

Audited Financial Statements
and Other Financial Information of

**The Corporation of
the City of Kingston**

Year Ended December 31, 2020

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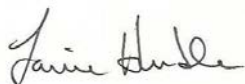
Management's Responsibility for the Consolidated Financial Statements

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, 2020
- 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, 2020, 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 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.
- 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, 2021

The Corporation of the City of Kingston
Consolidated Statement of Financial Position
December 31, 2020, with Comparative Figures for 2019

In Thousands of Dollars	2020	2019
Financial Assets:		
Cash and short-term investments	\$ 210,753	\$ 188,457
Taxes receivable	3,825	3,133
Accounts receivable	73,713	49,983
Inventories for resale	17,268	17,228
Notes receivable from government business enterprises (note 17(c))	18,311	18,311
Long-term investments (note 4)	142,072	138,899
Investment in government business enterprises (note 17(a))	36,059	34,681
Total Financial Assets	502,001	450,692
Liabilities:		
Temporary loans (note 6)	(73,900)	(95,651)
Accounts payable and accrued liabilities	(87,864)	(77,802)
Due to government business enterprises:		
Utilities Kingston (note 17(b))	(3,117)	(6,985)
Kingston Hydro Corporation (note 17(b))	(6,628)	(7,155)
Employee future benefit obligations (note 9(d))	(5,583)	(5,080)
Deferred revenue - obligatory reserve funds (note 11)	(83,873)	(73,754)
Deferred revenues	(11,821)	(8,602)
Accrued interest on long-term debt	(3,705)	(3,854)
Long-term liabilities (note 10)	(393,559)	(354,628)
Employee future benefit obligations (note 9(d))	(59,324)	(55,525)
Landfill closure and post closure liabilities (note 13)	(5,000)	(5,019)
Total Liabilities	(734,374)	(694,055)
Net Financial Debt	(232,373)	(243,363)
Non-Financial Assets:		
Tangible capital assets (note 18)	1,814,063	1,709,224
Inventories of supplies	1,324	1,331
Prepaid expenses	2,684	2,856
Total Non-Financial Assets	1,818,071	1,713,411
Municipal Equity	\$1,585,698	\$1,470,048
Contingent liabilities (note 14)		
Commitments (note 15)		
Impact of pandemic (note 21)		

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, 2020, with Comparative Figures for 2019

In Thousands of Dollars	Budget 2020(1)	Actual 2020	Actual 2019
Revenue:			
Property taxation	\$ 242,494	\$ 244,069	\$ 234,616
Taxation from other governments	17,076	17,294	16,702
User charges	144,846	128,349	147,727
User charges – gas commodity	25,000	11,967	16,087
Government grants	85,073	95,306	82,153
Grants from other municipalities	5,384	4,936	5,019
Investment income	9,136	7,498	6,839
Lot levies	10,000	-	-
Other	1,825	2,672	4,379
Transfers from deferred obligatory reserve funds (note 11)	3,439	203	3,317
Government business enterprises net earnings (note 17)	-	1,378	1,742
Total Revenues	544,273	513,672	518,581
Expenses:			
General government	46,398	41,361	36,865
Protection services	86,562	90,481	84,200
Transportation services	78,272	77,245	84,734
Environmental services	77,354	72,968	73,811
Health services	28,240	27,733	25,144
Social and family services	79,595	68,761	74,832
Social housing	31,747	30,898	33,146
Recreational and cultural services	51,882	42,464	51,162
Planning and development	10,480	12,148	10,726
Gas utility	33,938	21,161	26,114
Total Expenses	524,468	485,220	500,734
Net Revenues	19,805	28,452	17,847
Other Revenue:			
Grants and transfers related to capital:			
Government and municipal capital grants		50,650	19,434
Transfers from deferred obligatory reserve funds (note 11)		26,105	25,832
Donations and other		87	246
Contributed tangible capital assets (note 18(a))		10,356	20,107
Total Other Revenue		87,198	65,619
Annual Surplus		115,650	83,466
Municipal Equity, Beginning of Year		1,470,048	1,386,582
Municipal Equity, End of Year		\$ 1,585,698	\$ 1,470,048

(1) Budget 2020 (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 Assets (Debt)
Year Ended December 31, 2020, with Comparative Figures for 2019

In Thousands of Dollars	Actual 2020	Actual 2019
Annual Surplus	\$ 115,650	\$ 83,466
Amortization of tangible capital assets	69,572	68,763
Acquisition of tangible capital assets	(175,724)	(151,596)
Loss on tangible capital assets transactions	1,314	4,182
Sub-total	10,811	4,815
Consumption of prepaid expenses	172	1,755
Consumption (acquisition) of supplies inventories	7	(98)
Decrease in Net Debt	10,990	6,472
Net Assets (Debt), Beginning of Year	(243,363)	(249,835)
Net Asset (Debt), End of Year	\$ (232,373)	\$ (243,363)

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, 2020, with Comparative Figures for 2019

In Thousands of Dollars	2020	2019
Current Fund Surplus (Deficit):		
General operating surplus	\$ -	\$ 2,094
Accumulated operating surplus - water	4,404	4,109
Accumulated operating surplus - sewer	3,326	2,628
Accumulated operating surplus - gas	4,800	5,208
Downtown Business Improvement Area	(63)	91
Kingston & Frontenac Housing Corporation	2,661	1,872
Town Homes Kingston	924	596
Kingston Frontenac Public Library Board	-	95
Total Current Fund Surplus	16,052	16,693
Investment in Tangible Capital Assets:		
Tangible capital assets (note 18)	1,814,063	1,709,224
Long-term liabilities (note 10)	(393,559)	(369,703)
Unfinanced capital expenditures:		
To be financed from long-term liabilities	(109,976)	(126,038)
To be financed from taxation or user charges	(15,474)	(3,625)
Unapplied capital receipts	1,566	886
Total Investment in Tangible Capital Assets	1,296,620	1,210,744
Investment in Government Business Enterprises (note 17(a))	36,059	34,681
Unfunded Liabilities:		
Employee future benefit obligations (note 9(d))	(60,732)	(56,915)
Landfill closure and post-closure liabilities (note 13)	(5,000)	(5,019)
Accrued interest on long-term debt	(3,705)	(3,854)
Total Unfunded Liabilities	(69,437)	(65,788)
Reserves and Reserve Funds:		
Reserves set aside for specific purpose:		
Working funds	26,153	22,366
Reserve funds set aside for specific purpose:		
Replacement of equipment	39,737	38,463
Replacement & renewal of facilities	16,759	16,283
Municipal capital replacement & renewal	32,585	29,482
Sanitary sewer system	53,345	49,633
Storm sewer system	376	368
Parks and recreation	6,408	6,306
Libraries	5,191	4,167
Waterworks system	50,455	40,743
Planning and development	516	557
Transit	17,401	14,298
Gas utility	6,887	5,276
Sick leave	12,624	12,147
Protective services	12,525	10,523
Environmental services	2,453	2,752
Social and family services	206	202
Social housing	4,091	4,259
Parking	18,692	15,895
Total Reserves and Reserve Funds	306,404	273,719
Municipal Equity	\$ 1,585,698	\$ 1,470,048

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, 2020, with Comparative Figures for 2019

In Thousands of Dollars	2020	2019
Operations transactions:		
Annual surplus	\$ 115,650	\$ 83,466
Net change in non-cash working capital items:		
(Increase) decrease in taxes receivable	(692)	1,121
(Increase) decrease in accounts receivable	(23,730)	2,335
Decrease in inventories for resale	(40)	(660)
Decrease (increase) in inventories of supplies	7	(98)
Decrease in prepaid expenses	172	1,755
Increase in accounts payable and accrued liabilities	10,062	7,832
(Decrease) increase in due to government business enterprises	(3,893)	6,528
Increase in deferred obligatory reserve funds	10,119	11,834
Increase (decrease) in deferred revenues	3,219	(2,086)
Decrease in accrued interest on long-term debt	(149)	(156)
Sub-total	(4,925)	28,405
Items not involving cash:		
Amortization of tangible capital assets	69,572	68,763
Contributed tangible capital assets	(10,356)	(20,107)
Loss on tangible capital assets transactions	1,314	4,182
Change in landfill closure and post-closure liabilities	(19)	(675)
Change in employee future benefit obligations	3,799	3,906
Equity in government business enterprise from net earnings	(1,378)	(1,742)
Sub-total	62,932	54,327
Net change in cash from operating transactions	173,657	166,198
Capital transactions:		
Purchase of tangible capital assets	(165,368)	(131,489)
Investment transactions:		
Net purchase of long-term investments	(3,173)	(267)
Financing transactions:		
Proceeds from new debt issue	54,680	2,999
Debt principal repayments	(15,749)	(15,086)
(Repayment) issuance of temporary loans	(21,751)	34,900
Net change in cash from financing transactions	17,180	22,813
Increase in cash and short-term investments	22,296	57,255
Cash and short-term investments, beginning of year	188,457	131,202
Cash and short-term investments, end of year	\$ 210,753	\$ 188,457

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, 2020

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, 2020

1. Summary of Accounting Policies (Continued):

(a) Reporting Entity (continued):

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

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

v. Accounting for school board transactions:

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

vi. Trust funds:

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

(b) Basis of Accounting:

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

(c) Investments:

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

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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	2020	2019
Taxation and user charges	\$ 56,368	\$ 55,906
Payments in lieu	273	281
Amount transferred to school boards	\$ 56,641	\$ 56,187

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, 2020, there was \$Nil (2019 - \$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 \$151,524,359 at December 31, 2020 (2019 - \$143,322,327).

5. Trust Funds:

Trust funds administered by the municipality amount to \$160,838 (2019 - \$159,520) as at December 31, 2020.

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, 2020, the temporary capital loan balance is \$73,900,000 (2019 - \$95,650,500) with interest based on the monthly construction rate.

7. Provincial Grants:

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

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

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 2020 was \$12,963,722 (2019 - \$12,543,968) 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 (2019 – 10 years).

At December 31, 2020, the City's accrued benefit liability relating to post-retirement and post-employment benefit plans is \$52,128,358 (2019 - \$49,041,303).

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

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	5.50% in 2020, decreasing to 4.25% over 10 years
Health benefits escalation	6.45% per annum in 2020, 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, 2018. This liability is reported on these consolidated financial statements as an amount due to 1425445 Ontario Limited (operating as Utilities Kingston) in respect of costs incurred by them to manage the City's utility services.

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

Discount rate	2.6% per annum
Inflation rate	2.0% per annum
Salary escalation	3.3% per annum
Dental benefits escalation	4.5% per annum
Health benefits escalation	4.2% per annum in 2020

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

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	2020	2019
Accrued benefit liability, January 1	\$ 49,036	\$ 44,725
Expense recognized for the period	5,374	6,564
Benefits paid for the period	(3,347)	(2,854)
Amortization of actuarial losses	1,059	601
Accrued benefit liability, December 31	\$ 52,122	\$ 49,036

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

In Thousands of Dollars	2020	2019
Accrued benefit obligation	\$ 58,257	\$ 56,230
Unamortized actuarial losses	(6,135)	(7,194)
Accrued benefit liability, December 31	\$ 52,122	\$ 49,036

- (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 (2019 – 10 years).

At December 31, 2020, the City's accrued benefit liability relating to future WSIB claims is \$10,027,100 (2019 - \$9,563,900).

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

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:

Thousands of Dollars	2020	2019
Accrued benefit liability, beginning of year	\$ 9,564	\$ 9,433
Expense recognized for the period	2,571	2,487
Benefits paid for the period	(2,477)	(2,338)
Amortization of net actuarial losses (gains)	369	(18)
Accrued benefit liability, end of year	\$ 10,027	\$ 9,564

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

Thousands of Dollars	2020	2019
Accrued benefit obligation	\$ 12,791	\$ 12,697
Unamortized actuarial losses	(2,764)	(3,133)
Accrued benefit liability, end of year	\$ 10,027	\$ 9,564

(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, 2020 amount to \$2,446,819 (2019 - \$1,695,929).

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

9. Employee Future Benefit Obligations (Continued):

(d) Total employee benefit obligations:

In Thousands of Dollars	2020	2019
Employee benefit obligations are comprised of:		
Health benefits and sick leave - City of Kingston	\$ 46,982	\$ 44,245
Workplace safety and insurance	10,027	9,564
Vacation credits	2,005	1,406
Pension payable	310	310
Sub-total	59,324	55,525
Health benefits and sick leave – water, sewer, and gas utilities (1)	5,141	4,791
Vacation credits – water, sewer, and gas utilities	442	289
Sub-total	5,583	5,080
Total employee benefit obligations	64,907	60,605
Amounts previously funded from operating revenues	(4,175)	(3,690)
Unfunded employee future benefit obligations	\$ 60,732	\$ 56,915
To be recovered from reserve funds	\$ 12,624	\$ 12,147
To be recovered from future municipal and utility revenues	48,108	44,768
Unfunded employee future benefit obligations	\$ 60,732	\$ 56,915

(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, 2020

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	2020	2019
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% (2019 - 4.4%)	\$ 383,823	\$ 345,750
Long-term liabilities incurred by Kingston & Frontenac Housing Corporation, with an interest rate of 5.4%, 3.6%, 3.4%, 3.5%, 2.8%, 2.6% and 4.7%, maturing 2021, 2028, 2032, 2036, 2049 and 2050	9,861	8,768
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	12,348
Proportionate share of KFLA Public Health long-term debt, with a current interest rate of 6.1%, maturing in 2029	2,598	2,837
Total long-term liabilities	\$ 407,561	\$ 369,703
Less long-term borrowings from own funds	\$ (14,002)	\$ (15,075)
Long-term liabilities to be recovered from future revenues	\$ 393,559	\$ 354,628
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	\$ (35)	\$ (43)

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

10. Long-term Liabilities (Continued):

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

In Thousands of Dollars	2021	2022	2023	2024	2025	2026+	Total
Tax sources	\$10,308	\$10,604	\$10,913	\$10,186	\$10,149	\$148,138	\$200,298
Utility user fees	4,396	4,546	4,702	4,866	4,731	62,254	85,495
Other user fees	2,507	2,613	2,724	2,840	2,963	84,383	98,030
Public Health	255	272	291	310	331	1,139	
Town Homes	1,178	1,224	2,225	4,186	883	1,583	11,279
Housing Corporation	488	369	385	401	419	7,799	
Total	\$19,132	\$19,628	\$21,240	\$22,789	\$19,476	\$305,296	\$407,561

(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	2020	2019
Principal payments	\$ 15,749	\$ 15,086
Interest	14,811	15,911
Total	\$ 30,560	\$ 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, 2020

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	2020	2019
Balance, beginning of year	\$ 73,754	\$ 61,920
Revenues:		
Development contributions	23,126	19,791
Federal gasoline tax	7,511	15,516
Provincial gasoline tax	3,269	3,102
Building permits (<i>Building Code Act</i>)	317	849
Recreational Land (<i>Planning Act</i>)	447	589
Investment income	1,757	1,136
Utilization:		
Transfers for operating	(203)	(3,317)
Transfers for capital	(26,105)	(25,832)
Balance, end of year	\$ 83,873	\$ 73,754

In Thousands of Dollars	2020	2019
Analyzed as follows:		
Development charges	\$ 62,202	\$ 56,131
Cash in lieu of parkland	1,001	547
Federal gasoline tax	10,597	10,643
Provincial gasoline tax	3,269	-
Building Code Act	6,804	6,433
Balance, end of year	\$ 83,873	\$ 73,754

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

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	2020	2019
Gross revenues received	\$ 856	\$ 1,360
Gross expenditures	(752)	(955)
Net revenues	\$ 104	\$ 405

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

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, 2020 is an amount of \$4,999,524 (2019 - \$5,018,582) 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, 2020

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, 2020, management believes that the City has valid defenses and appropriate and adequate insurance coverages in place. In the event any claims are successful, the amount of any potential liability is not determinable, therefore no amount has been accrued in the consolidated financial statements.
- (b) The City operated a coal gasification plant within the downtown area of the City from the mid-1800's through to the 1950's. Coal tar, a by-product of the coal gasification process, may have led to the contamination of soils and groundwater in the area of the former plant.

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

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

15. Commitments:

- (a) The City of Kingston had a contract with Waste Connections of Canada (previously known as Progressive Waste Solutions) for collection and disposal of garbage which expired on January 31, 2021. A new contract was entered into with Waste Management effective February 1, 2021 for a term of five years with an optional one year extension to handle waste transfer and disposal. The City of Kingston also has a contract with Waste Connections of Canada for recycling collection that expires June 30, 2021. Annual charges under these contracts are determined by reference to certain waste volumes. Payments made for collection and disposal of garbage and recycling for the 2020 fiscal year were \$2,938,581 (2019 - \$2,742,561).

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

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 2020 in the amount of \$712,504 (2019 - \$712,504). The remaining debt principal outstanding at December 31, 2020 is \$1,164,692 (2019 - \$1.9M) which expires September 2021.
- (d) In 2016, Council committed a sum of \$6,500,000 to be paid equally over five years beginning in 2017 to a fundraising appeal undertaken by the University Hospitals Kingston Foundation on behalf of local hospitals.
- (e) The Corporation of the City of Kingston and 1425445 Ontario Limited (operating as Utilities Kingston) on behalf of the City have previously entered into the following capital contracts:

Description of project	Capital Commitment \$000	Costs Incurred to Date \$000
Cataraqui Bay Wastewater Treatment Plant	\$ 92,755	\$ 80,333
Third Crossing	\$ 178,000	\$ 90,761

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

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 2020 operating and capital budgets approved by Council on December 17, 2019. The following table reconciles the approved budget to the budget amounts presented in the consolidated financial statements using the accrual basis of accounting, in accordance with Canadian public sector accounting standards.

In Thousands of Dollars	Budget Amount
Approved operating budget revenues	\$ 491,038
Consolidated external agency budgets	25,053
Approved PSAB reporting adjustments:	
Reserve fund revenues	17,500
Budget amendments and reallocations	5,545
Less transfers from reserves / reserve funds	(3,123)
Net operating budget revenues	536,013
Approved operating budget expenses	491,038
Consolidated external agency budgets	24,234
Approved PSAB reporting adjustments:	
Amortization of tangible capital assets	66,000
Reserve fund expenditures for debt interest	18,000
Unfunded accruals (1)	3,200
Budget amendments and reallocations	5,545
Non-tangible capital asset expenditures	13,552
Less transfers to reserves and reserve funds	(104,861)
Less debt principal repayments	(500)
Net operating budget expenses	516,208
Net revenues before capital investment	\$ 19,805

(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, 2020

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, 2020

17. Investment in Government Business Enterprises (Continued):

(a) (continued):

In Thousands of Dollars	2020	2019
Financial position		
Current assets	\$ 22,512	\$ 24,298
Due from City of Kingston:		
Utilities Kingston	3,117	6,985
Kingston Hydro Corporation	6,628	7,155
Post-employment benefit obligation (note 9(d))	5,141	4,791
Accrued vacation liabilities	576	376
Capital assets	70,774	69,192
Regulatory balances	4,004	4,295
Deferred charges	(1,945)	(1,602)
Total assets	110,807	115,489
Current liabilities	20,142	27,615
Post-employment benefit obligation	7,564	6,815
Accrued vacation and pension liabilities	194	196
Accrued liabilities non-current	6,718	6,232
Long-term loan payable	21,819	21,640
Long-term notes payable to City of Kingston (note 17 (c))	18,311	18,311
Total liabilities	74,748	80,808
Net assets	\$ 36,059	\$ 34,681
Common shares	\$ 12,381	\$ 12,381
Accumulated other comprehensive income	(581)	(390)
Accumulated earnings	24,259	22,690
Investment in government business enterprises	\$ 36,059	\$ 34,681
Results of operations:		
Net utility revenues	\$ 95,490	\$ 111,917
Operating expenses	(88,000)	(105,422)
Interest on debt	(1,734)	(1,672)
Depreciation	(3,489)	(3,407)
Net earnings before income taxes	2,267	1,416
Net movement in regulatory deferral accounts	(480)	(781)
Payments in lieu of corporate income taxes	183	1,988
Net earnings	1,970	2,624
Dividends on common shares	(400)	(800)
Accumulated earnings, beginning of year	22,690	20,866
Accumulated earnings, end of year	\$ 24,259	\$ 22,690

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

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 \$11,591,491 (2019 - \$13,293,214) and \$65,228,327 (2019 - \$79,708,959) 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 \$ 3,049,862 (2019 - \$3,063,946).

As at December 31, 2020, the City had a balance owing to the Companies 1425445 Ontario Limited (operating as Utilities Kingston) in the amount of \$3,116,793 (2019 - \$6,985,138) and a balance owing to Kingston Hydro Corporation in the amount of \$6,628,073 (2019 - \$7,154,627), 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, 2020, the City had a note payable from Kingston Hydro in the amount of \$10,880,619 (2019 - \$10,880,619), bearing interest at 5.87% (2019 - 5.87%) per annum and a note payable from 1425445 Ontario Limited (operating as Utilities Kingston) in the amount of \$965,010 (2019 - \$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, 2020

18. Tangible Capital Assets:

In Thousands of Dollars	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
General Assets				
Land	\$ 88,204	\$ -	\$ 88,204	\$ 85,721
Land improvements	89,756	27,399	62,357	63,298
Buildings and structures	450,641	169,605	281,036	278,243
Vehicles and machinery	107,262	60,462	46,800	47,567
Furniture, fixtures, and equipment	153,455	80,680	72,775	77,768
Infrastructure Assets				
Land	11,440	-	11,440	11,400
Land improvements	39,102	25,187	13,915	13,978
Plants and facilities	355,267	166,764	188,503	198,788
Roads	461,420	244,640	216,780	196,452
Bridges and culverts	53,977	13,423	40,554	24,481
Utility networks	492,674	139,019	353,655	350,496
Other	315,644	118,788	196,856	194,665
Sub-total	2,618,842	1,045,967	1,572,875	1,542,897
Assets under construction	241,188	-	241,188	166,327
Total	\$ 2,860,030	\$ 1,045,967	\$ 1,814,063	\$ 1,709,224

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 2020, a total of \$10,355,810 (2019 - \$20,107,027) was recorded as tangible capital asset additions with respect to contributed capital assets which was comprised of roads infrastructure in the amount of \$7,723,266 (2019 - \$13,838,094) and water and wastewater infrastructure in the amount of \$2,632,544 (2019 - \$6,268,933).

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

18. Tangible Capital Assets (Continued):

(b) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$Nil (2019 \$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 2020, these interest costs are included as expenses on the Consolidated Statement of Operations in the amount of \$2,018,973 (2019 - \$3,921,188).

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, 2020

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, 2020

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 has 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 continues to experience impacts of the pandemic in the 2021 fiscal year. Impacts have been mitigated by associated funding and other cost saving measures. The outcome and time frame for a recovery from the pandemic is unknown, and therefore it is not practicable to estimate and disclose its financial effect on future operations at this time.

Corporation of the City of Kingston

Consolidated Schedule of Tangible Capital Assets - by Major Asset Class

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

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	\$ 85,721	\$ 88,040	\$ 436,849	\$ 104,117	\$ 149,818	\$ 864,545
Add: Additions	2,483	1,716	13,792	6,604	6,524	31,119
Less: Disposals	-	-	-	(3,459)	(2,887)	(6,346)
Reclassification of assets	-	-	-	-	-	-
Balance, end of year	88,204	89,756	450,641	107,262	153,455	889,318
Accumulated Amortization:						
Balance, beginning of year	-	24,743	158,605	56,550	72,047	311,945
Add: Amortization	-	2,656	11,000	7,266	11,388	32,310
Less: Accumulated amortization on disposals	-	-	-	(3,354)	(2,755)	(6,109)
Balance, end of year	-	27,399	169,605	60,462	80,680	338,146
Net Book Value of Tangible Capital Assets	\$ 88,204	\$ 62,357	\$ 281,036	\$ 46,800	\$ 72,775	\$ 551,172

Consolidated Schedule of Tangible Capital Assets - by Major Asset Class continued

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	\$ 38,972	\$ 354,253	\$ 434,006	\$ 37,160	\$ 483,138	\$ 306,662	\$ 1,665,629
Add: Additions	-	130	1,014	30,431	16,817	11,067	10,283	69,742
Less: Disposals	-	-	-	(3,017)	-	(1,531)	(1,301)	(5,849)
Reclassification of assets	-	-	-	-	-	-	-	-
Balance, end of year	11,440	39,102	355,267	461,420	53,977	492,674	315,644	1,729,522
Accumulated Amortization:								
Balance, beginning of year	-	24,995	155,466	237,554	12,679	132,642	111,996	675,332
Add: Amortization	-	192	11,298	9,806	744	7,573	7,649	37,262
Less: Accumulated amortization on disposals	-	-	-	(2,720)	-	(1,196)	(857)	(4,773)
Balance, end of year	-	25,187	166,764	244,640	13,423	139,019	118,788	707,821
Net Book Value of Tangible Capital Assets	\$ 11,440	\$ 13,915	\$ 188,503	\$ 216,780	\$ 40,554	\$ 353,655	\$ 196,856	\$ 1,021,701

Consolidated Schedule of Tangible Capital Assets - by Major Asset Class continued

In Thousands of Dollars	2020 Total General Assets	2020 Total Infrastructure Assets	2020 Capital Works in Progress	2020 Total General and Infrastructure Assets	2019 Total General and Infrastructure Assets
Cost:					
Balance, beginning of year	\$ 864,545	\$ 1,665,629	\$ 166,327	\$ 2,696,503	\$ 2,575,810
Add: Additions	31,119	69,742	74,861	175,722	151,596
Less: Disposals	(6,346)	(5,849)	-	(12,195)	(30,903)
Reclassification of assets	-	-	-	-	-
Balance, end of year	889,318	1,729,522	241,188	2,860,030	2,696,503
Accumulated Amortization:					
Balance, beginning of year	311,945	675,332	-	987,277	945,235
Add: Amortization	32,310	37,262	-	69,572	68,763
Less: Accumulated amortization on disposals	(6,109)	(4,773)	-	(10,882)	(26,721)
Balance, end of year	338,146	707,821	-	1,045,967	987,277
Net Book Value of Tangible Capital Assets	\$ 551,172	\$ 1,021,701	\$ 241,188	\$ 1,814,063	\$ 1,709,226

The Corporation of the City of Kingston

Consolidated Schedule of Segmented Information

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

In Thousands of Dollars	General Government	Protection Services	Transportation Services	Environmental Services	Waste Water	Water
Revenue:						
Government grants	13,515	9,130	46,350	1,441	64	-
Other municipalities	-	151	547	399	-	-
User fees and service charges	7,355	7,072	15,805	1,525	35,079	30,443
User fees - gas commodity	-	-	-	-	-	-
Other	1,403	431	19,912	3,067	5,378	3,191
Total Revenue	22,273	16,784	82,614	6,432	40,521	33,634
Expenses:						
Salaries, wages & employee benefits	27,312	68,250	30,813	5,376	-	-
Materials	3,150	5,058	13,710	1,196	-	-
Contracted services	9,189	6,009	6,188	6,048	15,132	11,703
Gas commodity purchases	-	-	-	-	-	-
Rents and financial expenses	5,889	1,150	3,213	1,605	3,024	1,998
External transfers	1,504	3,723	3,185	-	-	-
Amortization	5,354	4,649	20,822	3,453	9,263	9,994
Inter-departmental charges	(11,037)	1,642	(686)	2,452	865	859
Total Expenses	41,361	90,481	77,245	20,130	28,284	24,554
Excess of revenue over expenses (expenses over revenues)	(19,088)	(73,697)	5,369	(13,698)	12,237	9,080

Consolidated Schedule of Segmented Information continued

In Thousands of Dollars	Health Services	Social and Family Services and Housing	Recreation and Cultural Services	Planning and Development Services	Gas Works
Revenue:					
Government grants	11,847	62,950	649	10	-
Other municipalities	1,384	1,592	863	-	-
User fees and service charges	497	12,992	5,945	749	13,986
User fees - gas commodity	-	-	-	-	11,967
Other	-	147	1,519	1,276	-
Total Revenue	13,728	77,681	8,976	2,035	25,953
Expenses:					
Salaries, wages & employee benefits	13,437	25,374	16,380	3,495	-
Materials	2,034	9,280	4,669	339	114
Contracted services	333	4,135	4,186	924	4,873
Gas commodity purchases	-	-	-	-	11,967
Rents and financial expenses	-	2,667	4,559	156	272
External transfers	11,507	51,050	2,170	7,302	-
Amortization	422	3,665	8,594	10	3,346
Inter-departmental charges	-	3,488	1,906	(78)	589
Total Expenses	27,733	99,659	42,464	12,148	21,161
Excess of revenue over expenses (expenses over revenues)	(14,005)	(21,978)	(33,488)	(10,113)	4,792

Consolidated Schedule of Segmented Information continued

In Thousands of Dollars	Total 2020	Total 2019
Revenue:		
Government grants	145,956	101,587
Other municipalities	4,936	5,019
User fees and service charges	131,448	147,727
User fees - gas commodity	11,967	16,087
Other	36,324	53,881
Total Revenue	330,631	324,301
Expenses:		
Salaries, wages & employee benefits	190,437	194,220
Materials	39,550	42,420
Contracted services	68,720	71,146
Gas commodity purchases	11,967	16,087
Rents and financial expenses	24,533	27,760
External transfers	80,441	79,059
Amortization	69,572	68,763
Inter-departmental charges	-	-
Total Expenses	485,220	499,455
Excess of revenue over expenses (expenses over revenues) before other corporate revenues	(154,589)	(175,154)
Other Corporate Revenues:		
Taxation	244,069	233,337
Payments in Lieu	17,294	16,702
Investment in Government Business Enterprise	1,378	1,742
Investment Income	7,498	6,839
Total Corporate Revenues	270,239	258,620
Annual Surplus	\$ 115,650	\$ 83,466



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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, 2020
- 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, 2020, 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 the financial statements.

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

We also:

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

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

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



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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 22, 2021

The Corporation of the City of Kingston

Trust Funds

Year Ended December 31, 2020, with comparative figures for 2019

Statement of Financial Position

Name of Fund	Rideaucrest Residents Fund	Donations & Endowments	Other	Total 2020	Total 2019
Assets					
Cash and short-term investments	\$30,640	\$40,400	\$89,798		
Total	\$30,640	\$40,400	\$89,798	\$160,838	\$159,520
Fund Balances					
Unexpendable trust	\$ -	\$40,400	\$25,000	\$ 65,400	\$ 65,400
Capital/ earned surplus	30,640	-	64,798	95,438	94,120
Total	\$30,640	\$40,400	\$89,798	\$160,838	\$159,520

Statement of Continuity

Name of Fund	Rideaucrest Residents Fund	Donations & Endowments	Other	Total 2020	Total 2019
Balances, beginning of year	\$30,554	\$40,400	\$88,565	\$159,520	\$154,477
Donations and other revenue	26,009	-	240	26,249	48,478
Interest earned	-	451	993	1,444	2,939
Sub-Total	\$56,562	\$40,851	\$89,798	\$187,213	\$205,893
Expenditures	25,924	451	-	26,375	46,373
Balances, end of year	\$30,640	\$40,400	\$89,798	\$160,838	\$159,520

The Corporation of the City of Kingston

Trust Funds

Notes to Financial Statements

Year Ended December 31, 2020

1. Significant Accounting Policies:

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

(a) Basis of Accounting:

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

(b) Revenue Recognition:

Revenue and expenditures are recorded on an accrual basis.

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

(c) Use of Estimates:

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

2. Statement of Cash Flows:

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