



**City of Kingston**  
**Report to Administrative Policies Committee**  
**Report Number AP-24-017**

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**To:** Chair and Members of the Administrative Policies Committee

**From:** Desirée Kennedy, Chief Financial Officer & City Treasurer

**Resource Staff:** Lana Foulds, Director, Financial Services  
Christa Walsh, Manager, Financial Planning

**Date of Meeting:** July 11, 2024

**Subject:** Audited Financial Statements and Other Financial Information  
of The Corporation of the City of Kingston, Year Ended  
December 31, 2023

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**Council Strategic Plan Alignment:**

Theme: Regulatory & compliance

Goal: See above

**Executive Summary:**

This report presents the Audited Financial Statements and Other Financial Information of The Corporation of the City of Kingston for the year ended December 31, 2023 (“Audited Financial Statements”). The Audited Financial Statements have been prepared by staff and audited by KPMG Chartered Accountants.

The revenues and expenditures as reported in the Audited Financial Statements are consistent with the details of the 2023 financial results that were provided as part of Report Number 24-104, the Operating Budget Status Update – Fourth Quarter 2023 Report, which was presented to Council on July 9, 2024.

Representatives from KPMG will be present at the Administrative Policies Committee meeting to present their 2023 Audit Findings Report for The Corporation of the City of Kingston for the year ended December 31, 2023, as well as their Auditors’ Report as attached to the Audited Financial Statements.

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**Recommendation:**

**That** the Administrative Policies Committee receive:

- the Audited Financial Statements and Other Financial Information of The Corporation of the City of Kingston, Year Ended December 31, 2023, attached as Exhibit A to Report Number AP-24-017;
- KPMG's 2023 Audit Findings Report for The Corporation of the City of Kingston for the year ended December 31, 2023, attached as Exhibit B to Report Number AP-24-017; and

**That** the Administrative Policies Committee recommends to Council on August 13, 2024:

**That** Council approve the Audited Financial Statements and Other Financial Information of The Corporation of the City of Kingston, Year Ended December 31, 2023, attached as Exhibit A to Report Number AP-24-017.

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Authorizing Signatures:

ORIGINAL SIGNED BY CHIEF FINANCIAL OFFICER & CITY TREASURER

**Desiree Kennedy, Chief  
Financial Officer & City  
Treasurer**

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

**Lanie Hurdle, Chief  
Administrative Officer**

**Consultation with the following Members of the Corporate Management Team:**

Paige Agnew, Commissioner, Growth & Development Services	Not required
Jennifer Campbell, Commissioner, Community Services	Not required
Neil Carbone, Commissioner, Corporate Services	Not required
David Fell, President & CEO, Utilities Kingston	Not required
Peter Huigenbos, Commissioner, Major Projects & Strategic Initiatives	Not required
Brad Joyce, Commissioner, Infrastructure, Transportation & Emergency Services	Not required

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**Options/Discussion:****Background**

The [Municipal Act, 2001](#), section 294.1, states that “a municipality shall, for each fiscal year, prepare annual financial statements for the municipality in accordance with generally accepted accounting principles for local governments as recommended, from time to time, by the Public Sector Account Board (PSAB) of the Canadian Institute of Chartered Accounts.” Accordingly, staff has prepared the Audited Financial Statements and Other Financial Information of The Corporation of the City of Kingston, Year Ended December 31, 2023 (“Audited Financial Statements”), in accordance with the Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board (PSAB).

The Audited Financial Statements, attached as Exhibit A, provide information on the financial position and financial operations of the City of Kingston as at and for the year ended December 31, 2023. The Audited Financial Statements provide an accounting of the full nature and extent of the financial affairs and resources for which the municipality is responsible, including those related to the activities of the following government agencies and enterprises: Downtown Business Improvement Area, Kingston-Frontenac Public Library Board, Kingston & Frontenac Housing Corporation, and Kingston, Frontenac and Lennox and Addington Public Health. The Audited Financial Statements reflect the 2023 information as well as comparative data for the 2022 year-end.

The Audited Financial Statements reflect the adoption of a number of new accounting standards, including the adoption of PS 3280 Asset Retirement Obligations (ARO), which requires the accounting and reporting of legal or regulatory requirements associated with the retirement and decommissioning of capital assets at the end of their useful lives. Note 19 to the Audited Financial Statements provides additional information on the new accounting standards and the impact to the current year reporting as well as prior year comparatives.

Details of the 2023 financial operations were included in Report Number 24-104 Operating Budget Status Update – Fourth Quarter 2023 Report, which went to Council on July 9, 2024. This report included information on revenue and expenditure variances consistent with the reporting of revenues and expenses as included in the Audited Financial Statements. Also, part of the year-end reporting process, the 2023 Financial Information Return was filed with the Ministry of Municipal Affairs and Housing.

As part of the audit process, KPMG considers internal controls over financial reporting in designing their audit procedures. While KPMG did not identify any significant deficiencies in internal controls that required reporting to the Administrative Policies Committee, they did identify items for management from a process and/or control improvement perspective that would serve to enhance the city’s control environment and/or ensure accurate and reliable financial reporting. It is expected that a letter to management will be finalized in the next couple of weeks and will include the following recommendations:

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- Recommendation to continue to refine processes for documenting, tracking and updating asset retirement obligation (“ARO”) data throughout the year including the development of a detailed subledger.

The measurement and tracking of ARO data was a new reporting requirement for 2023. Documentation will be developed to provide more comprehensive support of the estimates reported on the audited financial statements in future years.

- Recommendation to ensure proper reconciliation and review of all balance sheet accounts during the year.

Some year-end balance sheet account reconciliations included unreconciled items which, in aggregate, were not material. It was noted that management was in the process of resolving and adjusting for these items.

- Recommendation for management to establish a process for annually assessing and documenting indicators of impairment in long term investments.

At December 31, 2023, the reported cost of the City’s long-term investments exceeded their market value. This was identified by staff, in conjunction with the City’s investment brokers, as a temporary decline in market value, particularly as it relates to those investments that were purchased at a premium, which often occurs when a bond’s coupon rate is more than current market interest rates. It was determined that there is no permanent impairment due to the low-risk nature of the investments, the high credit ratings of the issuers, and the City’s intention to hold these investments to their maturities.

The City’s appointed auditors, KPMG Chartered Accountants, will be present at the Administrative Policies Committee meeting to present their 2023 Audit Findings Report for The Corporation of the City of Kingston for the year ended December 31, 2023, attached as Exhibit B, and their Auditors’ Report as attached to the Audited Financial Statements.

On August 11, 2020, Council passed By-Law Number 2020-127, A By-Law to Appoint KPMG LLP as Auditor for the City of Kingston and Its Local Boards for a Period of Three Years (2020-2022), with the Option of Extending the Appointment for Two Additional Years (2023-2024). This By-Law delegated authority to the Chief Financial Officer and City Treasurer, or delegate, at his/her discretion, to extend the appointment of KPMG LLP as auditor of The Corporation of the City of Kingston and its local boards by exercising the option of appointment for two additional years for the period January 1, 2023 to December 31, 2024. The Chief Financial Officer and City Treasurer acted on this delegation of authority and exercised the option to extend the appointment of KPMG LLP for two additional years (2023 and 2024).

### Existing Policy/By-Law

None

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**Notice Provisions**

Subsequent to Council approve, and in accordance with the [Municipal Act, 2001](#), sub-section 295 (1), notice will be provided to the public that the Audited Financial Statements and Other Financial Information of The Corporation of the City of Kingston, Year Ended December 31, 2023, will be available on the City's website.

**Financial Considerations**

External audit fees are included in the annual operating budget.

**Contacts:**

Lana Foulds, Director, Financial Services, 613-546-4291 extension 2209

**Other City of Kingston Staff Consulted:**

Christa Walsh, Manager, Financial Planning

**Exhibits Attached:**

- Exhibit A: Audited Financial Statements and Other Financial Information of The Corporation of the City of Kingston, Year Ended December 31, 2023
- Exhibit B: KPMG's 2023 Audit Findings Report for The Corporation of the City of Kingston for the year ended December 31, 2023

Audited Financial Statements  
and Other Financial Information of

**The Corporation of  
the City of Kingston**

Year Ended December 31, 2023

DRAFT

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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

## **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, 2023;
- \* 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, 2023, 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.

### ***Emphasis of Matter – Comparative Information***

We draw attention to Note 19 to the financial statements (“Note 19”) which explains that certain comparative information presented for the year ended December 31, 2022 has been restated.

Note 19 explains the reasons for the restatement and also explains the adjustments that were applied to restate comparative information.

Our opinion is not modified in respect of this matter.

## **Draft for discussion purposes**

### ***Other Matter – Comparative Information***

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

### ***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.

## **Draft for discussion purposes**

- \* 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.
- \* 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.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

August 13, 2024

**The Corporation of the City of Kingston**  
**Consolidated Statement of Financial Position**  
December 31, 2023, with Comparative Figures for 2022

In Thousands of Dollars	2023	2022 (Restated)*
<b>Financial Assets:</b>		
Cash and short-term investments	\$ 286,475	\$ 254,786
Taxes receivable	9,195	6,985
Accounts receivable	76,611	85,864
Inventories for resale	17,744	18,534
Notes receivable from government business enterprises (note 14(c))	18,311	18,311
Long-term investments (note 4)	174,090	172,525
Investment in government business enterprises (note 14(a))	41,466	39,917
<b>Total Financial Assets</b>	<b>623,892</b>	<b>596,922</b>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	(97,473)	(97,475)
Due to government business enterprises:		
Utilities Kingston (note 14(b))	(7,982)	(9,920)
Kingston Hydro Corporation (note 14(b))	(6,289)	(7,586)
Employee future benefit obligations (note 8(d))	(4,134)	(4,086)
Deferred revenue - obligatory reserve funds (note 10)	(81,465)	(78,237)
Deferred revenues	(29,612)	(18,981)
Accrued interest on long-term debt	(5,418)	(5,656)
Long-term liabilities (note 9)	(480,527)	(499,980)
Employee future benefit obligations (note 8(d))	(73,822)	(69,073)
Asset retirement obligations (note 21)	(24,669)	(24,197)
<b>Total Liabilities</b>	<b>(811,391)</b>	<b>(815,191)</b>
<b>Net Financial Debt</b>	<b>(187,499)</b>	<b>(218,269)</b>
<b>Non-Financial Assets:</b>		
Tangible capital assets (note 15)	2,025,281	1,980,274
Inventories of supplies	1,752	1,517
Prepaid expenses	5,286	4,394
<b>Total Non-Financial Assets</b>	<b>2,032,319</b>	<b>1,986,185</b>
<b>Municipal Equity</b>	<b>\$1,844,820</b>	<b>\$1,767,916</b>
Contingent liabilities (note 11)		
Commitments (note 12)		
* Change in accounting policy (note 19)		

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, 2023, with Comparative Figures for 2022

In Thousands of Dollars	Budget 2023*	Actual 2023	Actual 2022 (Restated)*
<b>Revenue:</b>			
Property taxation	\$ 279,847	\$ 279,917	\$ 268,019
Taxation from other governments	16,971	17,493	16,888
User charges	161,618	167,913	157,748
User charges – gas commodity	25,000	16,424	15,155
Government grants	88,603	106,574	102,246
Grants from other municipalities	5,531	5,261	4,783
Investment income	9,348	17,194	10,182
Other	3,214	3,503	2,355
Transfers from deferred obligatory reserve funds (note 10)	5,215	2,414	2,138
Government business enterprises net earnings (note 14)	-	1,549	2,387
<b>Total Revenues</b>	<b>595,347</b>	<b>618,242</b>	<b>581,901</b>
<b>Expenses:</b>			
General government	47,570	47,787	49,078
Protection services	94,403	95,583	96,976
Transportation services	101,450	100,133	91,832
Environmental services	92,124	96,037	88,606
Health services	33,122	32,036	30,770
Social and family services	82,001	89,294	76,064
Social housing	46,857	45,761	40,224
Recreational and cultural services	56,922	57,804	54,484
Planning and development	9,511	12,758	11,756
Gas utility	34,918	28,146	26,125
<b>Total Expenses</b>	<b>598,878</b>	<b>605,339</b>	<b>565,915</b>
<b>Net Revenues before the under noted items</b>	<b>(3,531)</b>	<b>12,902</b>	<b>15,986</b>
<b>Other Revenue:</b>			
Grants and transfers related to capital:			
Government and municipal capital grants		28,76	31,421
Transfers from deferred obligatory reserve funds (note 10)		28,83	24,676
Donations and other		54	379
Contributed tangible capital assets (note 15(a))		6,352	3,359
<b>Total Other Revenue</b>		<b>64,00</b>	<b>59,835</b>
<b>Annual Surplus</b>		<b>76,90</b>	<b>75,822</b>
<b>Municipal Equity, Beginning of Year</b>		<b>1,767,91</b>	<b>1,692,094</b>
<b>Municipal Equity, End of Year</b>		<b>\$ 1,844,820</b>	<b>\$ 1,767,916</b>

\* Budget 2023 (note 13) and Change in accounting policy (note 19)

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

Draft for discussion purposes

**The Corporation of the City of Kingston**  
**Consolidated Statement of Changes in Net Debt**  
Year Ended December 31, 2023, with Comparative Figures for 2022

In Thousands of Dollars	Budget 2023	Actual 2023	Actual 2022 (Restated)*
Annual Surplus	\$ (3,531)	\$ 76,904	\$ 75,822
Amortization of tangible capital assets	76,000 77,657		82,730
Acquisition of tangible capital assets		(134,151)	(138,198)
Asset retirement obligation addition	-	(523)	-
Loss on tangible capital assets transactions	-	6,936	8,186
<b>Sub-total</b>	<b>72,469</b>	<b>31,897</b>	<b>23,467</b>
Acquisition of prepaid expenses	-	(892)	(147)
Acquisition of supplies inventories	-	(235)	(352)
<b>Decrease in Net Debt</b>	<b>72,469</b>	<b>30,770</b>	<b>22,968</b>
<b>Net Debt, Beginning of Year</b>	<b>(218,269)</b>	<b>(218,269)</b>	<b>(222,458)</b>
Adjustment on adoption of the asset retirement obligation standard	-	-	(18,779)
<b>Net Debt, End of Year</b>	<b>\$ (145,800)</b>	<b>\$ (187,499)</b>	<b>\$ (218,269)</b>

\* Change in accounting policy (note 19)

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

**Draft for discussion purposes**

**The Corporation of the City of Kingston**  
**Consolidated Schedule of Municipal Equity**  
Year Ended December 31, 2023, with Comparative Figures for 2022

In Thousands of Dollars	2023	2022 (Restated)*
<b>Current Fund Surplus (Deficit):</b>		
General operating surplus	\$ 3,629	\$ 1,423
Accumulated operating surplus - water	1,597	4,962
Accumulated operating surplus - sewer	1,686	4,068
Accumulated operating surplus - gas	4,499	5,473
Downtown Business Improvement Area	27	(43)
Kingston & Frontenac Housing Corporation	4,228	8,215
Kingston Frontenac Public Library Board	599	361
<b>Total Current Fund Surplus</b>	<b>16,265</b>	<b>24,459</b>
<b>Investment in Tangible Capital Assets:</b>		
Tangible capital assets (note 15)	2,025,281	1,980,274
Long-term liabilities (note 9)	(480,527)	(499,980)
Unfinanced capital expenditures:		
To be financed from taxation or user charges	(4,953)	(24,821)
Unapplied capital receipts	-	136
Asset retirement obligation (note 21)	(24,669)	(24,197)
<b>Total Investment in Tangible Capital Assets</b>	<b>1,515,132</b>	<b>1,431,412</b>
<b>Investment in Government Business Enterprises</b> (note 14(a))	<b>41,466</b>	<b>39,917</b>
<b>Unfunded Liabilities:</b>		
Employee future benefit obligations (note 8(d))	(75,265)	(70,491)
Accrued interest on long-term debt	(5,418)	(5,656)
<b>Total Unfunded Liabilities</b>	<b>(80,683)</b>	<b>(76,147)</b>
<b>Reserves and Reserve Funds:</b>		
Reserves set aside for specific purpose:		
Operating reserves	27,266	28,241
Reserve funds set aside for specific purpose:		
Replacement of equipment	41,486	43,468
Replacement & renewal of facilities	13,898	14,933
Municipal capital replacement & renewal	38,343	41,318
Sanitary sewer system	54,204	46,934
Storm sewer system	405	390
Parks and recreation	5,863	8,510
Libraries	5,452	5,158
Waterworks system	80,231	71,178
Planning and development	430	511
Transit	27,081	23,428
Gas utility	6,804	7,378
Sick leave	13,200	13,042
Protective services	12,198	14,890
Environmental services	460	2,154
Social and family services	222	214
Social housing	4,089	5,027
Parking	21,008	21,501
<b>Total Reserves and Reserve Funds</b>	<b>352,640</b>	<b>348,275</b>
<b>Municipal Equity</b>	<b>\$ 1,844,820</b>	<b>\$ 1,767,916</b>

\* Change in accounting policy (note 19)

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, 2023, with Comparative Figures for 2022

In Thousands of Dollars	2023	2022 (Restated)*
<b>Operations transactions:</b>		
Annual surplus	\$ 76,904	\$ 75,822
Net change in non-cash working capital items:		
Increase in taxes receivable	(2,210)	(3,226)
Decrease (increase) in accounts receivable	9,253	(6,383)
Decrease (increase) in inventories for resale	790	(1,113)
(Increase) in inventories of supplies	(235)	(352)
Increase in prepaid expenses	(892)	(147)
(Decrease) increase in accounts payable and accrued liabilities	(2)	15,968
(Decrease) increase in due to government business enterprises	(3,188)	4,181
Increase in deferred obligatory reserve funds	3,228	1,361
Increase in deferred revenues	10,631	901
(Decrease) increase in accrued interest on long-term debt	(238)	2,162
Sub-total	17,137	13,352
Items not involving cash:		
Amortization of tangible capital assets	82,730	77,767
Contributed tangible capital assets	(6,352)	(3,359)
Loss on tangible capital assets transactions	6,936	8,186
Accretion expense	7	7
(Settled) incurred asset retirement liability obligations	(58)	248
Change in employee future benefit obligations	4,749	6,194
Equity in government business enterprise from net earnings	(1,549)	(2,387)
Sub-total	86,463	86,656
Net change in cash from operating transactions	180,504	175,830
<b>Capital transactions:</b>		
Purchase of tangible capital assets	(127,798)	(134,839)
<b>Investment transactions:</b>		
Purchase of long-term investments	(1,565)	(7,982)
<b>Financing transactions:</b>		
Proceeds from new debt issue	3,978	139,069
Debt principal repayments	(23,430)	(17,287)
Repayment of temporary loans	-	(101,500)
Net change in cash from financing transactions	(19,452)	20,282
<b>Increase in cash and short-term investments</b>	<b>31,689</b>	<b>53,291</b>
<b>Cash and short-term investments, beginning of year</b>	<b>254,786</b>	<b>201,495</b>
<b>Cash and short-term investments, end of year</b>	<b>\$ 286,475</b>	<b>\$ 254,786</b>

\* Change in accounting policy (note 19)

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

**The Corporation of the City of Kingston**  
Notes to Consolidated Financial Statements  
Year Ended December 31, 2023

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**1. Summary of Accounting Policies:**

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

(a) Reporting Entity:

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

These consolidated financial statements include:

Downtown Business Improvement Area  
Kingston-Frontenac Public Library Board  
Kingston & Frontenac Housing Corporation  
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 City’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, 2023

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

(a) Reporting Entity (continued):

The City recognizes its equity interest in the annual income or loss of 1425447 Ontario Limited and Kingston Hydro Corporation in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account 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) 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.

**The Corporation of the City of Kingston**  
Notes to Consolidated Financial Statements  
Year Ended December 31, 2023

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

(d) 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.

(e) 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.

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.

**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2023

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

## (f) 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 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

Assets under construction or development are classified as capital works in progress and are not amortized until the asset is available for productive use.

**The Corporation of the City of Kingston**  
Notes to Consolidated Financial Statements  
Year Ended December 31, 2023

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

- iii. 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.
- iv. 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.
- v. 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.

(g) 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.

(h) 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.

**The Corporation of the City of Kingston**  
Notes to Consolidated Financial Statements  
Year Ended December 31, 2023

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

(i) 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, employee future benefit and asset retirement obligations. Actual results could differ from those estimates.

(j) Asset Retirement Obligations:

An asset retirement obligation (ARO) is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The liability for closure of operational sites and post-closure care relating to landfill sites has been recognized based on estimated future expenses. The liability is discounted using a present value calculation and adjusted annually for accretion expense. Under the modified retroactive method, the discount rate and assumptions used on initial recognition are those as of the date of adoption in the standard. Assumptions used in the subsequent calculations are revised yearly.

The liability for the removal of asbestos in several of the buildings owned by the City and for the decommissioning of fuel storage tanks has been recognized based on estimated undiscounted future expenses. Under the modified retroactive method, the assumptions used on initial recognition are those as of the date of adoption in the standard. Assumptions used in the subsequent calculations are revised yearly.

The recognition of the ARO liability results in an accompanying increase to the respective tangible capital assets. Building assets impacted by an asbestos liability are being amortized based on the estimated useful life as per the amortization accounting policy. The landfill ARO liability is amortized using the units of production method. For sites that are inactive, the ARO liability is amortized over 25 years post closure.

**The Corporation of the City of Kingston**  
Notes to Consolidated Financial Statements  
Year Ended December 31, 2023

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

(k) Financial Instruments:

On January 1, 2023, the City adopted PS 3450 Financial Instruments which establishes accounting and reporting for all types of financial instruments, including derivatives, as disclosed in Note 19. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not made this election.

Unrealized changes in fair value are recognized in the Consolidated Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Consolidated Statement of Operations. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

All financial assets are assessed for impairment on an annual basis. Where a decline is determined to be other than temporary, the amount of the loss is reported in the Consolidated Statement of Operations and any unrealized gain (loss) is adjusted through the Consolidated Statement of Remeasurement Gains and Losses. On sale, the accumulated remeasurement gains and losses associated with that instrument are reversed and recognized in the Consolidated Statement of Operations.

A Consolidated Statement of Remeasurement Gains and Losses has not been provided as there are no significant unrealized gains or losses at December 31, 2023 or 2022.

Establishing fair value:

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).



**The Corporation of the City of Kingston**  
Notes to Consolidated Financial Statements  
Year Ended December 31, 2023

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

Fair value hierarchy:

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

**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	2023	2022
Taxation and user charges	\$ 48,470	\$ 47,126
Payments in lieu	256	256
Amount transferred to school boards	\$ 48,726	\$ 47,382

**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, 2023, there was \$Nil (2022 - \$Nil) drawn on the operating credit facility.

**The Corporation of the City of Kingston**  
Notes to Consolidated Financial Statements  
Year Ended December 31, 2023

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**4. Long-term Investments:**

Long-term investments, which consist primarily of government and financial institution bonds, have a market value of \$169,521,310 at December 31, 2023 (2022 - \$161,010,859).

As at December 31, 2023, the City's investments measured at amortized cost exceed market value, representing a temporary decline in market value. There is no permanent impairment due to the low-risk nature of the investments, the high credit ratings of the issuers, and the City's ability to hold these investments to their maturities.

**5. Trust Funds:**

Trust funds administered by the municipality amount to \$168,300 (2022 - \$167,307) as at December 31, 2023.

**6. 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.

**7. 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 latest available report for the OMERS plan was as at December 31, 2023. At that time, the plan reported a \$4.2 billion actuarial deficit (2022- \$6.7 billion actuarial deficit).

The amount contributed to OMERS for 2023 was \$14,623,069 (2022 - \$13,404,556) for current service and is included as an expense on the Consolidated Statement of Operations.

**The Corporation of the City of Kingston**  
Notes to Consolidated Financial Statements  
Year Ended December 31, 2023

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**8. 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 (2022 – 10 years).

At December 31, 2023, the City's accrued benefit liability relating to post-retirement and post-employment benefit plans is \$58,645,247 (2022 - \$57,066,274).

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:

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Discount rate	4.6% per annum
Salary escalation	3.0% per annum
Dental benefits escalation	6.50% in 2023, decreasing to 4.50% over 10 years
Health benefits escalation	6.99% per annum in 2023, decreasing to 4.50% over 20 years

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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 Corporation of the City of Kingston**  
Notes to Consolidated Financial Statements  
Year Ended December 31, 2023

**8. 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 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	5.1% per annum
Health benefits escalation	4.9% per annum

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

In Thousands of Dollars	2023	2022
Accrued benefit liability, January 1	\$ 57,066	\$ 54,351
Expense recognized for the period	5,108	5,241
Benefits paid for the period	(3,442)	(3,283)
Amortization of actuarial (gain)/losses	(87)	757
Accrued benefit liability, December 31	\$ 58,645	\$ 57,066

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

In Thousands of Dollars	2023	2022
Accrued benefit obligation	\$ 51,417	\$ 49,751
Unamortized actuarial gains/(losses)	7,228	7,315
Accrued benefit liability, December 31	\$ 58,645	\$ 57,066

(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.

**The Corporation of the City of Kingston**  
Notes to Consolidated Financial Statements  
Year Ended December 31, 2023

**8. Employee Future Benefit Obligations (continued):**(b) *Workplace Safety and Insurance Board Act* ("WSIB") (continued):

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 (2022 – 9 years).

At December 31, 2023, the City's accrued benefit liability relating to future WSIB claims is \$16,535,100 (2022 - \$13,296,600).

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	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	2023	2022
Accrued benefit liability, beginning of year	\$ 13,297	\$ 10,497
Expense recognized for the period	5,688	5,902
Benefits paid for the period	(3,568)	(3,471)
Amortization of net actuarial losses	1,118	369
Accrued benefit liability, end of year	\$ 16,535	\$ 13,297

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

In Thousands of Dollars	2023	2022
Accrued benefit obligation	\$ 24,184	\$ 22,064
Unamortized actuarial losses	(7,649)	(8,767)
Accrued benefit liability, end of year	\$ 16,535	\$ 13,297

## (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, 2023 amount to \$2,533,918 (2022 - \$2,539,336).

**The Corporation of the City of Kingston**  
Notes to Consolidated Financial Statements  
Year Ended December 31, 2023

**8. Employee Future Benefit Obligations (continued):**

(d) Total employee benefit obligations:

In Thousands of Dollars	2023	2022
Employee benefit obligations are comprised of:		
Health benefits and sick leave - City of Kingston	\$ 54,900	\$ 53,376
Workplace safety and insurance	16,535	13,297
Vacation credits	2,141	2,143
Pension payable	246	257
Sub-total	73,822	69,073
Health benefits and sick leave – water, sewer, and gas utilities (1)	3,741	3,690
Vacation credits – water, sewer, and gas utilities	393	396
Sub-total	4,134	4,086
Total employee benefit obligations	77,956	73,159
Amounts previously funded from operating revenues	(2,691)	(2,668)
Unfunded employee future benefit obligations	\$ 75,265	\$ 70,491
To be recovered from reserve funds	\$13,200	\$ 13,042
To be recovered from future municipal and utility revenues	62,065	57,449
Unfunded employee future benefit obligations	\$ 75,265	\$ 70,491

(1) Health benefits and sick leave – water, sewer, and gas utilities (note 14(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, 2023

**9. 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	2023	2022
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 4.1% (2022 - 4.2%)	\$462,194	\$ 483,782
Long-term liabilities incurred by Kingston & Frontenac Housing Corporation, with interest rates ranging from 1.0% to 6.0% (2022- 1% to 6.5%) and varying maturities up to 2071	27,062	25,848
Proportionate share of KFLA Public Health long-term debt, with a current interest rate of 6.1% (2022 – 6.1%), maturing in 2029	1,779	2,070
<b>Total long-term liabilities</b>	<b>\$ 491,035</b>	<b>\$ 511,700</b>
<b>Less long-term borrowings from own funds</b>	<b>\$ (10,508)</b>	<b>\$ (11,720)</b>
Long-term liabilities to be recovered from future revenues	\$ 480,527	\$ 499,980
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	\$ (16)	\$ (22)

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

In Thousands of Dollars	2024	2025	2026	2027	2028	2029+	Total
Tax sources	\$9,397	\$9,322	\$9,546	\$9,185	\$9,013	\$119,771	\$166,234
Utility user fees	7,659	7,636	7,914	7,837	7,658	85,643	124,347
Other user fees	4,220	4,411	4,611	4,815	5,030	148,526	171,613
Public Health	310	329	349	371	393	27	1,779
Housing Corporation	7,853	1,667	2,080	1,214	667	13,581	27,062
<b>Total</b>	<b>\$29,439</b>	<b>\$23,365</b>	<b>\$24,500</b>	<b>\$23,422</b>	<b>\$22,763</b>	<b>\$367,546</b>	<b>\$491,035</b>

**The Corporation of the City of Kingston**  
Notes to Consolidated Financial Statements  
Year Ended December 31, 2023

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**9. Long-term Liabilities (continued):**

- (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	2023	2022
Principal payments	\$ 23,430	\$ 17,287
Interest	19,727	14,403
<b>Total</b>	<b>\$ 43,157</b>	<b>\$ 31,690</b>

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, 2023

**10. 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	2023	2022
Balance, beginning of year	\$ 78,237	\$ 76,876
Revenues:		
Development contributions	20,074	14,728
Federal gasoline tax	8,194	7,853
Provincial gasoline tax	3,150	3,262
Recreational Land ( <i>Planning Act</i> )	987	272
Investment income	2,069	2,060
Utilization:		
Transfers to operating	(2,414)	(2,138)
Transfers to capital	(28,832)	(24,676)
Balance, end of year	\$ 81,465	\$ 78,237

In Thousands of Dollars	2023	2022
Analyzed as follows:		
Development charges	\$ 45,269	42,808
Cash in lieu of parkland	2,383	1,302
Federal gasoline tax	17,577	19,223
Provincial gasoline tax	8,701	8,222
Building Code Act	7,535	6,682
Balance, end of year	\$ 81,465	\$ 78,237

In accordance with the *Development Charges Act*, the City entered into arrangements with developers to defer the payment of the underlying development charges to a future date. The amounts are repayable between 2024 and 2042 with interest rates ranging between 3.5% and 7.7%. The total value of these arrangements is \$7.8M (2022 - \$7.0M) which is included in the balance of Development charges above with a corresponding amount in accounts receivable on the Consolidated Statement of Financial Position.

**The Corporation of the City of Kingston**  
Notes to Consolidated Financial Statements  
Year Ended December 31, 2023

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**11. 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, 2023, 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.

**12. 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 2023 fiscal year were \$4,130,449 (2022 - \$4,087,509).

**The Corporation of the City of Kingston**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2023

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**12. 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) 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. The outstanding commitment at December 31, 2023 was \$20,000,000 (2022 - \$22,500,000).
- (d) 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)
Active Transportation– Bayridge Drive	\$ 4,184	\$ 1,391
Stormwater System– King St. E.	4,804	-
Enhanced Flood Protection – Abbey Dawn Road	3,767	-

**The Corporation of the City of Kingston**  
Notes to Consolidated Financial Statements  
Year Ended December 31, 2023

**13. 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 2023 operating and capital budgets approved by Council on March 21, 2023. 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	\$ 543,565
County of Frontenac requisition	14,727
Consolidated external agency budgets	26,396
Approved PSAB reporting adjustments:	
Reserve fund revenues	7,500
Budget amendments and reallocations	3,994
Less transfers from reserves / reserve funds	(3,253)
Net operating budget revenues	592,929
Approved operating budget expenses	543,565
County of Frontenac requisition	14,727
Consolidated external agency budgets	25,162
Approved PSAB reporting adjustments:	
Amortization of tangible capital assets	76,000
Reserve fund expenditures for debt interest	18,000
Unfunded accruals (1)	4,200
Budget amendments and reallocations	3,994
Non-tangible capital asset expenditures	36,310
Less transfers to reserves and reserve funds	(124,938)
Less debt principal repayments	(560)
Net operating budget expenses	596,460
Net revenues before capital investment	\$ (3,531)

- (1) Unfunded accruals for employee future benefit obligations, asset retirement obligation liabilities and accrued interest on long term debt.

**The Corporation of the City of Kingston**  
Notes to Consolidated Financial Statements  
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**14. 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:

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**14. Investment in Government Business Enterprises (continued):**

(a) (continued)

In Thousands of Dollars	2023	2022
<b>Financial position:</b>		
Current assets	\$ 23,979	\$ 21,120
Due from City of Kingston:		
Utilities Kingston	7,982	9,920
Kingston Hydro Corporation	6,289	7,586
Post-employment benefit obligation (note 8(d))	3,741	3,690
Accrued vacation liabilities	525	522
Capital assets	74,986	73,657
Other assets	890	1,280
<b>Total assets</b>	<b>118,392</b>	<b>117,775</b>
Current liabilities	24,291	24,919
Post-employment benefit obligation	5,429	5,384
Accrued vacation and pension liabilities	148	156
Accrued liabilities non-current	6,434	6,021
Long-term loan payable	22,313	23,067
Long-term notes payable to City of Kingston (note 14(c))	18,311	18,311
<b>Total liabilities</b>	<b>76,926</b>	<b>77,858</b>
<b>Net assets</b>	<b>\$ 41,466</b>	<b>\$ 39,917</b>
Common shares	\$ 12,381	\$ 12,381
Accumulated other comprehensive income	(86)	(29)
Accumulated earnings	29,171	27,565
<b>Investment in government business enterprises</b>	<b>\$ 41,466</b>	<b>\$ 39,917</b>
<b>Results of operations:</b>		
Net utility revenues	\$113,848	\$109,550
Operating expenses	(104,976)	(102,259)
Interest on debt	(1,326)	(1,598)
Depreciation	(3,732)	(3,648)
Net earnings before under noted items	3,814	2,045
Net movement in regulatory deferral accounts	(829)	(1,257)
Payments in lieu of corporate income taxes	321	1,744
Net earnings	3,306	2,532
Dividends on common shares	(1,700)	(525)
Accumulated earnings, beginning of year	27,565	25,558
<b>Accumulated earnings, end of year</b>	<b>\$ 29,171</b>	<b>\$ 27,565</b>

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Notes to Consolidated Financial Statements  
Year Ended December 31, 2023

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**14. 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 \$12,186,406 (2022 - \$11,874,868) and \$79,663,904 (2022 - \$77,922,275) 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 \$3,133,603 (2022 - \$3,276,951).

As at December 31, 2023, the City had a balance owing to the Companies 1425445 Ontario Limited (operating as Utilities Kingston) in the amount of \$7,981,526 (2022 - \$9,920,085) and a balance owing to Kingston Hydro Corporation in the amount of \$6,288,905 (2022 - \$7,586,215), 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, 2023, the City had a note payable from Kingston Hydro in the amount of \$10,880,619 (2022 - \$10,880,619), bearing interest at 5.87% (2022 - 5.87%) per annum and a note payable from 1425445 Ontario Limited (operating as Utilities Kingston) in the amount of \$965,010 (2022 - \$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**  
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**15. Tangible Capital Assets:**

In Thousands of Dollars	Cost	Accumulated amortization	2023 Net book value	2022 Net book value (Restated)
<b>General Assets</b>				
Land	\$ 96,524	\$ -	\$ 96,524	\$ 90,725
Land improvements	108,664	35,985	72,679	65,851
Buildings and structures	526,258	218,623	307,636	299,467
Vehicles and machinery	122,739	74,570	48,169	51,421
Furniture, fixtures, and equipment	196,805	101,375	95,429	89,587
<b>Infrastructure Assets</b>				
Land	11,440	-	11,440	11,440
Land improvements	41,588	25,763	15,825	16,017
Plants and facilities	516,912	210,144	306,768	300,534
Roads	483,060	267,314	215,746	216,684
Bridges and culverts	243,993	19,458	224,535	217,728
Utility networks	504,406	136,734	367,672	361,796
Other	336,817	138,387	198,430	196,451
Sub-total	3,189,206	1,228,353	1,960,853	1,917,701
Assets under construction	64,428	-	64,428	62,573
<b>Total</b>	<b>\$ 3,253,634</b>	<b>\$ 1,228,353</b>	<b>\$ 2,025,281</b>	<b>\$ 1,980,274</b>

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

## (a) Contributed tangible capital assets:

The City records all tangible capital assets contributed by an external party at fair value on the earlier of the date received or the date of transfer of risk and responsibility. In 2023, a total of \$6,352,371 (2022 - \$3,359,044) was recorded as tangible capital asset additions with respect to contributed capital assets which was comprised of roads infrastructure in the amount of \$3,836,429 (2022 - \$2,452,119) and water and wastewater infrastructure in the amount of \$2,515,942 (2022 - \$906,925).

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

The write-down of tangible capital assets during the year was \$Nil (2022 \$Nil).



**The Corporation of the City of Kingston**  
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**15. Tangible Capital Assets (continued):**

(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 2023, these interest costs are included as expenses on the Consolidated Statement of Operations in the amount of \$1,087,403 (2022 - \$569,305).

**16. 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, 2023

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**16. 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.
- (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.

**The Corporation of the City of Kingston**  
Notes to Consolidated Financial Statements  
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**16. Segmented information (continued):**

- (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.

**17. Comparative Information:**

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

**18. 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.

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Notes to Consolidated Financial Statements  
Year Ended December 31, 2023

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**18. Kingston Frontenac Housing Corporation Acquisition of Net Assets from Kingston Municipal Non-Profit Housing Corporation (continued)**

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.

**19. Change in Accounting Policy – Adoption of New Accounting Standards**

- (a) The City adopted the following standards concurrently beginning January 1, 2023 prospectively: PS 1201 Financial Statement Presentation, PS2601 Foreign Currency Translation, PS 3041 Portfolio Investments, and 3450 Financial Instruments.

PS 1201 *Financial Statement Presentation* replaces PS1200 *Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Consolidated Statement Remeasurement Gains and Losses separate from the Consolidated Statement of Operations. Requirements in PS 2601 *Foreign Currency Translation*, PS 3450 *Financial Instruments*, and PS 3041 *Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denoted in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arise from foreign currency changes are presented in the new Consolidated Statement of Remeasurement Gains and Losses, when applicable.

**The Corporation of the City of Kingston**  
Notes to Consolidated Financial Statements  
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**19. Change in Accounting Policy – Adoption of New Accounting Standards  
(continued)**

(a) (continued)

PS 3041 *Portfolio Investments* replaces PS 3040 *Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 *Financial Instruments*.

The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 *Temporary Investments* no longer applies.

PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in Consolidated Statement of Remeasurement Gains and Losses.

In accordance with PS 3450 *Financial Instruments*, the financial statements of prior periods were not restated on transition. Consequently, the accounting policies for recognition, derecognition and measurement of financial instruments applied to the comparative information reflect those disclosed in the 2022 financial statements.

The Consolidated Statement of Remeasurement Gains and Losses has not been included in these Consolidated Financial Statements, since the assets and liabilities within the scope of the new standard are not measured at fair value and therefore, no adjustments were required.

- (b) PS 3280 *Asset Retirement Obligations (ARO)* establishes the accounting and reporting requirements for legal obligations associated with the requirement of tangible capital assets controlled by a government or government organization. This standard was adopted on January 1, 2023 on a modified retroactive basis with prior period restatement.

**The Corporation of the City of Kingston**  
Notes to Consolidated Financial Statements  
Year Ended December 31, 2023

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**19. Change in Accounting Policy – Adoption of New Accounting Standards  
(continued)**

(b) (continued)

In the past, the City has reported its obligations related to the retirement of tangible capital assets in the period when the asset was retired directly as an expense. The new standard requires the recognition of a liability for legal obligations that exist as a result of the acquisition, construction, or development of a tangible capital asset, or that result from the normal use of the asset when the asset is recorded. The new standard also replaces Section PS 3270, Solid Waste Landfill Closure and Post-Closure Liability (PS 3270). An obligation that justifies recognition of a liability can result from existing legislation, regulation, agreement, contract, or is based on a promise and an expectation of performance. The estimate of the liability includes costs directly attributable to asset retirement activities. Costs include post-retirement operation, maintenance, and monitoring that are an integral part of the retirement of the tangible capital asset (if applicable). When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the associated assets and amortized over the asset's estimated useful life. The amortization of the asset retirement costs follows that same method of amortization as the associated tangible capital asset.

A significant part of asset retirement obligations results from the removal and disposal of designated substances such as asbestos from city buildings and closure activities. The City reports liabilities related to the legal obligations where it is obligated to incur costs to retire a tangible capital asset.

Ongoing efforts to assess the extent to which designated substances exist in City assets, and new information obtained through regular maintenance and renewal of assets may result in additional asset retirement obligations from better information on the nature and extent the substance exists or from changes in the estimated cost to fulfil the obligation. The measurement of asset retirement obligations is also impacted by activities that occurred to settle all or part of the obligation, or any changes in the legal obligation. Revisions to the estimated cost of the obligation will result in the carrying amount of the associated assets that are in productive use and amortized as part of the asset on an ongoing basis. When obligations have reliable cash flow projections, the liability may be estimated using the present value of future cash flows. Subsequently, accretion of the discounted liability due to the passage of time is recorded as an in-year expense (if applicable).

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**19. Change in Accounting Policy – Adoption of New Accounting Standards  
(continued)**

(b) (continued)

To estimate the liability for similar buildings that do not have information on asbestos and other designated substances, the City uses buildings that have assessments that provide information on the extent and nature of the designated substances in the building in order to measure the liability. This information is extrapolated to a group of similar assets that do not have designated substance reports. As more information becomes available on specific assets, the liability is revised to be asset specific. In other situations, where the building might not be part of a large portfolio, other techniques are used such as using industry data, experts or basing the estimate on a similar asset (if applicable).

As a result of applying this accounting standard, an asset retirement obligation of \$23,101,220 (2022 - \$22,628,903) was recognized as a liability in the Consolidated Statement of Financial Position. These obligations represent estimated retirement costs for the City owned buildings and equipment, including fuel tanks, restoration costs related to leasehold improvements and landfill and post landfill closure obligations. The liabilities, ARO assets and associated ARO accumulated amortization and amortization expense for the period January 1, to December 31, 2023 were used as proxy for January 1, 2022 to December 31, 2022 information. The associated tangible capital asset cost, accumulated amortization and amortization expense were restated. The adoption of PS 3280 ARO was applied to the comparative period as follows:

Year Ended December 31, 2023, with Comparative Figures for 2022

<b>Statement of Financial Position</b>	As previously reports	Adjustments	As restated
In Thousands of Dollars			
Landfill closure and post closure liabilities	\$ (5,300)	\$ 5,300	\$ -
Asset retirement obligation liability	\$ -	\$ (24,197)	\$ (24,197)
Net Debt	\$ (199,372)	\$ (18,897)	\$ (218,269)
Tangible Capital Assets including ARO	\$ 1,973,339	\$ 6,933	\$1,980,274
Municipal Equity	\$ 1,779,878	\$ (11,962)	\$1,767,916

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**19. Change in Accounting Policy – Adoption of New Accounting Standards  
(continued)**

(b) (continued)

<b>Statement of Operations</b>	As previously reports	Adjustments	As restated
In Thousands of Dollars			
Total Expenses	\$ 565,616	\$ 299	\$ 565,915
Net revenues before the under noted items	\$ 16,285	\$ (299)	\$ 15,986
Annual Surplus	\$ 76,120	\$ (299)	\$ 75,821

<b>Statement of Change in Net Debt</b>	As previously reports	Adjustments	As restated
In Thousands of Dollars			
Annual Surplus	\$ 76,120	\$ (299)	\$ 75,821
Amortization of tangible capital assets	\$ 77,476	\$ 181	\$ 77,657
Change in Net Debt	\$ 23,085	\$ (118)	\$ 22,968
Adjustment on adoption of the asset retirement obligation standard	\$ -	\$ (18,779)	\$ (18,779)



**The Corporation of the City of Kingston**  
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**20. Financial Risks and Concentration of Risks****Financial risk management**

The City has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, and market risk (foreign currency risk, interest rate risk, and other price risk).

## a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The City is exposed to credit risk with respect to accounts receivable, taxes receivable and notes receivable from government business enterprises (collectively its “receivables”) on the Consolidated Statement of Financial Position.

The City assesses, on a continuous basis, its receivables and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the City at December 31, 2023 is the carrying value of these assets. The carrying amount of receivables is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Consolidated Statement of Operations. Subsequent recoveries of impairment losses related to receivables are credited to the Consolidated Statement of Operations.

Receivables	Current	Past due	Gross receivables	Allowances	Net receivables
Accounts receivable	79,305,983	1,838,585	81,144,570	(4,533,298)	76,611,272
Taxes receivable	6,196,168	5,972,763	12,168,931	(2,973,734)	9,195,197
Notes receivable	\$18,310,638	-	\$18,310,638	-	\$18,310,638

Amounts past due but not allowed for are deemed by management to be collectible based on historical experience regarding collections.

The City follows an investment policy approved by Council. The maximum exposure to credit risk with respect to portfolio investments of the City at December 31, 2023 is the carrying value of the investments.

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**20. Financial Risks and Concentration of Risks (continued)**

b) Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and other price risks, will affect the City's net results of operations or the fair value of its holdings of financial instruments. Market risk includes three types of risk: currency risk, interest rate risk and other price risk.

(i) Currency risk:

Currency risk arises from the City's operations in different currencies and converting non-Canadian earnings at different points in time at different foreign currency levels when adverse changes in foreign currency rates occur. The City does not have any material transactions or financial instruments denominated in foreign currencies.

(ii) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the City to this risk.

The City is exposed to this risk through its interest-bearing investments. As at December 31, 2023, had prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve with all other variables held constant, the estimated impact on the market value of investments would be approximately \$1.7M (2022 - \$1.6M). This risk is mitigated by the City's intention to hold these investments to maturity.

In addition to the above, the City is exposed to interest rate risk as it has long-term liabilities bearing interest at a fixed rate as described in note 9. As prevailing interest rates fluctuate, the market value of these debts will fluctuate. This risk is mitigated by the City's intention to hold the debt to maturity.

(iii) Other price risk:

Other price risk arises when the fair value of equity funds changes due to a decrease in a stock market index or other risk variables. The City does not have any equity instruments in the investment portfolio and, accordingly, is not exposed to this risk.

c) Liquidity Risk

Liquidity risk is the risk that the City will not be able to meet all of its cash outflow obligations as they come due. The City mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting. Accounts payable and accrued liabilities are all current and the terms of long-term liabilities are disclosed in (Note 9).

There have been no significant changes to these risk exposures from 2022.

**The Corporation of the City of Kingston**  
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**21. Asset retirement obligation**

On January 1, 2022, the City adopted Canadian public sector accounting standard PS 3280 Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The new accounting standard has resulted in a withdrawal of the existing accounting standard PS 3270 Solid Waste Landfill Closure and Post-Closure Liability. The standard was adopted on the modified retroactive basis at the date of adoption. Under the modified retroactive method of adoption, the assumptions used to estimate the City's asset retirement obligations are applied as of the date of adoption for the standard.

The City removed the accrued landfill obligation that had been recognized to date and recognized an asset retirement obligation upon adoption of PS 3280 on January 1, 2022. The liability represents the required closure and post-closure care costs for the landfill site owned by the City.

On January 1, 2022, the City recognized an additional asset retirement obligation relating to several buildings owned by the City that contain asbestos and underground fuel tanks.

The City's asset retirement obligations (AROs) consist of several obligations as follows:

(a) Landfill obligation:

The City owns three inactive landfills which are Kingston West (McAdoo's Lane), Belle Park and the Pittsburgh site. The costs were based upon the presently known obligations that will exist at the estimated year of closure of the site and for 25 years thereafter. As at December 31, 2023, these landfills have no remaining useful life. The City recognized an obligation relating to the removal and post-removal care of the landfills. These costs were discounted using a discount rate of 4% per annum and an inflation rate of 3% per annum. The transition and recognition of ARO's for landfill liabilities are amortized for 25 years post closure.

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**21. Asset retirement obligation (continued)**

## (b) Asbestos and other obligations:

The City owns several buildings that are known to have asbestos and underground fuel storage tanks, which represents a health hazard upon demolition/decommission and there is a legal obligation to remove it. The City recognized an obligation relating to the removal and post-removal care of the asbestos and decommissioning of fuel storage tanks as estimated at January 1, 2022. These costs were not discounted due to uncertainty surrounding the expected timing of cash outflows. The transition and recognition of AROs involved an accompanying increase to the building capital assets and the restatement of prior year balances.

	Landfill	Asbestos and other removal	Total
Balance, January 1, 2022, as previously stated	\$ 5,052,000	\$ -	\$ 5,052,000
Adjustment on adoption of PS 3280 asset retirement obligations (note 19)	-	18,903,752	18,903,752
Balance, January 1, 2022, as restated	\$ 5,052,000	\$ 18,903,752	\$23,955,752
Accretion expense	-	(6,955)	(6,955)
Liabilities incurred during the year	248,000	-	248,000
Balance, December 31, 2022, as restated	\$ 5,300,000	\$ 18,896,797	\$24,196,797
Accretion expense	-	(7,431)	(7,431)
Liabilities incurred during the year	-	537,768	537,768
Liabilities settled during the year	(58,000)	-	(58,000)
Balance, December 31, 2023	\$ 5,242,000	\$ 19,427,114	\$24,669,114

**The Corporation of the City of Kingston**  
**Consolidated Schedule of Tangible Capital Assets**  
Year ended December 31, 2023

<b>General Assets</b> <b>(In Thousands of Dollars)</b>	<b>Land</b>	<b>Land Improvements</b>	<b>Buildings</b>	<b>Vehicles and Machinery</b>	<b>Furniture, Fixtures and Equipment</b>	<b>Total General Assets</b>
<b>Cost:</b>						
Balance, beginning of year	\$90,725	\$98,788	\$485,730	\$121,628	\$187,395	\$984,266
Adjustments relating to asset retirement obligations (Note 19)	-	-	18,820	-	76	18,896
Balance, beginning of year, restated	\$90,725	\$98,788	\$504,550	\$121,628	\$187,471	\$1,003,162
Add: Additions	5,799	9,876	21,185	4,723	18,595	60,178
Less: Disposals	-	-	-	(3,612)	(9,261)	(12,873)
Add: Asset retirement obligation additions	-	-	523	-	-	523
Balance, end of year	\$96,524	\$108,664	\$526,258	\$122,739	\$196,805	\$1,050,990
<b>Accumulated Amortization:</b>						
Balance, beginning of year	-	\$32,937	\$193,198	\$70,207	\$97,809	\$394,151
Adjustments relating to asset retirement obligations (Note 19)	-	-	11,887	-	76	11,963
Balance, beginning of year, restated	-	\$32,937	\$205,085	\$70,207	\$97,885	\$406,114
Add: Amortization	-	3,048	13,538	7,758	12,242	36,586
Less: Accumulated amortization on	-	-	-	(3,395)	(8,752)	(12,147)
Balance, end of year	-	\$35,985	\$218,623	\$74,570	\$101,375	\$430,553
<b>Net Book Value of Tangible Capital Assets</b>	<b>\$96,524</b>	<b>\$72,679</b>	<b>\$307,635</b>	<b>\$48,169</b>	<b>\$95,430</b>	<b>\$620,437</b>

**The Corporation of the City of Kingston**  
 Consolidated Schedule of Tangible Capital Assets  
 Year ended December 31, 2023

**Infrastructure Assets**

(In Thousands of Dollars)

	Land	Land Improvements	Plants and Facilities	Roads	Bridges and Culverts	Utility Networks	Other	Total Infrastructure Assets
<b>Cost:</b>								
Balance, beginning of year, restated	\$11,400	\$ 41,588	\$495,406	\$475,437	\$233,169	\$497,450	\$329,344	\$ 2,083,834
Add: Additions	-	-	21,746	10,343	10,824	16,541	12,664	72,118
Less: Disposals	-	-	(240)	(2,720)	-	(9,585)	(5,191)	(17,736)
Balance, end of year	\$11,400	\$ 41,588	\$516,912	\$483,060	\$243,993	\$504,406	\$336,817	\$ 2,138,216
<b>Accumulated Amortization</b>								
Balance, beginning of year	\$ -	\$ 25,571	\$194,872	\$258,754	\$ 15,441	\$135,654	\$132,891	\$ 763,183
Add: Amortization	-	192	15,512	10,619	4,017	7,735	8,069	46,144
Less: Accumulated	-	-	(240)	(2,059)	-	(6,655)	(2,573)	(11,527)
Balance, end of year	\$ -	\$ 25,763	\$210,144	\$267,314	\$ 19,458	\$136,734	\$138,387	\$ 797,800
<b>Net Book Value of Tangible Capital Assets</b>	<b>\$11,440</b>	<b>\$ 15,825</b>	<b>\$306,768</b>	<b>\$215,746</b>	<b>\$224,535</b>	<b>\$367,672</b>	<b>\$198,430</b>	<b>\$ 1,340,416</b>

**The Corporation of the City of Kingston**  
**Consolidated Schedule of Tangible Capital Assets**  
Year ended December 31, 2023, with Comparative Figures for 2022 (Restated)

<b>Totals</b> (In Thousands of Dollars)	<b>2023 Total General Assets</b>	<b>2023 Total Infrastructure Assets</b>	<b>2023 Capital Works in Progress</b>	<b>2023 Total General and Infrastructure Assets</b>	<b>2022 Total General and Infrastructure Assets</b>
<b>Cost:</b>					
Balance, beginning of year	\$984,266	\$2,083,834	\$62,573	\$3,130,673	\$3,019,340
Adjustments relating to asset retirement obligations (Note 19)	18,896	-	-	18,896	18,896
Balance, beginning of year, restated	\$1,003,162	\$2,083,834	\$62,573	\$3,149,569	\$3,038,236
Add: Additions	60,178	72,118	1,855	134,151	138,198
Less: Disposals	(12,873)	(17,736)	-	(30,609)	(26,865)
Add: Asset retirement obligation addition	523	-	-	523	-
Balance, end of year	\$1,050,990	\$2,138,216	\$64,428	\$3,253,634	\$3,149,569
<b>Accumulated Amortization:</b>					
Balance, beginning of year	\$394,151	\$763,183	-	\$1,157,334	\$1,098,538
Adjustments relating to asset retirement obligations (Note 19)	11,963	-	-	11,963	11,963
Balance, beginning of year, restated	\$406,114	\$763,183	-	\$1,169,297	\$1,110,501
Add: Amortization	36,586	46,144	-	82,730	77,476
Less: Accumulated amortization on disposals	(12,147)	(11,527)	-	(23,674)	(18,680)
Balance, end of year	\$430,553	\$797,800	-	\$1,228,353	\$1,169,297
<b>Net Book Value of Tangible Capital Assets</b>	<b>\$620,437</b>	<b>\$1,340,416</b>	<b>\$64,428</b>	<b>\$2,025,281</b>	<b>\$1,980,274</b>

**The Corporation of the City of Kingston**  
**Consolidated Schedule of Segmented Information**  
Year ended December 31, 2023  
(In Thousands of Dollars)

Schedule of Segmented Information	General Government	Protection Services	Transportation Services	Environmental Services	Waste Water	Water
<b>Revenue:</b>						
Government grants	\$ 5,674	\$ 3,092	\$ 15,824	\$ 2,146	\$ 558	\$ -
Other municipalities	-	253	673	322	-	-
User fees and service charges	11,699	10,845	24,075	2,148	41,123	35,340
User fees - gas commodity	-	-	-	-	-	-
Other	2,844	351	24,689	-	-	-
<b>Total Revenue</b>	<b>\$ 20,217</b>	<b>\$ 14,541</b>	<b>\$ 65,261</b>	<b>\$ 4,616</b>	<b>\$ 51,131</b>	<b>\$ 36,995</b>
<b>Expenses:</b>						
Salaries, wages & employee benefits	\$ 33,570	\$ 76,562	\$ 35,568	\$ 6,435	\$ -	\$ -
Materials	3,582	5,207	19,257	1,284	156	228
Contracted services	12,901	4,844	10,012	9,113	19,979	15,210
Gas commodity purchases	-	-	-	-	-	-
Rents and financial expenses	835	940	5,670	576	5,362	5,280
External transfers	5,204	2,442	3,505	189	-	-
Amortization	6,340	4,765	25,442	3,439	13,854	9,902
Inter-departmental charges	(14,645)	823	679	3,163	937	930
<b>Total Expenses</b>	<b>\$ 47,787</b>	<b>\$ 95,583</b>	<b>\$ 100,133</b>	<b>\$ 24,199</b>	<b>\$ 40,288</b>	<b>\$ 31,550</b>
<b>Excess of revenue over expenses (expenses over revenues)</b>	<b>\$ (27,570)</b>	<b>\$ (81,042)</b>	<b>\$ (34,872)</b>	<b>\$ (19,583)</b>	<b>\$ 10,843</b>	<b>\$ 5,445</b>



**The Corporation of the City of Kingston**  
**Consolidated Schedule of Segmented Information**  
Year ended December 31, 2023  
(In Thousands of Dollars)

<b>Schedule of Segmented Information Continued</b>	<b>Health Services</b>	<b>Social and Family Services &amp; Housing</b>	<b>Recreation and Cultural Services</b>	<b>Planning and Development Services</b>	<b>Gas Works</b>
<b>Revenue:</b>					
Government grants	\$ 12,510	\$ 93,897	\$ 536	\$ 1,100	\$ -
Other municipalities	1,469	1,647	897	-	-
User fees and service charges	35	13,499	12,256	1,600	15,293
User fees - gas commodity	-	-	-	-	16,424
Other	-	31	2,109	26	-
<b>Total Revenue</b>	<b>\$ 14,014</b>	<b>\$ 109,074</b>	<b>\$ 15,798</b>	<b>\$ 2,726</b>	<b>\$31,717</b>
<b>Expenses:</b>					
Salaries, wages & employee benefits	\$ 13,379	\$ 29,016	\$ 23,479	\$ 4,608	\$ -
Materials	1,167	12,063	6,177	853	\$ 9
Contracted services	1,836	14,055	7,879	2,107	5,457
Gas commodity purchases	-	-	-	-	16,424
Rents and financial expenses	-	754	4,751	1,858	2,002
External transfers	15,158	70,528	1,598	3,512	-
Amortization	496	4,800	10,084	21	3,617
Inter-departmental charges	-	3,839	3,836	(201)	637
<b>Total Expenses</b>	<b>\$ 32,036</b>	<b>\$ 135,055</b>	<b>\$ 57,804</b>	<b>\$ 12,758</b>	<b>\$28,146</b>
<b>Excess of revenue over expenses (expenses over revenues)</b>	<b>\$ (18,022)</b>	<b>\$ (25,981)</b>	<b>\$ (42,006)</b>	<b>\$ (10,032)</b>	<b>\$ 3,571</b>

**The Corporation of the City of Kingston**

Consolidated Schedule of Segmented Information

Year ended December 31, 2023, with Comparative Figures for 2022 (Restated)

(In Thousands of Dollars)

<b>Schedule of Segmented Information Totals</b>	<b>Total 2023</b>	<b>Total 2022</b>
<b>Revenue:</b>		
Government grants	\$135,337	\$133,667
Other municipalities	5,261	4,783
User fees and service charges	167,913	157,748
User fees - gas commodity	16,424	15,155
Other	41,155	32,908
<b>Total Revenue</b>	<b>\$366,090</b>	<b>\$344,261</b>
<b>Expenses:</b>		
Salaries, wages & employee benefits	\$222,617	\$201,682
Materials	49,981	45,733
Contracted services	103,393	89,083
Gas commodity purchases	16,424	15,155
Rents and financial expenses	28,028	32,892
External transfers	102,136	102,325
Amortization	82,760	79,045
Inter-departmental charges	-	-
<b>Total Expenses</b>	<b>\$605,339</b>	<b>\$565,915</b>
<b>Excess of revenue over expenses (expenses over revenues)</b>	<b>\$(239,249)</b>	<b>\$(221,654)</b>
Taxation	279,917	268,019
Payments in Lieu	17,493	16,888
Investment in Government Business Enterprise	1,549	2,387
Investment Income	17,194	10,182
<b>Taxation and Investment Revenue</b>	<b>\$316,153</b>	<b>\$297,476</b>
<b>Annual Surplus</b>	<b>\$76,904</b>	<b>\$75,822</b>

## Trust Funds

### 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, 2023
- 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, 2023, 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.

## **Draft for discussion purposes**

### ***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

## **Draft for discussion purposes**

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.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

August 13, 2024

## The Corporation of the City of Kingston

### Trust Funds

Year Ended December 31, 2023, with comparative figures for 2022

#### Statement of Financial Position

Name of Fund	Rideaucrest Residents Fund	Donations & Endowments	Other	Total 2023	Total 2022
<b>Assets</b>					
Cash and short-term investments	\$28,184	\$ 40,400	\$99,716	\$168,300	\$167,307
<b>Total</b>	<b>\$28,184</b>	<b>\$ 40,400</b>	<b>\$99,716</b>	<b>\$168,300</b>	<b>\$167,307</b>
<b>Fund Balances</b>					
Unexpendable trust	\$ -	\$40,400	\$25,000	\$ 65,400	\$65,400
Capital/ earned surplus	28,184	-	74,716	102,900	101,907
<b>Total</b>	<b>\$28,184</b>	<b>\$40,400</b>	<b>\$99,716</b>	<b>\$168,300</b>	<b>\$167,307</b>

#### Statement of Continuity

Name of Fund	Rideaucrest Residents Fund	Donations & Endowments	Other	Total 2023	Total 2022
Balances, beginning of year	\$32,564	\$40,400	\$94,343	\$167,307	\$157,587
Donations and other revenue	38,578	-	384	38,962	37,669
Interest earned	-	2,082	4,989	7,071	3,017
<b>Sub-Total</b>	<b>\$71,142</b>	<b>\$42,482</b>	<b>\$99,716</b>	<b>\$213,340</b>	<b>\$198,273</b>
Expenses	42,958	2,082	-	45,040	30,966
<b>Balances, end of year</b>	<b>\$28,184</b>	<b>\$40,400</b>	<b>\$99,716</b>	<b>\$168,300</b>	<b>\$167,307</b>

# The Corporation of the City of Kingston

## Trust Funds

### Notes to Financial Statements

Year Ended December 31, 2023

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#### 1. Significant Accounting Policies:

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

(a) Basis of Accounting:

These statements reflect the assets, liabilities, revenue, and 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.



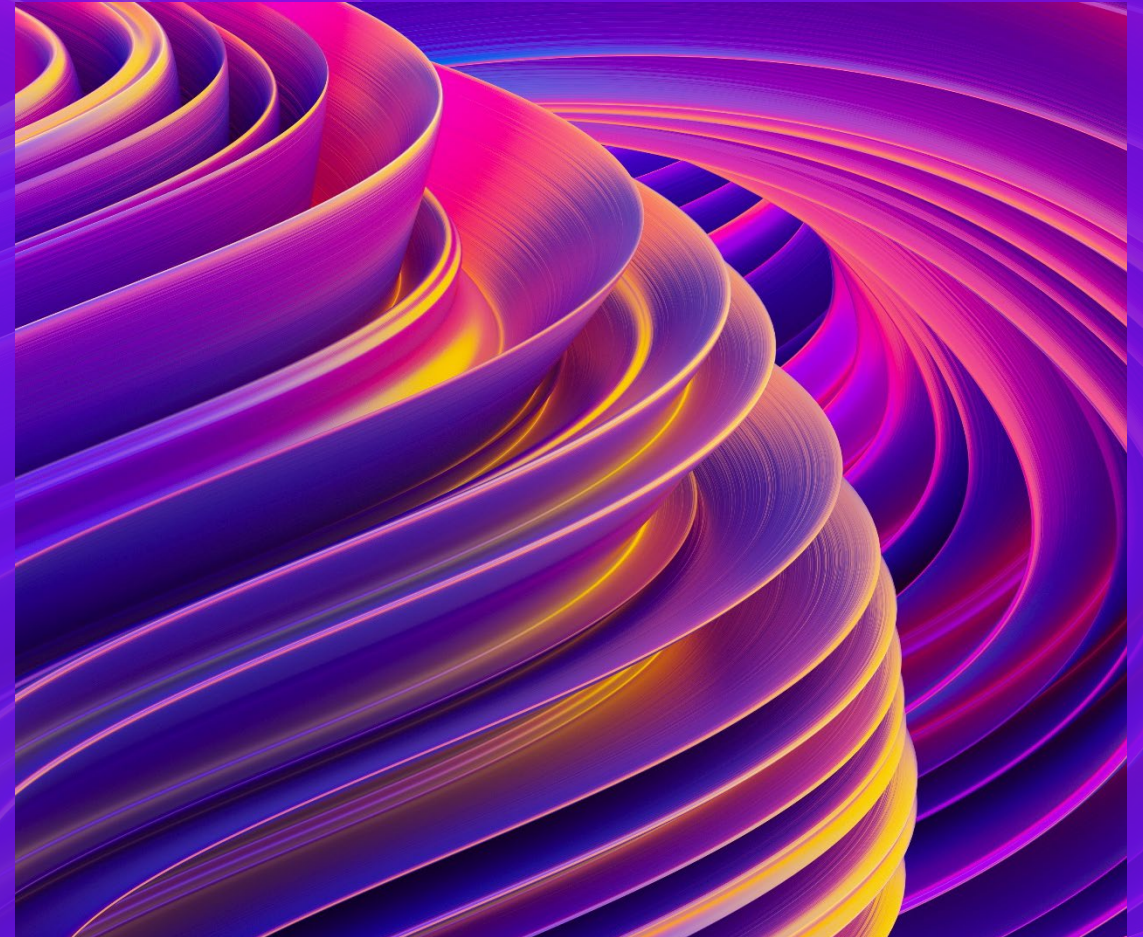
# Corporation of the City of Kingston

**Audit Findings Report  
for the year ended December 31, 2023**

*KPMG LLP*

Prepared as of June 26, 2024 for presentation to the Administrative  
Policies Committee meeting on July 11, 2024

[kpmg.ca/audit](https://kpmg.ca/audit)





# KPMG contacts

## Key contacts in connection with this engagement



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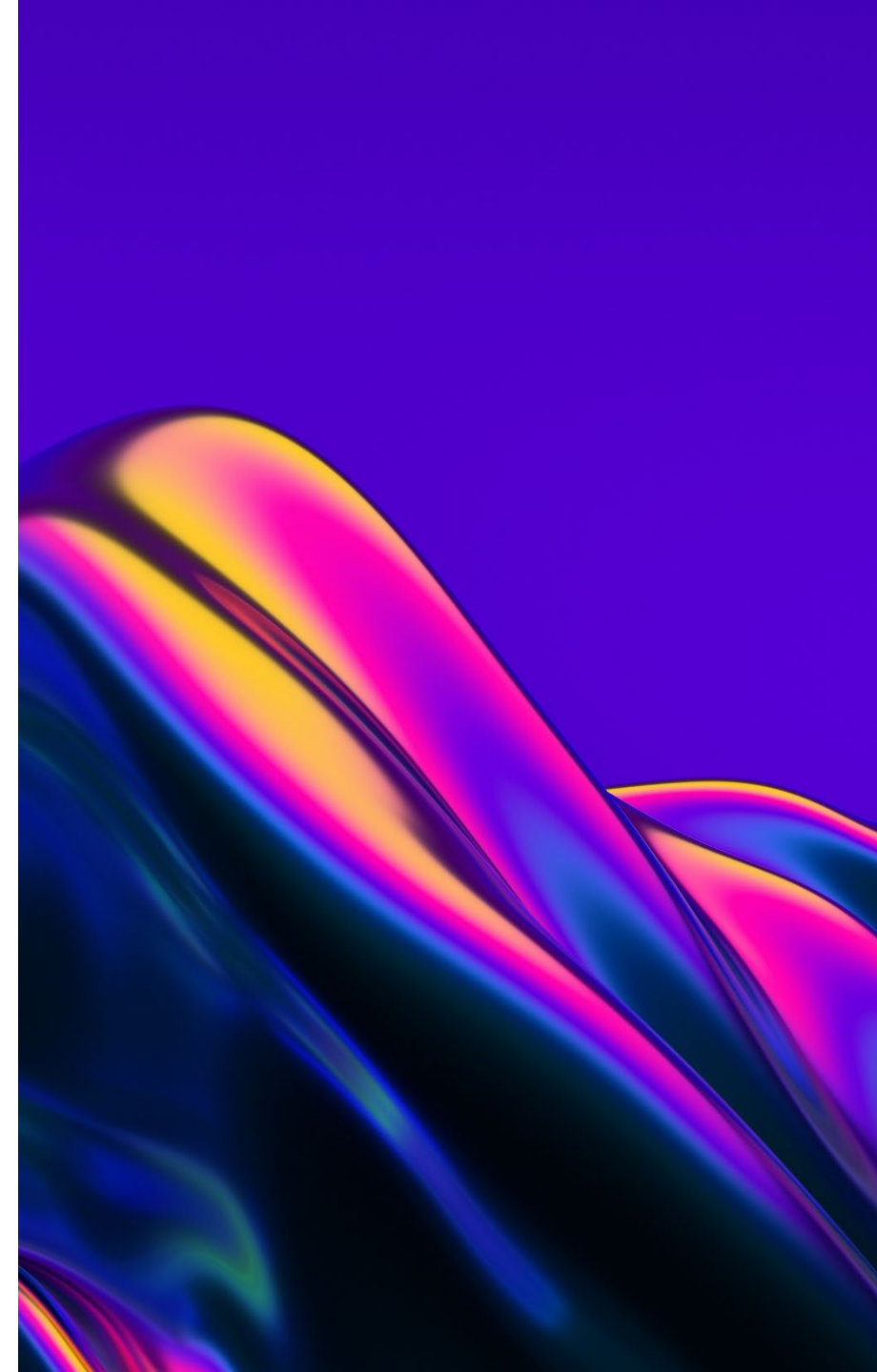


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## Digital use information

This Audit Findings Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.



Click on any item in the table of contents to navigate to that section.

<b>4</b>	<b>Highlights</b>	<b>5</b>	<b>Status</b>	<b>6</b>	<b>Significant changes</b>	<b>7</b>	<b>Risks and results</b>
<b>8</b>	<b>Other matters</b>	<b>10</b>	<b>Misstatements</b>	<b>12</b>	<b>Control deficiencies</b>	<b>13</b>	<b>Policies and practices</b>
<b>15</b>	<b>Specific topics</b>	<b>16</b>	<b>Independence</b>	<b>17</b>	<b>Appendices</b>		

The purpose of this report is to assist you, as a member of the Administrative Policies Committee (the “Committee”), in your review of the results of our audit of the consolidated financial statements. This report is intended solely for the information and use of Management, the Committee, and the members of Council and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



# Audit highlights



No matters to report



Matters to report – see link for details

## Status

We have completed the audit of the consolidated financial statements (the “financial statements”) of the Corporation of the City of Kingston (the “City”) with the exception of certain remaining outstanding procedures, which are highlighted on the ‘Status’ slide of this report.



## Significant changes

Significant changes since our audit plan



- There were no significant changes to our audit plan which was originally communicated to you in the audit planning report.

## Risks and results

Significant risks



- In the Audit Plan, we did not identify any significant financial reporting risks other than the presumed risk of management override of controls. We did not identify any additional significant financial reporting risks that required additional audit procedures.

Other risks of material misstatement

Going concern matters

## Other matters

Other matters



- We have highlighted certain other matters for the Committee’s consideration.

## Uncorrected misstatements

Uncorrected misstatements



- We identified one misstatement which was communicated to management and remains uncorrected.

## Corrected misstatements

Corrected misstatements



- We identified one misstatement which was communicated to management and subsequently corrected in the financial statements.

## Control deficiencies

Significant deficiencies



Other control deficiencies



## Policies and practices & Specific topics

Significant unusual transactions

Accounting policies and practices



Other financial reporting matters



Specific topics



# Status

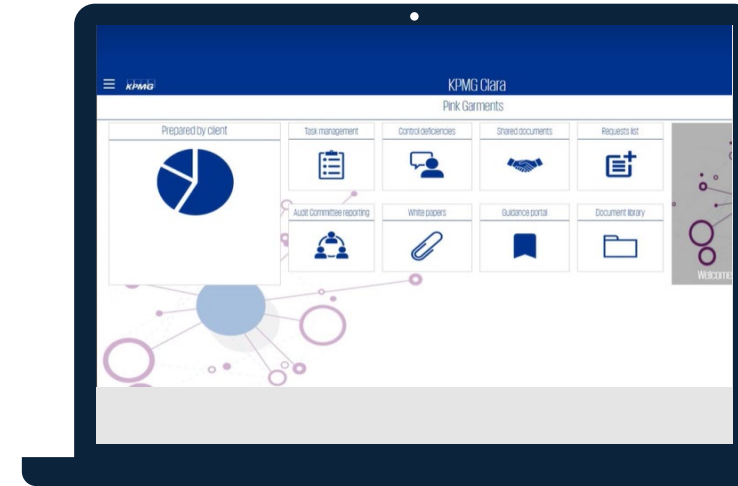
As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Receipt of responses to our legal inquiry letters;
- Completing our discussions with the Committee;
- Final assembly of our audit documentation, including completion of any remaining procedures and review of audit working papers;
- Completing our subsequent events review procedures up to the date of the auditor’s report;
- Obtaining evidence of Council’s approval of the financial statements; and
- Receipt of the signed management representation letter.

We will update the Committee, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

A draft of our auditor’s report is provided in [Appendix 1a: Draft Auditor’s Report](#).

## KPMG Clara for Clients (KCfc)



### Real-time collaboration and transparency

We leveraged **KCfc** to facilitate real-time collaboration with management and provide visual insights into the status of the audit!

On our audit we used KCfc to coordinate requests from management.



# Significant changes

We have not made any significant changes to our audit plan which was communicated to you in the audit planning report, and note that:

## Management and the KPMG audit team



There were no key Management team member changes from the Audit Plan. Management were available as needed to assist the Audit Team. The senior audit team remained consistent from the team presented in the Audit Plan.

## Group materiality



Group materiality was set at \$10,000,000 in our audit planning report, which represented approximately 1.8% of prior year total expenses. Current year actual expenses increased to \$605 million, therefore, materiality represented 1.7% of current year expenses. This falls within the acceptable range of our required benchmark of between 0.5% -3.0%.

## Fraud risk



We performed our required audit procedures in professional standards over fraud risk as communicated to the Committee in the Audit Plan and did not identify any additional fraud risks from our audit work. As part of our unpredictable procedure, we reviewed a sample of expenses based on approval thresholds in the procurement policy to ensure the policy is being followed. We have no findings to report from this procedure.

## Other areas of audit focus



We identified certain areas of audit focus in our Audit Plan. We did not identify any additional areas of audit focus and have no significant findings to report as a result of these procedures.



# Significant risks and results

We highlight our significant findings in respect of **significant risk**.



## Fraud risk from management override of controls

Significant risk	Estimate?	Key audit matter?
Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. <b>Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.</b>	No	No

### Our response

As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

- Assessed the design and implementation of controls surrounding the journal entry process;
- Determined the criteria to identify high-risk journal entries and other adjustments; and
- Tested high-risk journal entries and other adjustments.

### Findings

**We did not uncover any issues during the performance of the procedures described above.**

# Other matters



## Asset Retirement Obligations

### Background

In 2023, the City adopted Public Accounting Standard PS 3280, Asset Retirement Obligations (“ARO”). The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in buildings owned by the City, as well as replacing PS3270, Solid Waste Landfill Closure and Post-Closure Liability. Asset retirement obligations are an estimate in the City’s financial statements.

Management performed an assessment of the impact of the new accounting standard on the City’s financial statements, including potential liabilities related to asbestos and the closure and post-closure costs of the landfill site. Using the modified retroactive application approach, as at December 31, 2023, an asset retirement obligation amounting to \$24.7 million (2022 - \$24.2 million) has been recognized on the City’s Consolidated Statement of Financial Position.

### Our response

- We obtained an understanding of the activities performed by Management to identify the City’s legal obligations associated with the retirement of capital assets and ensured that all of the recognition criteria were met to recognize an ARO in the financial statements.
- We obtained Management’s calculation of the ARO liability and corroborated management’s inputs into the calculation to assess their reasonableness. Through this process, it was identified that there was limited external audit evidence available to support the liability. Accordingly, KPMG performed an independent calculation using standard costing and models to assess the reasonableness of management’s estimate.
- The City has chosen not to discount or use the present value technique for measurement of the building and fuel tank component of the ARO liability, as the timeline for the retirement activities is not well defined and discounting would add an additional layer of substantial uncertainty. KPMG notes that while PS 3280 does not require the present value technique for measurement, it does suggest that it is often the best available technique. However, we do understand the City’s position for not discounting the obligation as there is uncertainty as to the timing of remediation. We also note that discounting was utilized in the calculation of the landfill retirement costs as all sites are closed. Inflation and discount rates utilized in the calculation were based on management’s assessment of 3% and 4% , respectively.
- We noted that this estimate is based on management’s knowledge of the assets within scope of ARO. Any changes to the ARO in the future will be treated as a change in estimate, presented prospectively. We recommend that management re-evaluate this estimate annually, including inflationary adjustments, to ensure accurate financial reporting.

### Our findings

Through the audit work performed, we identified one misstatement related to the opening adjustment which was corrected by management. Refer to the management representation letter in [Appendix 1b](#) for additional details. Based on the information provided and the audit procedures performed, we concur with Management’s presentation and disclosure related to the implementation of PS 3280, Asset Retirement Obligations in the City’s financial statements for the year ended December 31, 2023.

# Other matters (continued)



## Financial Instruments

### Background

In fiscal 2023, the City adopted the following standards concurrently beginning January 1, 2023 on a prospective basis:

- PS 1201 Financial Statement Presentation;
- PS 2601 Foreign Currency Translation;
- PS 3041 Portfolio Investments; and
- PS 3450 Financial Instruments.

Management performed an assessment of the impact of the new accounting standards and concluded there was not a significant impact.

### Our response

- We obtained an understanding of the activities performed by management to identify financial instruments and ensure compliance with the new standards. As there are no financial instruments that meet the criteria for fair value measurement, a Consolidated Statement of Remeasurement Gains and Losses has not been included in the financial statements.
- We ensured appropriate disclosures have been made in the financial statements for the adoption of the new accounting standards including the financial risks and the concentration of credit risk.
- The City's share of other comprehensive income ("OCI") earned on the investment in government business enterprises is to be recorded through the Consolidated Statement of Remeasurement Gains and Losses. Although management did not record this adjustment, KPMG has determined that it is an immaterial presentation difference.

### Our findings

Based on the information provided and the audit procedures performed, we concur with Management's presentation and disclosure related to the implementation of these new standards in the City's financial statements for the year ended December 31, 2023.



# Audit misstatements

As stated earlier in this report, group materiality for fiscal 2023 was set at \$10,000,000 (2022 - \$10,000,000) which translated into an audit misstatement posting threshold of \$500,000 (2022 - \$500,000). As such, all misstatements identified during the audit greater than \$500,000 have been recorded on our summary of adjustments and differences.

Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences. Professional standards require that we request of management and the Committee that all identified adjustments or differences be corrected, if any.



## Impact of corrected misstatements

- The management representation letter, a draft of which is included in [Appendix 1b](#), includes the Summary of Corrected Audit Misstatements which discloses the impact of all misstatements that were communicated to management and subsequently corrected in the financial statements.



## Impact of uncorrected misstatements

- The management representation letter includes the Summary of Uncorrected Audit Misstatements, which discloses the impact of all uncorrected misstatements considered to be other than clearly trivial.
- Based on both qualitative and quantitative considerations, management has decided not to correct one misstatement and represented to us that the misstatement is, in their judgment, not material to the financial statements. This management representation is included in the management representation letter.
- We concur with management’s representation that the uncorrected misstatement is not material to the financial statements. Accordingly, the uncorrected misstatement has no effect on our auditor’s report.

Annual surplus		(in \$'000s)	Accumulated surplus		(in \$'000s)
As currently presented		\$ 76,904	As currently presented		\$ 1,844,820
Uncorrected misstatements		3,547	Uncorrected misstatements		3,547
As a % of the balance		4.6%	As a % of the balance		0.2%



# Audit misstatements (continued)

Uncorrected misstatements greater than \$500,000 individually:

Description of individually significant misstatements	Income effect	Financial position		
	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Accumulated Surplus (Decrease) Increase
To adjust for the inappropriate deferral of unrestricted payment-in-lieu of taxation mitigation funding received in fiscal 2023.	3,546,942	–	(3,546,942)	3,546,942
<b>Total uncorrected misstatements</b>	<b>3,546,942</b>	<b>–</b>	<b>(3,546,942)</b>	<b>3,546,942</b>

# Control deficiencies

## Consideration of internal control over financial reporting (ICFR)



In planning and performing our audit, we considered ICFR relevant to the City's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

## A deficiency in internal control over financial reporting



A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**We identified certain observations surrounding internal controls over financial reporting. These were provided separately to management.**

## Significant deficiencies in internal control over financial reporting



A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.

**We did not identify any significant deficiencies in internal control over financial reporting.**



# Accounting policies and practices



## Initial selection

The following new accounting policies and practices were selected and applied during the period:

- I. PS 3280 Asset Retirement Obligations the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The new accounting standard has resulted in a withdrawal of the existing accounting standard PS 3270 Solid Waste Landfill Closure and Post-Closure Liability. The standard was adopted on the modified retroactive basis at the date of adoption.
- II. PS 1201 Financial Statement Presentation establishes general reporting principles and standards for the disclosure of information in government financial statements. This standard was applied prospectively.
- III. PS 2601 Foreign Currency Translation establishes monetary assets and liabilities denominated in a foreign currency and non-monetary items denoted in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. This standard was applied prospectively.
- IV. PS 3041 Portfolio Investments establishes guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 Financial Instruments. This standard was applied prospectively.
- V. PS 3450 Financial Instruments establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. This standard was applied prospectively.



## Revised

There were no changes to the significant accounting policies and practices on the financial statements.




## Significant qualitative aspects

There are no significant qualitative aspects to note related to accounting policies and practices.

The significant accounting policies and practices are disclosed in note 1 to the financial statements.

# Other financial reporting matters

We also highlight the following:




**Financial statement presentation - form, arrangement, and content**



The presentation and disclosure in the financial statements is in accordance with the required standards as disclosed in the notes to the financial statements.


Through the course of the audit, KPMG provided guidance and support to management on required disclosures in accordance with the financial reporting framework along with the adoption of the new accounting standards in 2023.



**Concerns regarding application of new accounting pronouncements**



Refer to [Appendix 3](#) for upcoming accounting standards.



**Significant qualitative aspects of financial statement presentation and disclosure**



No matters to report.



# Specific topics

We have highlighted the following that we would like to bring to your attention:

Matter	Finding
<b>Illegal acts, including noncompliance with laws and regulations, or fraud</b>	No matters to report.
<b>Other information in documents containing the audited financial statements</b>	No matters to report.
<b>Significant difficulties encountered during the audit</b>	No matters to report
<b>Difficult or contentious matters for which the auditor consulted</b>	No matters to report
<b>Management’s consultation with other accountants</b>	No matters to report
<b>Disagreements with management</b>	No matters to report
<b>Related parties</b>	No matters to report
<b>Significant issues in connection with our appointment or retention</b>	No matters to report
<b>Other matters that are relevant matters of governance interest</b>	No matters to report



# Independence

As a firm, we are committed to being and being seen to be independent. We have strict rules and protocols to maintain our independence that meet or exceed those of the IESBA Code<sup>1</sup> and CPA Code. The following are the actions or safeguards applied to reduce or eliminate threats to an acceptable level:



Dedicated ethics & independence partners



Process for reporting breaches of professional standards and policy, and documented disciplinary policy



Ethics, independence and integrity training for all staff



International proprietary system used to evaluate and document threats to independence and those arising from conflicts of interest



Operating policies, procedures and guidance contained in our quality & risk management manual



Mandated procedures for evaluating independence of prospective audit clients



Restricted investments and relationships



Annual ethics and independence confirmation for staff

## Statement of compliance

We confirm that, as of the date of this communication, **we are independent** of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.



<sup>1</sup> International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)

# Appendices

1

Required communications

2

Audit quality

3

Upcoming accounting standards

4

Insights







# Appendix 1: Other required communications



## Engagement terms

A copy of the engagement letter was previously provided to management and the Committee.



## Auditor's report

The conclusion of our audit is set out in our draft auditors' report as attached.



## Representations of management

In accordance with professional standards, we will obtain certain representations from management upon approval of the financial statements.



## CPAB communication protocol

The reports available through the following links were published by the Canadian Public Accountability Board to inform Audit Committees and other stakeholders about the results of quality inspections conducted over the past year:

- [CPAB Audit Quality Insights Report: 2021 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2022 Interim Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2022 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2023 Interim Inspections Results](#)

# Appendix 1a: Draft auditor's report

## 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, 2023
- 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, 2023, 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.

### **Emphasis of Matter – Comparative Information**

We draw attention to Note 19 to the financial statements (“Note 19”) which explains that certain comparative information presented for the year ended December 31, 2022 has been restated.

Note 19 explains the reasons for the restatement and also explains the adjustments that were applied to restate comparative information.

Our opinion is not modified in respect of this matter.



# Appendix 1a: Draft auditor's report (continued)

## ***Other Matter – Comparative Information***

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

## ***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.



# Appendix 1a: Draft auditor's report (continued)

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.
- 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.

Chartered Professional Accountants, Licensed Public Accountants  
Kingston, Canada  
August 13, 2024



# Appendix 1b: Management representation letter

KPMG LLP  
863 Princess Street, Suite 400  
Kingston, Ontario K7L 5N4  
Canada

August 13, 2024

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of the Corporation of the City of Kingston ("the Entity") as at and for the period ended December 31, 2023.

#### *General:*

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### *Responsibilities:*

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated January 31, 2024, including for:
  - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
  - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:
    - the names of all related parties and information regarding all relationships and transactions with related parties;
    - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.
  - c) providing you with unrestricted access to such relevant information.

- d) providing you with complete responses to all enquiries made by you during the engagement.
- e) providing you with additional information that you may request from us for the purpose of the engagement.
- f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the entity, did not intervene in the work the internal auditors performed for you.

#### *Internal control over financial reporting:*

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

#### *Fraud & non-compliance with laws and regulations:*

- 3) We have disclosed to you:
  - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  - b) all information in relation to fraud or suspected fraud that we are aware of that involves:
    - management;
    - employees who have significant roles in internal control over financial reporting; or
    - others
 where such fraud or suspected fraud could have a material effect on the financial statements.



# Appendix 1b: Management representation letter (continued)

- c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, short sellers, or others.
- d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements or illegal acts, whose effects should be considered when preparing financial statements.
- e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

#### *Subsequent events:*

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment, or disclosure, in the financial statements have been adjusted or disclosed.

#### *Related parties:*

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for, and disclosed, in accordance with the relevant financial reporting framework.

#### *Estimates:*

- 8) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

#### *Going concern:*

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

#### *Misstatements:*

- 11) The effects of the uncorrected misstatements described in [Attachment II](#) are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- 12) We approve the corrected misstatements identified by you during the audit described in [Attachment II](#).

#### *Comparative information:*

- 13) In respect of the restatement in the comparative information related to the adoption of PS 3280 *Asset Retirement Obligations*, we reaffirm that the written representations we previously provided to you, in respect of the prior period financial statements presented as comparative information, remain appropriate.

#### *Non-SEC registrants or non-reporting issuers:*

- 14) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).
- 15) We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

**CORPORATION OF THE CITY OF KINGSTON**

By: Desiree Kennedy, Chief Financial Officer and City Treasurer

By: Lana Foulds, Director of Financial Services & Deputy Treasurer



# Appendix 1b: Management representation letter (continued)

## Attachment I – Definitions

### Materiality

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

### Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

## Attachment II – Summary of Audit Misstatements Schedule

### Summary of Uncorrected Audit Misstatements:

Description	Statement of Financial Position effect <sup>1</sup>			Statement of Operations effect <sup>1</sup>
	Assets	Liabilities	Accumulated Surplus	
	\$	\$	\$	\$
<b>Audit misstatements greater than \$500,000 individually</b>				
Dr. Deferred revenues	–	3,546,942	–	–
Cr. Taxation from other governments	–	–	(3,546,942)	(3,546,942)
To adjust for the inappropriate deferral of unrestricted payment-in-lieu of taxation mitigation funding received in fiscal 2023.				
<b>TOTAL UNCORRECTED AUDIT MISSTATEMENTS</b>	<b>–</b>	<b>3,546,942</b>	<b>(3,546,942)</b>	<b>(3,546,942)</b>

### Summary of Corrected Audit Misstatements:

Description	Statement of Financial Position effect <sup>1</sup>			Statement of Operations effect <sup>1</sup>
	Assets	Liabilities	Accumulated Surplus	
	\$	\$	\$	\$
<b>Audit misstatements greater than \$500,000 individually</b>				
Dr. Municipal equity	–	–	1,567,894	–
Cr. Asset retirement obligations	–	(1,567,894)	–	–
To adjust the asset retirement obligations liability.				
<b>TOTAL CORRECTED AUDIT MISSTATEMENTS</b>	<b>–</b>	<b>(1,567,894)</b>	<b>1,567,894</b>	<b>–</b>

# Appendix 2: Audit quality - How do we deliver audit quality?

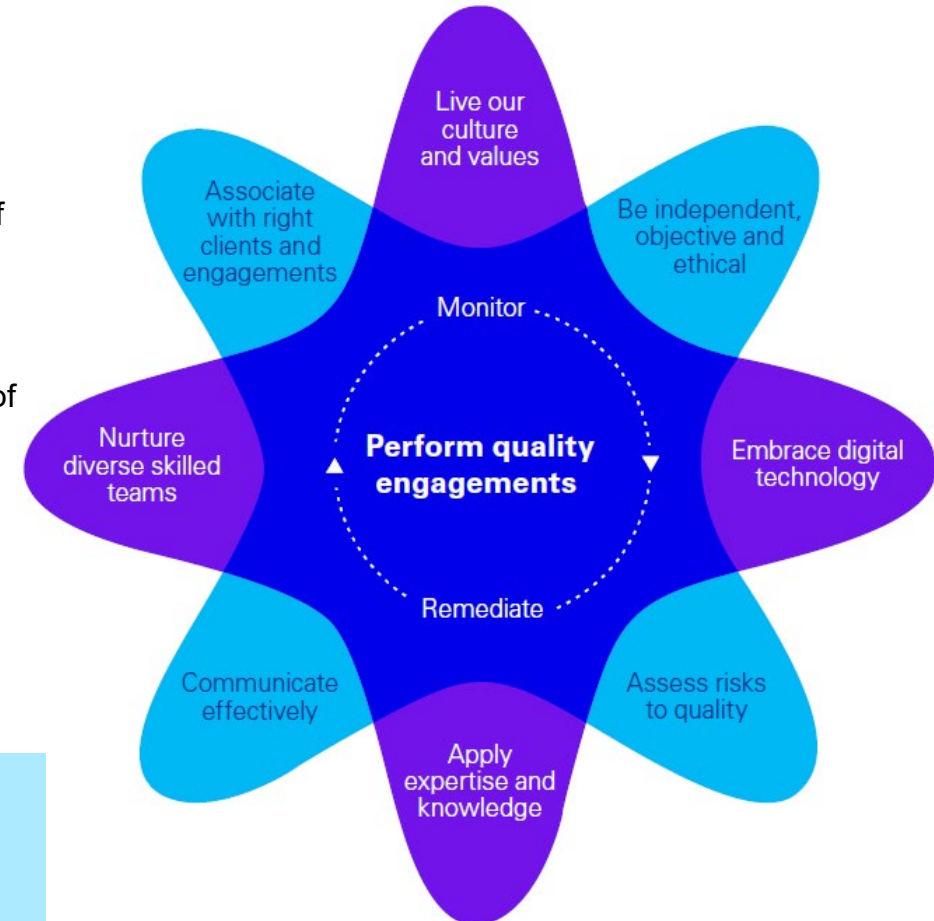
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Our Transparency Report includes our firm's Statement on the Effectiveness of our SoQM.

 [KPMG 2023 Audit Quality and Transparency Report](#)

We define 'audit quality' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and integrity**.



**Doing the right thing. Always.**



# Appendix 2: Audit quality - audit quality indicators (AQIs)

The objective of these measures is to provide the Committee and management with more in-depth information about factors that influence audit quality within an audit process. Below you will find the current status of the AQIs that we have agreed with management are relevant for the audit.



## Audit team composition

- Experience, commitment and knowledge of the broader public sector
- A combination of continuity and fresh perspectives
- Access to specialist resources with public sector experience



## Technology in the audit

- Increase in use of technology in the audit year over year
- Use of secure KPMG portal for transfer of electronic documents



## Independence

- We will not put ourselves in a situation where we would audit our own work.
- We apply the most rigorous standards to our professional services in order to ensure our continued independence in our role.



## Client preparedness

- The financial records are closed and ready on the first day of audit work, with the exception of:
  - The receipt of the financial statements was delayed due to the availability of the component financial statements as required for consolidation purposes; and
  - The financial statements required guidance by the audit team to ensure the disclosures, in particular surrounding the new standards, were complete and accurate.



## Administrative Policies Committee

- Committee members participate fully in the discussion with auditors, including meeting in camera with the auditors
- KPMG provides current industry trends and updates to accounting and audit standards

- Nothing to report
- Some matters to report
- Specific matters to report



# Appendix 3: Upcoming changes to accounting standards

## Accounting changes



### Newly effective accounting standards



The amendments to PS 3400, *Revenue*, become effective for this year end (fiscal years beginning on or after April 1, 2023).

- The standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement.
- The standard notes that in the case of revenues arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.
- The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.



### Newly effective accounting standards



PS 3160, *Public Private Partnerships ("P3s")* becomes effective for this year end (fiscal years beginning on or after April 1, 2023).

- This standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. The standard may be applied retroactively or prospectively.
- The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends.
- The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure.



### Newly effective accounting standards



PSG-8, *Purchased Intangibles*, becomes effective for this year end (fiscal years beginning on or after April 1, 2023).

- The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles.
- Narrow scope amendments were made to PS 1000 Financial statement concepts to remove the prohibition to recognize purchased intangibles and to PS 1201 Financial statement presentation to remove the requirement to disclose purchased intangibles not recognized.
- The guideline can be applied retroactively or prospectively.



# Appendix 4: Audit and assurance insights

Our latest thinking on the issues that matter most to Committees, Council and management.

## [KPMG Audit & Assurance Insights](#)

Curated research and insights for audit committees and boards.

## [Board Leadership Centre](#)

Leading insights to help board members maximize boardroom opportunities

## [Current Developments](#)

Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.

## [Audit Committee Guide – Canadian Edition](#)

A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.

## [Accelerate 2024](#)

The key issues driving the audit committee agenda in 2023.

## [Momentum](#)

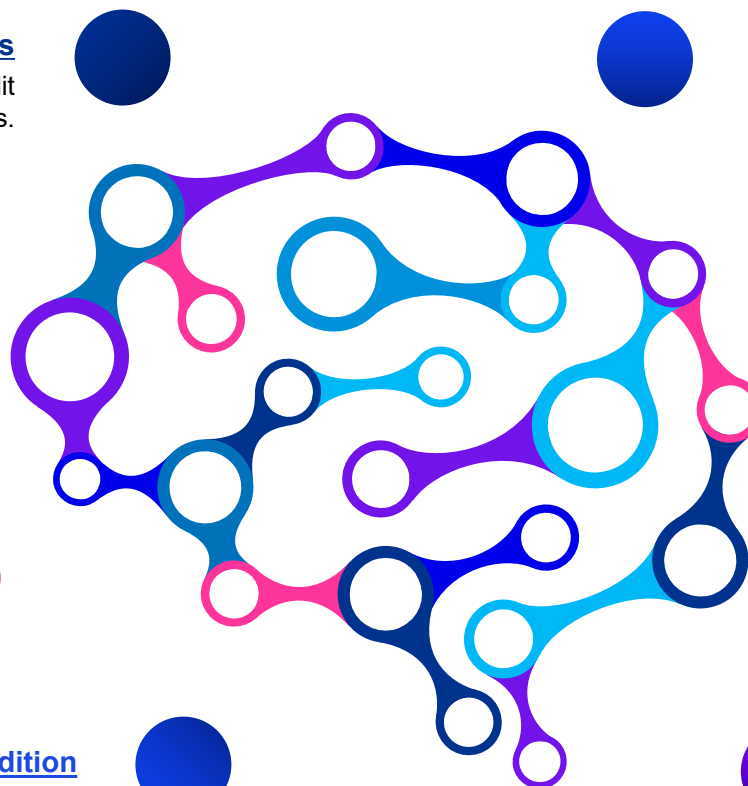
A quarterly newsletter with the latest thought-leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

## [KPMG Climate Change Financial Reporting Resource Centre](#)

Our climate change resource center provides insights to help you identify the potential financial statement impacts to your business.

## [IFRS Breaking News](#)

A monthly Canadian newsletter that provides the latest insights on international financial reporting standards and IASB activities.





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