

Audited Financial Statements
and Other Financial Information of

**The Corporation of
the City of Kingston**

Year Ended December 31, 2021

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Audited Financial Statements

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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 (“the Entity”), which comprise:

- the consolidated statement of financial position as at December 31, 2021
- 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 “financial statements”).

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

Basis for Opinion

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

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

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



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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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



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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 22, 2022

The Corporation of the City of Kingston
Consolidated Statement of Financial Position
December 31, 2021, with Comparative Figures for 2020

In Thousands of Dollars	2021	2020
Financial Assets:		
Cash and short-term investments	\$ 201,495	\$ 210,753
Taxes receivable	3,759	3,825
Accounts receivable	79,481	73,713
Inventories for resale	17,421	17,268
Notes receivable from government business enterprises (note 17(c))	18,311	18,311
Long-term investments (note 4)	164,542	142,072
Investment in government business enterprises (note 17(a))	37,530	36,059
Total Financial Assets	522,539	502,001
Liabilities:		
Temporary loans (note 6)	(101,500)	(73,900)
Accounts payable and accrued liabilities	(81,507)	(87,864)
Due to government business enterprises:		
Utilities Kingston (note 17(b))	(3,673)	(3,117)
Kingston Hydro Corporation (note 17(b))	(8,777)	(6,628)
Employee future benefit obligations (note 9(d))	(4,961)	(5,583)
Deferred revenue - obligatory reserve funds (note 11)	(76,876)	(83,873)
Deferred revenues	(18,080)	(11,821)
Accrued interest on long-term debt	(3,494)	(3,705)
Long-term liabilities (note 10)	(378,198)	(393,559)
Employee future benefit obligations (note 9(d))	(62,879)	(59,324)
Landfill closure and post closure liabilities (note 13)	(5,052)	(5,000)
Total Liabilities	(744,997)	(734,374)
Net Financial Debt	(222,458)	(232,373)
Non-Financial Assets:		
Tangible capital assets (note 18)	1,920,804	1,814,063
Inventories of supplies	1,165	1,324
Prepaid expenses	4,247	2,684
Total Non-Financial Assets	1,926,216	1,818,071
Municipal Equity	\$1,703,758	\$1,585,698
Contingent liabilities (note 14)		
Commitments (note 15)		

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, 2021, with Comparative Figures for 2020

In Thousands of Dollars	Budget 2021*	Actual 2021	Actual 2020
Revenue:			
Property taxation	\$ 254,211	\$ 256,128	\$ 244,069
Taxation from other governments	16,397	16,471	17,294
User charges	138,909	140,894	128,349
User charges – gas commodity	25,000	11,332	11,967
Government grants	94,903	95,188	95,306
Grants from other municipalities	5,236	5,666	4,936
Investment income	7,536	7,420	7,498
Other	1,825	5,540	2,672
Transfers from deferred obligatory reserve funds (note 11)	3,244	207	203
Government business enterprises net earnings (note 17)	-	1,471	1,378
Total Revenues	547,261	540,317	513,672
Expenses:			
General government	46,846	41,815	41,361
Protection services	92,096	95,292	90,481
Transportation services	88,925	84,276	77,245
Environmental services	75,483	78,648	72,968
Health services	31,551	31,509	27,733
Social and family services	80,337	68,368	68,761
Social housing	32,589	36,876	30,898
Recreational and cultural services	47,895	44,516	42,464
Planning and development	7,793	13,105	12,148
Gas utility	34,262	20,550	21,161
Total Expenses	537,777	514,955	485,220
Net Revenues before the under noted items	9,484	25,362	28,452
Other Revenue:			
Grants and transfers related to capital:			
Government and municipal capital grants		40,762	50,650
Transfers from deferred obligatory reserve funds (note 11)		43,840	26,105
Donations and other		120	87
Contributed tangible capital assets (note 18(a))		7,976	10,356
Total Other Revenue		92,698	87,198
Annual Surplus		118,060	115,650
Municipal Equity, Beginning of Year		1,585,698	1,470,048
Municipal Equity, End of Year		\$ 1,703,758	\$ 1,585,698

* Budget 2021 (note 16)

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 Debt
Year Ended December 31, 2021, with Comparative Figures for 2020

In Thousands of Dollars	Actual 2021	Actual 2020
Annual Surplus	\$ 118,060	\$ 115,650
Amortization of tangible capital assets	74,639	69,572
Acquisition of tangible capital assets	(191,202)	(175,724)
Loss on tangible capital assets transactions	9,822	1,314
Sub-total	11,319	10,811
(Acquisition) consumption of prepaid expenses	(1,563)	172
Consumption of supplies inventories	159	7
Decrease in Net Debt	9,915	10,990
Net Debt, Beginning of Year	(232,373)	(243,363)
Net Debt, End of Year	\$ (222,458)	\$ (232,373)

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

The Corporation of the City of Kingston
Consolidated Schedule of Municipal Equity
Year Ended December 31, 2021, with Comparative Figures for 2020

In Thousands of Dollars	2021	2020
Current Fund Surplus (Deficit):		
General operating surplus	\$ -	\$ -
Accumulated operating surplus - water	5,041	4,404
Accumulated operating surplus - sewer	4,392	3,326
Accumulated operating surplus - gas	6,542	4,800
Downtown Business Improvement Area	(150)	(63)
Kingston & Frontenac Housing Corporation	2,266	2,661
Town Homes Kingston	1,911	924
Kingston Frontenac Public Library Board	-	-
Total Current Fund Surplus	20,002	16,052
Investment in Tangible Capital Assets:		
Tangible capital assets (note 18)	1,920,804	1,814,063
Long-term liabilities (note 10)	(378,198)	(393,559)
Unfinanced capital expenditures:		
To be financed from long-term liabilities	(132,346)	(109,976)
To be financed from taxation or user charges	(14,560)	(15,474)
Unapplied capital receipts	761	1,566
Total Investment in Tangible Capital Assets	1,396,461	1,296,620
Investment in Government Business Enterprises (note 17(a))	37,530	36,059
Unfunded Liabilities:		
Employee future benefit obligations (note 9(d))	(64,262)	(60,732)
Landfill closure and post-closure liabilities (note 13)	(5,052)	(5,000)
Accrued interest on long-term debt	(3,494)	(3,705)
Total Unfunded Liabilities	(72,808)	(69,437)
Reserves and Reserve Funds:		
Reserves set aside for specific purpose:		
Operating reserves	30,332	26,153
Reserve funds set aside for specific purpose:		
Replacement of equipment	41,197	39,737
Replacement & renewal of facilities	15,991	16,759
Municipal capital replacement & renewal	34,306	32,585
Sanitary sewer system	47,684	53,345
Storm sewer system	382	376
Parks and recreation	8,288	6,408
Libraries	5,633	5,191
Waterworks system	58,356	50,455
Planning and development	474	516
Transit	19,533	17,401
Gas utility	6,891	6,887
Sick leave	12,794	12,624
Protective services	13,533	12,525
Environmental services	2,156	2,453
Social and family services	210	206
Social housing	4,612	4,091
Parking	20,201	18,692
Total Reserves and Reserve Funds	322,573	306,404
Municipal Equity	\$1,703,758	\$ 1,585,698

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

The Corporation of the City of Kingston
Consolidated Statement of Cash Flows
Year Ended December 31, 2021, with Comparative Figures for 2020

In Thousands of Dollars	2021	2020
Operations transactions:		
Annual surplus	\$ 118,060	\$ 115,650
Net change in non-cash working capital items:		
Decrease (increase) in taxes receivable	66	(692)
Increase in accounts receivable	(5,768)	(23,730)
Increase in inventories for resale	(153)	(40)
Decrease in inventories of supplies	159	7
(Increase) decrease in prepaid expenses	(1,563)	172
(Decrease) increase in accounts payable and accrued liabilities	(6,357)	10,062
Increase (decrease) in due to government business enterprises	2,083	(3,893)
(Decrease) increase in deferred obligatory reserve funds	(6,997)	10,119
Increase in deferred revenues	6,259	3,219
Decrease in accrued interest on long-term debt	(211)	(149)
Sub-total	(12,482)	(4,925)
Items not involving cash:		
Amortization of tangible capital assets	74,639	69,572
Contributed tangible capital assets	(7,976)	(10,356)
Loss on tangible capital assets transactions	9,822	1,314
Change in landfill closure and post-closure liabilities	52	(19)
Change in employee future benefit obligations	3,555	3,799
Equity in government business enterprise from net earnings	(1,471)	(1,378)
Sub-total	78,621	62,932
Net change in cash from operating transactions	184,199	173,657
Capital transactions:		
Purchase of tangible capital assets	(183,226)	(165,368)
Investment transactions:		
Purchase of long-term investments	(22,470)	(3,173)
Financing transactions:		
Proceeds from new debt issue	2,456	54,680
Debt principal repayments	(17,817)	(15,749)
Issuance (repayment) of temporary loans	27,600	(21,751)
Net change in cash from financing transactions	12,239	17,180
(Decrease) increase in cash and short-term investments	(9,258)	22,296
Cash and short-term investments, beginning of year	210,753	188,457
Cash and short-term investments, end of year	\$ 201,495	\$ 210,753

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

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

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

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, 2021

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 on the consolidated statement of financial position. 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.

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.

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

1. Summary of Accounting Policies (Continued):

(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.

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.

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

1. Summary of Accounting Policies (Continued):

(f) Employee Future Benefit Obligations (continued):

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, 2021

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, 2021

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:

Natural gas inventories for resale 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 consolidated 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, 2021

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:

In Thousands of Dollars	2021	2020
Taxation and user charges	\$ 47,647	\$ 56,368
Payments in lieu	260	273
Amount transferred to school boards	\$ 47,908	\$ 56,641

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 0.7%. As at December 31, 2021, there was \$Nil (2020 - \$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 \$166,309,250 at December 31, 2021 (2020 - \$151,524,359).

5. Trust Funds:

Trust funds administered by the municipality amount to \$157,587 (2020 - \$160,838) as at December 31, 2021.

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 \$134,932,250 for the interim financing of various roads and other capital projects. As at December 31, 2021, the temporary capital loan balance is \$101,500,000 (2020 - \$73,900,000) 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, 2021

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 2021 was \$12,851,112 (2020 - \$12,963,722) 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 (2020 – 10 years).

At December 31, 2021, the City's accrued benefit liability relating to post-retirement and post-employment benefit plans is \$54,351,092 (2020 - \$52,128,358).

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

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	5.35% in 2021, decreasing to 4.25% over 10 years
Health benefits escalation	6.29% per annum in 2021, decreasing to 4.25% over 20 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, 2021. 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	2.8% per annum
Inflation rate	2.0% per annum
Salary escalation	3.3% per annum
Dental benefits escalation	4.7% per annum
Health benefits escalation	4.4% per annum

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

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:

In Thousands of Dollars	2021	2020
Accrued benefit liability, January 1	\$ 52,122	\$ 49,036
Expense recognized for the period	4,592	5,374
Benefits paid for the period	(3,429)	(3,347)
Amortization of actuarial losses	1,059	1,059
Accrued benefit liability, December 31	\$ 54,344	\$ 52,122

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

In Thousands of Dollars	2021	2020
Accrued benefit obligation	\$ 59,421	\$ 58,257
Unamortized actuarial losses	(5,077)	(6,135)
Accrued benefit liability, December 31	\$ 54,344	\$ 52,122

- (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 (2020 – 10 years).

At December 31, 2021, the City's accrued benefit liability relating to future WSIB claims is \$10,496,600 (2020 - \$10,027,100).

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

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 (1)	0% to 4% per annum, depending on benefit type
Administration costs	23.2% of compensation expense

(1) Compensation costs, including loss of earnings benefits, health care costs and non-economic loss awards

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

In Thousands of Dollars	2021	2020
Accrued benefit liability, beginning of year	\$ 10,027	\$ 9,564
Expense recognized for the period	2,640	2,571
Benefits paid for the period	(2,539)	(2,477)
Amortization of net actuarial losses	369	369
Accrued benefit liability, end of year	\$ 10,497	\$ 10,027

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

In Thousands of Dollars	2021	2020
Accrued benefit obligation	\$ 12,891	\$ 12,791
Unamortized actuarial losses	(2,394)	(2,764)
Accrued benefit liability, end of year	\$ 10,497	\$ 10,027

(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, 2021 amount to \$2,685,421 (2020 - \$2,446,819).

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

9. Employee Future Benefit Obligations (Continued):

(d) Total employee benefit obligations:

In Thousands of Dollars	2021	2020
Employee benefit obligations are comprised of:		
Health benefits and sick leave - City of Kingston	\$ 49,795	\$ 46,982
Workplace safety and insurance	10,497	10,027
Vacation credits	2,275	2,005
Pension payable	312	310
Sub-total	62,879	59,324
Health benefits and sick leave – water, sewer, and gas utilities (1)	4,551	5,141
Vacation credits – water, sewer, and gas utilities	410	442
Sub-total	4,961	5,583
Total employee benefit obligations	67,840	64,907
Amounts previously funded from operating revenues	(3,578)	(4,175)
Unfunded employee future benefit obligations	\$ 64,262	\$ 60,732
To be recovered from reserve funds	\$ 12,794	\$ 12,624
To be recovered from future municipal and utility revenues	52,160	48,108
Unfunded employee future benefit obligations	\$ 64,262	\$ 60,732

(1) Health benefits and sick leave – water, sewer, and gas utilities (note 17(a))

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, 2021

10. Long-term Liabilities:

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

In Thousands of Dollars	2021	2020
Long-term liabilities incurred by the City, including those incurred on behalf of other municipalities and municipal enterprises, with varying maturities up to 2050 and a weighted average interest rate of 4.4% (2020 - 4.4%)	\$ 366,612	\$ 383,823
Long-term liabilities incurred by Kingston & Frontenac Housing Corporation, with an interest rates ranging from 2.1% to 6.5% and varying maturities up to 2050	22,127	9,861
Long-term liabilities incurred by Town Homes Kingston, with interest rates ranging from 2.1% to 6.5% and varying maturities up to 2028	-	11,279
Proportionate share of KFLA Public Health long-term debt, with a current interest rate of 6.1%, maturing in 2029	2,343	2,598
Total long-term liabilities	\$ 391,082	\$ 407,561
Less long-term borrowings from own funds	\$ (12,884)	\$ (14,002)
Long-term liabilities to be recovered from future revenues	\$ 378,198	\$ 393,559
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	\$ (28)	\$ (35)

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

10. Long-term Liabilities (Continued):

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

In Thousands of Dollars	2022	2023	2024	2025	2026	2027+	Total
Tax sources	\$10,604	\$10,913	\$10,186	\$10,149	\$10,415	\$137,724	\$189,991
Utility user fees	4,546	4,702	4,866	4,731	4,894	59,171	82,910
Other user fees	2,613	2,724	2,840	2,963	3,086	79,485	93,711
Public Health	276	293	311	329	350	784	2,343
Housing Corporation	4,050	2,609	4,586	1,302	1,704	7,876	22,127
Total	\$22,089	\$21,241	\$22,789	\$19,474	\$20,449	\$285,040	\$391,082

(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:

In Thousands of Dollars	2021	2020
Principal payments	\$ 17,817	\$ 15,749
Interest	15,737	14,811
Total	\$ 33,554	\$ 30,997

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, 2021

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.

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

In Thousands of Dollars	2021	2020
Balance, beginning of year	\$ 83,873	\$ 73,754
Revenues:		
Development contributions	16,604	23,126
Federal gasoline tax	15,401	7,511
Provincial gasoline tax	3,322	3,269
Building permits (<i>Building Code Act</i>)	53	317
Recreational Land (<i>Planning Act</i>)	212	447
Investment income	1,458	1,757
Utilization:		
Transfers to operating	(207)	(203)
Transfers to capital	(43,840)	(26,105)
Balance, end of year	\$ 76,876	\$ 83,873

In Thousands of Dollars	2021	2020
Analyzed as follows:		
Development charges	\$ 44,237	\$ 62,202
Cash in lieu of parkland	1,003	1,001
Federal gasoline tax	18,156	10,597
Provincial gasoline tax	6,648	3,269
Building Code Act	6,832	6,804
Balance, end of year	\$ 76,876	\$ 83,873

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

12. Provincial Offences Administration:

The Provincial Offences Act (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 License 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. Revenue is recognized when receipt of funds is recorded by the provincial system regardless of the location where payment is made. Total revenue and expenditures of the POA office are as follows:

In Thousands of Dollars	2021	2020
Gross revenues received	\$ 901	\$ 856
Gross expenditures	(801)	(752)
Net revenues	\$ 100	\$ 104

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

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, 2021 is an amount of \$5,051,868 (2020 - \$4,999,524) 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, 2021

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, 2021, 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 previous contract with Waste Connections of Canada for collection and disposal of garbage expired on January 31, 2021. A new contract was entered into with Waste Management effective February 1, 2021, for a five-year term to handle waste transfer and disposal. The previous contract with Waste Connections of Canada for recycling collection expired June 30, 2021. A new contract for recycling collection and disposal was entered into effective July 1, 2021, with Environmental 360 Solutions Ltd. Annual charges for garbage collection and disposal are determined by reference to certain waste volumes. Annual charges for recycling are based on the number of stops made. Payments made for collection and disposal of garbage and recycling for the 2021 fiscal year were \$3,269,358 (2020 - \$2,938,581).

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

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 2021 in the amount of \$712,504 (2020 - \$712,504). The remaining debt principal outstanding at December 31, 2021 is \$534,378 (2020 - \$1.2M) which expires September 2022.
- (d) In 2021, the City committed \$25.0 million over ten years, beginning in 2022, to the University Hospitals Kingston Foundation in support of the capital campaign for local hospital expansion/renewal.
- (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 the following capital contracts and funding commitments:

Description of project	Capital Commitment \$000	Costs Incurred to Date \$000
Third Crossing	\$ 178,000	\$ 141,523
Days Road Pumping Station Upgrade	8,718	5,993
Front Road Watermain	9,527	987
Portsmouth Redirect Forcemain	6,770	667
484 Albert Street and 620 Princess Street	6,720	-
1316-1318 Princess Street	13,030	-

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

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 2021 operating and capital budgets approved by Council on February 16, 2021. 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.

In Thousands of Dollars	Budget Amount
Approved operating budget revenues	\$ 498,994
County of Frontenac requisition	12,751
Consolidated external agency budgets	28,699
Approved PSAB reporting adjustments:	
Reserve fund revenues	6,500
Budget amendments and reallocations	2,438
Less transfers from reserves / reserve funds	(2,121)
Net operating budget revenues	547,261
Approved operating budget expenses	498,994
County of Frontenac requisition	12,751
Consolidated external agency budgets	26,796
Approved PSAB reporting adjustments:	
Amortization of tangible capital assets	70,000
Reserve fund expenditures for debt interest	17,000
Unfunded accruals (1)	4,200
Budget amendments and reallocations	2,438
Non-tangible capital asset expenditures	17,397
Less transfers to reserves and reserve funds	(111,280)
Less debt principal repayments	(519)
Net operating budget expenses	537,777
Net revenues before capital investment	\$ 9,484

(1) Unfunded accruals for employee future benefit obligations, landfill closure and post-closure liabilities and accrued interest on long term debt

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

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, 2021

17. Investment in Government Business Enterprises (Continued):

(a) (continued):

In Thousands of Dollars	2021	2020
Financial position		
Current assets	\$ 19,732	\$ 22,512
Due from City of Kingston:		
Utilities Kingston	3,673	3,117
Kingston Hydro Corporation	8,777	6,628
Post-employment benefit obligation (note 9(d))	4,556	5,141
Accrued vacation liabilities	549	576
Capital assets	72,763	70,774
Regulatory balances	5,049	4,004
Deferred charges	(2,622)	(1,945)
Total assets	112,477	110,807
Current liabilities	20,013	20,142
Post-employment benefit obligation	6,594	7,564
Accrued vacation and pension liabilities	193	194
Accrued liabilities non-current	6,550	6,718
Long-term loan payable	23,286	21,819
Long-term notes payable to City of Kingston (note 17(c))	18,311	18,311
Total liabilities	74,947	74,748
Net assets	\$ 37,530	\$ 36,059
Common shares	\$ 12,381	\$ 12,381
Accumulated other comprehensive income	(409)	(581)
Accumulated earnings	25,558	24,259
Investment in government business enterprises	\$ 37,530	\$ 36,059
Results of operations:		
Net utility revenues	\$122,495	\$ 95,490
Operating expenses	(115,217)	(88,000)
Interest on debt	(1,795)	(1,734)
Depreciation	(3,606)	(3,489)
Net earnings before under noted items	1,877	2,267
Net movement in regulatory deferral accounts	(856)	(480)
Payments in lieu of corporate income taxes	1,778	183
Net earnings	2,799	1,970
Dividends on common shares	(1,500)	(400)
Accumulated earnings, beginning of year	24,259	22,690
Accumulated earnings, end of year	\$ 25,558	\$ 24,259

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

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 \$11,749,108 (2020 - \$11,591,491) and \$92,580,325 (2020 - \$65,228,327) 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 \$ 3,177,325 (2020 - \$3,049,862).

As at December 31, 2021, the City had a balance owing to the Companies 1425445 Ontario Limited (operating as Utilities Kingston) in the amount of \$3,673,473 (2020 - \$3,116,793) and a balance owing to Kingston Hydro Corporation in the amount of \$8,776,828 (2020 - \$6,628,073), 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, 2021, the City had a note payable from Kingston Hydro in the amount of \$10,880,619 (2020 - \$10,880,619), bearing interest at 5.87% (2020 - 5.87%) per annum and a note payable from 1425445 Ontario Limited (operating as Utilities Kingston) in the amount of \$965,010 (2020 - \$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, 2021

18. Tangible Capital Assets:

In Thousands of Dollars	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
General Assets				
Land	\$ 88,039	\$ -	\$ 88,039	\$ 88,204
Land improvements	94,318	30,115	64,203	62,357
Buildings and structures	471,657	181,179	290,478	281,036
Vehicles and machinery	116,229	65,368	50,861	46,800
Furniture, fixtures, and equipment	181,533	89,905	91,628	72,775
Infrastructure Assets				
Land	11,440	-	11,440	11,440
Land improvements	39,611	25,379	14,232	13,915
Plants and facilities	487,509	179,886	307,623	188,503
Roads	469,995	251,025	218,970	216,780
Bridges and culverts	53,977	14,307	39,670	40,554
Utility networks	496,089	135,097	360,992	353,655
Other	324,330	126,278	198,052	196,856
Sub-total	2,834,725	1,098,539	1,736,188	1,572,875
Assets under construction	184,616	-	184,616	241,188
Total	\$ 3,019,343	\$ 1,098,539	\$ 1,920,804	\$ 1,814,063

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 2021, a total of \$7,976,485 (2020 - \$10,355,810) was recorded as tangible capital asset additions with respect to contributed capital assets which was comprised of roads infrastructure in the amount of \$4,669,286 (2020 - \$7,723,266) and water and wastewater infrastructure in the amount of \$3,307,199 (2020 - \$2,632,544).

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

18. Tangible Capital Assets (Continued):

- (b) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$Nil (2020 \$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 2021, these interest costs are included as expenses on the Consolidated Statement of Operations in the amount of \$1,452,217 (2020 - \$2,018,973).

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 consolidated 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, 2021

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 wastewater 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, 2021

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. Impact of Pandemic:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in governments worldwide, including the Canadian, Ontario and municipal governments, enacting emergency measures to combat the spread of the virus. The pandemic has had significant operational and financial impacts as a result of social and market disruption.

The City continued to experience impacts of the pandemic in the 2021 fiscal year. Impacts were mitigated by associated funding and other cost saving measures. With the majority of pandemic restrictions lifted, the City is showing signs of economic recovery, however, the pandemic continues to impact some City operations and the City continues to monitor the impact and plan accordingly. It is not practicable to estimate and disclose the financial effect on future operations at this time.

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

22. Kingston Frontenac Housing Corporation Acquisition of Net Assets from Kingston Municipal Non-Profit Housing Corporation

As approved by the Kingston Frontenac Housing Corporation Board and subsequently by City Council as shareholders of Kingston Frontenac Housing Corporation, Kingston Frontenac Housing Corporation acquired the assets and assumed liabilities with respect to the operations of Kingston Municipal Non-Profit Housing Corporation (previously known as Town Homes Kingston) on December 23, 2021 with a carrying value of \$1,895,737. An interest-free promissory note was issued to Kingston Municipal Non-Profit Housing Corporation with principal payments repayable in 15 equal annual installments, beginning December 2022 and every year thereafter, due in full on December 2036.

On December 23, 2021, a Promissory Note Side Agreement was also signed between Kingston Frontenac Housing Corporation and the City of Kingston that provides for the promissory note issued to Kingston Municipal Non-Profit Housing Corporation to be transferred to the City of Kingston upon the wind up and dissolution of Kingston Municipal Non-Profit Housing Corporation. The agreement specifies that, upon transfer, the annual note payment due from Kingston Frontenac Housing Corporation to the City of Kingston shall be offset as a contribution to the stated capital of the shares held by the City, as sole shareholder of all of the issued and outstanding shares of Kingston Frontenac Housing Corporation. The Promissory Note Side Agreement also allows for the outstanding amount of the promissory note to be paid or converted to contributed capital at any time, without notice, bonus or penalty.

Because Kingston Frontenac Housing Corporation and Kingston Municipal Non-Profit Housing Corporation are owned by the City of Kingston and included as consolidated entities within these financial statements, the transfer of net assets between the entities at carrying value has no impact on the consolidated financial reporting.

The Corporation of the City of Kingston

Consolidated Schedule of Tangible Capital Assets - by Major Asset Class

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

General Assets (In Thousands of Dollars)	Land	Land Improvements	Buildings	Vehicles and Machinery	Furniture, Fixtures and Equipment
Cost:					
Balance, beginning of year	\$ 88,204	\$ 89,756	\$ 450,641	\$ 107,262	\$ 153,455
Add: Additions	2,218	4,596	22,350	11,766	31,070
Less: Disposals	(2,383)	(34)	(1,334)	(2,799)	(2,992)
Balance, end of year	88,039	94,318	471,657	116,229	181,533
Accumulated Amortization:					
Balance, beginning of year	-	27,399	169,605	60,462	80,680
Add: Amortization	-	2,745	11,868	7,535	12,107
Less: Accumulated amortization on disposals	-	(29)	(294)	(2,629)	(2,882)
Balance, end of year	-	30,115	181,179	65,368	89,905
Net Book Value of Tangible Capital Assets	\$ 88,039	\$ 64,203	\$ 290,478	\$ 50,861	\$ 91,628

The Corporation of the City of Kingston

Consolidated Schedule of Tangible Capital Assets - by Major Asset Class

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

Infrastructure Assets (In Thousands of Dollars)	Land	Land Improvements	Plants and Facilities	Roads	Bridges and Culverts	Utility Networks	Other	Total Infrastructure Assets
Cost:								
Balance, beginning of year	11,440	39,102	355,267	461,420	53,977	492,674	315,644	1,729,522
Add: Additions	-	509	132,242	14,128	-	19,647	9,250	175,776
Less: Disposals	-	-	-	(5,553)	-	(16,232)	(564)	(22,349)
Balance, end of year	11,440	39,611	487,509	469,995	53,977	496,089	324,330	1,882,949
Accumulated Amortization:								
Balance, beginning of year	-	25,187	166,764	244,640	13,423	139,019	118,788	707,821
Add: Amortization	-	192	13,122	10,746	884	7,654	7,786	40,384
Less: Accumulated amortization on disposals	-	-	-	(4,361)	-	(11,576)	(296)	(16,233)
Balance, end of year	-	25,379	179,886	251,025	14,307	135,097	126,278	731,972
Net Book Value of Tangible Capital Assets	\$ 11,440	\$ 14,232	\$ 307,623	\$ 218,970	\$ 39,670	\$ 360,992	\$ 198,052	\$ 1,150,977

The Corporation of the City of Kingston

Consolidated Schedule of Tangible Capital Assets - by Major Asset Class

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

Totals (In Thousands of Dollars)	2021 Total General Assets	2021 Total Infrastructure Assets	2021 Capital Works in Progress	2021 Total General and Infrastructure Assets	2020 Total General and Infrastructure Assets
Cost:					
Balance, beginning of year	\$ 889,318	\$ 1,729,522	\$ 241,188	\$ 2,860,030	\$ 2,696,503
Add: Additions	72,000	175,776	(56,572)	191,204	175,722
Less: Disposals	(9,542)	(22,349)	-	(31,891)	(12,195)
Balance, end of year	951,776	1,882,949	184,616	3,019,343	2,860,030
Accumulated Amortization:					
Balance, beginning of year	338,146	707,821	-	1,045,967	987,277
Add: Amortization	34,255	40,384	-	74,639	69,572
Less: Accumulated amortization on disposals	(5,834)	(16,233)	-	(22,067)	(10,882)
Balance, end of year	366,567	731,972	-	1,098,539	1,045,967
Net Book Value of Tangible Capital Assets □	\$ 585,209	\$ 1,150,977	\$ 184,616	\$ 1,920,804	\$ 1,814,063

The Corporation of the City of Kingston
Consolidated Schedule of Segmented Information
Year ended December 31, 2021, with Comparative Figures for 2020
(In Thousands of Dollars)

Schedule of Segmented Information	General Government	Protection Services	Transportation Services	Environmental Services	Waste Water	Water
Revenue:						
Government grants	4,969	6,239	43,801	1,718	-	-
Other municipalities	-	166	607	33	-	-
User fees and service charges	8,772	8,540	16,016	3,135	37,819	32,637
User fees - gas commodity	-	-	-	-	-	-
Other	2,537	1,079	21,949	-	20,058	6,093
Total Revenue	16,278	16,024	82,373	4,886	57,877	38,730
Expenses:						
Salaries, wages & employee benefits	29,233	72,437	32,792	5,470	204	242
Materials	3,264	5,196	15,271	1,153	101	119
Contracted services	8,522	4,655	6,184	6,998	15,032	10,867
Gas commodity purchases	-	-	-	-	-	-
Rents and financial expenses	4,376	1,453	4,707	4,272	2,705	1,932
External transfers	2,444	5,671	3,201	119	-	-
Amortization	5,902	4,601	22,789	3,439	11,291	9,878
Inter-departmental charges	(11,925)	1,279	(668)	3,004	914	908
Total Expenses	41,816	95,292	84,276	24,455	30,247	23,946
Excess of revenue over expenses (expenses over revenues)	(25,538)	(79,268)	(1,903)	(19,569)	27,630	14,784

The Corporation of the City of Kingston
Consolidated Schedule of Segmented Information
Year ended December 31, 2021, with Comparative Figures for 2020
(In Thousands of Dollars)

Schedule of Segmented Information continued	Health Services	Social and Family Services and Housing	Recreation and Cultural Services	Planning and Development Services	Gas Works
Revenue:					
Government grants	16,126	62,429	609	59	-
Other municipalities	2,142	1,833	885	-	-
User fees and service charges	-	13,086	5,161	1,166	14,562
User fees - gas commodity	-	-	-	-	11,332
Other	-	2,513	1,570	1,884	-
Total Revenue	18,268	79,861	8,225	3,109	25,894
Expenses:					
Salaries, wages & employee benefits	15,985	25,161	17,147	3,486	234
Materials	1,552	9,838	4,745	574	23
Contracted services	1,761	6,467	4,820	952	4,098
Gas commodity purchases	-	-	-	-	11,332
Rents and financial expenses	171	4,897	4,687	78	811
External transfers	11,513	51,401	1,823	5,795	-
Amortization	527	3,810	8,957	12	3,433
Inter-departmental charges	-	3,669	2,337	(137)	619
Total Expenses	31,509	105,243	44,516	10,760	20,550
Excess of revenue over expenses (expenses over revenues)	(13,241)	(25,382)	(36,291)	(7,651)	5,344

The Corporation of the City of Kingston
Consolidated Schedule of Segmented Information
Year ended December 31, 2021, with Comparative Figures for 2020
(In Thousands of Dollars)

Schedule of Segmented Information Totals	Total 2021	Total 2020
Revenue:		
Government grants	135,950	145,956
Other municipalities	5,666	4,936
User fees and service charges	140,894	131,448
User fees - gas commodity	11,332	11,967
Other	57,683	36,324
Total Revenue	351,525	330,631
Expenses:		
Salaries, wages & employee benefits	202,391	190,437
Materials	41,836	39,550
Contracted services	70,356	68,720
Gas commodity purchases	11,332	11,967
Rents and financial expenses	30,089	24,533
External transfers	81,967	80,441
Amortization	74,639	69,572
Inter-departmental charges	-	-
Total Expenses	512,610	485,220
Excess of revenue over expenses (expenses over revenues)	(161,085)	(154,589)
Taxation	253,783	244,069
Payments in Lieu	16,471	17,294
Investment in Government Business Enterprise	1,471	1,378
Investment Income	7,420	7,498
Taxation and Investment Revenue	279,145	270,239
Annual Surplus	\$ 118,060	\$ 115,650



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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 Statement of Trust Funds of the Corporation of the City of Kingston (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of continuity of trust funds for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and the continuity of trust funds 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 Statement**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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 opinion.



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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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



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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 22, 2022

The Corporation of the City of Kingston

Trust Funds

Year Ended December 31, 2021, with comparative figures for 2020

Statement of Financial Position

Name of Fund	Rideaucrest Residents Fund	Donations & Endowments	Other	Total 2021	Total 2020
Assets					
Cash and short-term investments	\$ 26,689	\$ 40,400	\$90,498	\$157,587	\$160,838
Total	\$ 26,689	\$ 40,400	\$90,498	\$157,587	\$160,838
Fund Balances					
Unexpendable trust	\$ -	\$40,400	\$25,000	\$ 65,400	\$65,400
Capital/ earned surplus	26,689	-	65,498	92,187	95,438
Total	\$ 26,689	\$40,400	\$90,498	\$157,587	\$160,838

Statement of Continuity

Name of Fund	Rideaucrest Residents Fund	Donations & Endowments	Other	Total 2021	Total 2020
Balances, beginning of year	\$ 30,640	\$ 40,400	\$ 89,798	\$160,838	\$159,520
Donations and other revenue	30,518	-	110	30,628	26,249
Interest earned	-	265	589	854	1,444
Sub-Total	\$ 61,158	\$ 40,665	\$90,498	\$192,321	\$187,213
Expenses	34,469	265	-	34,734	26,375
Balances, end of year	\$ 26,689	\$40,400	\$90,498	\$157,587	\$160,838

The Corporation of the City of Kingston

Trust Funds

Notes to Financial Statements

Year Ended December 31, 2021

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 expenses of the Trust Funds.

(b) Revenue Recognition:

Revenue and expenses are recorded on an accrual basis.

The accrual basis recognizes revenue as they become available and measurable. Expenses 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.