



**City of Kingston
Report to Administrative Policies Committee
Report Number AP-25-020**

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 10, 2025
Subject: Audited Financial Statements and Other Financial Information
of The Corporation of the City of Kingston, Year Ended
December 31, 2024

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, 2024. The audited financial statements have been prepared by staff and audited by KPMG Chartered Accountants.

The revenues and expenditures as reported in the financial statements are consistent with the details of the 2024 financial results that were provided as part of [Report Number 25-079](#) - 2024 Year-End Financial Report - which was presented to Council on May 20, 2025.

Representatives from KPMG will be present at the Administrative Policies Committee meeting to present their 2024 Audit Findings Report for The Corporation of the City of Kingston for the year ended December 31, 2024, 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, 2024, attached as Exhibit A to Report Number AP-25-020;
- KPMG's 2024 Audit Findings Report for The Corporation of the City of Kingston for the year ended December 31, 2024, attached as Exhibit B to Report Number AP-25-020; and

That the Administrative Policies Committee recommends to Council:

That Council approve the Audited Financial Statements and Other Financial Information of The Corporation of the City of Kingston, Year Ended December 31, 2024, attached as Exhibit A to Report Number AP-25-020.

July 10, 2025

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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 & Emergency Services	Not required
David Fell, President & CEO, Utilities Kingston	Not required
Ian Semple, Acting Commissioner, Transportation & Infrastructure 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 Professional Accountants of Canada.” Accordingly, staff has prepared the Audited Financial Statements and Other Financial Information of The Corporation of the City of Kingston, Year Ended December 31, 2024 (“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, 2024. 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 2024 information as well as comparative data for the 2023 year-end.

The Audited Financial Statements reflect the adoption of a new accounting standard PS 3400, which provides guidance on recognizing revenue in the financial statements, distinguishing between exchange transactions (where performance obligations exist) and non-exchange transactions. Note 17 to the Audited Financial Statements provides additional information on the new accounting standard and the impact to the current year reporting as it relates to building permit revenues.

Details of the 2024 financial operations were included in [Report Number 25-079](#), 2024 Financial Year-End Report – Fourth Quarter 2024 Report, which went to Council on May 20, 2025. 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 2024 Financial Information Return was filed with the Ministry of Municipal Affairs and Housing prior to the May 31, 2025 deadline.

As part of the audit process, KPMG considers internal controls over financial reporting in designing their audit procedures. As part of their audit findings report, KPMG confirmed that they did not identify any significant deficiencies in internal controls that required reporting to the Administrative Policies Committee. As part of value-added services, and if applicable, KPMG will also communicate to management any items related to potential process and/or control improvements that could enhance the city’s control environment.

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Staff reviewed the following comments with KPMG.

- Adopt a whistleblower policy that would encourage employees to report wrongdoings (e.g. fraud, financial mismanagement) without fear of retaliation. Many municipalities have recently adopted a whistleblower policy as an important component of the overall internal control framework. Staff will research municipal best practices and relevant legislation and consider a policy that will support transparent and ethical reporting.
- Prioritize the recommendations coming out of the Payroll Scheduling, Time and Attendance modernization review with a focus on eliminating manual processes, updating and integrating systems and reducing duplicate data entry. Staff have addressed a number of recommendations coming out of this review and are currently developing a multi-phase workplan and conducting a needs assessment to update and integrate various time, attendance, and scheduling systems across the corporation.
- Ensure compliance with policy and process for approval of management expense reimbursements. Staff will review the current expense reimbursement policy, with an emphasis on ensuring clear understanding of approval requirements and supporting documentation.

KPMG will be present at the Administrative Policies Committee meeting to present their 2024 Audit Findings Report for The Corporation of the City of Kingston for the year ended December 31, 2024, attached as Exhibit B, and their Auditors' Report as attached to the Audited Financial Statements.

Existing Policy/By-Law

None

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, 2024, 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

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Exhibits Attached:

Exhibit A: Audited Financial Statements and Other Financial Information of The Corporation of the City of Kingston, Year Ended December 31, 2024

Exhibit B: KPMG's 2024 Audit Findings Report for The Corporation of the City of Kingston for the year ended December 31, 2024

Audited Financial Statements
and Other Financial Information of

**The Corporation of
the City of Kingston**

Year Ended December 31, 2024

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, 2024
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of remeasurement gains and losses 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 consolidated financial position of the Entity as at December 31, 2024, and its consolidated results of operations, its consolidated remeasurement gains and losses and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***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.

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 the financial statements.

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

We also:

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

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

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

Draft for discussion purposes

- 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 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

DATE

The Corporation of the City of Kingston
Consolidated Statement of Financial Position
December 31, 2024, with Comparative Figures for 2023

In Thousands of Dollars	2024	2023
Financial Assets:		
Cash and short-term investments	\$ 245,240	\$ 286,475
Taxes receivable	11,891	9,195
Accounts receivable	79,047	76,611
Inventories for resale	20,949	17,744
Notes receivable from government business enterprises (note 14(c))	18,311	18,311
Long-term investments (note 4)	175,981	174,090
Investment in government business enterprises (note 14(a))	43,272	41,466
Total Financial Assets	594,691	623,892
Liabilities:		
Accounts payable and accrued liabilities	(99,788)	(97,473)
Due to government business enterprises:		
Utilities Kingston (note 14(b))	(14,011)	(7,982)
Kingston Hydro Corporation (note 14(b))	(6,047)	(6,289)
Employee future benefit obligations (note 8(d))	(4,819)	(4,134)
Deferred revenue - obligatory reserve funds (note 10)	(69,277)	(81,465)
Deferred revenues	(12,781)	(29,612)
Accrued interest on long-term debt	(5,212)	(5,418)
Long-term liabilities (note 9)	(465,463)	(480,527)
Employee future benefit obligations (note 8(d))	(78,959)	(73,822)
Asset retirement obligations (note 19(b))	(24,507)	(24,669)
Total Liabilities	(780,864)	(811,391)
Net Financial Debt	(186,173)	(187,499)
Non-Financial Assets:		
Tangible capital assets (note 15)	2,097,751	2,025,281
Inventories of supplies	1,716	1,752
Prepaid expenses	5,679	5,286
Total Non-Financial Assets	2,105,146	2,032,319
Municipal Equity	\$ 1,918,973	\$1,844,820
Contingent liabilities (note 11)		
Commitments (note 12)		
Subsequent event (note 20)		

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 Operations

Year Ended December 31, 2024, with Comparative Figures for 2023

In Thousands of Dollars	Budget 2024*	Actual 2024	Actual 2023
Revenue:			
Property taxation	\$ 291,273	\$ 292,127	\$ 279,917
Taxation from other governments	18,115	18,800	17,493
User charges	174,349	181,889	167,913
User charges – gas commodity	25,000	14,251	16,424
Government grants	111,373	109,935	106,574
Grants from other municipalities	5,706	5,626	5,261
Investment income	11,208	20,484	17,194
Other	3,764	4,228	3,503
Transfers from deferred obligatory reserve funds (note 10)	5,306	4,842	2,414
Government business enterprises net earnings (note 14)	-	1,806	1,549
Total Revenues	646,094	653,988	618,242
Expenses:			
General government	55,602	55,693	47,787
Protection services	101,353	102,749	95,583
Transportation services	104,859	107,109	100,133
Environmental services	93,228	99,233	96,037
Health services	31,696	31,637	32,036
Social and family services	100,492	98,391	89,294
Social housing	41,497	43,343	45,761
Recreational and cultural services	62,801	65,515	57,804
Planning and development	9,697	14,335	12,758
Gas utility	35,105	26,762	28,146
Total Expenses	636,330	644,767	605,339
Net Revenues (Expenses) before the under noted items	9,764	9,221	12,903
Other Revenue:			
Grants and transfers related to capital:			
Government and municipal capital grants		25,671	28,763
Transfers from deferred obligatory reserve funds (note 10)		28,100	28,832
Donations and other		82	54
Contributed tangible capital assets (note 15(a))		11,079	6,352
Total Other Revenue		64,932	64,001
Annual Surplus		74,153	76,904
Municipal Equity, Beginning of Year		1,844,820	1,767,916
Municipal Equity, End of Year		\$ 1,918,973	\$ 1,844,820

* Budget 2024 (note 13)

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

The Corporation of the City of Kingston
Consolidated Statement of Changes in Net Debt
Year Ended December 31, 2024, with Comparative Figures for 2023

In Thousands of Dollars	Budget 2024*	Actual 2024	Actual 2023
Annual Surplus	\$ 9,764	\$ 74,153	\$ 76,904
Amortization of tangible capital assets	77,800	88,519	82,730
Acquisition of tangible capital assets	-	(168,638)	(134,151)
Asset retirement obligation	-	366	(523)
Loss on tangible capital assets transactions	-	7,283	6,936
Sub-total	87,564	1,683	31,897
Acquisition of prepaid expenses	-	(393)	(892)
Acquisition of supplies inventories	-	36	(235)
Decrease in Net Debt	87,564	1,326	30,770
Net Debt, Beginning of Year		(187,499)	(218,269)
Net Debt, End of Year		\$ (186,173)	\$ (187,499)

* Budget 2024 (note 13)

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, 2024, with Comparative Figures for 2023

In Thousands of Dollars	2024	2023
Current Fund Surplus (Deficit):		
General operating surplus	\$ 1,363	\$ 3,629
Accumulated operating surplus - water	763	1,597
Accumulated operating (deficit) surplus - sewer	(464)	1,686
Accumulated operating surplus - gas	4,809	4,499
Downtown Business Improvement Area	(11)	27
Kingston & Frontenac Housing Corporation	2,265	4,228
KFL&A Public Health	43	-
Kingston Frontenac Public Library Board	329	599
Total Current Fund Surplus	9,097	16,265
Investment in Tangible Capital Assets:		
Tangible capital assets (note 15)	2,097,751	2,025,281
Long-term liabilities (note 9)	(465,463)	(480,527)
Unfinanced capital expenditures:		
To be financed from taxation or user charges	(2,109)	(4,953)
Asset retirement obligation (note 19)	(24,507)	(24,669)
Total Investment in Tangible Capital Assets	1,605,672	1,515,132
Investment in Government Business Enterprises (note 14(a))	43,272	41,466
Unfunded Liabilities:		
Employee future benefit obligations (note 8(d))	(80,414)	(75,265)
Accrued interest on long-term debt	(5,212)	(5,418)
Total Unfunded Liabilities	(85,626)	(80,683)
Reserves and Reserve Funds:		
Reserves set aside for specific purpose:		
Operating reserves	29,580	27,266
Reserve funds set aside for specific purpose:		
Replacement of equipment	31,006	41,486
Replacement & renewal of facilities	11,847	13,898
Municipal capital replacement & renewal	24,457	38,343
Sanitary sewer system	62,571	54,204
Storm sewer system	420	405
Parks and recreation	4,398	5,863
Libraries	4,723	5,452
Waterworks system	86,990	80,231
Planning and development	347	430
Transit	29,986	27,081
Gas utility	7,510	6,804
Sick leave	11,377	13,200
Protective services	15,538	12,198
Environmental services	779	460
Social and family services	231	222
Social housing	4,622	4,089
Parking	20,176	21,008
Total Reserves and Reserve Funds	346,558	352,640
Municipal Equity	\$ 1,918,973	\$ 1,844,820

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, 2024, with Comparative Figures for 2023

In Thousands of Dollars	2024	2023
Operations transactions:		
Annual surplus	\$ 74,153	\$ 76,904
Net change in non-cash working capital items:		
Increase in taxes receivable	(2,696)	(2,210)
(Increase) decrease in accounts receivable	(2,436)	9,253
(Increase) decrease in inventories for resale	(3,205)	790
Decrease (increase) in inventories of supplies	36	(235)
Increase in prepaid expenses	(393)	(892)
Increase (decrease) in accounts payable and accrued liabilities	2,315	(2)
Increase (decrease) in due to government business enterprises	6,472	(3,188)
(Decrease) increase in deferred revenue obligatory reserve funds	(12,188)	3,228
(Decrease) increase in deferred revenues	(16,831)	10,631
Decrease in accrued interest on long-term debt	(206)	(238)
Sub-total	(29,132)	17,137
Items not involving cash:		
Amortization of tangible capital assets	88,519	82,730
Contributed tangible capital assets	(11,079)	(6,352)
Loss on tangible capital assets transactions	7,283	6,936
Change in asset retirement obligations	205	(51)
Change in employee future benefit obligations	5,137	4,749
Investment in government business enterprise from net earnings	(1,806)	(1,549)
Sub-total	88,259	86,463
Net change in cash from operating transactions	133,280	180,504
Capital transactions:		
Purchase of tangible capital assets	(157,559)	(127,798)
Investment transactions:		
Purchase of long-term investments	(1,891)	(1,565)
Financing transactions:		
Proceeds from new debt issue	7,112	3,978
Debt principal repayments	(22,176)	(23,430)
Net change in cash from financing transactions	(15,064)	(19,452)
(Decrease) increase in cash and short-term investments	(41,234)	31,689
Cash and short-term investments, beginning of year	286,475	254,786
Cash and short-term investments, end of year	\$ 245,240	\$ 286,475

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, 2024

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, 2024

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, 2024

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 the related service obligations are met.

(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, 2024

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, 2024

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, 2024

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 recognition of asset retirement costs results in an accompanying increase to the respective tangible capital assets, which is then amortized over the asset's estimated useful life.

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. Assumptions used in the subsequent calculations are revised yearly.

The liability for the removal of asbestos in buildings owned by the City and for the decommissioning of fuel storage tanks has been recognized based on estimated undiscounted future expenses. Assumptions used in the subsequent calculations are revised yearly.

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

1. Summary of Accounting Policies (continued):

(k) Financial Instruments:

The Financial Instruments 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, at which point 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, 2024 or 2023.

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, 2024

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	2024	2023
Taxation and user charges	\$ 48,670	\$ 48,470
Payments in lieu	259	256
Amount transferred to school boards	\$ 48,929	\$ 48,726

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, 2024, there was \$Nil (2023 - \$Nil) drawn on the operating credit facility.

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

4. Long-term Investments

Long-term investments, valued at cost are Level 2 instruments in the fair value hierarchy, consist primarily of government and financial institution bonds, have a market value of \$177,534,841 at December 31, 2024 (2023 - \$169,521,310).

As at December 31, 2023, the City's investments measured at amortized cost exceeded market value, representing a temporary decline in market value. There was 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.

5. Trust Funds

Trust funds administered by the municipality amount to \$171,072 (2023 - \$168,300) as at December 31, 2024.

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, 2024. At that time, the plan reported a \$2.9 billion actuarial deficit (2023- \$4.2 billion actuarial deficit).

The amount contributed to OMERS for 2024 was \$15,729,180 (2023 - \$14,623,069) 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, 2024

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 (2023 – 10 years).

At December 31, 2024, the City's accrued benefit liability relating to post-retirement and post-employment benefit plans is \$60,962,180 (2023 - \$58,645,247).

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

Discount rate	4.6% per annum
Salary escalation	3.0% per annum
Dental benefits escalation	6.30% in 2024, decreasing to 4.50% over 9 years
Health benefits escalation	6.87% per annum in 2024, decreasing to 4.50% over 19 years

An independent actuarial valuation was also completed by 1425445 Ontario Limited (operating as Utilities Kingston) for the water, sewer and gas utilities employees' post-employment and post-retirement costs as at December 31, 2024. 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, 2024

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	4.60% per annum
Salary escalation	3.30% per annum
Dental benefits escalation	5.10% per annum
Health benefits escalation	5.10% per annum

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

In Thousands of Dollars	2024	2023
Accrued benefit liability, January 1	\$ 58,645	\$ 57,066
Expense recognized for the period	5,273	5,108
Benefits paid for the period	(3,418)	(3,442)
Amortization of actuarial (gain)/losses	462	(87)
Accrued benefit liability, December 31	\$ 60,962	\$ 58,645

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

In Thousands of Dollars	2024	2023
Accrued benefit obligation	\$ 53,927	\$ 51,417
Unamortized actuarial gains/(losses)	7,035	7,228
Accrued benefit liability, December 31	\$ 60,962	\$ 58,645

(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, 2024

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 8 years (2023 – 9 years).

At December 31, 2024, the City's accrued benefit liability relating to future WSIB claims is \$19,893,200 (2023 - \$16,535,100).

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 2024 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	2024	2023
Accrued benefit liability, beginning of year	\$ 16,535	\$ 13,297
Expense recognized for the period	5,879	5,688
Benefits paid for the period	(3,639)	(3,568)
Amortization of net actuarial losses	1,118	1,118
Accrued benefit liability, end of year	\$ 19,893	\$ 16,535

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

In Thousands of Dollars	2024	2023
Accrued benefit obligation	\$ 26,424	\$ 24,184
Unamortized actuarial losses	(6,531)	(7,649)
Accrued benefit liability, end of year	\$ 19,893	\$ 16,535

(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, 2024 amount to \$2,651,959 (2023 - \$2,533,918).

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

8. Employee Future Benefit Obligations (continued):

(d) Total employee benefit obligations:

In Thousands of Dollars	2024	2023
Employee benefit obligations are comprised of:		
Health benefits and sick leave - City of Kingston	\$ 56,546	\$ 54,900
Workplace safety and insurance	19,893	16,535
Vacation credits	2,232	2,141
Pension payable	288	246
Sub-total	78,959	73,822
Health benefits and sick leave – water, sewer, and gas utilities (1)	4,416	3,741
Vacation credits – water, sewer, and gas utilities	403	393
Sub-total	4,819	4,134
Total employee benefit obligations	83,778	77,956
Amounts previously funded from operating revenues	(3,364)	(2,691)
Unfunded employee future benefit obligations	\$ 80,414	\$ 75,265
To be recovered from reserve funds	\$11,376	\$ 13,200
To be recovered from future municipal and utility revenues	69,038	62,065
Unfunded employee future benefit obligations	\$ 80,414	\$ 75,265

(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, 2024

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	2024	2023
Long-term liabilities incurred by the City, including those incurred on behalf of other municipalities and municipal enterprises, with varying maturities up to 2052 and a weighted average interest rate of 4.2% (2023 - 4.1%)	\$440,918	\$ 462,194
Long-term liabilities incurred by Kingston & Frontenac Housing Corporation, with interest rates ranging from 1.0% to 6.5% (2023-1.0% to 6.0%) and varying maturities up to 2071	32,558	27,062
Proportionate share of KFLA Public Health long-term debt, with a current interest rate of 5.8% (2023 – 6.1%), maturing in 2028	1,561	1,779
Total long-term liabilities	\$ 475,037	\$ 491,035
Less long-term borrowings from own funds	\$ (9,574)	\$ (10,508)
Long-term liabilities to be recovered from future revenues	\$ 465,463	\$ 480,527
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	\$ (10)	\$ (16)

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

In Thousands of Dollars	2025	2026	2027	2028	2029	2030+	Total
Tax sources	\$9,322	\$9,546	\$9,185	\$9,013	\$9,327	\$110,451	\$156,844
Utility user fees	7,636	7,914	7,837	7,658	7,929	80,382	119,356
Other user fees	4,412	4,606	4,812	5,030	5,260	140,598	164,718
Public Health	353	376	402	430	-	-	1,561
Housing Corporation	11,735	5,388	1,179	2,889	376	10,991	32,558
Total	\$33,458	\$27,830	\$23,415	\$25,020	\$22,892	\$342,422	\$475,037

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

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	2024	2023
Principal payments	\$ 22,176	\$ 23,430
Interest	18,432	19,727
Total	\$ 40,601	\$ 43,157

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, 2024

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	2024	2023
Balance, beginning of year	\$ 81,465	\$ 78,237
Revenues:		
Development contributions	6,335	20,074
Canada Community-Building Fund	8,453	8,194
Provincial gas tax funding	3,218	3,150
Recreational Land (<i>Planning Act</i>)	35	987
Community Benefits Charges	653	-
Investment income	2,060	2,069
Utilization:		
Transfers to operating	(4,842)	(2,414)
Transfers to capital	(28,100)	(28,832)
Balance, end of year	\$ 69,277	\$ 81,465

In Thousands of Dollars	2024	2023
Analyzed as follows:		
Development charges	\$ 36,396	\$ 45,269
Cash in lieu of parkland	2,542	2,383
Community Benefits Charges	653	-
Canada Community-Building Fund	14,501	17,577
Provincial gas tax funding	7,226	8,701
Building Code Act	7,959	7,535
Balance, end of year	\$ 69,277	\$ 81,465

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 2025 and 2029. The total value of these arrangements is \$6.2M (2023 - \$7.8M) which is included as revenue in the Development contributions 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, 2024

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, 2024, 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 2024 fiscal year were \$4,433,012 (2023 - \$4,130,449).

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

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, 2024 was \$17,500,000 (2023 - \$20,000,000).
- (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	\$16,980	\$ 8,610
Stormwater System & Road Rehabilitation	15,448	9,193
Reconstruction of Gardiners Rd and Centennial Dr Intersection	16,585	9,101
John Counter Blvd and Montreal Intersection	6,471	-

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

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 and therefore is not included in the budget disclosure.

The budget amounts presented in the consolidated financial statements are based on the 2024 operating and capital budgets adopted by Council on January 16, 2024. 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	\$ 596,206
County of Frontenac requisition	15,331
Consolidated external agency budgets	27,490
Approved PSAB reporting adjustments:	
Reserve fund revenues	8,000
Budget amendments and reallocations	479
Less transfers from reserves / reserve funds	(1,412)
Net operating budget revenues	646,094
Approved operating budget expenses	596,206
County of Frontenac requisition	15,331
Consolidated external agency budgets	23,635
Approved PSAB reporting adjustments:	
Amortization of tangible capital assets	77,800
Reserve fund expenditures for debt interest	18,000
Unfunded accruals (1)	4,354
Budget amendments and reallocations	479
Non-tangible capital asset expenditures	36,165
Less transfers to reserves and reserve funds	(135,586)
Less debt principal repayments	(54)
Net operating budget expenses	636,330
Net revenues before capital investment	\$ 9,764

- (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
Year Ended December 31, 2024

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:

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

14. Investment in Government Business Enterprises (continued):

(a) (continued)

In Thousands of Dollars	2024	2023
Financial position:		
Current assets	\$ 24,198	\$ 23,979
Due from City of Kingston:		
Utilities Kingston	14,011	7,982
Kingston Hydro Corporation	6,047	6,289
Post-employment benefit obligation (note 8(d))	4,416	3,741
Accrued vacation liabilities	530	525
Capital assets	77,084	74,986
Other assets	475	890
Total assets	126,761	118,392
Current liabilities	30,588	24,291
Post-employment benefit obligation	6,420	5,429
Accrued vacation and pension liabilities	169	148
Accrued liabilities non-current	6,651	6,434
Long-term loan payable	21,351	22,313
Long-term notes payable to City of Kingston (note 14(c))	18,311	18,311
Total liabilities	83,489	76,926
Net assets	\$ 43,272	\$ 41,466
Common shares	\$ 12,381	\$ 12,381
Accumulated other comprehensive income	(379)	(86)
Accumulated earnings	31,270	29,171
Investment in government business enterprises	\$ 43,272	\$ 41,466
Results of operations:		
Net utility revenues	\$116,009	\$113,848
Operating expenses	(108,340)	(104,976)
Interest on debt	(1,654)	(1,326)
Depreciation	(3,838)	(3,732)
Net earnings before under noted items	2,177	3,814
Net movement in regulatory deferral accounts	(919)	(829)
Payments in lieu of corporate income taxes	1,167	321
Net earnings	2,424	3,306
Dividends on common shares	(325)	(1,700)
Accumulated earnings, beginning of year	29,171	27,565
Accumulated earnings, end of year	\$ 31,270	\$ 29,171

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

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 \$13,320,989 (2023 - \$12,186,406) and \$81,837,237 (2023 - \$79,663,904) 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 \$2,258,422 (2023 - \$3,133,603).

As at December 31, 2024, the City had a balance owing to the Companies 1425445 Ontario Limited (operating as Utilities Kingston) in the amount of \$14,010,779 (2023 - \$7,981,526) and a balance owing to Kingston Hydro Corporation in the amount of \$6,047,176 (2023 - \$6,288,905), 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, 2024, the City had a note payable from Kingston Hydro in the amount of \$10,880,619 (2023 - \$10,880,619), bearing interest at 5.87% (2023 - 5.87%) per annum and a note payable from 1425445 Ontario Limited (operating as Utilities Kingston) in the amount of \$965,010 (2023 - \$965,010), bearing interest at 7.25% (2023 - 7.25%) per annum. Both notes payable have no fixed terms of repayment subsequent to year-end.

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

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

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

15. Tangible Capital Assets

In Thousands of Dollars	Cost	Accumulated amortization	2024 Net book value	2023 Net book value
General Assets				
Land	\$ 95,749	\$ -	\$ 95,749	\$ 96,524
Land improvements	113,892	39,232	74,660	72,679
Buildings and structures	550,300	233,178	317,122	307,636
Vehicles and machinery	129,694	79,171	50,523	48,169
Furniture, fixtures, and equipment	210,681	109,631	101,050	95,429
Infrastructure Assets				
Land	11,474	-	11,474	11,440
Land improvements	42,148	25,971	16,177	15,825
Plants and facilities	522,705	225,136	297,569	306,768
Roads	494,032	278,068	215,964	215,749
Bridges and culverts	245,970	23,508	222,462	224,535
Utility networks	521,069	142,158	378,911	367,672
Other	355,043	143,907	211,136	198,430
Sub-total	3,292,757	1,299,960	1,992,797	1,960,853
Assets under construction	104,954	-	104,954	64,428
Total	\$ 3,397,711	\$ 1,299,960	\$ 2,097,751	\$ 2,025,281

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 2024, a total of \$11,078,979 (2023 - \$6,352,371) was recorded as tangible capital asset additions with respect to contributed capital assets which was comprised of roads infrastructure in the amount of \$6,554,024 (2023 - \$3,836,429), water and wastewater infrastructure in the amount of \$3,987,907 (2023 - \$2,515,942) and parks infrastructure in the amount of \$537,048.

(b) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$Nil (2023 \$Nil).

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

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 2024, these interest costs are included as expenses on the Consolidated Statement of Operations in the amount of \$902,316 (2023 - \$1,087,043).

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. 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, 2024

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 Slush Puppy Place.

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

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. Change in Accounting Policy – Adoption of New Accounting Standards

The City has adopted Public Sector Accounting Standard PS 3400 - Revenue, which provides guidance on recognizing revenue in the financial statements, distinguishing between exchange transactions (where performance obligations exist) and non-exchange transactions (where no such obligations exist).

More specifically, revenues from exchange transactions are now recognized as the City satisfies performance obligations. Performance obligations are enforceable promises to provide specific goods or services to a specific payor.

As a result of the implementation of this standard, \$1.9M of building permit revenues, previously recognized at the point of receipt have now been classified as Deferred revenues on the Consolidated Statement of Financial Position and will be recognized as revenues over time as service obligations are fulfilled.

The adoption of PS 3400 was applied prospectively, in accordance with the transitional provisions of the standard. As a result, the comparative figures for the year ended December 31, 2024, have not been restated.

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

18. Financial Risks and Concentration of Risks

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, 2024 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.

In Thousands of Dollars	Current	Past due	Gross receivable	Allowance	Net receivable
Accounts receivable	\$ 80,326	\$ 3,364	\$ 83,689	\$ (4,642)	\$ 79,047
Taxes receivable	6,424	\$ 6,890	\$ 13,315	\$ (1,424)	\$ 11,891
Notes receivable	\$ 18,311	-	\$ 18,311	-	\$ 18,311

Amounts past due with no related allowance are deemed by management to be collectible based on historical experience regarding collections.

The City follows an investment policy approved by Council with respect to its long term investments. The maximum exposure to credit risk with respect to portfolio investments of the City at December 31, 2024 is the carrying value of the investments.

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

18. 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, 2024, 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 \$1.8M (2023 - \$1.7M). 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 cashflow. 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 in the past year.

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

19. Asset retirement obligation

In the prior year, the City adopted Public Sector Accounting Standard PS 3280 – Asset Retirement Obligations. The standard establishes guidance for the recognition, measurement, presentation, and disclosure of legal obligations associated with the retirement of tangible capital assets controlled by the City. 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 including costs related to post-retirement operation, maintenance, and monitoring. 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 the same method of amortization as the associated 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. 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. The City has continued to apply PS 3280 and has assessed its inventory of assets to identify and update retirement obligations. The liabilities relate primarily to the future closure and post-closure care of landfill sites, buildings that contain asbestos and underground fuel storage tanks.

(a) Landfill obligations:

The City owns three inactive landfills - Kingston West (McAdoo's Lane), Belle Park and the Pittsburgh site. As at December 31, 2024, these landfills have no remaining useful life. The City has recognized an obligation related to the closure and post-closure care of the landfills for a 25-year period. These costs are discounted using a discount rate of 4% per annum and escalated at a rate of 3% per annum.

The Corporation of the City of Kingston
Notes to Consolidated Financial Statements
 Year Ended December 31, 2024

19. Asset retirement obligation (continued)

(b) Asbestos and other obligations:

The City owns buildings that are known or expected to contain asbestos as well as underground fuel storage tanks. The City recognized an obligation relating to the removal of the asbestos in these buildings as well as obligations relating to the decommissioning of storage tanks and surrounding soil remediation. Costs were based upon presently known obligations obtained through assessments. These costs were not discounted due to uncertainty surrounding the expected timing of cash outflows.

An asset retirement obligation of \$24,507,154 (2023 - \$24,669,134) is recognized as a liability in the Consolidated Statement of Financial Position.

In Thousands of Dollars	Landfill	Asbestos and other removal	2024 Total	2023 Total
Balance, beginning of year	\$ 5,228	\$ 19,442	\$ 24,669	\$ 24,197
Revisions in estimate	441	(1,169)	(728)	(7)
New obligations recognized	-	566	566	479
Balance, end of year	\$ 5,668	\$ 18,839	\$ 24,507	\$ 24,669

20. Kingston, Frontenac and Lennox & Addington Merger to Form South East Health Unit

As of January 1, 2025, the Kingston, Frontenac and Lennox & Addington Public Health merged with Hastings Prince Edward Public Health and Leeds, Grenville and Lanark District Health Unit to the South East Health Unit.

The responsibilities of the South East Health Unit will remain the same as those of the legacy agencies. Details of how public health services will be delivered and funded by the municipal partners will be determined in the coming year by the newly formed South East Health Unit Board of Health.

21. Comparative Information

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

The Corporation of the City of Kingston
Consolidated Schedule of Tangible Capital Assets
Year ended December 31, 2024

General Assets (In Thousands of Dollars)	Land	Land Improvements	Buildings	Vehicles and Machinery	Furniture, Fixtures and Equipment	Total General Assets
Cost:						
Balance, beginning of year	\$96,524	\$108,664	\$526,258	122,739	\$196,805	\$1,050,990
Add: Additions	169	5,228	24,828	10,313	19,421	59,959
Less: Disposals	(944)	-	-	(3,358)	(5,545)	(9,847)
Recognition of asset retirement obligation	-	-	(786)	-	-	(786)
Balance, end of year	\$95,749	\$113,892	\$550,300	\$129,694	\$210,681	\$1,100,316
Accumulated Amortization:						
Balance, beginning of year	-	\$35,985	\$218,623	\$74,570	\$101,375	\$430,553
Add: Amortization	-	3,247	14,975	7,667	13,668	39,557
Less: Accumulated amortization on disposals	-	-	-	(3,066)	(5,412)	(8,478)
Recognition of asset retirement obligation	-	-	(420)	-	-	(420)
Balance, end of year	-	\$39,232	\$233,178	\$79,171	\$109,634	\$461,212
Net Book Value of Tangible Capital Assets	\$95,749	\$74,660	\$317,122	\$50,523	\$101,050	\$639,104

The Corporation of the City of Kingston
 Consolidated Schedule of Tangible Capital Assets
 Year ended December 31, 2024

Infrastructure Assets (In Thousands of Dollars)	Land	Land Improvements	Plants and Facilities	Roads	Bridges and Culverts	Utility Networks	Other	Total Infrastructure Assets
Cost:								
Balance, beginning of year	\$11,440	\$41,588	\$516,912	\$483,060	\$243,993	\$504,406	\$336,817	\$2,138,216
Add: Additions	34	560	8,117	13,100	1,977	21,443	22,922	68,153
Less: Disposals			(2,324)	(2,128)	-	(4,780)	(4,696)	(13,928)
Balance, end of year	11,474	42,148	522,705	494,032	245,970	521,069	355,043	2,192,441
Accumulated Amortization:								
Balance, beginning of year,	-	25,763	210,144	267,314	19,458	136,734	138,387	797,800
Add: Amortization	-	208	16,064	12,439	4,050	7,906	8,295	48,962
Less: Accumulated amortization on disposals	-	-	(1,072)	(1,685)	-	(2,482)	(2,775)	(8,014)
Balance, end of year	-	25,971	225,136	278,068	23,508	142,158	143,907	838,748
Net Book Value of Tangible Capital Assets	\$11,474	\$16,177	\$297,569	\$215,964	\$222,462	\$378,911	\$211,136	\$1,353,693

The Corporation of the City of Kingston
 Consolidated Schedule of Tangible Capital Assets
 Year ended December 31, 2024, with Comparative Figures for 2023

Totals (In Thousands of Dollars)	2024 Total General Assets	2024 Total Infrastructure Assets	2024 Capital Works in Progress	2024 Total General and Infrastructure Assets	2023 Total General and Infrastructure Assets
Cost:					
Balance, beginning of year	\$1,050,990	\$2,138,216	\$64,428	\$3,253,634	\$3,130,673
Add: Additions	59,959	68,153	40,526	168,638	134,151
Less: Disposals	(9,847)	(13,928)	-	(23,775)	(30,609)
Recognition of asset retirement obligation	(786)	-	-	(786)	523
Balance, end of year	1,100,316	2,192,441	104,954	3,397,711	3,253,634
Accumulated Amortization:					
Balance, beginning of year	430,553	797,800	-	1,228,353	1,157,334
Add: Amortization	39,557	48,962	-	88,519	82,730
Less: Accumulated amortization on disposals	(8,478)	(8,014)	-	(16,492)	(23,674)
Recognition of asset retirement obligation	(420)	-	-	(420)	-
Balance, end of year	461,212	838,748	-	1,299,960	1,228,353
Net Book Value of Tangible Capital Assets	\$639,104	\$1,353,693	\$104,954	\$2,097,751	\$2,025,281

The Corporation of the City of Kingston
 Consolidated Schedule of Segmented Information
 Year ended December 31, 2024
 (In Thousands of Dollars)

Schedule of Segmented Information	General Government	Protection Services	Transportation Services	Environmental Services	Waste Water	Water
Revenue:						
Government grants	7,265	4,342	13,120	2,496	75	-
Other municipalities	-	215	698	187	-	-
User fees and service charges	7,651	11,268	29,516	3,041	41,901	35,880
User fees - gas commodity	-	-	-	-	-	-
Other	2,517	389	28,507	-	8,084	3,650
Total Revenue	17,433	16,214	71,841	5,724	50,060	39,530
Expenses:						
Salaries, wages & employee benefits	34,135	82,545	37,800	6,587	-	-
Materials	3,284	6,113	19,857	1,367	176	264
Contracted services	16,054	5,860	12,588	8,481	22,907	15,951
Gas commodity purchases	-	-	-	-	-	-
Rents and financial expenses	5,428	850	4,654	897	5,359	4,656
External transfers	2,495	2,552	3,897	185	-	-
Amortization	7,591	4,788	27,477	3,497	14,617	10,118
Inter-departmental charges	(13,294)	41	835	2,916	632	625
Total Expenses	55,693	102,749	107,108	23,930	43,691	31,614
Excess of revenue over expenses (expenses over revenues)	(38,260)	(86,535)	(35,267)	(18,206)	6,369	7,916

The Corporation of the City of Kingston
Consolidated Schedule of Segmented Information
Year ended December 31, 2024
(In Thousands of Dollars)

Schedule of Segmented Information Continued	Health Services	Social and Family Services and Housing	Recreation and Cultural Services	Planning and Development Services	Gas Works
Revenue:					
Government grants	12,196	95,510	440	162	-
Other municipalities	1,506	2,084	937	-	-
User fees and service charges	64	14,104	15,583	6,328	16,552
User fees - gas commodity	-	-	-	-	14,251
Other	-	2,116	2,002	1,066	-
Total Revenue	13,766	113,814	18,962	7,556	30,803
Expenses:					
Salaries, wages & employee benefits	12,164	31,597	24,239	4,986	-
Materials	803	11,548	7,640	893	12
Contracted services	918	8,320	10,882	1,124	5,960
Gas commodity purchases	-	-	-	-	14,251
Rents and financial expenses	389	1,161	5,736	86	2,340
External transfers	16,957	80,216	1,635	7,451	-
Amortization	406	5,373	10,903	-	3,749
Inter-departmental charges	-	3,519	4,480	(205)	450
Total Expenses	31,637	141,734	65,514	14,335	26,762
Excess of revenue over expenses (expenses over revenues)	(17,871)	(27,920)	(46,552)	(6,780)	4,041

The Corporation of the City of Kingston
 Consolidated Schedule of Segmented Information
 Year ended December 31, 2024, with Comparative Figures for 2023
 (In Thousands of Dollars)

Schedule of Segmented Information Totals	Total 2024	Total 2023
Revenue:		
Government grants	135,606	135,337
Other municipalities	5,627	5,261
User fees and service charges	181,888	167,913
User fees - gas commodity	14,251	16,424
Other	48,331	41,155
Total Revenue	385,703	366,090
Expenses:		
Salaries, wages & employee benefits	234,053	222,617
Materials	51,955	49,981
Contracted services	109,045	103,393
Gas commodity purchases	14,251	16,424
Rents and financial expenses	31,556	28,028
External transfers	115,388	102,136
Amortization	88,519	82,760
Inter-departmental charges	-	-
Total Expenses	644,767	605,339
Excess of revenue over expenses	(259,064)	(239,249)
Taxation	292,127	279,917
Payments in Lieu	18,800	17,493
Investment in Government Business Enterprise	1,806	1,549
Investment Income	20,484	17,194
Taxation and Investment Revenue	333,217	316,153
Annual Surplus	74,153	76,904

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 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, 2024
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of remeasurement gains and losses 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 consolidated financial position of the Entity as at December 31, 2024, and its consolidated results of operations, its consolidated remeasurement gains and losses and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***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.

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 the financial statements.

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

We also:

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

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

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 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

DATE

The Corporation of the City of Kingston

Trust Funds

Year Ended December 31, 2024, with comparative figures for 2023

Statement of Financial Position

Name of Fund	Rideaucrest Residents Fund	Donations & Endowments	Other	Total 2024	Total 2023
Assets					
Cash	\$25,647	\$ 40,400	\$105,025	\$171,072	\$168,300
Total	\$25,647	\$ 40,400	\$105,025	\$171,072	\$168,300
Fund Balances					
Unexpendable trust	\$ -	\$40,400	\$25,000	\$ 65,400	\$65,400
Capital/ earned surplus	25,647	-	80,025	105,672	102,900
Total	\$25,647	\$40,400	\$105,025	\$171,072	\$168,300

Statement of Continuity

Name of Fund	Rideaucrest Residents Fund	Donations & Endowments	Other	Total 2024	Total 2023
Balances, beginning of year	\$28,184	\$40,400	\$99,716	\$168,300	\$167,307
Donations and other revenue	31,982	-	200	32,182	38,962
Interest earned	-	2,035	5,109	7,144	7,071
Sub-Total	\$60,166	\$42,482	\$105,025	\$207,626	\$213,340
Expenses	34,519	2,035	-	36,554	45,040
Balances, end of year	\$25,647	\$40,400	\$105,025	\$171,072	\$168,300

The Corporation of the City of Kingston

Trust Funds

Notes to Financial Statements

Year Ended December 31, 2024

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) Financial instruments:

The Financial Instruments 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, at which point they are transferred to the Statement of Continuity. 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 Statement of Continuity 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 Statement of Continuity.

A Consolidated Statement of Remeasurement Gains and Losses has not been provided as there are no unrealized gains or losses at December 31, 2024 or 2023.

Draft for discussion purposes

1. Significant accounting policies (continued):

(c) Financial instruments (continued):

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).

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. 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.



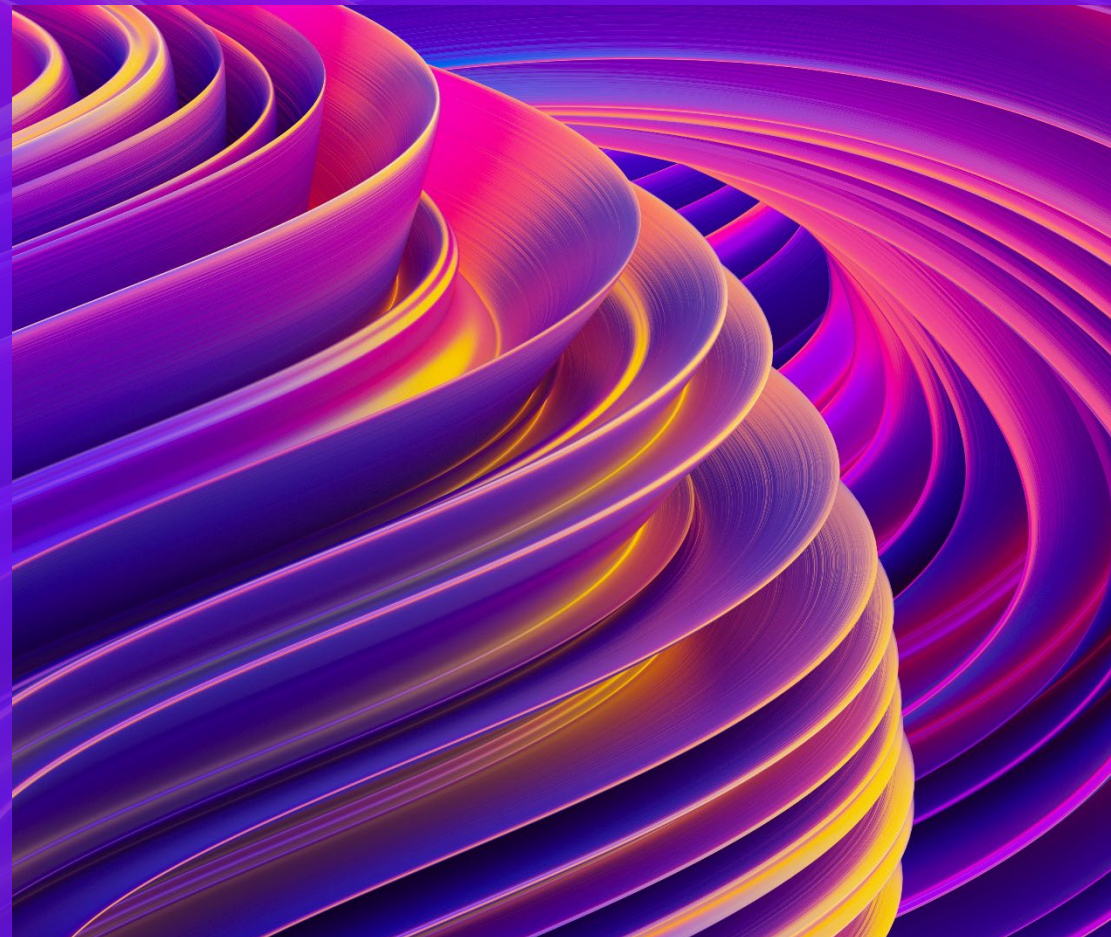
Corporation of the City of Kingston

Audit Findings Report for the year ended
December 31, 2024

KPMG LLP

Prepared as of June 16, 2025 for presentation to the
Administrative Policies Committee on July 10, 2025

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement



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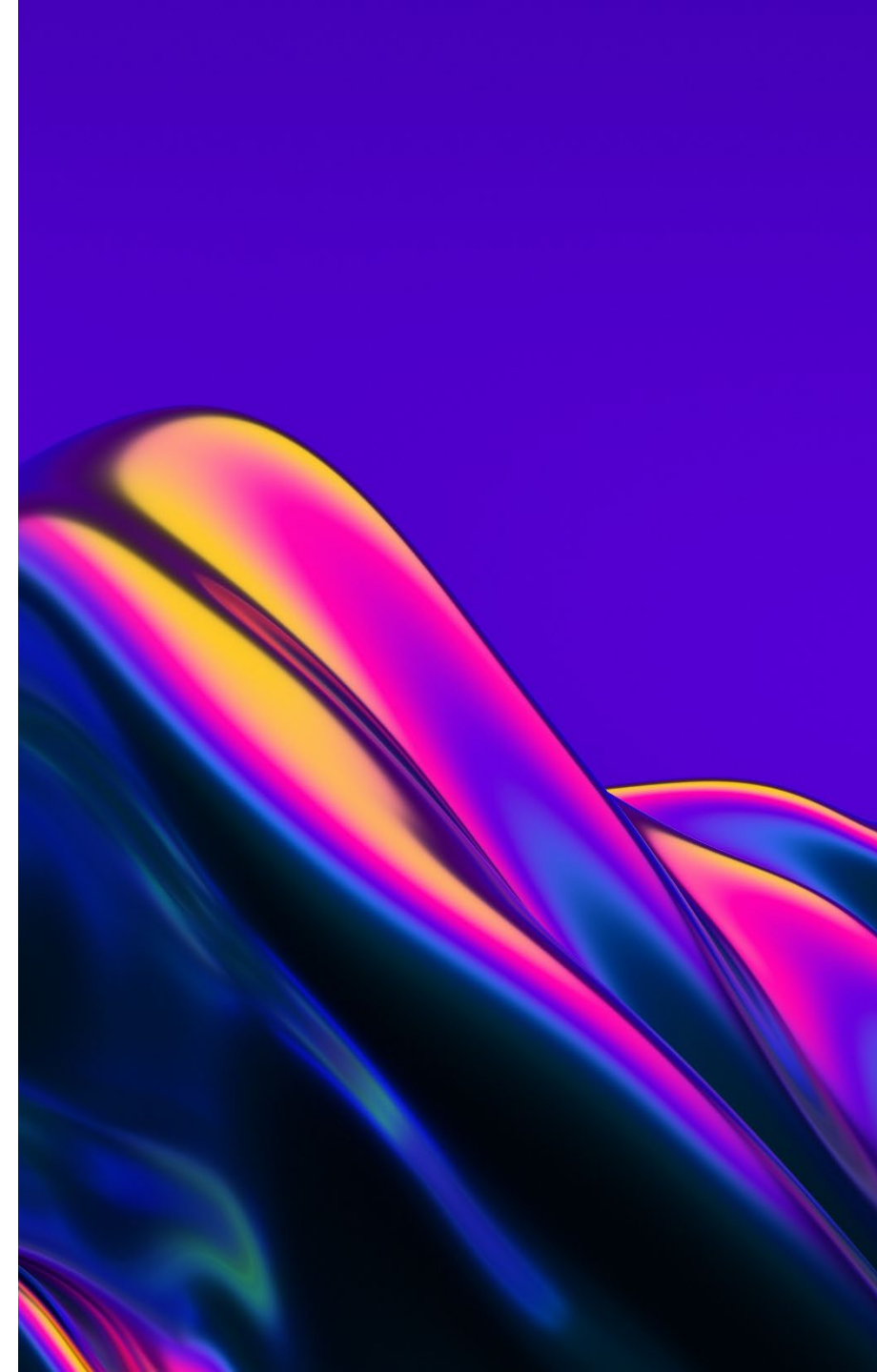


Table of contents

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.

4	Highlights	5	Status	6	Significant changes	7	Risks and results
8	Misstatements	9	Control deficiencies	10	Policies and practices	12	Specific topics
13	Independence	14	Appendices				

The purpose of this report is to assist you, as a member of the Administrative Policies 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 and the Administrative Policies Committee 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

Status

We have completed the audit of the consolidated financial statements (“financial statements”) of the Corporation of the City of Kingston (the “City”) for the year ended December 31, 2024, 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 changes to our audit plan which includes the involvement of IT and our group scoping.

Risks and results & Significant unusual transactions

Significant risks

- We did not identify any significant financial reporting risks other than the presumed risk of management override of controls.

Other risks of material misstatement

Going concern matters

Significant unusual transactions

No matters to report Matters to report – see link for details

Policies and practices & Specific topics

Accounting policies and practices

Other financial reporting matters

Specific topics

Misstatements

Uncorrected misstatements

Corrected misstatements

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

Control deficiencies

Significant deficiencies

Other observations

Audit Quality

Learn more about how we deliver audit quality.

Independence

Annual Statement of Compliance



Status

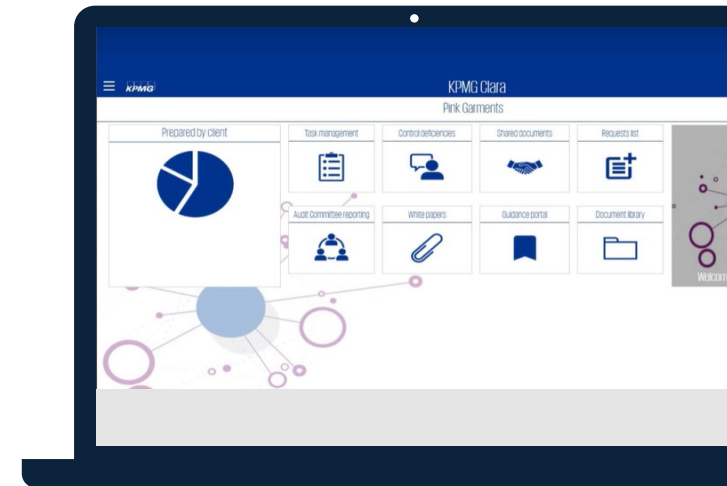
As of June 16, 2025 in preparation of our Audit Findings Report, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

- Final assembly of our audit documentation, including completion of any remaining procedures and review of audit working papers;
- Completing our discussions with the Administrative Policies Committee;
- Completion of our subsequent events review procedures up to the date of our auditor's report;
- Obtaining evidence of Council's approval of the consolidated financial statements; and
- Receipt of 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](#), will be dated upon the completion of any remaining procedures.

KPMG Clara for Clients (KCfc)





Significant changes to our audit plan

We have made certain changes to our audit strategy since our communication in the Audit Planning Report:



Management and the KPMG audit team



There were no significant Management team member changes from the Audit Plan. Management were consistently available as needed to assist the Audit Team. Amalshia Shaji was the lead Audit Manager for the KPMG team this year.



Group Materiality



Group materiality was set at \$12,000,000 in our audit planning report, which represented approximately 1.98% of prior year total expenses. Current year actual expenses increased to \$645 million, therefore, materiality represented 1.86% 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 paid via EFT to ensure the proper approvals and policy was being followed. We have no findings to report from this procedure.



Significant change to involvement of others



Annually, our audit involves the use of IT Audit specialists to document and review our understanding of the City's Information Technology infrastructure through detailed discussions with the City's IT personnel. This year, the IT Audit specialists also assessed the repercussions of the cyber incident at the police on the City's financial reporting. This included evaluating cybersecurity-related contingent liabilities, claims arising from actual cybersecurity incidents, and the overall impact on financial records subject to audit. The audit concentrated on the risk of significant inaccuracies at both the financial statement assertion level and the overall financial statements. No issues were noted during this evaluation.



Significant change to the group audit strategy, including scoping



The application of the revised ISA 600/CAS 600 that applied to the 2024 group audit, added Kingston Frontenac Housing Corporation ("KFHC") as a significant financial component due to the magnitude of KFHC's tangible capital assets.



Significant risks and results

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



Management Override of Controls

RISK OF

FRAUD

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. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

No

No

Our response

- Our procedures included:
 - We tested the design and implementation of controls surrounding the review of journal entries, and the business rationale for significant entries.
 - Using our KPMG software tools, we analyzed the journal entries posted during the year for completeness.
 - In responding to risks of fraud and management override of controls, we set specific criteria to isolate high risk journal entries and adjustments in order to analyze for further insights into our audit procedures and findings.
 - We have not identified any specific additional risks of management override relating to this audit.
- **No issues were noted.**

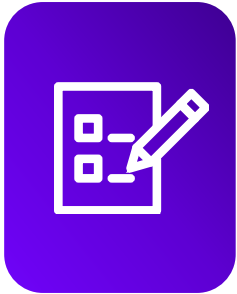


Audit misstatements

As stated earlier in our report, materiality for fiscal 2024 was set at \$12,000,000 (2023 - \$10,000,000) which translated into an audit misstatement posting threshold of \$600,000 (2023 - \$500,000). As such, all misstatements identified during the audit greater than \$600,000 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.



Uncorrected differences

- We did not identify any differences that remain uncorrected.



Impact of corrected misstatements

- The management representation letter, a draft of which is included in [Appendix 1b: Management Representation Letter](#), 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.



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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the consolidated 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 have not identified a significant deficiency in internal control over financial reporting.**





Accounting policies and practices



Initial selection

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

- PS 3400 *Revenue*
- PSG-8 *Purchased Intangibles*
- PS 3160 *Public Private Partnerships (P3s)*



Revised

No new or revised material or significant accounting policies and practices were selected and applied during the period.



Significant qualitative aspects

There are no significant qualitative aspects to note with respect to the accounting policies and practices. The engagement team reviewed the accounting policies and practices as part of the audit work performed and agreed with management's assertion that the accounting policies and practices were appropriate, and applied correctly throughout the period.



Other financial reporting matters

We also highlight the following:



Financial statement presentation - form, arrangement, and content



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 2024.



Concerns regarding application of new accounting pronouncements



The revised Concepts Underlying Financial Performance is effective for fiscal years beginning on or after April 1, 2026. The framework provides the core concepts and objectives underlying Canadian public sector accounting standards.

The proposed section PS 1202 Financial statement presentation will replace the current section PS 1201 Financial statement presentation. PS 1202 Financial statement presentation will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted.



Significant qualitative aspects of financial statement presentation and disclosure



No matters to report.



Specific topics

Matter	Finding
Illegal acts, including noncompliance with laws and regulations, or fraud	No matters to report
Other information in documents containing the audited financial statements	Not applicable
Significant difficulties encountered during the audit	No matters to report
Difficult or contentious matters for which the auditor consulted	No matters to report
Management's consultation with other accountants	No matters to report
Disagreements with management	No matters to report
Related parties	No matters to report
Significant issues in connection with our appointment or retention	No matters to report
Other matters that are relevant matters of governance interest	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 Code¹ 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 consolidated financial statements in Canada.



¹ International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)

Appendices

1

Required communications

2

Audit quality

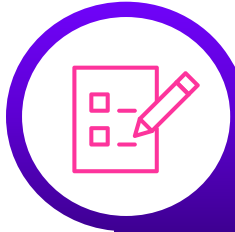
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Audit and assurance insights





Appendix 1: Other required communications



Engagement terms

A copy of the engagement letter and any subsequent amendments has been provided to management.



CPAB communication protocol

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

- [CPAB Audit Quality Insights Report: 2022 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2023 Interim Inspections Results](#)
- [CPAB Regulatory Oversight Report: 2023 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2024 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, 2024
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of remeasurement gains and losses 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 consolidated financial position of the Entity as at December 31, 2024, and its consolidated results of operations, its consolidated remeasurement gains and losses and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**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.



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

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 the financial statements.

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



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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants
Kingston, Canada
(Date)



Appendix 1b: Management representation letter

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

August 12, 2025

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, 2024.

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.

Other:

- 16) We confirm that we have provided you with a complete list of service organizations (SO) and sub-service organizations (SSO) and that the relevant complementary user entity controls (CUECs) related to each SO/SSO have been designed and implemented. For the purpose of this representation, a service organization is one as defined in CAS 402.

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 Corrected Audit Misstatements:

Description	Statement of Financial Position effect ¹			Statement of Operations effect ¹
	Assets \$	Liabilities \$	Accumulated Surplus \$	
Audit misstatements greater than \$600,000 individually				
Dr. Grants and subsidies – operating	-	-	-	592,000
Cr. External transfers	-	-	-	(592,000)
To correct revenue recognized				
TOTAL CORRECTED AUDIT MISSTATEMENTS	-	-	-	-



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

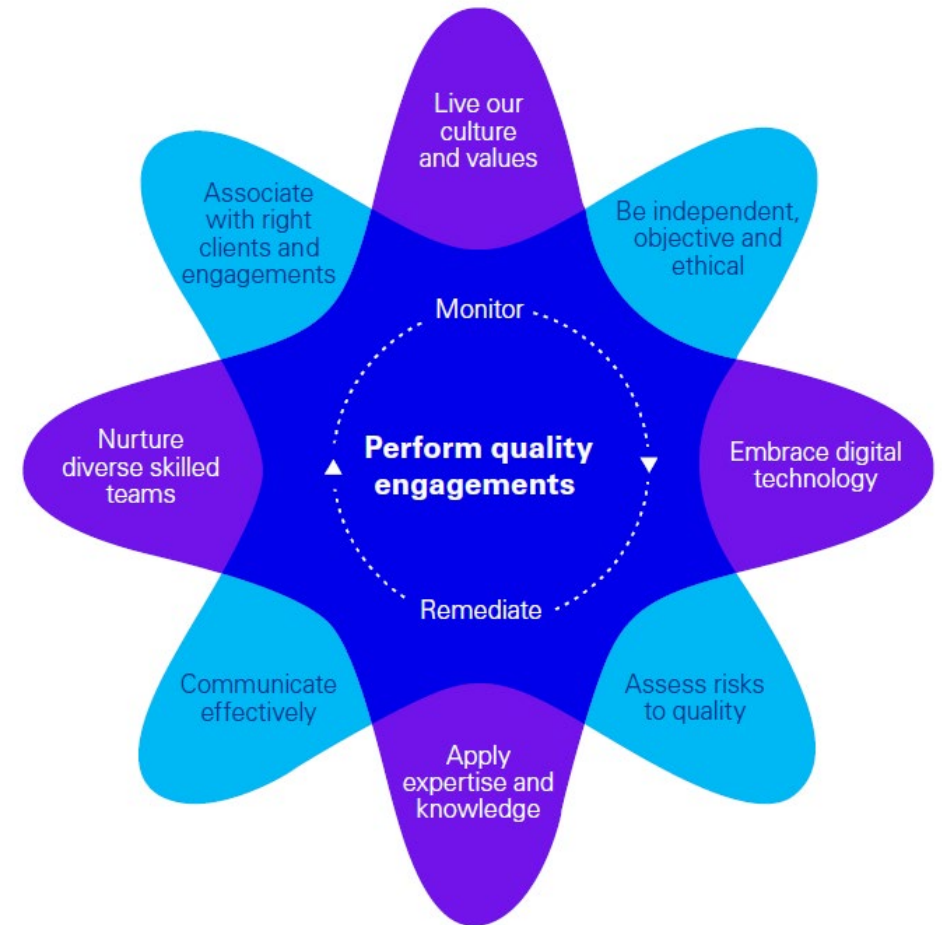
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

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 Canada 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 - Indicators (AQIs)

The objective of these measures is to provide the Administrative Policies 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 are relevant for the audit.



Audit team composition



- Experience, commitment and knowledge of the broader not-for-profit sector
- A combination of continuity and fresh perspectives
- Access to specialist resources with not-for-profit 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.



Administrative Policies Committee



- Committee members participate fully in the discussion with 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: Audit and assurance insights

Our latest thinking on the issues that matter most to Administrative Policies Committees, Councils 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 Assurance & Related Services, Canadian Securities Matters, and US Outlook reports.

Insights - KPMG Canada

Sustainability Reporting

Resource centre on implementing the new Canadian reporting standards

IFRS Breaking News

A monthly Canadian newsletter that provides the latest insights on accounting, financial reporting and sustainability reporting.

Audit Committee Guide – Canadian Edition

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

Accelerate 2025

Discover the most pressing risks and opportunities that face audit committee, boards and management teams.



<https://kpmg.com/ca/en/home.html>

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