of Wilmot and Church Streets in New Hamburg were approved by Council as part of the 2018 budget process. Construction is tentatively scheduled for 2020, subject to Council approval.

Proposed improvements include replacing the watermain, storm sewer systems, granular road base, asphalt surface, concrete curb, gutter and sidewalks.

Discussion:

The Township requested proposals for consulting engineering services from qualified consultants to undertake the design, tendering, contract administration and site inspection related to this project. The intent is to have the detailed design completed in 2018-2019 while the remainder of the engineering services related to tendering, contract administration and site inspection are to be provided in 2020.

The engineering consultants were required to provide a proposal which included preliminary and final design, preparation and attendance at a Public Information Centre, preparation of engineering drawings, liaison with approval agencies, securing approvals, construction cost estimates, tender support, contract administration, site inspection and disbursements.

There was a total of 8 proposals submitted in response to the RFP posting. The list of proponents is provided below:

	Proponent	Location
1	MTE Consultants Inc.	Stratford, ON
2	IBI Group	Waterloo, ON
3	GM Blue Plan	Kitchener, ON
4	RJ Burnside	Stratford, ON
5	AECOM	Kitchener, ON
6	CIMA Canada	Kitchener, ON
7	Meritech Engineering	Cambridge, ON
8	J.L Richards & Associates Limited	Guelph, ON

An internal selection committee consisting of staff from Engineering and Finance reviewed and evaluated the proposals based on the following evaluation criteria:

- Project Understanding and Approach
- Project Manager and Team
- Similar Project Experience and References
- Price

Following a technical review, the proposals were evaluated and scored for adequacy to address the anticipated scope of work. Following that, the fees were evaluated separately and a final selection was made based on the comprehensive evaluation criteria.

As a result of the highest ranking proposal based on the selection committee review, MTE Consultants Inc. is recommended to be authorized to undertake this project.

Strategic Plan Conformity:

We have a prosperous community through maintaining our infrastructure. We are an engaged community through communicating municipal matters.

Financial Considerations:

The approved 2018 Budget includes $107,988.00 for costs related to engineering services for this road reconstruction project. The funding will be provided as follows:

Funding Source	Amount
General Levy	$85,168
Infrastructure Reserve Fund - Water	$22,820
Total Budget	**$107,988**

As part of the work plan, MTE will be providing a detailed construction cost estimate based on the final design in late 2019. Using this information, Staff will submit the appropriate detailed capital budget request for construction as part of the 2020 budget process.

Conclusion:

MTE Consultants showed a good understanding of this reconstruction project, experience on similar projects a strong project team and competitive pricing. They addressed the scope anticipated for this project within their proposal. Therefore, it's recommended that MTE Consultants be authorized to provide engineering services associated with the reconstruction of Wilmot & Church Street in New Hamburg.

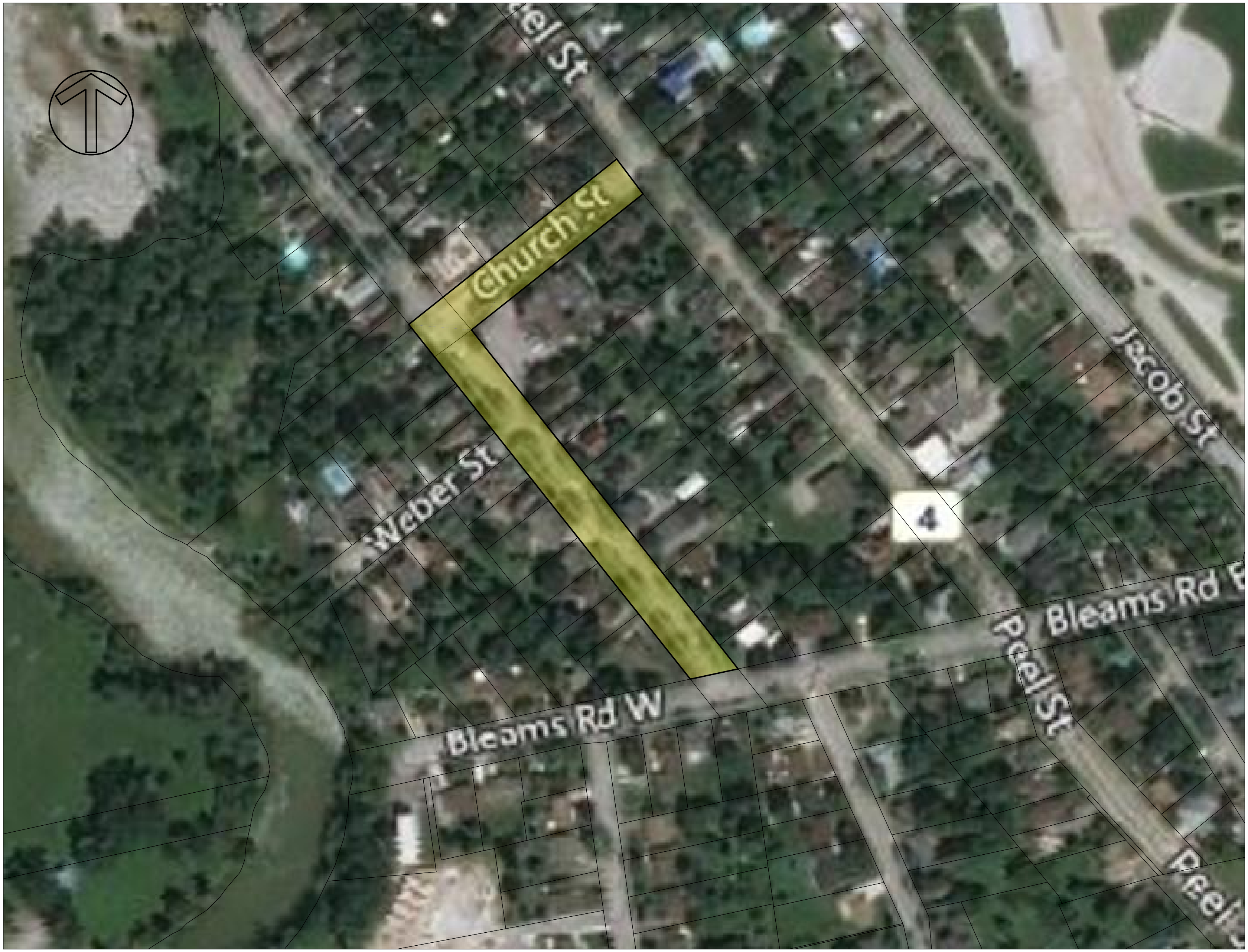
Alastair Duncan, CET
Prepared/Submitted by Engineering Technician

Jeff Molenhuis
Submitted by Director of Public Works

Patrick Kelly
Submitted by Director of Finance

Grant Whittington
Reviewed by Chief Administrative Officer

2018-12 - Consulting Engineering Services for the Road Reconstruction of Church and Wilmot Street



Township of Wilmot REPORT

REPORT NO.	**PRD 2018-03**
TO:	**Council**
PREPARED BY:	**Scott Nancekivell**
DATE:	**April 23, 2018**
SUBJECT:	**Award of Tender** **A) Stake Truck with Aluminum Box** **B) Maintenance Cargo Van**

Recommendation:

That Oxford Dodge Chrysler (1992) Ltd. be awarded the tender for the supply and delivery of a new four wheel drive crew cab and chassis c/w aluminum dump box, for the bid price of $57,648.00 plus applicable taxes, and further

That 709226 Ontario Ltd. be awarded the tender for the supply and delivery of a new commercial maintenance cargo van, for the bid price of $30,000.00 plus applicable taxes.

Background:

On March 29, 2018 tenders for the supply and delivery of a four wheel drive crew cab & chassis c/w aluminum dump box (stake truck), and a commercial maintenance cargo van (maintenance van), were advertised and released for on-line bidding purposes.

Discussion:

On April 12, 2018 a total of four tenders were received for the stake truck with aluminum box, and six for the maintenance van as per the tables below:

Stake Truck Bidders	Bid Price (excluding taxes)
Expressway Motors Ltd. (New Hamburg)	$60,160.00
Oxford Dodge Chrysler (1992) Ltd. (London)	$57,648.00
Donway Ford Sales Limited (Scarborough)	$60,781.00
Blue Mountain Chrysler Ltd. (Collingwood)	$60,749.00

Maintenance Van Bidders	Bid Price (excluding taxes)
709226 Ontario Ltd. (Ottawa)	$30,000.00
Donway Ford Sales Limited (Scarborough)	$31,743.00
Expressway Motors Ltd. (New Hamburg)	$33,673.00
Blue Mountain Chrysler Ltd. (Collingwood)	$30,249.00
Trillium Ford Lincoln Ltd. (Alliston)	$32,880.00
Victoria Star Motors (Kitchener)	$46,900.00

Strategic Plan Conformity:

Maintaining our infrastructure.

Financial Considerations:

The approved 2018 capital budget contains $56,000 for the stake truck, and $45,000 for the maintenance van. The bid prices, net of the HST rebate, are $58,662.60 for the stake truck and $30,528.00 for the maintenance van respectively. With a Department budget of $101,000.00 for both vehicles, the low bids are within the approved allocation, with a total combined bid price of $89,190.60, net of the HST rebate.

Conclusion:

Staff recommend that the tender for the supply and delivery of the new stake truck be awarded to Oxford Dodge Chrysler (1992) Ltd. for the bid price of $57,648 plus applicable taxes, and the tender for the supply and delivery of the new maintenance van be awarded to 709226 Ontario Ltd. for the bid price of $30,000.00 plus applicable taxes.

Scott Nancekivell
Prepared/Submitted by Director of Facilities & Recreation

Grant Whittington
Reviewed by Chief Administrative Officer

10.1

GRCA Current

April, 2018 • Volume 22 Number 3

Review of communications and marketing

A consultant has reviewed internal and external communications for the GRCA and the Grand River Conservation Foundation.

Enterprise Canada spent six months reviewing the GRCA's communications products, publications and survey results, conducting interviews and researching communications of other conservation authorities.

The consultant's summary report includes 48 recommendations to enhance GRCA communications and ensure alignment with the GRCA's strategic plan, which is being updated this year.

Overall, Enterprise Canada found that the GRCA enjoys a positive image and solid reputation among its closest stakeholders. At the same time, it recognized that GRCA communications structures, processes, strategies and tactics need to be modernized.

Once the GRCA's strategic plan has been approved by the GRCA board, the consultant's recommendations will be reviewed to ensure they remain in alignment. Any financial implications stemming from the implementation of the consultant's recommendations would be incorporated into the budget forecast and planning process for 2019.

Niska settlement

An appeal of a City of Guelph Official Plan Amendment regarding eight hectares of GRCA property on Niska Road was withdrawn on March 14 when a settlement was reached between a Guelph resident, the City of Guelph and the GRCA.

The appeal was brought to the Ontario Municipal Board (OMB) to oppose the redesignation of eight hectares of a 65-hectare GRCA property for residential development. As a result of the withdrawal of the appeal, the eight-hectare property was redesignated as residential under the City of Guelph's Official Plan. The property is currently being farmed under an agricultural lease.

A management plan is being developed for the entire 65-hectare Niska Road property, which will outline how the GRCA will manage the land going forward.

Once the plan is complete, the City of Guelph, in collaboration with the GRCA, will establish a joint working group to help determine public access to the GRCA lands within the city limits. The working group will include members of the public.

The GRCA has set up a Niska land holdings page on **www.grandriver.ca** in the properties section and people can subscribe to stay updated.

Comments on provincial watershed planning

A GRCA report commenting on a provincial draft document called *Watershed Planning in Ontario: Guidance for Land-use Planning Authorities* was sent to the Environmental Registry during the 60-day public review that closed recently.

The draft document is intended to help guide municipalities so they can meet new and existing provincial land use plans. These provincial plans include the 2017 *Growth Plan for the Greater Golden Horseshoe,* the 2017 *Greenbelt Plan* and the 2014 *Provincial Policy Statement under the Planning Act*.

The GRCA would like the province to defer finalizing this guidance document to allow more consultation with municipalities, conservation authorities and other stakeholders. While it includes sections on municipal and provincial roles in watershed planning, the document doesn't include a section on conservation authorities. It underplays the history, expertise, roles and resources that conservation authorities contribute to watershed planning.

Since the 1930s, the GRCA has been engaged in watershed planning, including work over many years with partners on the Grand River Watershed Management Plan. Since the 1980s, the GRCA has been working with watershed municipalities and other stakeholders to undertake subwatershed plans. More than 60 subwatershed and master drainage studies have been completed within the GRCA's jurisdiction.

Seasonal camping

The GRCA is exploring a standardized approach to seasonal camping at the seven Grand River Parks where seasonal camping is offered.

About one-third of the 2,200 campsites provided at Grand River Parks are used for seasonal camping, but the percentage of sites varies quite a bit from one park to another. Most of the sites have water and electricity and some also have sanitary hookup. They are available during the park operating season, May 1 to October 15.

The GRCA will be assessing its seasonal camping program throughout 2018 as part of the conservation areas business plan update. As part of the assessment, the GRCA will explore alternatives to balance the number of seasonal sites and nightly sites, to make more serviced sites available to the public and to consider other ways campers can stay for a longer time.

Any changes recommended through the business plan will be implemented in 2019 and a transition period may be applied to changes to this program when it is implemented.

Four Tier 3 water budget studies

GRCA staff and municipal partners have been working on four Tier 3 water budget studies as a part of the Lake Erie Region Source Protection program, which is outlined by the Clean Water Act, 2006.

All source protection areas across the province have completed either a simple Tier 1 study or a more complex Tier 2 study. The most detailed type of study is a Tier 3 study, which has the objective of finding out if current and future municipal water supply needs can be met.

Over $5 million has been invested by the province and municipalities in these studies to improve understanding of the potential risks that may impact municipal water supplies.

A corporate group volunteered to build turtle nest protectors at an event last month through the GRCA's volunteer program. For more information about the program, see **www.grandriver.ca/volunteer**.

The four Tier 3 studies in the Grand River watershed are at different stages of completion. The Region of Waterloo Tier 3 was completed in 2014. The City of Guelph and Guelph-Guelph/Eramosa Township Tier 3 study was completed in 2017, after nearly a decade of technical work. Additional technical work and policy development related to this study are currently underway. The Whitemans Creek Tier 3 study began in 2015 and is nearing completion. The Centre Wellington Scoped Tier 3 study was initiated in 2016. In addition to the technical component, it includes a community engagement process for local stakeholders and residents.

The Tier 3 studies are expected to be completed by the end of 2018. For more information about these studies, see **www.sourcewater.ca**.

Dry March weather

Precipitation has been below the long-term average across the watershed since the mid-February watershed-wide flood event that resulted from heavy rainfall and ice jams.

February was wet, with 50 per cent more precipitation than normal. However, this trend has been reversed, as March was a relatively dry month.

The GRCA is hoping there will be enough precipitation this spring to fill the reservoirs before the summer. Fortunately, precipitation is predicted to be normal or above-average over the next couple of months.

Changes to gate access at Laurel Creek

Changes are coming to Laurel Creek Park in Waterloo this spring that will allow visitors to enjoy the park year-round.

Automatic gates at the gatehouse will be activated May 1. There is also a small parking lot and a trailer staging area.

These improvements will enhance access to the park during the camping season and

This issue of *GRCA Current* was published in April, 2018.

It is a summary of the March 2018 business conducted by the Grand River Conservation Authority board and committees, as well as other noteworthy happenings and topics of interest.

Next board meeting:
April 27 at 9:30 a.m.,
GRCA Administration Centre

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THE CORPORATION OF THE TOWNSHIP OF WILMOT
BY-LAW NO. 2018-18

BEING A BY-LAW TO ESTABLISH THE 2018 FINAL TAX LEVY, THE 2018 RATES OF TAXATION AND TO PROVIDE FOR THE PAYMENT OF TAXES BY INSTALMENTS.

WHEREAS Section 290 of the Municipal Act, 2001, S.O. 2001, CHAPTER 25, as amended, provides that the Council of a local municipality shall, after consideration of the estimates for the year, pass a by-law to adopt the estimates and levy a separate tax rate on the assessment in each property class;

AND WHEREAS Section 307 of the Municipal Act, 2001, S.O. 2001, CHAPTER 25, as amended, outlines the manner in which taxes shall be assessed against a property, and,

AND WHEREAS the Regional Municipality of Waterloo has provided the 2017 tax ratios and subclass reductions as required by the Municipal Act, 2001, S.O. 2001, CHAPTER 25, as amended,

NOW THEREFORE the Council of the Corporation of the Township of Wilmot hereby enacts as follows:

Definitions

- “Municipal Act” means the Municipal Act, 2001, S.O. 2001, CHAPTER 25, as amended.
- “Person” means a natural person, partnership, association, corporation, legal representative, trustee, trustee in bankruptcy, or receiver.
- “Property Owner” means a person who has legal title or right to a property.
- “Region” means the Regional Municipality of Waterloo.
- “Tax” or “Taxes” means any sum payable as taxes and includes upper tier, lower tier and school board property taxes, local improvement charges, and all other fees that may have been added to the property’s tax roll as outlined in the Municipal Act.
- “Township” means The Corporation of the Township of Wilmot.

Final Tax Levy

- The current estimates for 2018, totalling $7,709,930, detailed in the 2018 Municipal Budget, approved by Council on February 12, 2018, are used in the creation of the 2018 Township tax rates.
- Every property owner shall be taxed a Final Levy according to the tax rates in this by-law, save and except that portion of taxes raised by the 2018 Interim Levy under Section 317 of the Municipal Act.
- Taxes levied under this by-law shall be payable in multiple instalments, and the dates for payment shall be authorized by the Treasurer.
- Notice of 2018 Final Levy shall be mailed at least 21 days prior to the due date of the 1st Instalment.
- Failure to pay the amount of taxes due on the dates stated above shall constitute default and the provisions of By-law 2012-02 (being a by-law to provide for penalties to be applied to current taxes due and unpaid and for interest to be applied to taxes in arrears) shall be applicable.

- The Treasurer is hereby authorized to mail, deliver or cause to be mailed or delivered, the notice of taxes due to the address of the residence or place of business of the person to whom such notice is required to be given.
- Taxes shall be payable to the Township.

- The Treasurer is authorized to accept part payment from time to time on accounts of any taxes due and to give a receipt for such payment, provided that acceptance of any such payment shall not affect the collection of any percentage charge imposed and collectable under By-law No. 2012-02 in respect of non-payment of any taxes or any class of taxes or of any instalment thereof.

2018 Tax Rates

- The 2018 tax ratios provided by the Region are as follows:

Tax Class Description	Tax Ratio	Tax Class Description	Tax Ratio
Residential	1.0000	Commercial	1.9500
Residential Farmland Cl 1	1.0000	Shopping Centre	1.9500
Multi-Residential	1.9500	Industrial	1.9500
New Multi-Residential	1.0000	Industrial Farmland Cl 1	1.0000
Farm	0.2500	Landfill	1.6500
Managed Forest	0.2500	Pipeline	1.1613

- The 2018 sub-class reductions provided by the Region are as follows:

Tax Class Description	Sub-Class Reduction
Residential Farmland Cl 1	35%
Industrial Farmland Cl 1	35%
Excess Land (All Classes)	30%
Vacant Land (All Classes)	30%

- The 2018 tax rates are set as follows:

Tax Code	Tax Code Description	Tax Rate
RT	Residential Taxable: Full	0.00235445
R1	Residential Taxable: Farmland Cl 1	0.00153039
MT	Multi-Residential Taxable: Full	0.00459118
NT	New Multi-Residential Taxable: Full	0.00235445
FT	Farm Taxable: Full	0.00058861
TT	Managed Forest Taxable: Full	0.00058861
CT	Commercial Taxable: Full	0.00459118
CU	Commercial Taxable: Excess Land	0.00321382
CX	Commercial Taxable: Vacant Land	0.00321382
XT	Commercial New Construction: Full	0.00459118
XU	Commercial New Construction: Excess Land	0.00321382
XX	Commercial New Construction: Vacant Land	0.00321382
YT	Office Building New Construction Taxable: Full	0.00459118
ST	Shopping Centre Taxable: Full	0.00459118
SU	Shopping Centre Taxable: Excess Land	0.00321382
SX	Shopping Centre Taxable: Vacant Land	0.00321382
ZT	Shopping Centre New Construction: Full	0.00459118
ZU	Shopping Centre New Construction: Excess Land	0.00321382
ZX	Shopping Centre New Construction: Vacant Land	0.00321382
IT	Industrial Taxable: Full	0.00459118
IH	Industrial Taxable: Full, Shared PIL	0.00459118
IK	Industrial Taxable: Excess Land, Shared PIL	0.00321382
IU	Industrial Taxable: Excess Land	0.00321382
IX	Industrial Taxable: Vacant Land	0.00321382
I1	Industrial Taxable: Farmland Cl 1	0.00153039
JT	Industrial New Construction: Full	0.00459118
JU	Industrial New Construction: Excess Land	0.00321382
JX	Industrial New Construction: Vacant Land	0.00321382
PT	Pipeline Taxable: Full	0.00273422
HT	Landfill Taxable: Full	0.00388484
E	Exempt	0.00000000

Severability

- If a Court of competent jurisdiction should declare any section or part of a section of this by-law to be invalid, such section or part of a section shall not be construed as having persuaded or influenced Council to pass the remainder of this by-law and it is hereby declared that the remainder of this by-law shall be valid and shall remain in full force and effect.

Coming to Force

- This by-law hereby rescinds By-law 2017-21 and shall come into force and take effect on the date of its passage by Council.

READ a first and second time in Open Council this 23rd day of April, 2018.

READ a third time and finally passed in Open Council this 23rd day of April, 2018.

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Mayor

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Clerk