

Audited Financial Statements  
and Other Financial Information of

**CORPORATION OF THE  
CITY OF KINGSTON**

Year ended December 31, 2008

# **CORPORATION OF THE CITY OF KINGSTON**

Year ended December 31, 2008

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## AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the  
Corporation of the City of Kingston

We have audited the consolidated statement of financial position of the Corporation of the City of Kingston as at December 31, 2008 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2008 and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada

April 9, 2009

# CORPORATION OF THE CITY OF KINGSTON

## Consolidated Statement of Financial Position

December 31, 2008, with comparative figures for 2007  
(In thousands of dollars)

	2008	2007
<b>Financial assets:</b>		
Cash and short-term investments (note 3)	\$ 100,800	\$ 76,072
Taxes receivable	9,120	7,596
Accounts receivable	37,534	43,025
Other current assets	12,727	10,011
Notes receivable from government business enterprises (note 22)	11,846	11,846
Long-term investments (notes 3 and 5)	67,506	59,793
Investment in government business enterprises (note 22)	21,087	19,683
	260,620	228,026
<b>Liabilities:</b>		
Temporary loans (note 8)	72,200	57,600
Accounts payable and accrued liabilities	45,734	53,679
Due to government business enterprises (note 22):		
Utilities Kingston	930	426
Kingston Hydro Corporation	3,191	5,593
Employee future benefit obligations (note 11(d))	2,422	2,254
Deferred revenues – obligatory reserve funds (note 14)	30,004	16,899
Deferred revenues	11,219	10,000
Accrued interest on long-term debt	1,463	1,650
Employee future benefit obligations (note 11(d))	28,658	26,632
Landfill closure and post closure liabilities (note 17)	6,702	7,986
Long-term liabilities (note 12)	151,322	126,471
	353,845	309,190
<b>Net financial liabilities</b>	<b>(93,225)</b>	<b>(81,164)</b>
<b>Other assets:</b>		
Inventory	1,129	945
<b>Total net liabilities</b>	<b>\$ (92,096)</b>	<b>\$ (80,219)</b>
<b>Municipal position:</b>		
Current fund (note 13)	\$ 15,032	\$ 12,612
Capital fund (note 13)	(64,080)	(69,535)
Reserves	9,204	8,292
Reserve funds	115,968	112,622
Government business enterprises net equity (note 22)	21,087	19,683
	97,211	83,674
<b>Amounts to be recovered from future revenues:</b>		
Net long-term liabilities (note 12)	(151,322)	(126,471)
Accrued interest on long-term debt	(1,463)	(1,650)
Employee future benefit obligations (note 11(d))	(23,474)	(21,851)
Landfill closure and post-closure liabilities (note 17)	(6,702)	(7,986)
<b>Amounts to be recovered from reserve funds:</b>		
Employee future benefit obligations (note 11(d))	(6,346)	(5,935)
	(189,307)	(163,893)
<b>Contingent liabilities (note 18)</b>		
<b>Commitments (note 19)</b>		
<b>Total municipal position</b>	<b>\$ (92,096)</b>	<b>\$ (80,219)</b>

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

# CORPORATION OF THE CITY OF KINGSTON

## Consolidated Statement of Financial Activities

Year ended December 31, 2008, with comparative figures for 2007  
(In thousands of dollars)

	2008	2007
<b>Revenues:</b>		
Property taxation	\$ 150,088	\$ 142,199
Taxation from other governments	13,375	13,231
User charges	87,411	81,651
User charges – gas commodity	23,576	21,492
Government grants	84,908	89,467
Grants from other municipalities	4,742	4,861
Investment income	7,894	10,417
Penalties and interest on taxes	1,540	1,424
Sale of land	624	747
Lot levies	5,208	2,756
Other	3,398	2,532
Transfers from deferred obligatory reserve funds (note 14)	10,709	5,243
Government business enterprises net earnings (note 22)	1,254	1,371
<b>Total revenues</b>	<b>394,727</b>	<b>377,391</b>
<b>Expenditures:</b>		
<b>Current:</b>		
General government	21,015	20,719
Fire	19,379	18,398
Police	28,847	27,956
Protective inspections and control	4,223	4,570
Roadways and winter control	15,015	13,989
Transit	13,264	12,356
Parking	4,167	3,384
Street lighting	1,183	1,425
Air transportation	1,180	1,088
Sanitary sewers	11,390	10,565
Storm sewers	857	1,093
Waterworks system	8,883	8,230
Garbage collection and disposal	8,727	8,578
Landfill closure and post-closure liabilities	(1,284)	(1,408)
Health services	11,769	9,912
Land ambulance	5,014	4,779
Social housing	18,813	18,316
Assistance to families (general)	44,797	47,727
Assistance to aged persons	15,996	16,209
Day nurseries	10,090	9,716
Parks, recreation and other cultural	20,583	16,055
Libraries	6,093	5,980
Planning and zoning	2,029	1,594
Commercial and industrial development	3,373	3,333
Gas utility – operations	3,458	3,184
Gas utility – commodity	23,576	21,492
<b>Total current expenditures</b>	<b>302,437</b>	<b>289,240</b>

# CORPORATION OF THE CITY OF KINGSTON

Consolidated Statement of Financial Activities, page 2

Year ended December 31, 2008, with comparative figures for 2007  
(In thousands of dollars)

	2008	2007
Expenditures (continued):		
Capital:		
General government	\$ 5,189	\$ 3,720
Fire	2,449	594
Police	1,727	16,565
Protective inspection and control	85	127
Roadways	14,951	14,991
Transit	3,886	1,744
Parking	222	425
Air transportation	1,319	78
Sanitary sewers	36,302	51,544
Waterworks system	7,937	4,576
Environmental	504	268
Garbage collection and disposal	1,088	624
Public Health Services	21	—
Assistance to families and aged persons	1,091	492
Social housing	77	5,811
Parks and recreation and other cultural	22,778	60,204
Libraries	2,105	1,449
Planning and zoning	339	490
Gas utility	2,281	2,351
	104,351	166,053
Total expenditures	406,788	455,293
Net expenditures	(12,061)	(77,902)
Add: New debt issue - municipality	34,480	14,264
Less: Debt principal repayments	(9,629)	(9,312)
Change in accrued interest on long-term debt	(188)	571
Change in employee future benefit obligations	2,035	1,853
Change in landfill closure and post-closure liabilities	(1,284)	(1,407)
Change in non-financial assets	184	(197)
	25,599	5,772
Increase (decrease) in fund balances	\$ 13,537	\$ (72,130)

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

# CORPORATION OF THE CITY OF KINGSTON

## Consolidated Statement of Changes in Financial Position

Year ended December 31, 2008, with comparative figures for 2007  
(In thousands of dollars)

	2008	2007
<b>Operations:</b>		
Net expenditures	\$ (12,061)	\$ (77,902)
Net change in non-cash working capital items:		
Decrease (increase) in taxes receivable	(1,524)	457
Decrease (increase) in accounts receivable	5,491	(16,624)
Decrease (increase) in other current assets	(2,715)	2,905
Increase (decrease) in accounts payable and accrued liabilities	(7,946)	12,663
Decrease in due to government business enterprises	(1,730)	(1,011)
Increase in deferred obligatory reserve funds	13,106	5,736
Increase (decrease) in deferred revenue	1,219	(146)
Increase (decrease) in accrued interest on long-term debt	(188)	571
Increase in employee future benefit obligations	2,026	1,836
Decrease in landfill closure and post closure liabilities	(1,284)	(1,407)
	6,455	4,980
Net change in cash from operations	(5,606)	(72,922)
<b>Investments:</b>		
Increase in long-term investments	(7,713)	(8,894)
Increase in investment in government business enterprises	(1,404)	(1,521)
Net change in cash from investments	(9,117)	(10,415)
<b>Financing:</b>		
New debt issue - municipality	33,683	10,000
New debt issue - Kingston & Frontenac Housing Corporation	797	4,264
New repayment of tile drainage	(12)	(11)
Temporary loans	14,600	57,022
Debt principal repayments	(9,617)	(9,312)
Net change in cash from financing	39,451	61,963
Increase (decrease) in cash and short-term investments	24,728	(21,374)
Cash and short-term investments, beginning of year	76,072	97,446
Cash and short-term investments, end of year	\$ 100,800	\$ 76,072

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

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

# CORPORATION OF THE CITY OF KINGSTON

## Notes to Consolidated Financial Statements

Year ended December 31, 2008

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### 1. Significant accounting policies:

The consolidated financial statements of the Corporation of the City of Kingston (the "City") are prepared by management in accordance with Canadian generally accepting accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City are as follows:

#### (a) Basis of consolidation:

- (i) The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and fund balances of the current, capital, reserves and reserve funds of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards which are owned or controlled by the City. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

These consolidated financial statements include:

Rideaucrest Home for the Aged

Downtown Business Improvement Area

Kingston-Frontenac Public Library Board

Kingston & Frontenac Housing Corporation

Kingston, Frontenac and Lennox and Addington Public Health (proportionately consolidated)

Consolidated by modified equity basis:

1425447 Ontario Limited and Kingston Hydro Corporation (formerly Kingston Electricity Distribution Limited) are 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 with those of the City, and inter-organizational transactions and balances are not eliminated.

Proportionate consolidation:

Kingston, Frontenac and Lennox and Addington Public Health is accounted for using the proportionate consolidation method of accounting and reporting, whereby the municipality's pro-rata share of each of the assets, liabilities, revenue and expenses is combined on a line-by-line basis in the financial statements.

- (ii) The charges for long-term liabilities assumed by consolidated entities or by individuals in the case of the drainage and shoreline property assistance loans are reflected in the financial statements.



# CORPORATION OF THE CITY OF KINGSTON

## Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

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### 1. Significant accounting policies (continued):

#### (a) Basis of consolidation (continued):

##### (iii) Accounting for school board transactions:

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

##### (iv) Trust funds:

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

#### (b) Capital assets:

The historical cost and accumulated amortization of capital assets are not reported for municipal purposes. Capital assets are reported as an expenditure on the "Consolidated Statement of Financial Activities" in the year of acquisition. Please see note 25 regarding tangible capital assets.

#### (c) Accrual accounting:

Revenue and expenditures are reported on the accrual basis of accounting. Revenue is recognized as it is earned and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

#### (d) Employee future benefits:

The municipality accrues its obligations for employee benefit plans. The cost of post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Actuarial gains (losses), which can arise from changes in actuarial assumptions used to determine the accrued benefit obligation, are amortized over the average remaining service life of the related employee groups, which is estimated to be 11 years for the actuarial loss from 2005 and 13 years for the actuarial loss in 2008.

#### (e) Workplace safety and insurance compensation:

The municipality bears the cost of certain insurance and pension benefits awarded under workplace safety and insurance legislation and accrues the actuarially determined cost of these obligations.

Actuarial gains (losses), which can arise from changes in actuarial assumptions used to determine the accrued obligation, are amortized over the mean term of the liabilities which is estimated to be 10 years.

# CORPORATION OF THE CITY OF KINGSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

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## 1. Significant accounting policies (continued):

### (f) Landfill closure and post-closure liabilities:

The municipality accrues landfill closure and post-closure care requirements that have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a twenty-seven year period using the best information available to management.

Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

### (g) Deferred revenues – obligatory reserve funds:

The City receives restricted contributions under the authority of 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 expenditures are recorded as revenue in the fiscal period they are expended.

### (h) Deferred revenue:

The City receives contributions pursuant to legislation, regulations or agreement that may only be used for certain programs or in the competition of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

### (i) Inventory:

Inventory for water, sewer and gas supplies is stated at the lower of cost and replacement cost.

Inventory for gas commodity is stated at the lower of weighted average cost and net realizable value.

### (j) Investments:

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

Investment income earned on available current funds, reserve funds (other than obligatory funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balance.

# CORPORATION OF THE CITY OF KINGSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

## 1. Significant accounting policies (continued):

### (k) Government transfers:

Government transfers are recognized in the 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.

### (l) Amounts to be recovered:

Amounts to be recovered are comprised of accrued interest on long-term debt, outstanding net long-term liabilities, employee future benefit obligations and landfill closure and post-closure liabilities.

### (m) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the valuation for employee future benefit obligations and landfill closure and post closure liabilities. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

## 2. Operations of school boards:

Requisitions were made by the school boards requiring the City to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	2008	2007
	(In thousands of dollars)	
Taxation and user charges	\$ 50,568	\$ 48,630
Payments in lieu	261	265
Amount transferred to school boards	\$ 50,829	\$ 48,895

## 3. Restricted assets:

Cash and short-term and long-term investments in the amount of \$145,972,657 (2007 - \$129,521,129) have been restricted to support reserve funds and obligatory reserve funds.

# CORPORATION OF THE CITY OF KINGSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

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#### 4. 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, 2008, there was \$Nil (2007 - \$Nil) drawn on the operating credit facility.

#### 5. Long-term investments:

Long-term investments, which consist primarily of government and financial institution bonds, are recorded on the Consolidated Statement of Financial Position at cost plus accrued interest and amortization of purchase premiums and discounts. They have a market value of \$70,164,257 at December 31, 2008 (2007 - \$60,684,885).

#### 6. Contributions to Kingston Economic Development Corporation:

Kingston Economic Development Corporation is incorporated without share capital under the Ontario Corporations Act and the Ontario Municipal Act to enhance economic development in the greater Kingston Area.

The "Consolidated Statement of Financial Activities" includes the following contributions made by the municipality to the corporation:

	2008	2007
	(In thousands of dollars)	
Kingston Economic Development Corporation Grant	\$ 2,369	\$ 2,300

#### 7. Trust funds:

Trust funds administered by the municipality amounting to \$288,079 (2007 - \$273,132) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities".

#### 8. Temporary loans:

The City has financial agreements with the Ontario Infrastructure Projects Corporation (OIPC) for temporary capital loans up to a maximum of \$106,640,000 for the interim financing of various water, sewer, roads and building capital projects. As at December 31, 2008, the temporary capital loan balance is \$72,200,000 (2007 - \$57,600,000).

# CORPORATION OF THE CITY OF KINGSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

## 9. Provincial grants:

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

## 10. Pension agreements:

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of members of its staff. The plan is a 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.

The amount contributed to OMERS for 2008 was \$6,180,792 (2007 - \$5,681,482) for current service and is included as an expenditure on the "Consolidated Statement of Financial Activities".

## 11. Employee benefit obligations:

### (a) Extended health care, dental, life insurance and sick leave benefits:

The City provides extended health care, dental, life insurance and sick leave benefits to its employees. An independent actuarial study of the post-retirement and post-employment benefits was undertaken at December 31, 2007. An actuarial update of the employee future benefits was completed for December 31, 2008. Beginning in 2005 and 2008, actuarial losses were amortized on a straight-line basis over the expected average remaining service life of the related employee groups, which is estimated to be 11 years for losses in 2005 and 13 years for losses in 2008.

At December 31, 2008, the City's accrued benefit liability relating to post-retirement and post-employment benefit plans is \$20,320,085 (2007 - \$18,308,649).

The significant actuarial assumptions adopted in estimating the City's accrued benefit obligation are as follows:

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Discount rate	5.0% per annum
Inflation rate	2.0% per annum
Salary escalation	3.0% per annum
Dental benefits escalation	4.0% per annum
Health benefits escalation	8.0% per annum in 2008, decreasing to 4.0% over 12 years

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# CORPORATION OF THE CITY OF KINGSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

## 11. Employee benefit obligations (continued):

### (a) Extended health care, dental, life insurance and sick leave benefits (continued):

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

	2008	2007
	(In thousands of dollars)	
Accrued benefit liability, January 1	\$ 18,309	\$ 17,146
Expense recognized for the period	3,129	2,072
Benefits paid for the period	(1,795)	(1,258)
Amortization of actuarial losses	677	349
Accrued benefit liability, December 31	20,320	18,309
Reserve funds established	6,346	5,935
Amounts to be recovered from future revenues	\$ 13,974	\$ 12,374

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

	2008	2007
	(In thousands of dollars)	
Accrued benefit obligation	\$ 26,684	\$ 25,017
Unamortized actuarial losses	(6,364)	(6,708)
Accrued benefit liability, December 31	\$ 20,320	\$ 18,309

### (b) Workplace safety and insurance:

In common with other Schedule 2 employers, the City funds its obligations to the Workplace Safety and Insurance Board on a "pay-as-you-go" basis for employees under Schedule 2. An independent actuarial study of the Workplace Safety and Insurance Board liabilities was undertaken at December 31, 2007. Beginning in 2005, an actuarial loss was amortized on a straight-line basis over the mean term of the liabilities which is estimated to be 10 years and beginning in 2008, an actuarial gain is being amortized on the same basis.

At December 31, 2008, the City's accrued benefit liability relating to future payments on Workplace Safety and Insurance Board claims is \$9,527,591 (2007 - \$9,362,712).

# CORPORATION OF THE CITY OF KINGSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

## 11. Employee benefit obligations (continued):

### (b) Workplace safety and insurance (continued):

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

	2008	2007
	(In thousands of dollars)	
Accrued benefit liability, beginning of year	\$ 9,363	\$ 8,853
Expense recognized for the period	1,868	1,691
Benefits paid for the period	(1,882)	(1,360)
Amortization of net actuarial loss	178	179
Accrued benefit liability, end of year	\$ 9,527	\$ 9,363

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

	2008	2007
	(In thousands of dollars)	
Accrued benefit obligation	\$ 10,592	\$ 10,606
Unamortized actuarial losses	(1,077)	(1,256)
Unamortized actuarial gain	12	13
Accrued benefit liability, end of year	\$ 9,527	\$ 9,363

### (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, 2008 amount to \$978,597 (2007 - \$952,418).

# CORPORATION OF THE CITY OF KINGSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

## 11. Employee benefit obligations (continued):

(d) Employee benefit obligations:

	2008	2007
	(In thousands of dollars)	
Employee benefit obligations are comprised of:		
Health benefits and sick leave - City of Kingston	\$ 18,041	\$ 16,167
Workplace safety and insurance	9,528	9,363
Vacation credits	835	840
Pension payable	254	262
	28,658	26,632
Health benefits and sick leave – water, sewer and gas utilities (note 22(a))	2,279	2,141
Vacation credits – water, sewer and gas utilities	143	113
	2,422	2,254
	31,080	28,886
Amounts previously charged to current fund operations	(1,260)	(1,100)
Amounts to be recovered from reserve funds	(6,346)	(5,935)
Amounts to be recovered from future revenues	\$ 23,474	\$ 21,851

Employee 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 the Company in managing these utility operations for the City.

## 12. Long-term liabilities:

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

	2008	2007
	(In thousands of dollars)	
Total long-term liabilities incurred by the municipality including those incurred on behalf of other municipalities and municipal enterprises and outstanding at the end of the year amount to	\$ 141,682	\$ 117,451
Long-term liabilities incurred by Kingston & Frontenac Housing Corporation	4,994	4,264
Proportionate share of KFLA Public Health long-term debt	4,646	4,756
Total long-term liabilities to be recovered from future revenues	\$ 151,322	\$ 126,471

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

	\$ (152)	\$ (102)
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# CORPORATION OF THE CITY OF KINGSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

## 12. Long-term liabilities (continued):

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

	2009 to 2013	2014 to 2018	2019 Onwards	Total
	(In thousands of dollars)			
Tax sources	\$ 24,554	\$ 16,844	\$ 21,301	\$ 62,699
Gas, sewer, water user fees	11,421	9,495	23,193	44,109
Other user fees	5,419	4,748	24,556	34,723
From benefiting landowners	95	57	-	152
From KFLA Public Health	663	706	3,276	4,645
From Housing Corporation	475	484	4,035	4,994
	\$ 42,627	\$ 32,334	\$ 76,361	\$ 151,322

(c) The long-term liabilities in (a), issued in the name of the municipality, 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.

## 13. Municipal fund balances at the end of the year:

(a) The current fund balance on the "Consolidated Statement of Financial Position" of \$15,032,076 (2007 - \$12,611,825) at the end of the year is comprised of the following:

	2008	2007
	(In thousands of dollars)	
To be applied to operations of the operating fund for the following year	\$ 2,577	\$ 1,041
To be applied to operations of the water area	2,101	2,085
To be applied to operations of the sewer area	1,876	1,699
To be applied to gas operations	5,925	5,624
Surplus (deficit) - Downtown Business Improvement Area	(24)	53
Surplus - Kingston & Frontenac Housing Corporation	154	147
City share of surplus retained by KFLA Public Health	2,534	2,000
Surplus (deficit) - Kingston Frontenac Public Library Board	(111)	(37)
	\$ 15,032	\$ 12,612

# CORPORATION OF THE CITY OF KINGSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

## 13. Municipal fund balances at the end of the year (continued):

(b) The capital fund balance on the "Consolidated Statement of Financial Position" of \$(64,079,877) (2007 - \$69,535,004) at the end of the year is comprised of the following:

	2008	2007
	(In thousands of dollars)	
Unapplied capital receipts	\$ 15,119	\$ 8,138
Capital expenditures to be financed from the proceeds of long-term liabilities	(78,224)	(74,316)
Capital expenditures to be financed from transfers from reserves and reserve funds	(725)	(3,073)
Capital expenditures to be financed from taxation or user charges	(250)	(284)
	\$ (64,080)	\$ (69,535)

Approval by by-law has been obtained for those 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 these pending issues and commitments are within the debt repayment limit prescribed by the Ministry of Municipal Affairs & Housing.

## 14. Deferred revenue – obligatory reserve funds:

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants 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:

	2008	2007
	(In thousands of dollars)	
Balance, beginning of year	\$ 16,899	\$ 11,162
Development contributions	5,710	4,361
Investment income	558	630
Transfers to current fund	(1,495)	(1,007)
Transfers to capital fund	(9,114)	(4,135)
Transfers to reserve funds	(100)	(100)
Federal gasoline tax	3,710	2,969
Provincial gasoline tax	1,969	1,974
Infrastructure Ontario Act	11,152	—
Building code	715	1,045
Balance, end of year	\$ 30,004	\$ 16,899

# CORPORATION OF THE CITY OF KINGSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

## 14. Deferred revenue – obligatory reserve funds (continued):

	2008	2007
	(In thousands of dollars)	
Analyzed as follows:		
Development charges	\$ 10,236	\$ 8,880
Cash in lieu of parkland	373	667
Provincial gasoline tax	286	288
Federal gasoline tax	3,598	3,511
Infrastructure Ontario Act	11,152	–
Building Code	4,359	3,553
	\$ 30,004	\$ 16,899

## 15. Charges from long-term liabilities:

Total charges for the year for long-term liabilities which are reported on the "Consolidated Statement of Financial Activities" are as follows:

	2008	2007
	(In thousands of dollars)	
Principal payments	\$ 9,629	\$ 9,312
Interest	6,367	5,551
	\$ 15,996	\$ 14,863

## 16. Provincial Offences Administration (POA):

Effective March 13, 2000, the City of Kingston assumed the administration of the Provincial Offences Office in Kingston. The transfer of administration from the Ministry of Attorney General to the City was a result of Provincial Offences Act (POA) 1977, which provides the framework for the transfer of responsibility and administration of POA courts.

The POA is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor Licence Act, Municipal By-Laws and minor federal offences. The POA governs all aspects of legal process from serving notice to a defendant, to conducting trials, including sentencing and appeals.

Balances arising from operation of the POA office have been consolidated with these financial statements effective from the March 13, 2000 assumption of this operation by the City. The revenue of the court office consists of fines levied under Parts I and III (including delay penalties) for POA charges filed in the Kingston court.

# CORPORATION OF THE CITY OF KINGSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

## 16. Provincial Offences Administration (POA) (continued):

Offenders may pay their fines at any court office in Ontario, at which time their receipt is recorded in the Integrated Courts Operation Network System ("ICON") operated by the Province of Ontario. Revenue is recognized when receipt of funds is recorded by the provincial ICON system regardless of the location where payment is made. Total revenue and expenditures of the POA office are as follows:

	2008	2007
	(In thousands of dollars)	
Gross revenues received	\$ 1,702	\$ 2,046
Gross expenditures	766	900
Net revenues	\$ 936	\$ 1,146

## 17. Landfill closure and post-closure liability:

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a twenty-seven year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The City currently has one active and two inactive landfill sites. The Kingston East site is still in operation and has an estimated remaining life of approximately 1 year, which represents 7% of its total estimated capacity. The anticipated closure plan involves placement of low permeability native soils over the buried wastes, landscaping and revegetation and ongoing annual monitoring and maintenance at an estimated capital cost of \$300,000. Annual post-closure maintenance and monitoring requirements are estimated to be \$30,000 per annum.

The Kingston West site was closed in 1989 and involved covering the site with a clay cap and installing groundwater monitoring wells. Further costs to repair the cap are anticipated by the year 2012 at an estimated cost of \$300,000. Annual site monitoring costs are estimated at \$50,000 per annum.

# CORPORATION OF THE CITY OF KINGSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

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## 17. Landfill closure and post-closure liability (continued):

The Belle Park Landfill site was closed in 1976 with soil covering and revegetation. Additional environmental controls were put in place in the mid 1990's and involved the installation of groundwater monitoring wells, a leachate capture and treatment system and placement of additional soil cover. A long-term management plan has been completed. Further closure activities are anticipated over the next three years at an estimated cost of \$3,100,000. These closure activities will include decommissioning of the existing leachate control pumps and construction of engineered treatment wetlands. Annual site monitoring costs are estimated at \$200,000 per annum.

Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the City's average long-term borrowing rate of 5.00% and using an assumed rate of 2.0% for inflation. The estimated total landfill closure and post-closure care expenditures are calculated to be approximately \$6.9 million. For sites that are still active, the estimated liability for these expenditures is recognized as the landfill site's capacity is used. For sites that are inactive, the estimated liability for these expenditures is recognized immediately. Included in liabilities at December 31, 2008 is an amount of \$6,701,977 (2007 - \$7,985,838) with respect to landfill closure and post-closure liabilities recognized to date.

## 18. 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, 2008, management believes that the City has valid defences 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 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 these cases the City has confirmed that there are no risks to human health related to coal tar. The City is also working with individual property owners to find solutions to their concerns related to coal tar. In this regard, the City may enter into agreements to acknowledge its environmental responsibilities pertaining to certain lands within the downtown area based on specific property contamination conditions.

# CORPORATION OF THE CITY OF KINGSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

## 18. Contingent liabilities (continued):

Existing agreements related to coal tar do not establish any current financial obligation for the City and generally limit the liability of land owners related to coal tar. Additional agreements may generally provide for indemnities to landowners against any third party claims or Ministry of Environment orders should any such claim or order arise. 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 financial statements.

## 19. Commitments:

- (a) The City of Kingston has negotiated a non-exclusive long-term contract with Waste Management of Canada (formerly Canadian Waste Disposal) for handling and disposal of garbage. This contract was extended to January 31, 2009. Annual charges under the contract are determined by reference to certain waste volumes handled. Payments made under the contract for the year 2008 were approximately \$1,393,344 (2007 - \$1,353,351).
- (b) 1425445 Ontario Limited (operating as Utilities Kingston) has entered into capital contracts on behalf of the City of Kingston for the following:

Description of project	Total contract price (\$ million)	Costs incurred to date (\$ million)
Construction related to secondary treatment upgrades to the Ravensview sewage treatment plant	\$ 95.4	\$ 84.7

- (c) 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 expenditures on the "Consolidated Statement of Financial Activities".
- (d) In 2006, the City entered into a lease for office premises for a term of five years, ending August 31, 2011 for a monthly base rental of \$28,101 plus operating costs. Lease terms include the option to renew for two additional five year terms.
- (e) The City previously entered into an agreement with the County of Frontenac to share in the capital cost of the reconstruction project for Fairmount Home for the Aged. The majority of total project cost of \$18.2 million has been financed by long-term debt in the amount of \$17.2 million. The City is responsible for 68% of the related debt repayment costs and incurred related debt charges in 2008 in the amount of \$712,503 (2007 - \$712,503).

# CORPORATION OF THE CITY OF KINGSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

## 19. Commitments (continued):

- (f) In 2008, the Corporation of the City of Kingston pledged to the University Hospitals Kingston Foundation, a joint fundraising appeal undertaken by the Foundation on behalf of local hospitals, \$10,000,000 plus 50% of the costs of development charges and impost fees up to a maximum of \$6,000,000. The City has paid \$500,000 of this commitment as of December 31, 2008 being the first of 10 annual payments.

## 20. Budget figures:

The City of Kingston reviews its operating and capital budgets annually. The approved operating budget for 2008 is reflected on the Consolidated Schedule of Current Fund Operations. Budget figures have not been audited and are presented for information purposes only.

For capital spending, budgets are set for individual projects and financing for these activities is determined annually, in accordance with the approved budget. Funding sources include transfers from reserves, development charge reserve funds, issuance of debt and by the application of applicable grants or other funds available to apply to capital projects. As many capital projects are carried out over more than one year, it is not practical to present annualized budget information on the Consolidated Schedule of Capital Fund Operations.

## 21. Supplementary information:

	2008	2007
	(In thousands of dollars)	
Current fund expenditures by object:		
Salaries, wages and employee benefits	\$ 122,978	\$ 115,775
Long-term debt interest expense	353	5,551
Materials	34,936	34,565
Contracted services	35,948	30,066
Rents and financial expenses	4,282	4,483
Natural gas commodity purchases	23,576	21,492
Transfers to others	71,356	70,066
Total	\$ 293,429	\$ 281,998

## 22. 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 financial statements.

# CORPORATION OF THE CITY OF KINGSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

## 22. Investment in government business enterprises (continued):

(a) (continued):

The principal business of Kingston Hydro Corporation (formerly Kingston Electricity Distribution Limited) 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 (formerly Kingston Electricity Distribution Limited) and the water, sewer and gas operations for the City of Kingston. 1425445 Ontario Limited (operating as Utilities Kingston) also owns and operates the fibre optics business.

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 Electricity Distribution Limited.

	2008	2007
	(In thousands of dollars)	
<b>Financial position</b>		
Current assets	\$ 15,376	\$ 13,879
Due from City of Kingston:		
Utilities Kingston	930	426
Kingston Hydro Corporation	3,191	5,593
Post employment benefit obligation	2,279	2,141
Accrued vacation liabilities	200	160
Capital assets	32,784	30,384
Deferred charges	376	154
<b>Total assets</b>	<b>55,136</b>	<b>52,737</b>
Current liabilities	14,984	13,432
Post employment benefit obligation	3,247	3,058
Accrued vacation and pension liabilities	372	339
Accrued liabilities non-current	3,600	4,379
Long-term notes payable to City of Kingston, 7.25% per annum, no fixed terms of repayment	11,846	11,846
<b>Total liabilities</b>	<b>34,049</b>	<b>33,054</b>
<b>Net assets</b>	<b>\$ 21,087</b>	<b>\$ 19,683</b>
Common shares	\$ 12,381	\$ 12,381
Redeemable preferred shares	7,065	6,915
Accumulated earnings	1,641	387
<b>Investment in government business enterprises</b>	<b>\$ 21,087</b>	<b>\$ 19,683</b>



# CORPORATION OF THE CITY OF KINGSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

## 22. Investment in government business enterprises (continued):

(a) (continued):

	2008	2007
	(In thousands of dollars)	
Results of operations:		
Net utility revenues	\$ 94,346	\$ 94,286
Operating expenses	(87,897)	(87,308)
Interest on debt	(1,204)	(1,092)
Depreciation	(2,763)	(2,610)
Net earnings before income taxes	2,482	3,276
Payments in lieu of corporate income taxes	978	1,655
Net earnings	1,504	1,621
Accumulated earnings (loss), beginning of year	387	(984)
	1,891	637
Dividends	(250)	(250)
Accumulated earnings, end of year	\$ 1,641	\$ 387

(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 (formerly Kingston Electricity Distribution Limited) and the City of Kingston in the amounts of \$9,521,238 (2007 - \$7,975,252) and \$67,413,228 (2007 - \$78,658,854) 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 (formerly Kingston Electricity Distribution Limited) in the amount of \$2,135,890 (2007 - \$2,241,940). As at December 31, 2008, the City had balances owing to both companies in the amount of \$929,619 (2007 - \$426,424) and \$3,191,061 (2007 - \$5,592,721) respectively, 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.

## 23. Comparative figures:

Certain 2007 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2008.

# CORPORATION OF THE CITY OF KINGSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

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## **24. Financial instruments:**

The fair value of the municipality's financial instruments that are comprised of cash and short-term investments, taxes receivable, accounts receivable, other current assets, temporary loans, accounts payable and accrued liabilities approximate their carrying value due to their short-term nature.

The carrying value of the notes receivable from government business enterprises and amounts due to government business enterprises approximates fair value primarily due to the market rate of returns attached to the instruments.

The market value of long-term investments disclosed in note 5 approximates their fair value.

It is not practical to determine the fair value of investment in government business enterprises due to the lack of market information available.

The fair value of long-term liabilities is based on rates currently available to the municipality with similar terms and maturities and approximates its carrying value.

Unless otherwise noted, it is management's opinion that the municipality is not exposed to significant interest, currency or credit risks arising from these financial instruments.

## **25. Tangible capital assets:**

Commencing with the fiscal year beginning January 1, 2009, the municipality will be adopting CICA Public Sector Accounting Handbook Section PS 3150, "Tangible Capital Assets". This section establishes standards on how to account for and report tangible capital assets in government financial statements. Tangible assets include such diverse items as roads, bridges, lands and buildings, vehicles and equipment and water, wastewater and natural gas systems.

Effective January 1, 2007, the City adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 – Tangible Capital Assets comes into effect on January 1, 2009.

During 2008, the municipality continued to work towards compliance with the new recommendations for accounting for tangible capital assets. Significant progress has been made on compiling asset inventory listings and valuing all asset categories.

As of December 31 2008, the municipality does not have relevant information to disclose cost, accumulated amortization and net book values for any specific tangible capital asset category. Tangible capital assets are reported as an expenditure on the "Consolidated Statement of Financial Activities" in the year of acquisition.

# CORPORATION OF THE CITY OF KINGSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

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## 26. Segmented information:

The City is a municipal government institution that provides a range of services to its citizens. For management reporting purposes the City's current fund operations and activities are organized and reported by department. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Municipal services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

- (a) **Administration:** Includes corporate services and governance of the City. Administration as a segment includes operating and maintaining city owned buildings, human resource management, support to Council for policy development, by-law development in compliance with the Municipal Act, tax billing and collection responsibilities, financial management reporting, monitoring and overall budget status as well as 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 for the municipality. In addition, services are provided for the winter and summer road maintenance along with the repair and the construction of the municipal roads system including bridges and culverts, as well as operation and maintenance of a fleet of vehicles and equipment for use in providing services to the city.
- (d) **Environmental Services:** Includes the management and maintenance of water treatment and distribution, waste collection and disposal, recycling as well as the wastewater plant and sanitary sewer services.
- (e) **Recreation, Leisure 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, arena, the Grand Theatre and the K-Rock Centre.
- (f) **Planning and Development:** Manages development for business interests, environmental concerns, heritage matters, local neighbourhoods and community development. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of the zoning by-law and official plan.

# CORPORATION OF THE CITY OF KINGSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

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## 26. Segmented Information (continued):

- (g) 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.
- (h) Health services: Provide funding for local Public health organizations.
- (i) Gas works: Own and operate a natural gas distribution network within specific areas of the municipality.

For each segment separately reported, the segment revenue and expenditures represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. These municipal services are funded primarily by property tax and user fee revenue. Certain government transfers, transfer from other funds, and other revenue have been apportioned based on a percentage of budgeted expenses.

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.

# CORPORATION OF THE CITY OF KINGSTON

## Consolidated Schedule of Current Fund Operations

Year ended December 31, 2008, with comparative figures for 2007

(In thousands of dollars)

	Budget 2008 (note 20)	Actual 2008	Actual 2007
<b>Revenues:</b>			
Property taxation (net)	\$ 150,496	\$ 150,088	\$ 142,199
Taxation from other governments	14,115	13,375	13,231
User charges	84,359	87,411	81,651
User charges – gas commodity	35,000	23,576	21,492
Government grants	62,502	65,751	69,819
Grants from other municipalities	4,798	4,742	4,861
Investment income	1,492	2,734	3,136
Penalties and interest on taxes	1,400	1,540	1,424
Sale of land and equipment	–	624	747
Other	70	75	–
Transfers from deferred obligatory reserve funds (note 14)	2,090	1,495	1,007
<b>Total revenues</b>	<b>356,322</b>	<b>351,411</b>	<b>339,567</b>
<b>Expenditures:</b>			
General government	20,276	20,841	20,163
Protection to persons and property	52,743	52,284	49,716
Transportation services	30,881	32,917	30,412
Environmental services	26,307	26,176	25,462
Health services	17,393	16,785	14,692
Social and family services	71,591	70,839	73,554
Social housing	17,921	18,813	18,316
Recreation and cultural services	22,182	22,534	20,276
Planning and development	5,524	5,382	4,925
Gas commodity	35,000	23,576	21,492
Gas operations	3,759	3,282	2,990
<b>Total expenditures</b>	<b>303,577</b>	<b>293,429</b>	<b>281,998</b>
<b>Net revenues</b>	<b>52,745</b>	<b>57,982</b>	<b>57,569</b>
<b>Financing and transfers:</b>			
Net transfers to other funds:			
Reserves and reserve funds	(52,393)	(55,835)	(58,059)
Capital fund	–	(122)	–
Debt principal repayments	(352)	(352)	(363)
Change in accrued interest on long-term debt	–	(188)	571
Change in employee future benefit obligations	–	2,035	1,853
Change in landfill closure and post-closure liabilities	–	(1,284)	(1,407)
Change in non-financial assets	–	184	(197)
<b>Net financing and transfers</b>	<b>(52,745)</b>	<b>(55,562)</b>	<b>(57,602)</b>
<b>Change in current fund balance</b>	<b>–</b>	<b>2,420</b>	<b>(33)</b>
<b>Opening current fund balance</b>	<b>–</b>	<b>12,612</b>	<b>12,645</b>
<b>Closing current fund balance</b>	<b>\$ –</b>	<b>\$ 15,032</b>	<b>\$ 12,612</b>

# CORPORATION OF THE CITY OF KINGSTON

## Consolidated Schedule of Capital Fund Operations

Year ended December 31, 2008, with comparative figures for 2007  
(In thousands of dollars)

	Actual 2008	Actual 2007
<b>Revenues:</b>		
Government grants	\$ 19,157	\$ 19,649
Transfers from deferred obligatory reserve funds (note 14)	9,114	4,135
Donations and other	2,769	2,287
<b>Total revenues</b>	<b>31,040</b>	<b>26,071</b>
<b>Expenditures:</b>		
General government	5,189	3,719
Protection to persons and property	4,261	17,287
Transportation services	20,378	17,238
Environmental services	45,832	57,012
Social and family services	1,112	492
Social housing	77	5,811
Planning and development	339	490
Recreation and cultural services	24,882	61,653
Gas	2,281	2,351
<b>Total expenditures</b>	<b>104,351</b>	<b>166,053</b>
<b>Net expenditures</b>	<b>(73,311)</b>	<b>(139,982)</b>
<b>Financing and transfers:</b>		
Net transfers from other funds:		
Reserves and reserve funds	44,164	41,122
Current fund	122	-
New debt issue	34,480	14,264
<b>Net financing and transfers</b>	<b>78,766</b>	<b>55,386</b>
<b>Change in capital fund balance</b>	<b>5,455</b>	<b>(84,596)</b>
<b>Opening capital fund balance</b>	<b>(69,535)</b>	<b>15,061</b>
<b>Closing capital fund balance</b>	<b>\$ (64,080)</b>	<b>\$ (69,535)</b>

# CORPORATION OF THE CITY OF KINGSTON

## Consolidated Schedule of Reserves and Reserve Funds

Year ended December 31, 2008, with comparative figures for 2007  
(In thousands of dollars)

	2008	2007
<b>Revenues:</b>		
Investment income	\$ 5,159	\$ 7,281
Lot levies	5,208	2,757
Other revenues	554	244
Transfers from deferred obligatory reserve funds (note 14)	100	100
<b>Total revenues</b>	<b>11,021</b>	<b>10,382</b>
<b>Expenditures:</b>		
Long-term debt interest	9,007	7,242
Increase in government business enterprise equity	150	150
	<b>9,157</b>	<b>7,392</b>
<b>Net revenues</b>	<b>1,864</b>	<b>2,990</b>
<b>Net transfers from (to) other funds:</b>		
Current fund	55,835	58,059
Capital fund	(44,164)	(41,122)
<b>Total net transfers</b>	<b>11,671</b>	<b>16,937</b>
Debt principal repayments	(9,277)	(8,948)
<b>Net financing and transfers</b>	<b>2,394</b>	<b>7,989</b>
<b>Change in reserves and reserve fund balances</b>	<b>4,258</b>	<b>10,979</b>
<b>Opening reserves and reserve fund balances</b>	<b>120,914</b>	<b>109,935</b>
<b>Closing reserves and reserve fund balances</b>	<b>\$ 125,172</b>	<b>\$ 120,914</b>
<b>Analyzed as follows:</b>		
<b>Reserves set aside for specific purpose:</b>		
- working funds	\$ 9,204	\$ 8,292
<b>Reserve funds set aside for specific purposes:</b>		
- replacement of equipment	17,974	16,532
- other capital	3,646	7,719
- sanitary sewer system	25,803	20,500
- storm sewer system	336	302
- parks and recreation	1,394	1,255
- libraries	306	1,141
- waterworks system	16,142	16,258
- planning and development	2,173	2,693
- roads	1,730	2,693
- transit	6,133	5,645
- gas utility	7,040	5,085
- sick leave	6,346	5,935
- protective services	2,183	821
- social and family services	1,348	1,526
- social housing	9,186	8,947
- parking	3,967	3,246
- lot levies	10,261	12,324
	<b>115,968</b>	<b>112,622</b>
	<b>\$ 125,172</b>	<b>\$ 120,914</b>

# CORPORATION OF THE CITY OF KINGSTON

## Water Operations Statement of Revenues and Expenditures

Year ended December 31, 2008, with comparative figures for 2007  
(In thousands of dollars)

	2008	2007
Operating revenues:		
Water revenue	\$ 13,347	\$ 12,107
Other revenue	403	329
Total revenues	13,750	12,436
Operating expenditures:		
Contracted services	8,707	8,029
Net revenues before capital expenditures and financing and transfers	5,043	4,407
Capital expenditures:		
Unfinanced capital expenditures, beginning of year	1,191	1,528
Capital expenditures current year:		
Contracted services	7,937	4,576
Less capital financing:		
Water capital reserve funds	(5,305)	(3,037)
Impost reserve fund	(587)	(1,764)
Debt	(995)	—
Other	(63)	(112)
	2,178	1,191
Unfinanced capital expenditures, end of year	(2,178)	(1,191)
Capital financed from operations	—	—
Financing and transfers:		
Transfer to water capital reserve funds (prior years)	(676)	(580)
Transfer to water capital reserve funds	(4,351)	(3,731)
Net financing and transfers	(5,027)	(4,311)
Net revenues for the year	16	96
Opening accumulated net revenues	2,085	1,989
Closing accumulated net revenues	\$ 2,101	\$ 2,085



# CORPORATION OF THE CITY OF KINGSTON

## Sewer Operations

### Statement of Revenues and Expenditures

Year ended December 31, 2008, with comparative figures for 2007

(In thousands of dollars)

	2008	2007
<b>Revenues:</b>		
Sewer revenue	\$ 20,288	\$ 18,836
Other revenue	898	661
Total revenues	21,186	19,497
<b>Operating expenditures:</b>		
Contracted services	9,270	9,169
<b>Net revenues before capital expenditures and financing and transfers</b>	<b>11,916</b>	<b>10,328</b>
<b>Capital expenditures:</b>		
Unfinanced capital expenditures, beginning of year	9,220	(2,405)
Capital expenditures current year:		
Contracted services	35,936	51,543
Less:		
Debt	(13,235)	(9,000)
Impost reserve fund	(7,467)	(12,733)
Sewer capital reserve funds	(5,210)	(4,606)
Grants	(61)	(13,561)
Other capital revenues	(11,644)	(18)
	7,539	9,220
Unfinanced capital expenditures, end of year	(7,539)	(9,220)
<b>Capital financed from operations</b>	<b>-</b>	<b>-</b>
<b>Financing and transfers:</b>		
Transfer to sewer capital reserve funds (prior years)	(414)	(1,196)
Transfer to sewer capital reserve funds	(11,325)	(9,913)
Net financing and transfers	(11,739)	(11,109)
<b>Net revenues for the year</b>	<b>177</b>	<b>(781)</b>
<b>Opening accumulated net revenues</b>	<b>1,699</b>	<b>2,480</b>
<b>Closing accumulated net revenues</b>	<b>\$ 1,876</b>	<b>\$ 1,699</b>

# CORPORATION OF THE CITY OF KINGSTON

## Gas Operations

### Statement of Revenues and Expenditures

Year ended December 31, 2008, with comparative figures for 2007

(In thousands of dollars)

	2008	2007
Sales and distribution revenue	\$ 23,576	\$ 21,492
Cost of gas	23,576	21,492
	-	-
Local distribution	8,630	8,120
Other revenue	2,324	2,038
Total revenues	10,954	10,158
Operating expenditures:		
Contracted services	3,282	2,990
Net revenues before capital expenditures and financing and transfers	7,672	7,168
Capital expenditures:		
Capital expenditures current year:		
Contracted services	2,281	2,351
Less:		
Gas capital reserve funds	(2,272)	(2,350)
Other capital revenues	(9)	(1)
	-	-
Capital financed from operations	-	-
Financing and transfers:		
Transfers to gas capital reserve funds	(3,986)	(4,285)
Transfer to gas capital reserve funds (prior years)	(1,384)	(946)
Transfers to City of Kingston	(2,000)	(1,500)
Net financing and transfers	(7,370)	(6,731)
Net revenues for the year	302	437
Opening accumulated net revenues	5,623	5,186
Closing accumulated net revenues	\$ 5,925	\$ 5,623

# CORPORATION OF THE CITY OF KINGSTON

## Consolidated Schedule of Segment Information

Year ended December 31, 2008  
(In thousands of dollars)

	Administration	Protection Services	Transportation Services	Environmental Services	Health Services
<b>Revenue:</b>					
Government grants	—	1,020	1,217	1,114	8,341
Other municipalities	119	—	362	194	—
User fees and service charges	3,904	3,121	13,629	37,083	372
User fees – gas commodity	—	—	—	—	—
Other	4,274	—	1,495	—	—
	8,297	4,141	16,703	38,391	8,713
<b>Expenditures:</b>					
Salaries, wages and employee benefits	14,818	43,791	16,747	2,999	9,012
Materials	4,055	3,818	10,955	652	2,004
Contracted services	4,041	1,688	4,373	21,241	2
Gas commodity purchases	—	—	—	—	—
Rents and financial expenses	1,038	166	124	12	—
External transfers	1,005	1,417	1,807	—	5,514
Inter-departmental charges	(3,753)	358	(1,299)	2,512	—
	21,204	51,238	32,707	27,416	16,532
<b>Excess of expenditures over revenue before transfers</b>	(12,907)	(47,097)	(16,004)	10,975	(7,819)
<b>Net transfers to other funds</b>	(17,024)	(4,906)	(4,800)	(17,769)	(110)
<b>Excess of expenditures over revenue after transfers</b>	\$ (29,931)	\$ (52,003)	\$ (20,804)	\$ (6,794)	\$ (7,929)

# CORPORATION OF THE CITY OF KINGSTON

## Consolidated Schedule of Segment Information (continued)

Year ended December 31, 2008

(In thousands of dollars)

	Social and Family Services and Housing	Recreation, Leisure, and Cultural Services	Planning and Development	Gas Works	Total
<b>Revenue:</b>					
Government grants	53,595	464	1	–	65,752
Other municipalities	3,439	628	–	–	4,742
User fees and service charges	7,368	7,195	3,784	10,954	87,410
User fees – gas commodity	–	–	–	23,576	23,576
Other	–	75	624	–	6,468
	64,402	8,362	4,409	34,530	187,948
<b>Expenditures:</b>					
Salaries, wages and employee benefits	20,261	13,366	1,985	–	122,979
Materials	7,672	4,786	993	–	34,935
Contracted services	1,034	1,841	43	1,685	35,948
Gas commodity purchases	–	–	–	23,576	23,576
Rents and financial expenses	1,020	626	53	1,596	4,635
External transfers	58,611	785	2,217	–	71,356
Inter-departmental charges	782	970	40	390	–
	89,380	22,374	5,331	27,247	293,429
<b>Excess of expenditures over revenue before transfers</b>	(24,978)	(14,012)	(922)	7,283	(105,481)
<b>Net transfers to other funds</b>	(1,189)	(2,254)	(534)	(7,371)	(55,957)
<b>Excess of expenditures over revenue after transfers</b>	\$ (26,167)	\$ (16,266)	\$ (1,456)	\$ (88)	(161,438)
<b>Funded through:</b>					
Taxation					150,088
Payments in lieu of taxation					13,375
Other					395
<b>Current fund surplus</b>				\$	2,420



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## AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the  
Corporation of the City of Kingston

We have audited the statements of financial position of the trust funds of the Corporation of the City of Kingston as at December 31, 2008 and the statements of continuity of trust funds for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many trust funds, the Corporation of the City of Kingston trust funds derive revenue from donations and residents' deposits, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues were limited to the amounts recorded in the records of the funds and we were not able to determine whether any adjustments might be necessary to donations and other revenue, assets and fund balances.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of donations and residents' deposits referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the trust funds of the City as at December 31, 2008 and the continuity of trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada  
April 9, 2009

# CORPORATION OF THE CITY OF KINGSTON

## Trust Funds

Name of Fund	Ontario Home Renewal Program	Rideaucrest Residents Funds, Donations and Endowments	Other	Total 2008	Total 2007
<b>Statements of Financial Position</b>					
<b>As at December 31, 2008, with comparative figures for 2007</b>					
<b>Assets</b>					
Cash and short-term investments	\$ –	\$ 206,531	\$ 81,236	\$ 287,767	\$ 271,712
Loans receivable	312	–	–	312	1,120
Accounts receivable	–	–	–	–	300
	\$ 312	\$ 206,531	\$ 81,236	\$ 288,079	\$ 273,132
<b>Fund balances:</b>					
Unexpendable trust	\$ –	\$ 40,400	\$ 25,000	\$ 65,400	\$ 65,400
Capital/earned surplus	312	166,131	56,236	222,679	207,732
	\$ 312	\$ 206,531	\$ 81,236	\$ 288,079	\$ 273,132
<b>Statements of Continuity</b>					
<b>Year ended December 31, 2008, with comparative figures for 2007</b>					
Balances, beginning of year	\$ 1,120	\$ 193,313	\$ 78,699	\$ 273,132	\$ 409,562
Donations and other revenue	–	158,652	–	158,652	193,603
Interest earned	90	5,676	2,537	8,303	17,619
	1,210	357,641	81,236	440,087	620,784
Expenditures	898	151,110	–	152,008	347,652
Balances, end of year	\$ 312	\$ 206,531	\$ 81,236	\$ 288,079	\$ 273,132

# CORPORATION OF THE CITY OF KINGSTON

Trust Funds

Notes to Financial Statements

Year ended December 31, 2008

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## 1. Significant accounting policies:

The financial statements of the Corporation of the City of Kingston Trust Funds are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

### (a) Basis of accounting:

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

### (b) Revenue recognition:

Revenue and expenditures are recorded on an accrual basis.

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

### (c) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

## 2. Ontario Home Renewal Program:

The Ontario Home Renewal Program was established by the Ontario Ministry of Housing in 1973 to provide grants for municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards. Individual loans are limited to \$7,500 of which the maximum forgivable portion is \$4,000.

Ontario Home Renewal Program loans receivable at December 31, 2008 comprise repayable loans of \$312 (2007 - \$1,120) and forgivable loans of \$Nil. Loan forgiveness is earned and recorded at a rate of up to \$600 per year of continued ownership and occupancy. In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balances of the repayable loan and the unearned forgivable loan immediately become due and payable by the homeowner.

# **CORPORATION OF THE CITY OF KINGSTON**

Trust Funds

Notes to Financial Statements

Year ended December 31, 2008

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### **3. Statement of changes in financial position:**

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