

Audited Financial Statements  
and Other Financial Information of

**The Corporation of  
the City of Kingston**

Year Ended December 31, 2019

Audited Financial Statements  
and other Financial Information of  
**The Corporation of the City of Kingston**  
Year ended December 31, 2019

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## **Management's Responsibility for the Consolidated Financial Statements**

The accompanying consolidated financial statements of The Corporation of the City of Kingston (the "City") are the responsibility of the City's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies is described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The City's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Administrative Policies Committee meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to council approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the City. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the City's consolidated financial statements.



Lanie Hurdle  
Chief Administrative Officer



Desirée Kennedy  
Chief Financial Officer and  
City Treasurer



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## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

We have audited the consolidated financial statements of The Corporation of the City of Kingston, which comprise:

- the consolidated statement of financial position as at December 31, 2019
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated schedule of municipal equity for the year then ended
- the consolidated statement of cash flows for the year then ended

and notes to the consolidated financial statements, including a summary of significant accounting policies (Hereinafter referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of the City of Kingston as at December 31, 2019, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

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

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

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

### ***Emphasis of Matter- Comparative Information***

We draw attention to Note 22 to the consolidated financial statements which explains that certain comparative information presented as at and for the year ended December 31, 2018 has been restated.



Note 22 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect to this matter.

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

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

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

Those charged with governance are responsible for overseeing The Corporation of the City of Kingston's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

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

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

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

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

We also:

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

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

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



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on The Corporation of the City of Kingston's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause The Corporation of the City of Kingston to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group of The Corporation of the City of Kingston to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

September 1, 2020

**The Corporation of the City of Kingston**  
**Consolidated Statement of Financial Position**  
December 31, 2019, with Comparative Figures for 2018  
(In Thousands of Dollars)

	2019	2018
		(restated note 22)
<b>Financial Assets:</b>		
Cash and short-term investments	\$ 188,457	\$ 131,202
Taxes receivable	3,133	4,254
Accounts receivable	49,983	52,318
Inventories for resale	17,228	16,568
Notes receivable from government business enterprises (note 17(c))	18,311	18,311
Long-term investments (note 4)	138,899	138,632
Investment in government business enterprises (note 17(a))	34,681	32,939
	450,692	394,224
<b>Liabilities:</b>		
Temporary loans (note 6)	(95,651)	(60,751)
Accounts payable and accrued liabilities	(77,802)	(69,970)
Due to government business enterprises:		
Utilities Kingston (note 17(b))	(6,985)	(4,329)
Kingston Hydro Corporation (note 17(b))	(7,155)	(3,843)
Employee future benefit obligations (note 9(d))	(5,080)	(4,520)
Deferred revenue - obligatory reserve funds (note 11)	(73,754)	(61,920)
Deferred revenues	(8,602)	(10,688)
Accrued interest on long-term debt	(3,854)	(4,010)
Long-term liabilities (note 10)	(354,628)	(366,715)
Employee future benefit obligations (note 9(d))	(55,525)	(51,619)
Landfill closure and post closure liabilities (note 13)	(5,019)	(5,694)
	(694,055)	(644,059)
<b>Net Financial Debt</b>	(243,363)	(249,835)
<b>Non-Financial Assets:</b>		
Tangible capital assets (note 18)	1,709,224	1,630,573
Inventories of supplies	1,331	1,233
Prepaid expenses	2,856	4,611
	1,713,411	1,636,417
Contingent liabilities (note 14)		
Commitments (note 15)		
Subsequent event (note 21)		
<b>Municipal Equity</b>	\$ 1,470,048	\$ 1,386,582

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

# The Corporation of the City of Kingston

## Consolidated Statement of Operations

Year Ended December 31, 2019, with Comparative Figures for 2018

(In Thousands of Dollars)

	Budget 2019 (note 16)	Actual 2019	Actual 2018 (restated note 22)
<b>Revenue:</b>			
Property taxation	\$ 232,422	\$ 233,337	\$ 224,033
Taxation from other governments	16,293	16,702	16,399
User charges	136,503	147,727	140,256
User charges – gas commodity	25,000	16,087	19,829
Government grants	83,791	82,153	81,049
Grants from other municipalities	5,164	5,019	4,918
Investment income	7,613	6,839	7,689
Lot levies	10,000	-	-
Other	1,825	4,379	4,591
Transfers from deferred obligatory reserve funds (note 11)	2,714	3,317	3,641
Government business enterprises net earnings (note 17)	-	1,742	2,382
<b>Total Revenues</b>	<b>521,325</b>	<b>517,302</b>	<b>504,787</b>
<b>Expenses:</b>			
General government	35,202	36,865	36,256
Protection services	82,928	84,200	82,079
Transportation services	83,406	84,734	80,674
Environmental services	76,494	73,811	75,791
Health services	25,349	25,144	24,877
Social and family services	79,683	74,832	72,977
Social housing	34,309	33,146	30,759
Recreational and cultural services	50,315	51,162	50,223
Planning and development	8,608	9,447	8,239
Gas utility	33,734	26,114	28,662
<b>Total Expenses</b>	<b>510,028</b>	<b>499,455</b>	<b>490,537</b>
<b>Net Revenues</b>	<b>11,297</b>	<b>17,847</b>	<b>14,250</b>
<b>Other Revenue:</b>			
Grants and transfers related to capital:			
Government and municipal capital grants		19,434	12,739
Transfers from deferred obligatory reserve funds (note 11)		25,832	16,303
Donations and other		246	235
Contributed tangible capital assets (note 18(a))		20,107	5,588
		<b>65,619</b>	<b>34,865</b>
<b>Annual Surplus</b>		<b>83,466</b>	<b>49,115</b>
Prior period adjustment (note 22)		-	(31,204)
<b>Municipal Equity, Beginning of Year</b>		<b>1,386,582</b>	<b>1,368,671</b>
<b>Municipal Equity, End of Year</b>		<b>\$ 1,386,582</b>	

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



**The Corporation of the City of Kingston**  
**Consolidated Statement of Changes in Net Assets (Debt)**  
Year Ended December 31, 2019, with Comparative Figures for 2018  
(In Thousands of Dollars)

	Actual 2019	Actual 2018 (restated note 22)
<b>Annual Surplus</b>	\$ 83,466	\$ 49,115
Amortization of tangible capital assets	68,763	66,192
Acquisition of tangible capital assets	(151,596)	(140,157)
Loss on tangible capital assets transactions	4,182	2,549
	4,815	(22,301)
Consumption of prepaid expenses	1,755	172
Consumption (acquisition) of supplies inventories	(98)	458
<b>Decrease (Increase) in Net Debt</b>	6,472	(21,671)
<b>Net Debt, Beginning of Year</b>	(249,835)	(196,960)
Prior period adjustment (note 22)	-	(31,204)
<b>Net Debt, End of Year</b>	\$ (243,363)	\$ (249,835)

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

**The Corporation of the City of Kingston**  
**Consolidated Schedule of Municipal Equity**  
Year Ended December 31, 2019, with Comparative Figures for 2018  
(In Thousands of Dollars)

	2019	2018 (restated note 22)
<b>Current Fund Surplus (Deficit):</b>		
General operating surplus	\$ 2,094	\$ 3,649
Accumulated operating surplus - water	4,109	2,980
Accumulated operating surplus - sewer	2,628	3,064
Accumulated operating surplus - gas	5,208	5,249
Downtown Business Improvement Area	91	178
Kingston & Frontenac Housing Corporation	1,872	(1,036)
Town Homes Kingston	596	(434)
Kingston Frontenac Public Library Board	95	302
<b>Total Current Fund Surplus</b>	<b>16,693</b>	<b>13,952</b>
<b>Investment in Tangible Capital Assets:</b>		
Tangible capital assets (note 18)	1,709,224	1,630,573
Long-term liabilities (note 10)	(369,703)	(382,819)
Unfinanced capital expenditures:		
To be financed from long-term liabilities	(126,038)	(97,706)
To be financed from taxation or user charges	(3,625)	-
Unapplied capital receipts	886	5,960
<b>Total Investment in Tangible Capital Assets</b>	<b>1,210,744</b>	<b>1,156,008</b>
<b>Investment in Government Business Enterprises</b>		
(note 17(a))	34,681	32,939
<b>Unfunded Liabilities:</b>		
Employee future benefit obligations (note 9(d))	(56,915)	(52,968)
Landfill closure and post-closure liabilities (note 13)	(5,019)	(5,694)
Accrued interest on long-term debt	(3,854)	(4,010)
<b>Total Unfunded Liabilities</b>	<b>(65,788)</b>	<b>(62,672)</b>
<b>Reserves and Reserve Funds:</b>		
Reserves set aside for specific purpose:		
Working funds	22,366	19,559
Reserve funds set aside for specific purpose:		
Replacement of equipment	38,463	34,981
Replacement & renewal of facilities	16,283	15,671
Municipal capital replacement & renewal	29,482	25,110
Other capital	-	843
Sanitary sewer system	49,633	43,424
Storm sewer system	368	364
Parks and recreation	6,306	5,471
Libraries	4,167	2,975
Waterworks system	40,743	36,360
Planning and development	557	600
Transit	14,298	12,488
Gas utility	5,276	7,025
Sick leave	12,147	11,583
Protective services	10,523	9,162
Environmental services	2,752	3,580
Social and family services	202	198
Social housing	4,259	4,490
Parking	15,895	12,471
	<b>273,719</b>	<b>246,355</b>
<b>Municipal Equity</b>	<b>\$ 1,470,048</b>	<b>\$ 1,386,582</b>

**The Corporation of the City of Kingston**  
**Consolidated Statement of Cash Flows**  
Year Ended December 31, 2019, with Comparative Figures for 2018  
(In Thousands of Dollars)

	2019	2018 (restated note 22)
<b>Operations transactions:</b>		
Annual surplus	\$ 83,466	\$ 49,115
Net change in non-cash working capital items:		
Decrease in taxes receivable	1,121	1,634
Decrease (increase) in accounts receivable	2,335	(9,696)
(Increase) decrease in inventories for resale	(660)	1,882
(Increase) decrease in inventories of supplies	(98)	457
Decrease in prepaid expenses	1,755	172
Increase in accounts payable and accrued liabilities	7,832	8,376
Increase (decrease) in due to government business enterprises	6,528	(6,236)
Increase in deferred obligatory reserve funds	11,834	6,923
(Decrease) increase in deferred revenues	(2,086)	4,111
(Decrease) increase in accrued interest on long-term debt	(156)	480
	<u>28,405</u>	<u>8,104</u>
Items not involving cash:		
Amortization of tangible capital assets	68,763	66,192
Contributed tangible capital assets	(20,107)	(5,588)
Loss on tangible capital assets transactions	4,182	2,549
Change in landfill closure and post-closure liabilities	(675)	(51)
Change in employee future benefit obligations	3,906	3,278
Equity in government business enterprise from net earnings	(1,742)	(2,382)
	<u>54,327</u>	<u>63,998</u>
Net change in cash from operating transactions	166,198	121,217
<b>Capital transactions:</b>		
Purchase of tangible capital assets	(131,489)	(134,569)
<b>Investment transactions:</b>		
Net sale (purchase) of long-term investments	(267)	7,511
<b>Financing transactions:</b>		
Proceeds from new debt issue	2,999	-
Debt principal repayments	(15,086)	(15,817)
Issuance of temporary loans	34,900	59,101
Net change in cash from financing transactions	<u>22,813</u>	<u>43,284</u>
<b>Increase (decrease) in cash and short-term investments</b>	<b>57,255</b>	<b>37,443</b>
<b>Cash and short-term investments, beginning of year</b>	<b>131,202</b>	<b>93,759</b>
<b>Cash and short-term investments, end of year</b>	<b>\$188,457</b>	<b>\$ 131,202</b>

The City considers cash and short-term investments to be highly liquid investments with original maturities of three months or less.

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

**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2019

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**1. Summary of Accounting Policies:**

The consolidated financial statements of The Corporation of the City of Kingston (the "City") are prepared by management in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the City are as follows:

(a) Reporting Entity:

- i. The consolidated financial statements reflect the assets, liabilities, revenue and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards which are accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City. Interdepartmental and inter-organizational transactions and balances between these organizations have been eliminated.

These consolidated financial statements include:

Downtown Business Improvement Area  
Kingston-Frontenac Public Library Board  
Kingston & Frontenac Housing Corporation  
Town Homes Kingston  
Kingston, Frontenac and Lennox & Addington Public Health  
(proportionately consolidated)  
1425447 Ontario Limited (consolidated on a modified equity basis)  
Kingston Hydro Corporation (consolidated on a modified equity basis)

- ii. Consolidated by proportionate consolidation:  
Kingston, Frontenac and Lennox & Addington Public Health is accounted for using the proportionate consolidation method of accounting and reporting, whereby the municipality's pro-rata share of each of the assets, liabilities, revenue and expenses is combined on a line-by-line basis in the consolidated financial statements.
- iii. Consolidated on a modified equity basis:  
The City's investment in 1425447 Ontario Limited and Kingston Hydro Corporation is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprises' accounting principles are not adjusted to conform to those of the City, and inter-organizational transactions and balances are not eliminated.

**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2019

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**1. Summary of Accounting Policies (Continued):**

(a) Reporting Entity (continued):

The City recognizes its equity interest in the annual income or loss of 1425447 Ontario Limited and Kingston Hydro Corporation in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends that the City may receive from 1425447 Ontario Limited and Kingston Hydro Corporation will be reflected as reductions in the investment asset account.

iv. The charges for long-term liabilities assumed by consolidated entities or by individuals in the case of the drainage loans are reflected in the consolidated financial statements.

v. Accounting for school board transactions:

The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal fund balances of these consolidated financial statements.

vi. Trust funds:

Trust funds and their related operations administered by the City are not included in these consolidated financial statements but are reported on separately on the Trust Funds Statement of Continuity and Statement of Financial Position.

(b) Basis of Accounting:

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the period in which transactions or events occurred that gave rise to the revenue; expenses are recognized in the period the goods and services are acquired and/or there is a legal obligation to pay.

(c) Investments:

Short-term and long-term investments are recorded at cost plus accrued interest and amortization of purchase premiums and discounts. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

**The Corporation of the City of Kingston**  
Notes to Consolidated Financial Statements  
Year Ended December 31, 2019

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**1. Summary of Accounting Policies (Continued):**

(c) Investments (continued):

Investment income earned on available current funds and reserve funds (other than obligatory funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balance.

(d) Deferred Revenue – Obligatory Reserve Funds:

The City receives restricted contributions under the authority of federal and provincial legislation and City by-laws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

(e) Deferred Revenues:

Deferred revenue represents certain user charges and fees which have been collected but for which the related services have yet to be performed. Deferred revenue also represents contributions that the City has received pursuant to legislation, regulation or agreement that may only be used for certain programs or in the completion of specific work. These amounts are recognized as revenue in the fiscal year the services are performed or related expenses incurred.

(f) Employee Future Benefit Obligations:

The City accrues for certain employee benefits which will require funding in future periods. These benefits include sick leave, life insurance, extended health and dental benefits for early retirees and benefits under the *Workplace Safety and Insurance Board Act*.

The costs of these benefits earned by employees are actuarially determined using management's best estimate of salary escalation, retirement ages of employees, accumulated sick days, expected health care costs and long term inflation rates and discount rates.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as compensated absences and health, dental and life insurance benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group.

**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2019

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**1. Summary of Accounting Policies (Continued):**

(f) Employee Future Benefit Obligations (continued):

Any actuarial gains and losses, which can arise from changes in actuarial assumptions, are amortized over the expected average remaining service life of the employee group.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are amortized over a period linked to the specific benefit plan.

(g) Landfill Closure and Post-closure Liabilities:

The City accrues landfill closure and post-closure care requirements that have been defined in accordance with industry standards including final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability has been recognized based on management's best estimate of future expenses, long term inflation rates and discount rates.

Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

(h) Tangible Capital Assets:

- i. 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 City does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.
- ii. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt or transfer with an offsetting amount recorded as revenue.

**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2019

**1. Summary of Accounting Policies (Continued):**

(h) Tangible Capital Assets (continued):

- iii. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over estimated useful lives as follows:

Asset	Useful Life – Years
Land improvements	18 to 75
Buildings and structures	40
Vehicles, machinery and equipment	4 to 20
Furniture and fixtures	20 to 40
Transportation:	
Roads and related	18 to 50
Bridges and structures	60
Streetlights and traffic signals	35 to 40
Storm sewer networks	50
Water and sewer facilities:	
Building structures	50
Building fixtures	15
Electrical and mechanical equipment	10 to 25
Tankage	75
Water and sewer pipes	50 to 80
Water and sewer equipment, meters, hydrants, manholes	15 to 75
Gas facilities	40
Gas mains and services	50
Gas regulator stations & other equipment	5 to 20

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction or development are classified as capital works in progress and are not amortized until the asset is available for productive use.

- iv. When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the Consolidated Statement of Operations in the year of disposal. Transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.



**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2019

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**1. Summary of Accounting Policies (Continued):**

(h) Tangible Capital Assets (continued):

- v. When conditions indicate that a tangible capital asset no longer contributes to the City's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the Consolidated Statement of Operations.
- vi. The City has a capitalization threshold of \$10,000. Individual tangible capital assets of lesser value are expensed, unless they are pooled when, collectively, they have a significant value.

(i) Inventories:

Inventories for resale represent natural gas inventories which are stated at the lower of weighted average cost and net realizable value. Land held for resale is recorded at cost which includes amounts to prepare the land for sale or servicing.

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

(j) Government Transfers:

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

(k) Use of Estimates:

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Significant estimates include the carrying value of tangible capital assets and employee future benefit obligations. Actual results could differ from those estimates.

**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2019

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**2. Operations of School Boards:**

The Province of Ontario sets the tax rates to be applied to property assessment to generate tax levies to be collected and remitted to the school boards. The amounts collected and remitted are summarized below:

	2019	2018
	(In thousands of dollars)	
Taxation and user charges	\$ 55,906	\$ 55,833
Payments in lieu	281	290
Amount transferred to school boards	\$ 56,187	\$ 56,123

**3. Bank Indebtedness:**

The City's financial agreement with its bank provides for an operating credit facility of up to \$10,000,000 to finance expenses, pending receipt of property taxes and other income. Interest on funds drawn is charged at the bank's prime rate less 0.5%. As at December 31, 2019, there was \$Nil (2018 - \$Nil) drawn on the operating credit facility.

**4. Long-term Investments:**

Long-term investments, which consist primarily of government and financial institution bonds, have a market value of \$143,322,327 at December 31, 2019 (2018 - \$141,465,710).

**5. Trust Funds:**

Trust funds administered by the municipality amount to \$159,520 (2018 - \$154,477) as at December 31, 2019.

**6. Temporary Loans:**

The City has financial agreements with the Ontario Infrastructure and Lands Corporation (OILC) for temporary capital loans up to a maximum of \$132,527,654 for the interim financing of various roads and other capital projects. As at December 31, 2019, the temporary capital loan balance is \$95,650,500 (2018 - \$60,750,500) with interest based on the monthly construction rate.

**7. Provincial Grants:**

Certain provincial grants are subject to annual final reviews and approvals by the respective Provincial Ministry. Any adjustments resulting from the review will be reflected in the year of Ministry approval as an adjustment to government grant revenues on the Consolidated Statement of Operations.

**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2019

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**8. Pension Agreements:**

The City makes contributions to the Ontario Municipal Employees Retirement System Pension Fund (OMERS), which is a multi-employer plan, on behalf of its' employees. The plan is a contributory defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employers and employees contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the City does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

The amount contributed to OMERS for 2019 was \$12,543,968 (2018 - \$12,138,032) for current service and is included as an expense on the "Consolidated Statement of Operations".

**9. Employee Future Benefit Obligations:**

(a) Extended Health Care, Dental, Life Insurance and Sick Leave Benefits:

The City pays certain life insurance benefits on behalf of the retired employees as well as extended health and dental benefits for early retirees to age 65. In addition, the City provides for an accumulated sick leave benefit plan for certain employees whereby unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the City's employment. The City recognizes these post-employment and post-retirement costs in the period in which the employees rendered the services. An independent actuarial study of these benefits was undertaken at December 31, 2019, in order to determine the estimated accrued benefit liability to be reported in these consolidated financial statements.

Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employee groups, which is estimated to be 10 years (2018 – 10 years).

At December 31, 2019, the City's accrued benefit liability relating to post-retirement and post-employment benefit plans is \$49,041,303 (2018 - \$44,725,117).

**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2019

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**9. Employee Future Benefit Obligations (Continued):**

- (a) Extended Health Care, Dental, Life Insurance and Sick Leave Benefits  
(continued):

The significant actuarial assumptions adopted in estimating the City's accrued benefit liability for extended health, dental, life insurance and sick leave benefits are as follows:

Discount rate	3.0% per annum
Inflation rate	2.0% per annum
Salary escalation	3.0% per annum
Dental benefits escalation	5.65% in 2019, decreasing to 4.25% over 11 years
Health benefits escalation	6.61% per annum in 2019, decreasing to 4.25% over 21 years

An independent actuarial valuation was also completed by 1425445 Ontario Limited (operating as Utilities Kingston) for the water, sewer and gas utilities employees' post-employment and post-retirement costs as at December 31, 2018. This liability is reported on these consolidated financial statements as an amount due to 1425445 Ontario Limited (operating as Utilities Kingston) in respect of costs incurred by them to manage the City's utility services.

The significant actuarial assumptions adopted in estimating the accrued benefit liability for extended health, dental, life insurance and sick leave benefits for 1425445 Ontario Limited (operating as Utilities Kingston) water, sewer and gas employees are as follows:

Discount rate	3.1% per annum
Inflation rate	2.0% per annum
Salary escalation	3.3% per annum
Dental benefits escalation	4.3% per annum
Health benefits escalation	4.00% per annum in 2019

**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2019

**9. Employee Future Benefit Obligations (Continued):**

- (a) Extended Health Care, Dental, Life Insurance and Sick Leave Benefits  
(continued):

Consolidated information with respect to the City's post-retirement and post-employment obligations is as follows:

	2019	2018
	(In thousands of dollars)	
Accrued benefit liability, January 1	\$ 44,725	\$ 40,543
Expense recognized for the period	6,564	5,549
Benefits paid for the period	(2,854)	(2,888)
Amortization of actuarial losses	601	1,521
Accrued benefit liability, December 31	\$ 49,036	\$ 44,725

The accrued benefit liability at December 31 includes the following components:

	2019	2018
	(In thousands of dollars)	
Accrued benefit obligation	\$ 56,230	\$ 55,109
Unamortized actuarial losses	(7,194)	(10,384)
Accrued benefit liability, December 31	\$ 49,036	\$ 44,725

- (b) *Workplace Safety and Insurance Board Act* ("WSIB"):

With respect to responsibilities under provisions of the *Workplace Safety and Insurance Board Act*, the City has elected to be treated as a Schedule 2 employer and remits payments to the WSIB as required to fund disability payments. An independent actuarial study of the Workplace Safety and Insurance Board liabilities was undertaken at December 31, 2019 in order to determine the estimated liability reported in these consolidated financial statements.

Actuarial gains and losses are amortized on a straight-line basis over the average term of the liabilities which is estimated to be 10 years (2018 – 10 years).

At December 31, 2019, the City's accrued benefit liability relating to future WSIB claims is \$9,563,900 (2018 - \$9,433,132).

**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2019

**9. Employee Future Benefit Obligations (Continued):**

(b) *Workplace Safety and Insurance Board Act* (“WSIB”) (continued):

The significant actuarial assumptions adopted in estimating the City’s accrued benefit obligation for WSIB claims are as follows:

Discount rate	3.0% per annum
Inflation rate	2.0% per annum
Compensation costs, including loss of earnings benefits, health care costs and non-economic loss awards	0% to 4% per annum, depending on benefit type
Administration costs	23.2% of compensation expense

Information with respect to the City’s Workplace Safety and Insurance Board future payments is as follows:

	2019	2018
	(In thousands of dollars)	
Accrued benefit liability, beginning of year	\$ 9,433	\$ 9,908
Expense recognized for the period	2,487	639
Benefits paid for the period	(2,338)	(1,001)
Amortization of actuarial gains	(18)	(113)
Accrued benefit liability, end of year	\$ 9,564	\$ 9,433

The accrued benefit liability at December 31 includes the following components:

	2019	2018
	(In thousands of dollars)	
Accrued benefit obligation	\$ 12,697	\$ 9,278
Unamortized actuarial gains (losses)	(3,133)	155
Accrued benefit liability, end of year	\$ 9,564	\$ 9,433

(c) Liability for vacation credits:

Compensated vacation expense is accrued for employees as entitlement to these payments is earned in accordance with the City’s benefit plans for vacation time. Vacation credits earned as at December 31, 2019 amount to \$1,695,929 (2018 - \$1,711,868).

**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2019

**9. Employee Future Benefit Obligations (Continued):**

(d) Total employee benefit obligations:

	2019	2018
	(In thousands of dollars)	
Employee benefit obligations are comprised of:		
Health benefits and sick leave - City of Kingston	\$ 44,245	\$ 40,494
Workplace safety and insurance	9,564	9,433
Vacation credits	1,406	1,423
Pension payable	310	269
	55,525	51,619
Health benefits and sick leave – water, sewer and gas utilities (note 17(a))	4,791	4,231
Vacation credits – water, sewer and gas utilities	289	289
	5,080	4,520
Total employee benefit obligations	60,605	56,139
Amounts previously funded from operating revenues	(3,690)	(3,171)
Unfunded employee future benefit obligations	\$ 56,915	\$ 52,968
To be recovered from reserve funds	\$ 12,147	\$ 11,583
To be recovered from future municipal and utility revenues	44,768	41,385
	\$ 56,915	\$ 52,968

The City has established reserve funds to mitigate the future impact of certain sick leave obligations.

Employee future benefit obligations for water, sewer and gas utilities are payable to 1425445 Ontario Limited (operating as Utilities Kingston) and relate to accrued employee costs incurred by Utilities Kingston in managing these utility operations for the City.

**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2019

**10. Long-term Liabilities:**

(a) The long-term liabilities reported on the Consolidated Statement of Financial Position are made up of the following:

	2019	2018
	(In thousands of dollars)	
Long-term liabilities incurred by the City, including those incurred on behalf of other municipalities and municipal enterprises, with varying maturities up to 2047 and a weighted average interest rate of 4.4% (2018 - 4.0%)	\$ 345,750	\$ 360,376
Long-term liabilities incurred by Kingston & Frontenac Housing Corporation, with an interest rate of 5.4%, 3.6%, 3.4% and 3.5%, maturing 2028, 2032, 2036 and 2049	8,768	6,008
Long-term liabilities incurred by Town Homes Kingston, with interest rates ranging from 2.1% to 6.5% and varying maturities up to 2028	12,348	13,374
Proportionate share of KFLA Public Health long-term debt, with a current interest rate of 6.1%, maturing in 2029	2,837	3,061
<b>Total long-term liabilities</b>	<b>\$ 369,703</b>	<b>\$ 382,819</b>
<b>Less long-term borrowings from own funds</b>	<b>\$ (15,075)</b>	<b>\$ (16,104)</b>
Long-term liabilities to be recovered from future revenues	\$ 354,628	\$ 366,715
Of the municipal debt shown above, the responsibility for payment of principal and interest charges for the tile drainage loans has been assumed by individuals	\$ (43)	\$ (51)



**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2019

**10. Long-term Liabilities (Continued):**

(b) Principal due on total long-term liabilities is summarized as follows:

(In thousands of \$)	2020	2021	2022	2023	2024	2025+	Total
Tax sources	\$ 7,655	\$ 7,915	\$ 8,129	\$ 8,352	\$ 7,535	\$ 86,586	\$126,172
Utility user fees	4,730	4,890	5,056	5,230	5,412	105,979	131,297
Other user fees	2,769	2,902	3,040	3,187	3,341	73,042	88,281
Public Health	239	255	272	291	310	1,470	2,837
Town Homes	1,132	1,177	1,224	2,225	4,185	2,405	12,348
Housing Corp	347	324	338	354	370	7,035	8,768
	\$16,872	\$17,464	\$18,060	\$19,639	\$21,153	\$276,515	\$369,703

(c) The long-term liabilities in (a), issued in the name of the City, have been approved by either the Ontario Municipal Board or by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs & Housing.

(d) Approval by by-law has also been obtained for pending issues of long-term liabilities and commitments to be financed by revenues beyond the term of Council. The principal and interest payments required to service pending issues and commitments are also within the debt repayment limit prescribed by the Ministry of Municipal Affairs & Housing.

(e) Total debt charges incurred during the year with respect to the long-term liabilities in (a) are as follows:

	2019	2018
	(In thousands of dollars)	
Principal payments	\$ 15,086	\$ 15,817
Interest	15,911	16,637
	\$ 30,997	\$ 32,454

Interest charges are included on the Consolidated Statement of Operations, classified under the appropriate functional expense headings.

**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2019

**11. Deferred Revenue – Obligatory Reserve Funds:**

A requirement of the public sector accounting standards of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial and municipal legislation restricts how these funds may be used.

These figures have been updated retroactively to reflect the accounting policy change in note 22.

The balances in the obligatory reserve funds of the City are summarized below:

	2019	2018 (restated note 22)
	(In thousands of dollars)	
Balance, beginning of year	\$ 61,920	\$ 54,996
Revenues		
Development contributions	19,791	13,881
Federal gasoline tax	15,516	7,858
Provincial gasoline tax	3,102	2,904
Building permits ( <i>Building Code Act</i> )	849	-
Recreational Land ( <i>Planning Act</i> )	589	96
Investment income	1,136	2,129
Utilization:		
Transfers for operating	(3,317)	(3,641)
Transfers for capital	(25,832)	(16,303)
Balance, end of year	\$ 73,754	\$ 61,920

	2019	2018 (restated note 22)
	(In thousands of dollars)	
Analyzed as follows:		
Development charges	\$ 56,131	\$ 51,567
Cash in lieu of parkland	547	3
Federal gasoline tax	10,643	4,680
<i>Building Code Act</i>	6,433	5,670
	\$ 73,754	\$ 61,920

**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2019

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**12. Provincial Offences Administration (POA):**

Effective March 13, 2000, the City assumed the administration of the Provincial Offences Office in Kingston. The transfer of administration from the Ministry of Attorney General to the City was a result of *Provincial Offences Act* (POA) 1977, which provides the framework for the transfer of responsibility and administration of POA courts.

The POA is a procedural law for administering and prosecuting provincial offences, including those committed under the *Highway Traffic Act*, *Compulsory Automobile Insurance Act*, *Trespass to Property Act*, *Liquor Licence Act*, Municipal By-Laws and minor federal offences. The POA governs all aspects of legal process from serving notice to a defendant, to conducting trials, including sentencing and appeals.

Balances arising from operation of the POA office have been consolidated with these financial statements effective from the March 13, 2000 assumption of this operation by the City. The revenue of the court office consists of fines levied under Parts I and III (including delay penalties) for POA charges filed in the Kingston court.

Offenders may pay their fines at any court office in Ontario, at which time their receipt is recorded in the Integrated Courts Operation Network System (“ICON”) operated by the Province of Ontario. Revenue is recognized when receipt of funds is recorded by the provincial ICON system regardless of the location where payment is made. Total revenue and expenditures of the POA office are as follows:

	2019	2018
	(In thousands of dollars)	
Gross revenues received	\$ 1,360	\$ 1,328
Gross expenditures	(955)	(930)
Net revenues	\$ 405	\$ 398

**The Corporation of the City of Kingston**  
Notes to Consolidated Financial Statements  
Year Ended December 31, 2019

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**13. Landfill Closure and Post-Closure Liability:**

The *Environmental Protection Act* sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a twenty-five year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The City currently has three inactive landfill sites. The Kingston East site was closed in 2013. The Kingston West site was closed in 1989. The Belle Park Landfill site was closed in 1976. Post-closure care requirements include additional closure costs anticipated for these sites as well as annual post-closure maintenance and monitoring requirements, calculated for a twenty-five year period.

Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the City's average long-term borrowing rate of 4.0% and using an assumed rate of 2.0% for inflation. The estimated total landfill closure and post-closure care expenditures are calculated to be approximately \$5.0 million. For sites that are inactive, the estimated liability for these expenditures is recognized immediately. Included in liabilities on the Consolidated Statement of Financial Position at December 31, 2019 is an amount of \$5,018,582 (2018 - \$5,694,118) with respect to landfill closure and post-closure liabilities recognized to date.

**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2019

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**14. Contingent Liabilities:**

- (a) The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims at December 31, 2019, management believes that the City has valid defenses and appropriate and adequate insurance coverages in place. In the event any claims are successful, the amount of any potential liability is not determinable, therefore no amount has been accrued in the consolidated financial statements.
- (b) The City operated a coal gasification plant within the downtown area of the City from the mid-1800's through to the 1950's. Coal tar, a by-product of the coal gasification process, may have led to the contamination of soils and groundwater in the area of the former plant.

In some cases, private properties may have coal tar or coal compounds in the deep groundwater beneath them in which case some years ago the City provided written notice to the owner and at the same time confirmed that there were no risks to human health related to coal tar. The City has a community improvement brownfields program in place that may provide funding for incremental costs, if any, that are directly related to coal tar. In addition, the City may enter into agreements that provide for indemnities to landowners against any third-party claims or Ministry of Environment orders should any such claim or order arise.

Existing agreements related to coal tar do not establish any current financial obligation for the City. The amount of any potential liability or the likelihood thereof with respect to any potentially contaminated properties is not determinable, therefore no amount has been accrued in the consolidated financial statements.

**15. Commitments:**

- (a) The City of Kingston has negotiated a non-exclusive long-term contract with Progressive Waste Solutions for handling and disposal of garbage which expires on January 31, 2021. Annual charges under the contract are determined by reference to certain waste volumes handled. Payments made for handling and disposal of garbage for the year 2019 were approximately \$1,736,100 (2018 - \$1,703,500).

**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2019

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**15. Commitments (Continued):**

- (b) 1425445 Ontario Limited (operating as Utilities Kingston) has entered into operating contracts to provide gas transportation, gas storage and purchases of natural gas as part of the management agreement with the City of Kingston. Costs incurred have been reimbursed and are reported as expenses on the Consolidated Statement of Operations.
- (c) The City previously entered into an agreement with the County of Frontenac to share in the capital cost of the reconstruction project for Fairmount Home for the Aged. The majority of total project cost of \$18.2 million has been financed by long-term debt in the amount of \$17.2 million. The City is responsible for 68% of the related debt repayment costs and incurred related debt charges in 2019 in the amount of \$712,503 (2018 - \$712,503). The remaining debt principal outstanding at December 31, 2019 is \$1.9M (2018 - \$2.6M) which expires September 2021.
- (d) In 2016, Council committed a sum of \$6,500,000 to be paid equally over five years beginning in 2017 to a fundraising appeal undertaken by the University Hospitals Kingston Foundation on behalf of local hospitals.
- (e) The Corporation of the City of Kingston and 1425445 Ontario Limited (operating as Utilities Kingston) on behalf of the City have previously entered into capital contracts:

Description of project	Capital Commitment	Costs Incurred to Date
	(In thousands of dollars)	
Cataraqui Bay Wastewater Treatment Plant	92,579	76,751
Princess Street – Phase 4	13,793	5,504
Third Crossing	178,000	34,293

**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2019

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**16. Budget Process:**

The City completes a review of its operating and capital budgets each year. The capital budget is set on a project-oriented basis, the costs of which may be carried over one or more fiscal years.

The budget amounts presented in the consolidated financial statements are based on the 2019 operating and capital budgets approved by Council on February 19, 2019. The following table reconciles the approved budget to the budget amounts presented in the consolidated financial statements using the accrual basis of accounting, in accordance with Canadian public sector accounting standards.

	Budget Amount
	(In thousands of dollars)
Approved operating budget revenues	\$ 481,183
Consolidated external agency budgets	22,792
Approved PSAB reporting adjustments:	
Reserve fund revenues	16,000
Budget amendments and reallocations	2,918
Less transfers from reserves / reserve funds	(1,569)
<b>Net operating budget revenues</b>	<b>521,325</b>
Approved operating budget expenses	481,183
Consolidated external agency budgets	22,696
Approved PSAB reporting adjustments:	
Amortization of tangible capital assets	65,000
Reserve fund expenditures for debt interest	18,000
Unfunded accruals for employee future benefit obligations, landfill closure and post-closure liabilities and accrued interest on long term debt	2,200
Budget amendments and reallocations	2,918
Non-tangible capital asset expenditures	20,311
Less transfers to reserves and reserve funds	(101,800)
Less debt principal repayments	(482)
<b>Net operating budget expenses</b>	<b>510,028</b>
<b>Net revenues before capital investment</b>	<b>\$ 11,297</b>

**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2019

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**17. Investment in Government Business Enterprises:**

- (a) 1425447 Ontario Limited and Kingston Hydro Corporation (formerly Kingston Electricity Distribution Limited) are government business enterprises of the City and accounted for on a modified equity basis in these consolidated financial statements.

The principal business of Kingston Hydro Corporation is to distribute electric power to City residents and to manage the City's electric distribution system. 1425447 Ontario Limited holds the shares of 1425445 Ontario Limited (operating as Utilities Kingston), which manages the electric operations for Kingston Hydro Corporation and the water, sewer and gas operations for the City of Kingston. 1425445 Ontario Limited (operating as Utilities Kingston) also owns and operates the fiber optics business.

Kingston Hydro Corporation reports using International Financial Reporting Standards (IFRS).

The following table provides condensed supplementary financial information for 1425447 Ontario Limited, which includes the operations of 1425445 Ontario Limited (operating as Utilities Kingston), and for Kingston Hydro Corporation:



**The Corporation of the City of Kingston**  
Notes to Consolidated Financial Statements  
Year Ended December 31, 2019

**17. Investment in Government Business Enterprises (Continued):**

(a) (continued):

	2019	2018
	(In thousands of dollars)	
<b>Financial position</b>		
Current assets	\$ 24,298	\$ 21,485
Due from City of Kingston:		
Utilities Kingston	6,985	4,329
Kingston Hydro Corporation	7,155	3,843
Post-employment benefit obligation (note 9(d))	4,791	4,231
Accrued vacation liabilities	376	379
Capital assets	69,192	66,924
Regulatory balances	4,295	3,096
Derivative asset	-	96
Deferred charges	(1,602)	(867)
<b>Total assets</b>	<b>115,489</b>	<b>103,516</b>
Current liabilities	27,615	20,352
Post-employment benefit obligation	6,815	6,258
Accrued vacation and pension liabilities	196	189
Accrued liabilities non-current	6,232	7,480
Long-term loan payable	21,640	17,987
Long-term notes payable to City of Kingston (note 17 (c))	18,311	18,311
<b>Total liabilities</b>	<b>80,808</b>	<b>70,577</b>
<b>Net assets</b>	<b>\$ 34,681</b>	<b>\$ 32,939</b>
Common shares	\$ 12,381	\$ 12,381
Accumulated other comprehensive income	(390)	(308)
Accumulated earnings	22,690	20,866
<b>Investment in government business enterprises</b>	<b>\$ 34,681</b>	<b>\$ 32,939</b>
<b>Results of operations:</b>		
Net utility revenues	\$ 111,917	\$ 127,525
Operating expenses	(105,422)	(121,911)
Interest on debt	(1,672)	(1,636)
Depreciation	(3,407)	(3,292)
Net earnings before income taxes	1,416	686
Net movement in regulatory deferral accounts	(781)	(194)
Payments in lieu of corporate income taxes	1,988	2,595
Net earnings	2,624	3,087
Dividends on common shares	(800)	(700)
Accumulated earnings, beginning of year	20,866	18,479
<b>Accumulated earnings, end of year</b>	<b>\$ 22,690</b>	<b>\$ 20,866</b>

**The Corporation of the City of Kingston**  
Notes to Consolidated Financial Statements  
Year Ended December 31, 2019

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**17. Investment in Government Business Enterprises (Continued):**

- (b) In accordance with related party reporting requirements, 1425445 Ontario Limited (operating as Utilities Kingston) reported contract expense recoveries during the year from Kingston Hydro Corporation and the City in the amounts of \$13,293,214 (2018 - \$13,867,964) and \$79,708,959 (2018 - \$95,137,149) respectively.

In addition, the City contracted to provide financial, human resources, legal and information technology services to both 1425445 Ontario Limited (operating as Utilities Kingston) and Kingston Hydro Corporation in the amount of \$3,063,946 (2018 - \$3,396,526).

As at December 31, 2019, the City had a balance owing to the Companies 1425445 Ontario Limited (operating as Utilities Kingston) in the amount of \$6,985,138 (2018 - \$4,329,193) and a balance owing to Kingston Hydro Corporation in the amount of \$7,154,627 (2018 - \$3,843,011), representing the net balance of cash receipts and disbursements processed on behalf of the Companies.

Charges for the above services are recorded at exchange amounts established and agreed to by the related parties.

- (c) On January 1, 2000, the City took a note payable for an amount equivalent to 50% of the value of net assets transferred for both Kingston Hydro Corporation and 1425445 Ontario Limited (operating as Utilities Kingston). As at December 31, 2019, the City had a note payable from Kingston Hydro in the amount of \$10,880,619 (2018 - \$10,880,619), bearing interest at 5.87% (2018 - 5.87%) per annum and a note payable from 1425445 Ontario Limited (operating as Utilities Kingston) in the amount of \$965,010 (2018 - \$965,010), bearing interest at 7.25% per annum. Both notes payable have no fixed terms of repayment subsequent to year-end.

On January 1, 2010, the City exchanged the investment of \$3,000,000 in Class D shares held in 1425445 Ontario Limited (operating as Utilities Kingston) for a \$3,000,000 note payable bearing interest at 5% with no fixed terms of repayment.

On September 22, 2014, the investment of \$965,008 in Class B shares and \$2,500,000 in Class C shares, held by the City, were exchanged for a note payable in the amount of \$3,465,008 bearing interest at 5% with no fixed terms of repayment.

**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2019

**18. Tangible Capital Assets:**

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
(In thousands of dollars)				
<b>General Assets</b>				
Land	\$ 85,721	\$ -	\$ 85,721	\$ 85,369
Land improvements	88,041	24,743	63,298	63,178
Buildings and structures	436,848	158,605	278,243	257,798
Vehicles and machinery	104,117	56,550	47,567	46,872
Furniture, fixtures and equipment	149,817	72,049	77,768	76,829
<b>Infrastructure Assets</b>				
Land	11,440	-	11,440	11,400
Land improvements	38,972	24,994	13,978	11,997
Plants and facilities	354,253	155,465	198,788	197,727
Roads	434,006	237,554	196,452	190,044
Bridges and culverts	37,160	12,679	24,481	25,087
Utility networks	483,138	132,642	350,496	337,862
Other	306,661	111,996	194,665	187,527
	2,530,173	987,277	1,542,897	1,491,690
Assets under construction	166,327	-	166,327	138,883
	<b>\$ 2,696,501</b>	<b>\$ 987,277</b>	<b>\$ 1,709,224</b>	<b>\$ 1,630,573</b>

The Consolidated Schedule of Tangible Capital Assets provides additional information on the tangible capital assets and accumulated amortization of the City by major asset class and by business segment. The following information relates to other valuation and reporting aspects of the City's tangible capital assets.

(a) Contributed tangible capital assets:

The City records all tangible capital assets contributed by an external party at fair value on the earlier of the date received or the date of transfer of risk and responsibility. In 2019, a total of \$20,107,027 (2018 - \$5,587,473) was recorded as tangible capital asset additions with respect to contributed capital assets which was comprised of roads infrastructure in the amount of \$13,838,094 (2018 - \$2,804,891) and water and wastewater infrastructure in the amount of \$6,268,933 (2018 - \$2,782,582).

**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2019

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**18. Tangible Capital Assets (Continued):**

(b) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$Nil (2018 \$Nil).

(c) Works of art and historical treasures:

The definition of tangible capital assets specifically excludes museum and gallery collections and other works of art. The City owns a number of paintings, other pieces of artwork and museum artifacts that are displayed in various City buildings. These assets are not recorded as tangible capital assets and are not amortized.

(d) Capitalization of interest:

As per City policy, interest costs incurred with respect to financing the acquisition or construction of a tangible capital asset up to the date that the asset goes into use are not capitalized. In 2019, these interest costs are included as expenses on the Consolidated Statement of Operations in the amount of \$3,921,188 (2018 - \$2,607,827).

**19. Segmented information:**

The City is a municipal government institution, responsible for providing a range of services to its citizens. For management reporting purposes the City's operations and activities are organized and reported by department. These departments are reported by functional area in the body of the financial statements similar to reporting reflected in the Ontario Financial Information Return. These functional areas represent segments for the City and expanded disclosure by object has been reflected in the Consolidated Schedule of Segment Information.

For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

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

**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2019

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**19. Segmented information (Continued):**

A brief description of each segment follows:

- (a) General government: Includes corporate services and governance of the City. Administration as a segment includes operating and maintaining city owned buildings, human resource management, legal, communications, information systems and technology, support to Council for policy, and by-law development, tax billing and collection responsibilities, financial and budget management and reporting, and frontline reception and customer service.
- (b) Protection services: Includes policing, fire protection, conservation authority, protective inspection and control and emergency measures. The mandate of the police services is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. Fire protection includes inspection, extinguishing and suppression services; emergency medical first response; and prevention education and training programs. Inspection and control includes building inspection, by-law enforcement and dog control services.
- (c) Transportation services: Includes administration and operation of traffic, parking and transit services. Also includes, road maintenance and winter control services, repair and the construction of the municipal roads system including bridges and culverts, as well as operation and maintenance of the corporate fleet of vehicles and equipment.
- (d) Environmental services: Includes waste collection, disposal and recycling services.
- (e) Wastewater: Own and operate waste water facilities and infrastructure within specific areas of the municipality.
- (f) Water: Own and operate a water treatment and distribution network within specific areas of the municipality.
- (g) Health services: Provides funding for local Public health organizations and land ambulance operations.
- (h) Social and family services and housing: Manages social assistance as well as funding for childcare and housing. In addition, the municipality owns and operates a long term care residence for seniors.

**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2019

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**19. Segmented information (Continued):**

- (i) Recreation and cultural services: Provides services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure programs and facilities including community halls, libraries, parks, recreation fields, museums, arenas, the Grand Theatre and the Leon's Centre.
- (j) Planning and development services: Manages development for business interests, environmental concerns, heritage matters, local neighbourhoods and community development. Also facilitates economic development by providing services for the approval of all land development plans and the application and enforcement of the zoning by-law and official plan.
- (k) Gas works: Own and operate a natural gas distribution network within specific areas of the municipality.

**20. Comparative Information:**

Certain comparative information has been reclassified to conform to the current year financial statement presentation.

**21. Subsequent Event**

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian, Ontario and municipal governments, enacting emergency measures to combat the spread of the virus. On March 26, 2020 a state of emergency was declared by the Mayor of the City of Kingston. The pandemic has had significant operational and financial impacts as a result of social and market disruption.

At the time of approval of these financial statements, the City has experienced several operational impacts including service reductions, declines in associated user fee revenues and additional costs. While impacts have been mitigated by associated funding and other cost saving measures, the pandemic has created uncertainty over current and future year operations and the financial position of the organization. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the financial effect is not practicable at this time.

**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2019

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**22. Change in Accounting Treatment – Prior Period Adjustment**

(Dollar amounts expressed in thousands of dollars)

Upon direction from Council, the 2019 Development Charges Background Study introduced water and wastewater services into the 2019 Development Charges By-law effective September 30, 2019 for the purposes of collecting development charges to fund growth related water and wastewater infrastructure and related capacity expansion. These charges were previously collected as impost fees as established under the Municipal Act, 2001.

As a result of this change, impost fees will now be collected and reported as development charges. As referenced in note 1(d), development charges are restricted in nature and are reported as deferred revenues with revenues recognized in the fiscal period that they are expended. Impost fees for water and wastewater services were recognized as revenue in the year received with the balance of funds reflected as a municipal reserve fund in the municipal equity balance.

This change in accounting treatment has been applied retroactively with restatement of prior period comparative amounts. The cumulative effect up to January 1, 2018 has been recorded as a decrease in the municipal equity balance of \$31,204 and a corresponding increase to deferred revenue - obligatory reserve funds. As a result of the change, the annual surplus for 2018 as reported on the “Consolidated Statement of Operations” has decreased by \$1,510. The cumulative effect up to January 1, 2019 has been recorded as a decrease in the municipal equity balance of \$32,714 and a corresponding increase to deferred revenue - obligatory reserve funds on the “Consolidated Statement of Financial Position”.

	2019	2018
	(In thousands of dollars)	
Municipal equity, beginning of year, as previously reported	\$ 1,419,296	\$ 1,368,671
Reallocation of the impost fee reserve fund balance to deferred revenue – obligatory reserve funds	(32,714)	(31,204)
Municipal equity, beginning of year, as restated	\$ 1,386,582	\$ 1,337,467

**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2019

**22. Change in Accounting Treatment – Prior Period Adjustment (Continued):**

(Dollar amounts expressed in thousands of dollars)

	2018
	(In thousands of dollars)
Annual surplus, as previously reported	\$ 50,625
To record change in accounting for impost fee revenues	(1,510)
Annual surplus, as restated	\$49,115
<hr/>	
	2018
	(In thousands of dollars)
Deferred revenue – obligatory reserve funds, end of year, as previously reported	\$ 29,206
Reallocation of the impost fee reserve fund balance to deferred revenue – obligatory reserve funds	32,714
Deferred revenue – obligatory reserve funds, end of year, as restated	\$ 61,920



**The Corporation of the City of Kingston**  
**Consolidated Schedule of Tangible Capital Assets – by Major Asset Class**  
Year ended December 31, 2019, with Comparative Figures for 2018  
(In Thousands of Dollars)

	GENERAL ASSETS					INFRASTRUCTURE ASSETS								Capital Works in Progress	TOTALS	
	Land	Land Improvements	Buildings	Vehicles and Machinery	Furniture, Fixtures and Equipment	Land	Land Improvements	Plants and Facilities	Roads	Bridges and Culverts	Utility Networks	Other	2019		2018	
<b>Cost</b>																
Balance, beginning of year	\$ 85,369	\$ 85,314	\$ 405,865	\$ 96,910	\$ 140,187	\$ 11,403	\$ 36,798	\$ 361,089	\$ 419,059	\$ 37,160	\$ 464,925	\$ 292,849	\$ 138,883	\$ 2,575,810	\$ 2,450,243	
Add: Additions	352	2,727	30,983	7,712	12,392	37	2,174	13,986	17,266	-	20,407	16,114	\$ 27,446	151,596	140,157	
Less: Disposals	-	-	-	(505)	(2,762)	-	-	(20,822)	(2,319)	-	(2,194)	(2,302)	-	(30,903)	(14,590)	
<b>Balance, end of year</b>	<b>85,721</b>	<b>88,041</b>	<b>436,848</b>	<b>104,117</b>	<b>149,817</b>	<b>11,440</b>	<b>38,972</b>	<b>354,253</b>	<b>434,006</b>	<b>37,160</b>	<b>483,138</b>	<b>306,661</b>	<b>166,329</b>	<b>2,696,503</b>	<b>2,575,810</b>	
<b>Accumulated Amortization</b>																
Balance, beginning of year	-	22,138	148,066	50,040	63,356	-	24,802	163,361	229,013	12,073	127,063	105,323	-	945,235	891,085	
Add: Amortization	-	2,605	10,539	6,951	11,282	-	192	12,125	9,717	606	7,345	7,401	-	68,763	66,192	
Less: Accumulated amortization on disposals	-	-	-	(441)	(2,589)	-	-	(20,021)	(1,176)	-	(1,766)	(728)	-	(26,721)	(12,042)	
<b>Balance, end of year</b>	<b>-</b>	<b>24,743</b>	<b>158,605</b>	<b>56,550</b>	<b>72,049</b>	<b>-</b>	<b>24,994</b>	<b>155,465</b>	<b>237,554</b>	<b>12,679</b>	<b>132,642</b>	<b>111,996</b>	<b>-</b>	<b>987,277</b>	<b>945,235</b>	
<b>Net Book Value of Tangible Capital Assets</b>	<b>\$ 85,721</b>	<b>\$ 63,298</b>	<b>\$ 278,243</b>	<b>\$ 47,567</b>	<b>\$ 77,768</b>	<b>\$ 11,440</b>	<b>\$ 13,978</b>	<b>\$ 198,788</b>	<b>\$ 196,452</b>	<b>\$ 24,481</b>	<b>\$ 350,496</b>	<b>\$ 194,665</b>	<b>\$ 166,329</b>	<b>\$ 1,709,226</b>	<b>\$ 1,630,573</b>	

**The Corporation of the City of Kingston**  
**Consolidated Schedule of Segmented Information**  
Year ended December 31, 2019, with Comparative Figures for 2018  
(In Thousands of Dollars)

	General Government	Protection Services	Transportation Services	Environmental Services	Waste Water	Water	Health Services	Social & Family Services & Housing	Recreation & Cultural Services	Planning & Development Services	Gas Works	Total 2019	Total 2018
<b>Revenue:</b>													
Government grants	772,808	14,670	1,353	126	-	-	10,424	70,960	461	13	-	101,587	93,788
Other municipalities	-89	596	273	-	-	-	1,358	1,753	850	-	-	5,019	4,918
User fees and service charges	8,21885	25,076	1,545	34,	007	29,711	639	12,733	12,266	577	14,070	147,727	137,468
User fees - gas commodity	-	-	-	-	-	-	-	-	-	-	16,087	16,087	19,829
Other	3,88409	36,370	-	-	6,655	4,968	-	74	1,022	697	-	53,881	33,147
	12,87492	76,712	3,171	40,788	34,679	12,421	85,520	14,600	1,286	30,157	324,301		289,150
<b>Expenses:</b>													
Salaries, wages and employee benefits	25,24151	32,870	5,003	-	-	-	12,121	26,217	22,723	3,894	-	194,220	185,774
Materials	3,58585	16,144	1,235	-	-	-	1,371	8,500	6,182	505	113	42,420	44,262
Contracted services	6,00639	8,813	6,004	15,358	12,547	828	7,125	5,114	1,183	4,630	71,146	73,060	
Gas commodity purchases	-	-	-	-	-	-	-	-	-	-	16,087	16,087	19,829
Rents and financial expenses	7,00418	4,266	409	3,522	2,468	-	-	2,640	4,920	31	1,482	27,760	22,769
External transfers	1,27684	3,196	39	-	-	-	10,435	56,455	1,684	3,790	-	79,059	78,651
Amortization	5,31095	20,105	3,353	9,818	10,023	388	3,533	8,316	-	-	3,222	68,763	66,193
Inter-departmental charges	(11,557)28	(658)	2,334	853	847	-	-	3,507	2,222	43	581	-	-
	86,865		84,736	18,377	29,551	25,885	25,143	107,977	51,161	9,446	26,115	499,454	490,538
Excess of revenue over expenses (expenses over revenues)	(23,991)72,108	(8,024)	(15,206)	11,238	8,795	(12,722)	(22,457)	(36,561)	(8,160)	4,042	(175,154)	(201,388)	
												233,337	224,033
												16,702	16,399
												1,742	2,382
												6,839	7,689
												258,620	250,503
												\$ 83,466	\$ 49,115

# Independent Auditors' Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the City of Kingston

## Opinion

We have audited the Statement of Trust Funds of the Corporation of the City of Kingston for the year ended December 31, 2019 and a summary of significant accounting policies and other explanatory information (hereinafter referred to as the "Statement").

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying Statement for the year ended December 31, 2019 is prepared in all material respects in accordance with the 2019 Long-Term Care Home Annual Report Technical Instructions and Guidelines, dated December 29, 2019 issued by the Ministry of Health of Ontario.

## Basis for Qualified Opinion

As common with many trust funds, the Corporation of the City of Kingston Trust Funds derive revenue from residents' deposits, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Corporation of the City of Kingston and we were not able to determine whether, as at or for the years ended December 31, 2019 and December 31, 2018, any adjustments might be necessary to contributions, excess of revenues over expenses, assets and fund balances.

## Basis for Opinion

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

We are independent of the Corporation of the City of Kingston in accordance with the ethical requirements that are relevant to our audit of the Statement in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

## Emphasis of Matter - Financial Reporting Framework

We draw attention to note 1 to the Statement, which describes the basis of accounting. The Statement is prepared to provide information to the Ministry of Health of Ontario. As a result, the Statement may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

## **Other Matter - Restriction on Use**

Our report is intended solely for the Corporation of the City of Kingston and the Ministry of Health of Ontario and should not be used by parties other than Corporation of the City of Kingston and the Ministry of Health and Long-Term Care of Ontario.

## **Responsibilities of Management and Those Charged with Governance for the Statement**

Management is responsible for the preparation of the Statement in accordance with the 2019 Long-Term Care Home Annual Report Technical Instructions and Guidelines, dated December 29, 2019 issued by the Ministry of Health of Ontario, including determining that the basis of accounting is an acceptable basis for the preparation of the Statement in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the Statement that is free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Corporation of the City of Kingston's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Statement**

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation of the City of Kingston's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation of the City of Kingston's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation of the City of Kingston to cease to continue as a going concern.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

September 1, 2020

Kingston, Canada

**The Corporation of the City of Kingston  
Trust Funds**

Year Ended December 31, 2019, with comparative figures for 2018

Name of Fund	Rideaucrest Residents Fund	Donations & Endowments	Other	Total 2019	Total 2018
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**Statement of Financial Position**

Assets

Cash and short-term investments	\$ 30,554	\$ 40,400	\$ 88,565	\$159,520	\$ 154,477
	\$ 30,554	\$ 40,400	\$ 88,565	\$159,520	\$ 154,477

Fund Balances

Unexpendable trust Capital/ earned surplus	\$ -	\$ 40,400	\$ 25,000	\$ 65,400	\$ 65,400
	30,554	-	63,565	94,120	89,077
	\$ 30,554	\$ 40,400	\$ 88,565	\$159,520	\$ 154,477

**Statement of Continuity**

Balances, beginning of year	\$ 27,520	\$ 40,400	\$ 86,557	\$154,477	\$ 150,546
Donations and other revenue	48,478	-	-	48,478	47,273
Interest earned	-	930	2,009	2,939	2,428
	\$ 75,998	\$ 41,330	\$ 88,565	\$205,893	\$ 200,247
Expenditures	45,443	930	-	46,373	45,770
Balances, end of year	\$ 30,554	\$ 40,400	\$ 88,565	\$159,520	\$154,477

**The Corporation of the City of Kingston**  
**Trust Funds**

Notes to Financial Statements  
Year Ended December 31, 2019

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**1. Significant Accounting Policies:**

The financial statements of The Corporation of the City of Kingston Trust Funds are prepared by management in accordance with Canadian public sector accounting standards.

(a) Basis of Accounting:

These statements reflect the assets, liabilities, revenue and expenditures of the Trust Funds.

(b) Revenue Recognition:

Revenue and expenditures are recorded on an accrual basis.

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

(c) Use of Estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from those estimates.

**2. Statement of Cash Flows:**

A statement of cash flows has not been included in these financial statements as it would not provide additional meaningful information.