

Audited Financial Statements
and Other Financial Information of

**The Corporation of
the City of Kingston**

Year Ended December 31, 2022

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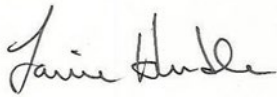
Management's Responsibility for the Consolidated Financial Statements

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



KPMG LLP
863 Princess Street, Suite 400
Kingston ON K7L 5N4
Canada
Tel 613-549-1550
Fax 613-549-6349

INDEPENDENT AUDITOR'S 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, 2022
- 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, 2022, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

Auditor's 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 auditor's 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.



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- 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 auditor's 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 auditor's 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

August 8, 2023

The Corporation of the City of Kingston
Consolidated Statement of Financial Position
December 31, 2022, with Comparative Figures for 2021

In Thousands of Dollars	2022	2021
Financial Assets:		
Cash and short-term investments	\$ 254,786	\$ 201,495
Taxes receivable	6,985	3,759
Accounts receivable	85,864	79,481
Inventories for resale	18,534	17,421
Notes receivable from government business enterprises (note 16(c))	18,311	18,311
Long-term investments (note 4)	172,525	164,542
Investment in government business enterprises (note 16(a))	39,917	37,530
Total Financial Assets	596,922	522,539
Liabilities:		
Temporary loans (note 6)	-	(101,500)
Accounts payable and accrued liabilities	(97,475)	(81,507)
Due to government business enterprises:		
Utilities Kingston (note 16(b))	(9,920)	(3,673)
Kingston Hydro Corporation (note 16(b))	(7,586)	(8,777)
Employee future benefit obligations (note 9(d))	(4,086)	(4,961)
Deferred revenue - obligatory reserve funds (note 11)	(78,237)	(76,876)
Deferred revenues	(18,981)	(18,080)
Accrued interest on long-term debt	(5,656)	(3,494)
Long-term liabilities (note 10)	(499,980)	(378,198)
Employee future benefit obligations (note 9(d))	(69,073)	(62,879)
Landfill closure and post closure liabilities (note 12)	(5,300)	(5,052)
Total Liabilities	(796,294)	(744,997)
Net Financial Debt	(199,372)	(222,458)
Non-Financial Assets:		
Tangible capital assets (note 17)	1,973,339	1,920,804
Inventories of supplies	1,517	1,165
Prepaid expenses	4,394	4,247
Total Non-Financial Assets	1,979,250	1,926,216
Municipal Equity	\$1,779,878	\$1,703,758
Contingent liabilities (note 13)		
Commitments (note 14)		

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, 2022, with Comparative Figures for 2021

In Thousands of Dollars	Budget 2022*	Actual 2022	Actual 2021
Revenue:			
Property taxation	\$ 267,449	\$ 268,019	\$ 256,128
Taxation from other governments	16,871	16,888	16,471
User charges	147,761	157,748	140,894
User charges – gas commodity	25,000	15,155	11,332
Government grants	85,632	102,246	95,188
Grants from other municipalities	5,292	4,783	5,666
Investment income	8,232	10,182	7,420
Other	2,053	2,355	5,540
Transfers from deferred obligatory reserve funds (note 11)	5,370	2,138	207
Government business enterprises net earnings (note 16)	-	2,387	1,471
Total Revenues	563,660	581,901	540,317
Expenses:			
General government	51,623	48,985	41,815
Protection services	93,554	96,958	95,292
Transportation services	88,210	91,818	84,276
Environmental services	83,144	88,606	78,648
Health services	31,825	30,770	31,509
Social and family services	79,078	76,057	68,368
Social housing	38,529	40,114	36,876
Recreational and cultural services	55,794	54,427	44,516
Planning and development	9,278	11,756	13,105
Gas utility	34,544	26,125	20,550
Total Expenses	565,579	565,616	514,955
Net Revenues before the under noted items	(1,919)	16,285	25,362
Other Revenue:			
Grants and transfers related to capital:			
Government and municipal capital grants		31,421	40,762
Transfers from deferred obligatory reserve funds (note 11)		24,676	43,840
Donations and other		379	120
Contributed tangible capital assets (note 17(a))		3,359	7,976
Total Other Revenue		59,835	92,698
Annual Surplus		76,120	118,060
Municipal Equity, Beginning of Year		1,703,758	1,585,698
Municipal Equity, End of Year		\$ 1,779,878	\$ 1,703,758

* Budget 2022 (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 Changes in Net Debt
Year Ended December 31, 2022, with Comparative Figures for 2021

In Thousands of Dollars	Actual 2022	Actual 2021
Annual Surplus	\$ 76,120	\$ 118,060
Amortization of tangible capital assets	77,476	74,639
Acquisition of tangible capital assets	(138,198)	(191,202)
Loss on tangible capital assets transactions	8,186	9,822
Sub-total	23,584	11,319
Acquisition of prepaid expenses	(147)	(1,563)
(Acquisition) consumption of supplies inventories	(352)	159
Decrease in Net Debt	23,085	9,915
Net Debt, Beginning of Year	(222,458)	(232,373)
Net Debt, End of Year	\$ (199,372)	\$ (222,458)

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, 2022, with Comparative Figures for 2021

In Thousands of Dollars	2022	2021
Current Fund Surplus (Deficit):		
General operating surplus	\$ 1,423	\$ -
Accumulated operating surplus - water	4,962	5,041
Accumulated operating surplus - sewer	4,068	4,392
Accumulated operating surplus - gas	5,473	6,542
Downtown Business Improvement Area	(43)	(150)
Kingston & Frontenac Housing Corporation	8,215	2,266
Town Homes Kingston	-	1,911
Kingston Frontenac Public Library Board	361	-
Total Current Fund Surplus	24,459	20,002
Investment in Tangible Capital Assets:		
Tangible capital assets (note 17)	1,973,339	1,920,804
Long-term liabilities (note 10)	(499,980)	(378,198)
Unfinanced capital expenditures:		
To be financed from long-term liabilities	-	(132,346)
To be financed from taxation or user charges	(24,821)	(14,560)
Unapplied capital receipts	136	761
Total Investment in Tangible Capital Assets	1,448,674	1,396,461
Investment in Government Business Enterprises (note 16(a))	39,917	37,530
Unfunded Liabilities:		
Employee future benefit obligations (note 9(d))	(70,491)	(64,262)
Landfill closure and post-closure liabilities (note 12)	(5,300)	(5,052)
Accrued interest on long-term debt	(5,656)	(3,494)
Total Unfunded Liabilities	(81,447)	(72,808)
Reserves and Reserve Funds:		
Reserves set aside for specific purpose:		
Operating reserves	28,241	30,332
Reserve funds set aside for specific purpose:		
Replacement of equipment	43,468	41,197
Replacement & renewal of facilities	14,933	15,991
Municipal capital replacement & renewal	41,318	34,306
Sanitary sewer system	46,934	47,684
Storm sewer system	390	382
Parks and recreation	8,510	8,288
Libraries	5,158	5,633
Waterworks system	71,178	58,356
Planning and development	511	474
Transit	23,428	19,533
Gas utility	7,378	6,891
Sick leave	13,042	12,794
Protective services	14,890	13,533
Environmental services	2,154	2,156
Social and family services	214	210
Social housing	5,027	4,612
Parking	21,501	20,201
Total Reserves and Reserve Funds	348,275	322,574
Municipal Equity	\$1,779,878	\$ 1,703,758

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, 2022, with Comparative Figures for 2021

In Thousands of Dollars	2022	2021
Operations transactions:		
Annual surplus	\$ 76,120	\$ 118,060
Net change in non-cash working capital items:		
(Increase) decrease in taxes receivable	(3,226)	66
Increase in accounts receivable	(6,383)	(5,768)
Increase in inventories for resale	(1,113)	(153)
(Increase) decrease in inventories of supplies	(352)	159
Increase in prepaid expenses	(147)	(1,563)
Increase (decrease) in accounts payable and accrued liabilities	15,968	(6,357)
Increase in due to government business enterprises	4,181	2,083
Increase (decrease) in deferred obligatory reserve funds	1,361	(6,997)
Increase in deferred revenues	901	6,259
Increase (decrease) in accrued interest on long-term debt	2,162	(211)
Sub-total	13,352	(12,482)
Items not involving cash:		
Amortization of tangible capital assets	77,476	74,639
Contributed tangible capital assets	(3,359)	(7,976)
Loss on tangible capital assets transactions	8,186	9,822
Change in landfill closure and post-closure liabilities	248	52
Change in employee future benefit obligations	6,194	3,555
Equity in government business enterprise from net earnings	(2,387)	(1,471)
Sub-total	86,358	78,621
Net change in cash from operating transactions	175,830	184,199
Capital transactions:		
Purchase of tangible capital assets	(134,839)	(183,226)
Investment transactions:		
Purchase of long-term investments	(7,982)	(22,470)
Financing transactions:		
Proceeds from new debt issue	139,069	2,456
Debt principal repayments	(17,287)	(17,817)
(Repayment) issuance of temporary loans	(101,500)	27,600
Net change in cash from financing transactions	20,282	12,239
(Decrease) increase in cash and short-term investments	53,291	(9,258)
Cash and short-term investments, beginning of year	201,495	210,753
Cash and short-term investments, end of year	\$ 254,786	\$ 201,495

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, 2022

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
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, 2022

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, 2022

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, 2022

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 the average term of the liabilities.

(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, 2022

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, 2022

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, 2022

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	2022	2021
Taxation and user charges	\$ 47,126	\$ 47,647
Payments in lieu	256	260
Amount transferred to school boards	\$ 47,382	\$ 47,908

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, 2022, there was \$Nil (2021 - \$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 \$161,010,859 at December 31, 2022 (2021 - \$166,309,250).

5. Trust Funds:

Trust funds administered by the municipality amount to \$167,307 (2021 - \$157,587) as at December 31, 2022.

6. Temporary Loans:

The City has financial agreements with the Ontario Infrastructure and Lands Corporation (OILC) for temporary capital loans for the interim financing of various roads and other capital projects. As at December 31, 2022, the temporary capital loan balance is \$nil (2021 - \$101,500,000) with interest based typically 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, 2022

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 2022 was \$13,404,556 (2021 - \$12,851,112) 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, 2022, in order to determine the estimated accrued benefit liability to be reported in these consolidated financial statements. As a result of the study an actuarial gain of \$10,339,500 was realized due primarily to the increase in the discount rate assumption.

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 (2021 – 10 years).

At December 31, 2022, the City's accrued benefit liability relating to post-retirement and post-employment benefit plans is \$57,066,274 (2021 - \$54,351,092).

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

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	4.6% per annum
Salary escalation	3.0% per annum
Dental benefits escalation	6.70% in 2022, decreasing to 4.50% over 10 years
Health benefits escalation	7.12% per annum in 2022, decreasing to 4.50% 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	5.05% per annum
Salary escalation	3.3% per annum
Dental benefits escalation	4.9% per annum
Health benefits escalation	4.7% per annum

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

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	2022	2021
Accrued benefit liability, January 1	\$ 54,351	\$ 52,129
Expense recognized for the period	5,241	4,592
Benefits paid for the period	(3,283)	(3,429)
Amortization of actuarial losses	757	1,059
Accrued benefit liability, December 31	\$ 57,066	\$ 54,351

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

In Thousands of Dollars	2022	2021
Accrued benefit obligation	\$ 49,751	\$ 59,428
Unamortized actuarial gains/(losses)	7,315	(5,077)
Accrued benefit liability, December 31	\$ 57,066	\$ 54,351

- (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, 2022 in order to determine the estimated liability reported in these consolidated financial statements. As a result of the study an actuarial loss of \$6,741,900 was realized due to higher than expected claims and longer claim durations.

Actuarial gains and losses are amortized on a straight-line basis over the average term of the liabilities which is estimated to be 9 years (2021 – 10 years).

At December 31, 2022, the City's accrued benefit liability relating to future WSIB claims is \$13,296,600 (2021 - \$10,496,600).

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

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	4.6%
Inflation rate	6.5% for 2022, 3% for 2023 and 2.0% per annum thereafter
Health benefits escalation	4.0% per annum
Administration costs	19.0% of compensation expense

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

In Thousands of Dollars	2022	2021
Accrued benefit liability, beginning of year	\$ 10,497	\$ 10,027
Expense recognized for the period	5,902	2,640
Benefits paid for the period	(3,471)	(2,539)
Amortization of net actuarial losses	369	369
Accrued benefit liability, end of year	\$ 13,297	\$ 10,497

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

In Thousands of Dollars	2022	2021
Accrued benefit obligation	\$ 22,064	\$ 12,891
Unamortized actuarial losses	(8,767)	(2,394)
Accrued benefit liability, end of year	\$ 13,297	\$ 10,497

(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, 2022 amount to \$2,539,336 (2021 - \$2,685,421).

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

9. Employee Future Benefit Obligations (Continued):

(d) Total employee benefit obligations:

In Thousands of Dollars	2022	2021
Employee benefit obligations are comprised of:		
Health benefits and sick leave - City of Kingston	\$ 53,376	\$ 49,795
Workplace safety and insurance	13,297	10,497
Vacation credits	2,143	2,275
Pension payable	257	312
Sub-total	69,073	62,879
Health benefits and sick leave – water, sewer, and gas utilities (1)	3,690	4,551
Vacation credits – water, sewer, and gas utilities	396	410
Sub-total	4,086	4,961
Total employee benefit obligations	73,159	67,840
Amounts previously funded from operating revenues	(2,668)	(3,578)
Unfunded employee future benefit obligations	\$ 70,491	\$ 64,262
To be recovered from reserve funds	\$13,042	\$ 12,794
To be recovered from future municipal and utility revenues	57,449	52,160
Unfunded employee future benefit obligations	\$ 70,491	\$ 64,262

(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, 2022

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	2022	2021
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 4.2% (2021 - 4.4%)	\$ 483,782	\$ 366,612
Long-term liabilities incurred by Kingston & Frontenac Housing Corporation, with an interest rates ranging from 1.0% to 6.5% and varying maturities up to 2050	25,848	22,127
Proportionate share of KFLA Public Health long-term debt, with a current interest rate of 6.1%, maturing in 2029	2,070	2,343
Total long-term liabilities	\$ 511,700	\$ 391,082
Less long-term borrowings from own funds	\$ (11,720)	\$ (12,884)
Long-term liabilities to be recovered from future revenues	\$ 499,980	\$ 378,198
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	\$ (22)	\$ (28)

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

10. Long-term Liabilities (Continued):

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

In Thousands of Dollars	2023	2024	2025	2026	2027	2028+	Total
Tax sources	\$11,792	\$11,103	\$11,105	\$11,411	\$11,136	\$170,772	\$227,319
Utility user fees	6,861	7,114	7,072	7,331	7,235	63,811	99,424
Other user fees	2,934	3,059	3,191	3,324	3,465	141,066	157,039
Public Health	293	311	329	349	371	417	2,070
Housing Corporation	2,320	5,248	2,133	2,200	1,999	11,947	25,848
Total	\$24,200	\$26,834	\$23,831	\$24,616	\$24,205	\$388,014	\$511,700

(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	2022	2021
Principal payments	\$ 17,287	\$ 17,817
Interest	14,403	15,737
Total	\$ 31,690	\$ 33,554

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, 2022

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	2022	2021
Balance, beginning of year	\$ 76,876	\$ 83,873
Revenues:		
Development contributions	14,728	16,604
Federal gasoline tax	7,853	15,401
Provincial gasoline tax	3,262	3,322
Building permits (<i>Building Code Act</i>)	-	53
Recreational Land (<i>Planning Act</i>)	272	212
Investment income	2,059	1,458
Utilization:		
Transfers to operating	(2,138)	(207)
Transfers to capital	(24,676)	(43,840)
Balance, end of year	\$ 78,237	\$ 76,876

In Thousands of Dollars	2022	2021
Analyzed as follows:		
Development charges	\$ 42,808	\$ 44,237
Cash in lieu of parkland	1,302	1,003
Federal gasoline tax	19,223	18,156
Provincial gasoline tax	8,222	6,648
Building Code Act	6,682	6,832
Balance, end of year	\$ 78,237	\$ 76,876

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

12. 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 inflation rates of 6.5% for the first year, 3% for the second year and 2% thereafter. The estimated total landfill closure and post-closure care expenditures are calculated to be approximately \$5.3 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 \$5,300,351 (2021 - \$5,051,868) 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, 2022

13. 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, 2022, 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.

14. Commitments:

- (a) A contract was entered into with Waste Management effective February 1, 2021, for a five-year term to handle waste transfer and disposal. A 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 2022 fiscal year were \$4,087,509 (2021 - \$3,269,358).

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

14. 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 which expired September 2022. The City is responsible for 68% of the related debt repayment costs and incurred related debt charges in 2022 in the amount of \$534,378 (2021 - \$712,504). The remaining debt principal outstanding at December 31, 2022 is \$Nil (2021 - \$534K).
- (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
Waaban Bridge	\$ 178,000	\$ 173,949
Front Road Watermain	9,427	1,088
Portsmouth Redirect Forcemain	6,686	751

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

15. 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 2022 operating and capital budgets approved by Council on December 21, 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	\$ 511,491
County of Frontenac requisition	12,626
Consolidated external agency budgets	26,716
Approved PSAB reporting adjustments:	
Reserve fund revenues	7,000
Budget amendments and reallocations	3,411
Less transfers from reserves / reserve funds	(3,078)
Net operating budget revenues	558,166
Approved operating budget expenses	511,491
County of Frontenac requisition	12,626
Consolidated external agency budgets	26,466
Approved PSAB reporting adjustments:	
Amortization of tangible capital assets	72,000
Reserve fund expenditures for debt interest	16,000
Unfunded accruals (1)	4,200
Budget amendments and reallocations	3,411
Non-tangible capital asset expenditures	32,547
Less transfers to reserves and reserve funds	(118,117)
Less debt principal repayments	(539)
Net operating budget expenses	560,086
Net revenues before capital investment	\$ (1,919)

(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, 2022

16. 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, 2022

16. Investment in Government Business Enterprises (Continued):

(a) (continued)

In Thousands of Dollars	2022	2021
Financial position:		
Current assets	\$ 21,120	\$ 19,732
Due from City of Kingston:		
Utilities Kingston	9,920	3,673
Kingston Hydro Corporation	7,586	8,777
Post-employment benefit obligation (note 9(d))	3,690	4,556
Accrued vacation liabilities	522	549
Capital assets	73,657	72,763
Other assets	1,280	2,427
Total assets	117,775	112,477
Current liabilities	24,919	20,013
Post-employment benefit obligation	5,384	6,594
Accrued vacation and pension liabilities	156	193
Accrued liabilities non-current	6,021	6,550
Long-term loan payable	23,067	23,286
Long-term notes payable to City of Kingston (note 17(c))	18,311	18,311
Total liabilities	77,858	74,947
Net assets	\$ 39,917	\$ 37,530
Common shares	\$ 12,381	\$ 12,381
Accumulated other comprehensive income	(29)	(409)
Accumulated earnings	27,565	25,558
Investment in government business enterprises	\$ 39,917	\$ 37,530
Results of operations:		
Net utility revenues	\$109,550	\$122,495
Operating expenses	(102,259)	(115,217)
Interest on debt	(1,598)	(1,795)
Depreciation	(3,648)	(3,606)
Net earnings before under noted items	2,044	1,877
Net movement in regulatory deferral accounts	(1,256)	(856)
Payments in lieu of corporate income taxes	1,744	1,778
Net earnings	2,532	2,799
Dividends on common shares	(525)	(1,500)
Accumulated earnings, beginning of year	25,558	24,259
Accumulated earnings, end of year	\$ 27,565	\$ 25,558

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

16. 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 \$11,874,868 (2021 - \$11,749,108) and \$77,922,275 (2021 - \$92,580,325) 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 \$ 3,276,951 (2021 - \$3,177,325).

As at December 31, 2022, the City had a balance owing to the Companies 1425445 Ontario Limited (operating as Utilities Kingston) in the amount of \$9,920,085 (2021 - \$3,673,473) and a balance owing to Kingston Hydro Corporation in the amount of \$7,586,215 (2021 - \$8,776,828), 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, 2022, the City had a note payable from Kingston Hydro in the amount of \$10,880,619 (2021 - \$10,880,619), bearing interest at 5.87% (2021 - 5.87%) per annum and a note payable from 1425445 Ontario Limited (operating as Utilities Kingston) in the amount of \$965,010 (2021 - \$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, 2022

17. Tangible Capital Assets:

In Thousands of Dollars	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
General Assets				
Land	\$ 90,725	\$ -	\$ 90,725	\$ 88,039
Land improvements	98,788	32,937	65,851	64,203
Buildings and structures	485,730	193,198	292,532	290,478
Vehicles and machinery	121,628	70,207	51,421	50,861
Furniture, fixtures, and equipment	187,395	97,809	89,587	91,628
Infrastructure Assets				
Land	11,440	-	11,440	11,440
Land improvements	41,588	25,571	16,017	14,232
Plants and facilities	495,406	194,872	300,534	307,623
Roads	475,437	258,754	258,754	218,970
Bridges and culverts	233,169	15,441	217,728	39,670
Utility networks	497,450	135,654	361,796	360,992
Other	329,344	132,893	196,451	198,052
Sub-total	3,068,099	1,157,334	1,910,765	1,736,188
Assets under construction	62,573	-	62,573	184,616
Total	\$ 3,130,673	\$ 1,157,334	\$ 1,973,339	\$ 1,920,804

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 2022, a total of \$3,359,044 (2021 - \$7,976,485) was recorded as tangible capital asset additions with respect to contributed capital assets which was comprised of roads infrastructure in the amount of \$2,452,119 (2021 - \$4,669,286) and water and wastewater infrastructure in the amount of \$906,925 (2021 - \$3,307,199).

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

17. Tangible Capital Assets (Continued):

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

The write-down of tangible capital assets during the year was \$Nil (2021 \$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 2022, these interest costs are included as expenses on the Consolidated Statement of Operations in the amount of \$569,305 (2021 - \$1,452,217).

18. 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, 2022

18. 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: Includes operation of wastewater facilities and infrastructure within specific areas of the municipality.
- (f) Water: Includes operation of 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, 2022

18. 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.

19. Comparative Information:

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

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

20. 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 for a market value consideration of \$47,412,358 in the form of a promissory note payable. The promissory note is unsecured, interest-free, with principal payments repayable in 15 equal consecutive annual installments, beginning on the first anniversary of the note.

On December 23, 2021, a Promissory Note Side Agreement was also signed between Kingston Frontenac Housing Corporation and the City of Kingston that acknowledged Kingston Municipal Non-Profit Housing Corporation's right to assign the promissory note issued to the City of Kingston upon the wind up and dissolution of Kingston Municipal Non-Profit Housing Corporation. The promissory note was transferred to the City of Kingston on October 25, 2022.

The Promissory Note Side 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 assignment of the promissory note, recorded by the City of Kingston on October 25, 2022 as a gift from Kingston Municipal Non-Profit Housing Corporation upon wind up, has been offset by an allowance against the outstanding balance of the note to reflect that future repayments from Kingston Frontenac Housing Corporation to the City of Kingston will be transacted by way of a contribution to the stated capital of the Kingston Frontenac Housing Corporation shares held by the City, as outlined in the Promissory Note Side Agreement.

Because Kingston Frontenac Housing Corporation is owned by the City of Kingston and is included as a consolidated entity within these financial statements, the promissory note receivable has been eliminated in these financial statements upon consolidation and the transactions noted above have no net impact on these consolidated financial statements.

The Corporation of the City of Kingston
Consolidated Schedule of Tangible Capital Assets
Year ended December 31, 2022, with Comparative Figures for 2021

General Assets (In Thousands of Dollars)	Land	Land Improvements	Buildings	Vehicles and Machinery	Furniture, Fixtures and Equipment	Total General Assets
Cost:						
Balance, beginning of year	\$88,039	\$94,319	\$471,656	116,228	\$181,532	\$951,775
Add: Additions	2,686	4,473	13,770	8,198	11,008	40,135
Less: Disposals	-	-	(320)	(2,798)	(4,525)	(7,643)
Reclassification of assets	-	(4)	624	-	(620)	-
Balance, end of year	90,725	98,788	485,730	121,628	187,395	984,267
Accumulated Amortization:						
Balance, beginning of year	-	30,115	181,179	65,367	89,905	366,566
Add: Amortization	-	2,822	12,178	7,587	12,353	34,939
Less: Accumulated amortization on disposals	-	-	(159)	(2,747)	(4,449)	(7,355)
Balance, end of year	-	32,937	193,198	70,207	97,809	394,150
Net Book Value of Tangible Capital Assets	\$90,725	\$65,851	\$292,532	\$51,421	\$89,586	\$590,117

The Corporation of the City of Kingston
Consolidated Schedule of Tangible Capital Assets
Year ended December 31, 2022, with Comparative Figures for 2021

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	\$39,611	\$487,50	\$469,994	\$53,977	\$496,089	\$324,330	\$1,882,950
Add: Additions	-	1,977	8,759	8,375	179,192	13,941	7,862	220,105
Less: Disposals			(862)	(2,931)	-	(12,581)	(2,848)	(19,222)
Reclassification of assets	-	-	-	-	-	-	-	-
Balance, end of year	11,440	41,588	495,406	475,437	233,169	497,45	329,344	2,083,833
Accumulated Amortization:								
Balance, beginning of year	-	25,379	179,885	251,024	14,307	135,097	126,278	731,971
Add: Amortization	-	192	14,990	10,621	1,134	7,669	7,932	42,537
Less: Accumulated amortization on disposals	-	-	(3)	(2,891)	-	(7,112)	(1,317)	(11,324)
Balance, end of year	-	25,571	194,872	258,754	15,441	135,654	132,893	763,184
Net Book Value of Tangible Capital Assets	\$11,440	\$16,017	\$300,534	\$216,683	\$217,728	\$361,796	\$196,451	\$1,320,649

The Corporation of the City of Kingston

Consolidated Schedule of Tangible Capital Assets Year ended December 31, 2022, with Comparative Figures for 2021

Totals (In Thousands of Dollars)	2022 Total General Assets	2022 Total Infrastructure Assets	2022 Capital Works in Progress	2022 Total General and Infrastructure Assets	2021 Total General and Infrastructure Assets
Cost:					
Balance, beginning of year	\$951,775	\$1,882,950	\$184,61	\$3,019,340	\$2,860,029
Add: Additions	40,135	220,105	(122,043)	138,198	191,202
Less: Disposals	(7,643)	(19,222)	-	(26,865)	(31,890)
Reclassification of assets	-	-	-	-	-
Balance, end of year	984,267	2,083,833	62,573	3,130,673	3,019,340
Accumulated Amortization:					
Balance, beginning of year	366,566	731,972	-	1,098,538	1,045,966
Add: Amortization	34,939	42,537	-	77,476	74,639
Less: Accumulated amortization on disposals	(7,355)	(11,325)	-	(18,680)	(22,068)
Balance, end of year	394,150	763,184	-	1,157,334	1,098,537
Net Book Value of Tangible Capital Assets	\$590,117	\$1,320,649	\$62,573	\$1,973,339	\$1,920,804

The Corporation of the City of Kingston
Consolidated Schedule of Segmented Information
Year ended December 31, 2022, with Comparative Figures for 2021
(In Thousands of Dollars)

Schedule of Segmented Information	General Government	Protection Services	Transportation Services	Environmental Services	Waste Water	Water
Revenue:						
Government grants	4,911	4,150	28,430	2,157	12	-
Other municipalities	-	190	628	38	-	-
User fees and service charges	11,471	8,814	19,970	3,171	39,716	34,362
User fees - gas commodity	-	-	-	-	-	-
Other	2,176	350	16,230	-	9,257	3,004
Total Revenue	18,558	13,504	65,258	5,366	48,985	37,366
Expenses:						
Salaries, wages & employee benefits	31,458	73,530	34,692	5,852	897	347
Materials	3,521	5,013	18,970	1,261	114	172
Contracted services	9,927	7,634	8,111	8,231	16,463	12,222
Gas commodity purchases	-	-	-	-	-	-
Rents and financial expenses	6,953	1,088	3,244	1,330	6,720	3,561
External transfers	4,517	4,175	3,605	90	-	-
Amortization	6,201	4,659	22,626	3,401	13,243	9,873
Inter-departmental charges	(13,592)	860	570	2,973	932	926
Total Expenses	48,985	96,958	91,818	23,136	38,369	27,101
Excess of revenue over expenses (expenses over revenues)	(30,427)	(83,454)	(26,560)	(17,770)	10,616	10,265

The Corporation of the City of Kingston

Consolidated Schedule of Segmented Information

Year ended December 31, 2022, with Comparative Figures for 2021 (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	13,118	79,291	576	1,022	-
Other municipalities	1,440	1,599	888	-	-
User fees and service charges	12	12,776	10,648	1,531	15,276
User fees - gas commodity	-	-	-	-	15,155
Other	-	315	1,244	328	4
Total Revenue	14,570	93,981	13,356	2,881	30,435
Expenses:					
Salaries, wages & employee benefits	14,536	27,988	21,691	4,326	901
Materials	1,217	10,340	5,910	423	10
Contracted services	1,502	12,216	8,069	1,773	4,438
Gas commodity purchases	-	-	-	-	15,155
Rents and financial expenses	-	2,911	4,836	2,062	1,459
External transfers	12,990	54,883	1,447	3,344	-
Amortization	526	4,111	9,339	20	3,497
Inter-departmental charges	-	3,723	3,136	(193)	665
Total Expenses	30,770	116,171	54,427	11,756	26,125
Excess of revenue over expenses (expenses over revenues)	(16,200)	(22,190)	(41,071)	(8,875)	4,310

The Corporation of the City of Kingston

Consolidated Schedule of Segmented Information

Year ended December 31, 2022, with Comparative Figures for 2021(In Thousands of Dollars)

Schedule of Segmented Information Totals	Total 2022	Total 2021
Revenue:		
Government grants	133,666	135,950
Other municipalities	4,783	5,666
User fees and service charges	157,748	140,894
User fees - gas commodity	15,155	11,332
Other	32,908	57,683
Total Revenue	344,260	351,525
Expenses:		
Salaries, wages & employee benefits	201,682	202,391
Materials	45,733	41,836
Contracted services	89,083	70,356
Gas commodity purchases	15,155	11,332
Rents and financial expenses	34,162	32,434
External transfers	102,325	81,967
Amortization	77,476	74,639
Inter-departmental charges	-	-
Total Expenses	565,616	514,955
Excess of revenue over expenses (expenses over revenues)	(221,356)	(163,430)
Taxation	268,019	256,128
Payments in Lieu	16,888	16,471
Investment in Government Business Enterprise	2,387	1,471
Investment Income	10,182	7,420
Taxation and Investment Revenue	297,476	281,490
Annual Surplus	\$ 76,120	\$118,060



KPMG LLP
863 Princess Street, Suite 400
Kingston ON K7L 5N4
Canada
Tel 613-549-1550
Fax 613-549-6349

INDEPENDENT AUDITOR'S 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, 2022
- 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, 2022, 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 "***Auditor's Responsibilities for the Audit of the Statement***" section of our auditor's 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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

August 8, 2023

The Corporation of the City of Kingston

Trust Funds

Year Ended December 31, 2022, with comparative figures for 2021

Statement of Financial Position

Name of Fund	Rideaucrest Residents Fund	Donations & Endowments	Other	Total 2022	Total 2021
Assets					
Cash and short-term investments	\$ 32,564	\$ 40,400	\$94,343	\$167,307	\$157,587
Total	\$ 32,564	\$ 40,400	\$94,343	\$167,307	\$157,587
Fund Balances					
Unexpendable trust	\$ -	\$40,400	\$25,000	\$ 65,400	\$65,400
Capital/ earned surplus	32,564	-	69,343	101,907	92,187
Total	\$ 32,564	\$40,400	\$94,343	\$167,307	\$157,587

Statement of Continuity

Name of Fund	Rideaucrest Residents Fund	Donations & Endowments	Other	Total 2022	Total 2021
Balances, beginning of year	\$ 26,689	\$ 40,400	\$ 90,498	\$157,587	\$160,838
Donations and other revenue	35,913	-	1,756	37,669	30,628
Interest earned	-	929	2,089	3,018	854
Sub-Total	\$ 62,602	\$ 40,665	\$94,343	\$198,273	\$192,321
Expenses	30,038	929	-	30,966	34,734
Balances, end of year	\$ 32,564	\$40,400	\$94,343	\$167,307	\$157,587

The Corporation of the City of Kingston

Trust Funds

Notes to Financial Statements

Year Ended December 31, 2022

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 expenses 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.