



CITY OF KINGSTON

REPORT TO ADMINISTRATIVE POLICIES COMMITTEE

Report No.: AP-10-020

TO: Chair, Administrative Policies Committee

FROM: Stephen Dickey, Deputy Treasurer

RESOURCE STAFF: Angela Brown, Financial Planning Coordinator
Lana Foulds, Financial Planning Coordinator

DATE OF MEETING: 2010-08-18

SUBJECT: 2009 Audited Financial Statements

EXECUTIVE SUMMARY:

This report is to provide council with audited information on the financial position and financial operations of the City of Kingston as at and for the year ended December 31, 2009. Included with this report is a document entitled *Audited Financial Statements and Other Financial Information of the Corporation of the City of Kingston, year ended December 31, 2009*, as prepared by Financial Services staff and audited by KPMG Chartered Accountants.

RECOMMENDATION:

That the Administrative Policies Committee recommend that council receive and approve the Audited Financial Statements of the Corporation of the City of Kingston for the year ended December 31, 2009,

- And further-

That Council appoint KPMG as auditor for the years ending December 31, 2010 and December 31, 2011.

AUTHORIZING SIGNATURES:

ORIGINAL SIGNED BY DIRECTOR OF FINANCIAL SERVICES

Stephen Dickey, Deputy Treasurer

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

Gerard Hunt, Chief Administrative Officer

CONSULTATION WITH THE FOLLOWING COMMISSIONERS:

Cynthia Beach, <i>Sustainability & Growth</i>	N/R
Terry Willing, <i>Community Services</i>	N/R
Denis Leger, <i>Transportation, Properties & Emergency Services</i>	N/R
Jim Keech, <i>President and CEO, Utilities Kingston</i>	N/R

(N/R indicates consultation not required)

OPTIONS/DISCUSSION:

Financial Services has prepared the City of Kingston 2009 Audited Financial Statements in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).

The Audited Financial Statements of the corporation provide information on the financial position and financial operations of the City of Kingston as at and for the year ended December 31, 2009. They 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 government agencies and enterprises. The financial statements reflect the 2009 information as well as comparative data for the 2008 year-end.

Accounting and reporting standards now require municipalities to report capital assets and related amortization on their annual financial statements effective January 1, 2009. As a result, this information has been included in these financial statements in accordance with the Tangible Capital Assets Policy approved by Council on July 20, 2010. In tandem with the introduction of capital asset reporting, changes to municipal financial reporting standards also require the City to prepare its 2009 audited financial statements using a new government financial reporting model. This model incorporates the capital asset and related amortization information as well as a full accrual basis of accounting. Comparative data for the 2008 year-end has also been restated to conform to these new reporting standards. We wish to advise that the 2009 Financial Information Return including the Municipal Performance Measurement Program report was submitted to the Ministry of Municipal Affairs and Housing.

We also wish to advise that, subsequent to council approval, the necessary financial statement and performance measurement information will be provided to the public in accordance with the requirements of the Municipal Act.

The City's auditors, KPMG, will be present at the committee meeting to present their 2009 audit findings.

Council, in accordance with Section 296 (1) and (3) of the Municipal Act, 2001, passed By-Law No. 2007-181, "A By-law to Appoint KPMG As The City Of Kingston's Auditors For a Period of Three Years (2007-2009) With The Option of Appointing For An Additional Two Years (2010 and 2011)". Prior to exercising the option to extend KPMG's appointment for an additional two years, KPMG was asked to submit a fee quote for audit services for the years ended December 31, 2010 and 2011. Financial Services received and reviewed KPMG's fees to conduct audits for 2010 and 2011 and found them to be reasonable. The City has been satisfied and has had no concerns with the services provided by KPMG in the past. Legal Services has been advised of our intent to exercise the option to extend KPMG's appointment as auditor for two additional years for the periods ending December 31, 2010 and December 31, 2011. The appointment of auditors for the City of Kingston's subsidiary utility corporations is done annually at the respective corporate shareholders' meetings.

EXISTING POLICY/BY LAW:

Council receives the Audited Financial Statements on an annual basis.
By-law 2007-181
The Municipal Act, 2001

NOTICE PROVISIONS:

Not applicable

ACCESSIBILITY CONSIDERATIONS:

Not applicable

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION OF

**CORPORATION OF THE
CITY OF KINGSTON**

YEAR ENDED DECEMBER 31, 2009

DRAFT

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION OF**

CORPORATION OF THE CITY OF KINGSTON

Year ended December 31, 2009

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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 generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are 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 their 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 Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the City's consolidated financial statements.

Gerard Hunt
Chief Administrative Officer

Desiree Kennedy
City Treasurer

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, 2009 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, 2009 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 23, 2010

CORPORATION OF THE CITY OF KINGSTON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2009, with comparative figures for 2008
(In thousands of dollars)

	2009	2008
		(Restated, note 2)
FINANCIAL ASSETS:		
Cash and short-term investments	\$ 87,595	\$ 100,800
Taxes receivable	10,942	9,120
Accounts receivable	28,136	37,562
Inventories for resale	11,742	13,512
Notes receivable from government business enterprises (note 19)	11,846	11,846
Long-term investments (note 5)	103,040	67,505
Investment in government business enterprises (notes 19)	23,281	21,087
	<u>276,582</u>	<u>261,432</u>
LIABILITIES:		
Temporary loans (note 8)	(43,000)	(72,200)
Accounts payable and accrued liabilities	(38,919)	(45,669)
Due to government business enterprises (note 19):		
Utilities Kingston	(609)	(930)
Kingston Hydro Corporation	(1,857)	(3,191)
Employee future benefit obligations (note 11(d))	(2,521)	(2,422)
Deferred revenue - obligatory reserve funds (note 13)	(37,343)	(30,004)
Deferred revenues	(10,151)	(11,671)
Accrued interest on long-term debt	(1,995)	(1,463)
Long-term liabilities (note 12)	(198,618)	(151,322)
Employee future benefit obligations (note 11(d))	(30,622)	(28,658)
Landfill closure and post closure liabilities (note 15)	(6,924)	(6,702)
	<u>(372,559)</u>	<u>(354,232)</u>
NET ASSETS (DEBT)	<u>(95,977)</u>	<u>(92,800)</u>
NON-FINANCIAL ASSETS:		
Tangible capital assets (note 21)	1,064,534	1,032,891
Inventories of supplies	1,455	1,129
Prepaid expenses	4,116	3,431
	<u>1,070,105</u>	<u>1,037,451</u>
Contingency liabilities (note 16)		
Commitments (note 17)		
MUNICIPAL EQUITY	<u>\$ 974,128</u>	<u>\$ 944,651</u>

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

CORPORATION OF THE CITY OF KINGSTON
CONSOLIDATED STATEMENT OF OPERATIONS
Year ended December 31, 2009, with comparative figures for 2008
(In thousands of dollars)

	Budget 2009	Actual 2009	Actual 2008
	(Unaudited, note 18)		(Restated, note 2)
REVENUE:			
Property taxation	\$ 156,660	\$ 159,673	\$ 150,088
Taxation from other governments	14,303	13,439	13,375
User charges	90,577	95,244	87,781
User charges – gas commodity	40,000	22,909	23,576
Government grants	61,880	60,171	65,834
Grants from other municipalities	4,930	4,836	4,742
Investment income	5,743	5,023	7,894
Lot levies	4,800	4,886	5,208
Other	1,450	2,418	2,793
Transfers from deferred obligatory reserve funds (note 13)	2,000	2,282	1,595
Government business enterprises net earnings (note 19)	–	2,194	1,254
TOTAL REVENUES	382,343	373,075	364,140
EXPENSES:			
General government	24,226	25,481	25,355
Protection services	58,602	58,624	55,145
Transportation services	50,095	49,613	49,314
Environmental services	50,989	49,490	44,251
Health services	19,128	18,220	17,431
Social and family services	72,915	74,880	72,373
Social housing	19,576	23,327	18,578
Recreational and cultural services	32,046	33,758	31,223
Planning and development	6,186	5,893	5,740
Gas utility	46,179	28,318	28,871
TOTAL EXPENSES	379,942	367,604	348,281
NET REVENUES	2,401	5,471	15,859
OTHER REVENUES:			
Grants and transfers related to capital:			
Government grants		11,631	19,157
Transfers from deferred obligatory reserve funds (note 13)		6,944	9,114
Donations and other		3,273	2,769
Contributed tangible capital assets		2,159	2,547
		24,007	33,587
ANNUAL SURPLUS		29,477	49,445
MUNICIPAL EQUITY, BEGINNING OF YEAR			
As previously reported		944,651	(80,219)
Prior period adjustments (note 2)		–	975,425
As restated		944,651	895,206
MUNICIPAL EQUITY, END OF YEAR		\$ 974,128	\$ 944,651

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

CORPORATION OF THE CITY OF KINGSTON
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (DEBT)
Year ended December 31, 2009, with comparative figures for 2008
(In thousands of dollars)

	Actual 2009	Actual 2008 (Restated, note 2)
ANNUAL SURPLUS	\$ 29,477	\$ 49,445
Amortization of tangible capital assets	39,760	35,990
Acquisition of tangible capital assets	(72,303)	(97,651)
(Gain)/loss on sale of tangible capital assets	901	490
	(2,165)	(11,726)
Acquisition of prepaid expenses	(685)	(3,431)
Acquisition of supplies inventories	(327)	(184)
Prior period adjustments (note 2):		
Transfer to inventories for resale	-	3,654
Public Health program revenues not previously recognized	-	51
DECREASE IN NET ASSETS	(3,177)	(11,636)
NET ASSETS (DEBT), BEGINNING OF YEAR	(92,800)	(81,164)
NET ASSETS (DEBT), END OF YEAR	\$ (95,977)	\$ (92,800)

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

CORPORATION OF THE CITY OF KINGSTON
CONSOLIDATED SCHEDULE OF MUNICIPAL EQUITY
Year ended December 31, 2009, with comparative figures for 2008
(In thousands of dollars)

	2009	2008
		(Restated, note 2)
Current Fund Surplus (Deficit):		
General operating surplus	\$ 4,272	\$ 2,577
Accumulated operating surplus - water	2,337	2,101
Accumulated operating surplus - sewer	3,379	1,876
Accumulated operating surplus - gas	5,698	5,925
Downtown Business Improvement Area	(57)	(24)
Kingston & Frontenac Housing Corporation	527	154
KFLA Public Health (City share of surplus)	-	2,598
Kingston Frontenac Public Library Board	(62)	(111)
Total Current Fund Surplus	16,094	15,096
Investment in Tangible Capital Assets:		
Tangible capital assets (note 21)	1,064,534	1,032,891
Long-term liabilities (note 12)	(198,484)	(151,322)
Unfinanced capital expenditures:		
To be financed from long-term liabilities	(57,347)	(78,224)
To be financed from transfers from reserves and reserve funds	(1,395)	(725)
To be financed from taxation or user charges	(946)	(250)
Unapplied capital receipts	15,491	18,911
Total Investment in Tangible Capital Assets	821,853	821,281
Investment in Government Business Enterprises (note 19)	23,281	21,087
Unfunded Liabilities:		
Employee future benefit obligations (note 11(d))	(31,789)	(29,820)
Landfill closure and post-closure liabilities (note 15)	(6,924)	(6,702)
Accrued interest on long-term debt	(1,995)	(1,463)
Total Unfunded Liabilities	(40,708)	(37,985)
Reserves and Reserve Funds:		
Reserves set aside for specific purpose:		
Working funds	7,018	9,204
Reserve funds set aside for specific purpose:		
Replacement of equipment	17,454	17,974
Other capital	9,350	3,646
Sanitary sewer system	29,032	25,803
Storm sewer system	346	336
Parks and recreation	3,584	1,394
Libraries	315	306
Waterworks system	16,908	16,142
Planning and development	1,012	2,173
Roads	830	1,730
Transit	6,432	6,133
Gas utility	8,733	7,040
Sick leave	6,749	6,346
Protective services	3,576	2,183
Social and family services	1,184	1,348
Social housing	8,411	9,186
Parking	5,334	3,967
Impost fees	27,340	10,261
	153,608	125,172
MUNICIPAL EQUITY	\$ 974,128	\$ 944,651

CORPORATION OF THE CITY OF KINGSTON
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended December 31, 2009, with comparative figures for 2008
(In thousands of dollars)

	2009	2008 (Restated, note 2)
Operations transactions:		
Annual surplus	\$ 29,477	\$ 49,445
Net change in non-cash working capital items:		
Increase in taxes receivable	(1,822)	(1,524)
Decrease in accounts receivable	9,426	5,494
Decrease (increase) in inventories for resale	1,770	(1,171)
Increase in inventories of supplies	(327)	(184)
Increase in prepaid expenses	(685)	(1,703)
Decrease in accounts payable and accrued liabilities	(6,750)	(7,959)
Decrease in due to government business enterprises	(1,556)	(1,730)
Increase in deferred obligatory reserve funds	7,339	13,105
Increase (decrease) in deferred revenue	(1,520)	1,236
Increase (decrease) in accrued interest on long-term debt	532	(187)
	6,407	5,377
Items not involving cash:		
Amortization of tangible capital assets	39,760	35,990
Loss on disposal of tangible capital assets	901	490
Change in landfill closure and post closure liabilities	222	(1,284)
Change in employee future benefit obligations	1,964	2,026
Equity in government business enterprise from net earnings	(2,194)	(1,404)
	40,653	35,818
Net change in cash from operating transactions	76,537	90,640
Capital transactions:		
Purchase of tangible capital assets	(72,303)	(97,651)
Investment transactions:		
Net purchase of long-term investments	(35,535)	(7,712)
Financing transactions:		
Proceeds from new debt issue - Municipality	57,962	33,683
Proceeds from new debt issue - Kingston & Frontenac Housing Corp.	-	797
Debt principal repayments	(10,666)	(9,629)
Temporary loans	(29,200)	14,600
Net change in cash from financing transactions	18,096	39,451
Increase (decrease) in cash and cash equivalents	(13,205)	24,728
Cash and short-term investments, beginning of year	100,800	76,072
Cash and short-term investments, end of year	\$ 87,595	\$ 100,800

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, 2009

(IN THOUSANDS OF DOLLARS)

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 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) Reporting Entity:

- i. The consolidated financial statements reflect the assets, liabilities, revenues 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:

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)

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 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.

- 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.

CORPORATION OF THE CITY OF KINGSTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

(IN THOUSANDS OF DOLLARS)

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(a) Reporting Entity (continued)

iii. Consolidated on a modified equity basis (continued):

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

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

v. 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.

vi. 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) Basis of accounting

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

(c) Investments

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

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

CORPORATION OF THE CITY OF KINGSTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

(IN THOUSANDS OF DOLLARS)

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(d) Deferred revenues – obligatory reserve funds

The City receives restricted contributions under the authority of federal and provincial legislation and City by-laws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

(e) Deferred revenue

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 competition of specific work. These amounts are recognized as revenue in the fiscal year the services are performed or related expenses incurred.

(f) Employee future benefit obligations

The City accrues for certain employee benefits which will require funding in future periods. These benefits include sick leave, life insurance, extended health and dental benefits for early retirees and benefits under the Workplace Safety and Insurance Board Act.

The costs of these benefits earned by employees are actuarially determined using management's best estimate of salary escalation, retirement ages of employees, accumulated sick days, expected health care costs and long term inflation rates and discount rates.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as compensated absences and health, dental and life insurance benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses, which can arise from changes in actuarial assumptions, are amortized over the expected average remaining service life of the employee group.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are amortized over a period linked to the specific benefit plan.

CORPORATION OF THE CITY OF KINGSTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

(IN THOUSANDS OF DOLLARS)

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(g) 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 including final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability has been recognized based on management's best estimate of future expenses, long term inflation rates and discount rates.

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

(h) Tangible capital assets

- i. Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The City does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.
- ii. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt or transfer with an offsetting amount recorded as revenue.
- iii. The cost, less residual value, of the tangible capital assets is amortized on a straight line basis over estimated useful lives as follows:

Asset	Useful Life – Years
Land improvements	18 to 75
Buildings and structures	40
Vehicles, machinery and equipment	5 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

CORPORATION OF THE CITY OF KINGSTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

(IN THOUSANDS OF DOLLARS)

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(h) Tangible capital assets (continued)

iii. (continued)

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction or development are classified as capital works in progress and are not amortized until the asset is available for productive use.

iv. When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the consolidated statement of operations in the year of disposal. Transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

v. When conditions indicate that a tangible capital asset no longer contributes to the City's ability to provide services or the value or the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the consolidated statement of operations.

vi. The City has a capitalization threshold of \$10,000. Individual tangible capital assets of lesser value are expensed, unless they are pooled when, collectively, they have a significant value.

(i) Inventories

Inventories for resale represent natural gas inventories and land held for resale, which are stated at the lower of weighted average cost and net realizable value. Costs with respect to land held for resale include amounts for improvements to prepare the land for sale or servicing.

Inventories of supplies held for consumption are stated at the lower of cost and replacement cost.

(j) Government transfers

Government transfers are recognized in the 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.

CORPORATION OF THE CITY OF KINGSTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

(IN THOUSANDS OF DOLLARS)

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(k) 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 in the financial statements and accompanying notes.

In addition, the City's implementation of the Public Sector Accounting Handbook PS 3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Due to the inherent uncertainty in making estimates, 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. CHANGE IN ACCOUNTING POLICIES

The City has implemented Public Sector Accounting Board ("PSAB") sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires governments to record and amortize their tangible capital assets in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction. Capital revenues from contributed assets and government grants and transfers relating to capital acquisitions continue to be included in income.

CORPORATION OF THE CITY OF KINGSTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

(IN THOUSANDS OF DOLLARS)

2. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

Methods used for determining the cost of each major category of tangible capital assets:

The financial information recorded with respect to tangible capital assets includes the actual or estimated historical cost of the asset at the date it was acquired, constructed or developed, as well as its accumulated amortization to date. When historical cost records were not available, other methods were used to estimate the costs of the assets. The City applied a consistent method of estimating the replacement cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset.

After establishing an appropriate measure of an asset's current value, the value was adjusted by a deflation factor to estimate the historical cost of the asset at the time it was acquired, constructed or developed. The Non-Residential Building Construction Price Index (NRBCPI) was used to deflate the current value of construction related assets and the Consumer Price Index (CPI) was used to deflate the current value of consumer product related assets.

Tangible capital assets recognized at nominal value:

Where an estimate of fair value cannot be made, a tangible capital asset may require recognition at a nominal value. Land under the roadbed was the only asset category where nominal values were considered for purposes of valuing opening tangible capital assets. Because an appropriate estimate of the fair value was difficult to obtain and because the value of land under the roadbed generally represented a small proportion of the historical cost of the entire road segment, the land was not valued as a separate component, but was considered as a nominal component of the roadbed's total estimated current value. For future acquisitions, where the City purchases land to widen, extend or construct new roads, the purchase cost will be considered a tangible capital asset addition and will be included in the roadbed value for that particular segment of road.

CORPORATION OF THE CITY OF KINGSTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

(IN THOUSANDS OF DOLLARS)

2. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

Amounts reported in the prior period have been changed as follows:

	(In thousands of dollars)
Adjustments to opening 2008 municipal equity balance:	
Current fund balance	\$ 12,612
Capital fund balance	(69,535)
Reserves	8,292
Reserve funds	112,623
Government business enterprises net equity	19,682
Amounts to be recovered from future revenues:	
Net long-term liabilities	(126,471)
Accrued interest on long-term debt	(1,650)
Employee future benefit obligations	(27,786)
Landfill closure and post-closure liabilities	(7,986)
Total municipal position, as previously reported	(80,219)
Net book value of tangible capital assets recorded	971,720
Transfer to inventories for resale	3,654
Public Health program revenues not previously recognized	51
Opening 2008 municipal equity, as restated	\$ 895,206

	(In thousands of dollars)
Adjustments to 2008 annual surplus:	
2008 net expenditures, as previously reported	\$ (12,061)
Add:	
2008 assets capitalized, previously expensed	105,629
Change in inventory of supplies	184
Contributed tangible capital assets	2,546
Public Health program revenues not previously recognized	13
Less:	
Expense non-tangible capital assets	(10,164)
Record amortization of tangible capital assets	(35,990)
Change in inventory of land	(222)
Loss on sale of tangible capital assets	(490)
2008 annual surplus, as restated	\$ 49,445

CORPORATION OF THE CITY OF KINGSTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

(IN THOUSANDS OF DOLLARS)

2. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

The above changes have been applied retroactively and prior periods have been restated.

	(In thousands of dollars)
Adjustments to 2008 tangible capital assets:	
2008 tangible capital assets, as previously reported	\$ -
Add:	
Net book value of tangible capital assets as a result of adjustments to opening 2008 municipal equity	971,720
2008 assets capitalized, previously expensed	105,629
Contributed tangible capital assets	2,546
Less:	
Expense non-tangible capital assets	(10,164)
Transfer to inventories for resale	(360)
Record amortization of tangible capital assets	(35,990)
Loss on sale of tangible capital assets	(490)
2008 tangible capital assets, as restated	\$ 1,032,891

3. 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:

	2009	2008
	(In thousands of dollars)	
Taxation and user charges	\$ 51,289	\$ 50,568
Payments in lieu	222	261
Amount transferred to school boards	\$ 51,511	\$50,829

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, 2009, there was \$Nil (2008 - \$Nil) drawn on the operating credit facility.

CORPORATION OF THE CITY OF KINGSTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

(IN THOUSANDS OF DOLLARS)

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 \$104,621,128 at December 31, 2009 (2008 - \$70,164,257).

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 Operations" includes the following contributions made by the municipality to the corporation:

	2009	2008
	(In thousands of dollars)	
Kingston Economic Development Corporation Grant	\$ 2,416	\$ 2,369

7. TRUST FUNDS

Trust funds administered by the municipality amounting to \$297,667 (2008 - \$288,079) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Operations".

8. TEMPORARY LOANS

The City has financial agreements with the Ontario Infrastructure Projects Corporation (OIPC) for temporary capital loans up to a maximum of \$57,920,000 for the interim financing of various water, sewer, roads and building capital projects. As at December 31, 2009, the temporary capital loan balance is \$43,000,000 (2008 - \$72,200,000).

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 Operations".

CORPORATION OF THE CITY OF KINGSTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

(IN THOUSANDS OF DOLLARS)

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 2009 was \$6,336,216 (2008 - \$6,180,792) for current service and is included as an expenditure on the "Consolidated Statement of Operations".

11. 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, 2007 and an actuarial update was completed for December 31, 2009 in order to determine the estimated accrued benefit liability to be reported in these financial statements.

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, 2009, the City's accrued benefit liability relating to post-retirement and post-employment benefit plans is \$22,079,723 (2008 - \$20,320,085).

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	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

CORPORATION OF THE CITY OF KINGSTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

(IN THOUSANDS OF DOLLARS)

11. EMPLOYEE FUTURE 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:

	2009	2008
	(In thousands of dollars)	
Accrued benefit liability, January 1	\$ 20,320	\$ 18,309
Expense recognized for the period	2,904	3,129
Benefits paid for the period	(1,822)	(1,795)
Amortization of actuarial losses	677	677
Accrued benefit liability, December 31	\$ 22,079	\$ 20,320

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

	2009	2008
	(In thousands of dollars)	
Accrued benefit obligation	\$ 27,763	\$ 26,684
Unamortized actuarial losses	(5,684)	(6,364)
Accrued benefit liability, December 31	\$ 22,079	\$ 20,320

(b) Workplace Safety and Insurance Board ("WSIB") Act:

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, 2007 and forms the basis for the estimated liability reported in these financial statements.

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, 2009, the City's accrued benefit liability relating to future WSIB claims is \$9,683,636 (2008 - \$9,527,591).

CORPORATION OF THE CITY OF KINGSTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

(IN THOUSANDS OF DOLLARS)

11. EMPLOYEE FUTURE BENEFIT OBLIGATIONS (CONTINUED)

(b) Workplace Safety and Insurance Board ("WSIB") Act (continued):

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

Discount rate	5.0% per annum
Inflation rate	2.0% per annum
Compensation costs, including loss of earnings benefits, health care costs and non-economic loss awards	0% to 6% per annum, depending on benefit type
Administration costs	27% of compensation expense

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

	2009	2008
	(In thousands of dollars)	
Accrued benefit liability, beginning of year	\$ 9,528	\$ 9,363
Expense recognized for the period	1,791	1,869
Benefits paid for the period	(1,813)	(1,882)
Amortization of net actuarial loss	178	178
Accrued benefit liability, end of year	\$ 9,684	\$ 9,528

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

	2009	2008
	(In thousands of dollars)	
Accrued benefit obligation	\$ 10,572	\$ 10,593
Unamortized actuarial losses	(898)	(1,077)
Unamortized actuarial gain	10	12
Accrued benefit liability, end of year	\$ 9,684	\$ 9,528

(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, 2009 amount to \$1,131,308 (2008 - \$978,597).

CORPORATION OF THE CITY OF KINGSTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

(IN THOUSANDS OF DOLLARS)

11. EMPLOYEE FUTURE BENEFIT OBLIGATIONS (CONTINUED)

(d) Total employee benefit obligations:

	2009	2008
	(In thousands of dollars)	
Employee benefit obligations are comprised of:		
Health benefits and sick leave - City of Kingston	\$ 19,704	\$ 18,041
Workplace safety and insurance	9,684	9,528
Vacation credits	985	835
Pension payable	249	254
	<u>30,622</u>	<u>28,658</u>
Health benefits and sick leave – water, sewer and gas utilities (note 19(a))	2,375	2,279
Vacation credits – water, sewer and gas utilities	146	143
	<u>2,521</u>	<u>2,422</u>
Total employee benefit obligations	<u>33,143</u>	<u>31,080</u>
Amounts previously funded from operating revenues	(1,354)	(1,260)
Unfunded employee future benefit obligations	<u>\$ 31,789</u>	<u>\$ 29,820</u>
To be recovered from reserve funds	6,747	6,346
To be recovered from future revenues	25,042	23,474
	<u>\$ 31,789</u>	<u>\$ 29,820</u>

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 the Company in managing these utility operations for the City.

CORPORATION OF THE CITY OF KINGSTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

(IN THOUSANDS OF DOLLARS)

12. LONG-TERM LIABILITIES

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

	2009	2008
(In thousands of dollars)		
Long-term liabilities incurred by the municipality, including those incurred on behalf of other municipalities and municipal enterprises, with varying maturities up to 2039 and a weighted average interest rate of 5.07% (2008 4.78%)	\$ 189,180	\$ 141,682
Long-term liabilities incurred by Kingston & Frontenac Housing Corporation, with an interest rate of 5.4%, maturing 2028	4,909	4,994
Proportionate share of KFLA Public Health long-term debt, with an interest rate of 6.1%, maturing 2013	4,529	4,646
Long-term liabilities to be recovered from future revenues	\$ 198,618	\$ 151,322
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	\$ (134)	\$ (152)

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

(In thousands of \$)	2010	2011	2012	2013	2014	2015+	Total
Tax sources	\$ 5,612	\$ 4,949	\$ 4,491	\$ 4,174	\$ 3,776	\$ 48,427	\$ 71,429
Utility user fees	2,108	2,118	2,170	2,119	2,173	30,513	41,201
Other user fees	1,794	1,715	1,767	1,818	1,823	67,633	76,550
Public Health	123	133	139	152	161	3,821	4,529
Housing Corp	90	95	100	106	106	4,412	4,909
	\$ 9,727	\$ 9,010	\$ 8,667	\$ 8,369	\$ 8,039	\$ 154,806	\$ 198,618

CORPORATION OF THE CITY OF KINGSTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

(IN THOUSANDS OF DOLLARS)

12. LONG-TERM LIABILITIES (CONTINUED)

- (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.

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.

- (d) Total debt charges incurred during the year with respect to the long-term liabilities in (a), are as follows:

	2009	2008
	(In thousands of dollars)	
Principal payments	\$ 10,666	\$ 9,629
Interest	6,741	6,367
	\$ 17,407	\$ 15,996

Interest charges are included on the "Consolidated Statement of Operations", classified under the appropriate functional expenditure headings.

CORPORATION OF THE CITY OF KINGSTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

(IN THOUSANDS OF DOLLARS)

13. 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:

	2009	2008
	(In thousands of dollars)	
Balance, beginning of year	\$ 30,004	\$ 16,899
Revenues:		
Development contributions	6,155	5,710
Federal gasoline tax	7,421	3,710
Provincial gasoline tax	1,980	1,969
Infrastructure Ontario Act	–	11,152
Building Code Act	244	715
Investment income	765	558
Utilization:		
Transfers for operating	(2,282)	(1,595)
Transfers for capital	(6,944)	(9,114)
Balance, end of year	\$ 37,343	\$ 30,004

	2009	2008
	(In thousands of dollars)	
Analyzed as follows:		
Development charges	\$ 15,903	\$ 10,236
Cash in lieu of parkland	258	373
Provincial gasoline tax	297	286
Federal gasoline tax	5,035	3,598
Infrastructure Ontario Act	11,215	11,152
Building Code	4,635	4,359
	\$ 37,343	\$ 30,004

CORPORATION OF THE CITY OF KINGSTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

(IN THOUSANDS OF DOLLARS)

14. 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.

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:

	2009	2008
	(In thousands of dollars)	
Gross revenues received	\$ 1,847	\$ 1,702
Gross expenditures	890	766
Net revenues	\$ 957	\$ 936

15. 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-six 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.

CORPORATION OF THE CITY OF KINGSTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

(IN THOUSANDS OF DOLLARS)

15. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY (CONTINUED)

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. Estimated total landfill closure and post-closure care requirements include closure activities as well as annual post-closure maintenance and monitoring requirements for a 25 year period.

The Kingston West site was closed in 1989. The Belle Park Landfill site was closed in 1976. Post-closure care requirements include additional closure costs anticipated for these sites as well as annual post-closure maintenance and monitoring requirements, calculated for a 25 year period.

Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the City's average long-term borrowing rate of 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 \$7.1 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 on the Consolidated Statement of Financial Position at December 31, 2009 is an amount of \$6,923,374 (2008 - \$6,701,977) with respect to landfill closure and post-closure liabilities recognized to date.

16. 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, 2009, 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

YEAR ENDED DECEMBER 31, 2009

(IN THOUSANDS OF DOLLARS)

16. CONTINGENT LIABILITIES (CONTINUED)

(b) (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.

17. 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, 2014. Annual charges under the contract are determined by reference to certain waste volumes handled. Payments made under the contract for the year 2009 were approximately \$1,591,193 (2008 - \$1,393,344).
- (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 expenditures on the Consolidated Statement of Operations.
- (c) 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.
- (d) 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 2009 in the amount of \$712,503 (2008 - \$712,503).
- (e) 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 \$1,550,000 of this 10-year commitment as of December 31, 2009 with 8 annual payments remaining.

CORPORATION OF THE CITY OF KINGSTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

(IN THOUSANDS OF DOLLARS)

18. BUDGET FIGURES

Budget figures have not been audited and are presented for information purposes only. Budget figures reported on the Consolidated Statement of Operations are based on the 2009 municipal and utility operating budgets as approved by Council on December 16, 2008 and December 2, 2008 respectively and include subsequent council approved amendments.

Approved budget figures have been reclassified and adjusted for the purposes of these financial statements to comply with PSAB reporting requirements. Estimates for certain revenues and expenditures that were not included as part of the approved operating budgets have been included in the 2009 budget figures reported on the Consolidated Statement of Operations. The chart below reconciles the approved operating budgets to the amended budget figures.

	Budget Amount
	(In thousands of dollars)
Total approved operating budget revenues	\$ 362,588
Consolidated external agency budgets	12,672
PSAB reporting adjustments:	
Reserve fund revenues	11,000
Less transfers from reserves / reserve funds	(3,917)
Net operating budget revenues	382,343
Total approved operating budget expenses	362,588
Consolidated external agency budgets	12,645
PSAB reporting adjustments:	
Amortization of tangible capital assets	40,900
Non-tangible capital asset expenditures	10,000
Reserve fund expenditures for debt interest	6,400
Unfunded accruals for employee future benefit obligations, landfill closure and post-closure liabilities and accrued interest on long term debt	2,718
Less transfers to reserves / reserve funds	(55,134)
Less debt principal repayments	(175)
Net operating budget expenses	379,942
Annual operating surplus before capital investment	\$ 2,401

CORPORATION OF THE CITY OF KINGSTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(IN THOUSANDS OF DOLLARS)

19. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES

(a) 1425447 Ontario Limited and Kingston Hydro Corporation are government business enterprises of the City and accounted for on a modified equity basis in these 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 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 Hydro Corporation.

	2009	2008
	(In thousands of dollars)	
Financial position		
Current assets	\$ 16,596	\$ 15,376
Due from City of Kingston:		
Utilities Kingston	609	930
Kingston Hydro Corporation	1,857	3,191
Post employment benefit obligation	2,375	2,279
Accrued vacation liabilities	205	200
Capital assets	34,070	32,784
Regulatory assets	1,183	-
Deferred charges	2,612	376
Total assets	59,507	55,136
Current liabilities	14,156	14,984
Post employment benefit obligation	3,382	3,247
Accrued vacation and pension liabilities	374	372
Accrued liabilities non-current	3,880	3,600
Long-term loan payable	2,588	-
Long-term notes payable to City of Kingston, 7.25% per annum, no fixed terms of repayment	11,846	11,846
Total liabilities	36,226	34,049
Net assets	\$ 23,281	\$ 21,087
Common shares	\$ 12,381	\$ 12,381
Redeemable preferred shares	7,065	7,065
Accumulated earnings	3,835	1,641
Investment in government business enterprises	\$ 23,281	\$ 21,087

CORPORATION OF THE CITY OF KINGSTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

(IN THOUSANDS OF DOLLARS)

19. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES (CONTINUED)

(a) (continued):

	2009	2008
	(In thousands of dollars)	
Results of operations:		
Net utility revenues	\$ 77,247	\$ 94,346
Operating expenses	(70,300)	(87,897)
Interest on debt	(1,010)	(1,179)
Capital tax	(21)	(25)
Depreciation	(2,983)	(2,763)
Net earnings before income taxes	2,933	2,482
Payments in lieu of corporate income taxes	819	978
Net earnings	2,114	1,504
Accumulated earnings (loss), beginning of year	1,641	387
	3,755	1,891
Change in accounting policy	330	-
Dividends	(250)	(250)
Accumulated earnings, end of year	\$ 3,835	\$ 1,641

(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 of Kingston in the amounts of \$9,058,198 (2008 - \$9,521,238) and \$51,139,865 (2008 - \$67,413,228) 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 \$2,227,300 (2008 - \$2,135,890). As at December 31, 2009, the City had balances owing to both companies in the amount of \$609,144 (2008 - \$929,619) and \$1,857,450 (2008 - \$3,191,061) 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.

CORPORATION OF THE CITY OF KINGSTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

(IN THOUSANDS OF DOLLARS)

20. FINANCIAL INSTRUMENTS

The fair value of the municipality's financial instruments that are comprised of cash and short-term investments, taxes receivable, accounts receivable, 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.

21. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2009 Net book value	2008 Net book value	
(In thousands of dollars)					
GENERAL ASSETS					
Land	\$ 70,488	\$ —	\$ 70,488	\$ 70,353	
Land improvements	43,361	26,145	17,216	16,604	
Buildings	252,271	60,932	191,339	187,755	
Vehicles and machinery	58,052	32,088	25,964	22,292	
Furniture, fixtures and equipment	40,844	18,763	22,081	20,942	
INFRASTRUCTURE ASSETS					
Land	8,815	—	8,815	6,311	
Land improvements	11,403	2,706	8,697	9,889	
Plants and facilities	264,968	81,224	183,744	87,172	
Roads	319,771	176,245	143,526	139,066	
Bridges and culverts	27,228	7,721	19,507	18,014	
Utility networks	347,360	92,033	255,327	254,214	
Other	159,001	58,808	100,193	91,274	
	1,603,562	556,665	1,046,897	923,886	
Assets under construction	17,637	—	17,637	109,005	
	\$ 1,621,199	\$ 556,665	\$ 1,064,534	\$ 1,032,891	

CORPORATION OF THE CITY OF KINGSTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

(IN THOUSANDS OF DOLLARS)

21. TANGIBLE CAPITAL ASSETS (CONTINUED)

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. 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 2009, a total of \$2,518,694 (2008 - \$2,546,509) was recorded as tangible capital asset additions with respect to contributed capital assets which was comprised of roads infrastructure in the amount of \$2,518,694 (2008 - \$2,382,334) and water and wastewater infrastructure in the amount of \$Nil (2008 - \$164,175).

(b) Write-down of tangible capital assets

The write-down of tangible capital assets during the year was \$Nil (2008 \$Nil).

(c) Works of art and historical treasures

The definition of tangible capital assets specifically excludes museum and gallery collections and other works of art. The City owns a number of paintings, other pieces of artwork and museum artifacts that are displayed in various City buildings. These assets are not recorded as tangible capital assets and are not amortized.

(d) Capitalization of interest

As per City policy, interest costs incurred with respect to financing the acquisition or construction of a tangible capital asset up to the date that the asset goes into use are not capitalized. In 2009, these interest costs are included as expenditures on the "Consolidated Statement of Operations" in the amount of \$775,380 (2008 - \$2,485,991).

22. 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 financial statements similar to reporting reflected in the Ontario Financial Information Return. These functional areas represent segments for the City of Kingston and expanded disclosure by object has been reflected in the Consolidated Schedule of Segment Information.

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.

CORPORATION OF THE CITY OF KINGSTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

(IN THOUSANDS OF DOLLARS)

22. SEGMENTED INFORMATION (CONTINUED)

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.

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, 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 as well as winter and summer road maintenance services, repair and construction of the municipal roads system including bridges and culverts, and 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 water plant and sanitary sewer services, waste collection, disposal and recycling services.
- (e) Health services: Provides funding for local Public health organizations and land ambulance operations.
- (f) 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.
- (g) 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, arena, the Grand Theatre and the K-Rock Centre.

CORPORATION OF THE CITY OF KINGSTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

(IN THOUSANDS OF DOLLARS)

22. SEGMENTED INFORMATION (CONTINUED)

- (h) 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.
- (i) Gas works: Own and operate a natural gas distribution network within specific areas of the municipality.

23. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year financial statement presentation.

CORPORATION OF THE CITY OF KINGSTON
CONSOLIDATED SCHEDULE OF TANGIBLE ASSETS – BY MAJOR ASSET CLASS

Year ended December 31, 2009, with comparative figures for 2008
(In thousands of dollars)

	GENERAL ASSETS					INFRASTRUCTURE ASSETS							CAPITAL WORKS IN PROGRESS	TOTALS	
	Land	Land Improvements	Buildings	Vehicles and Machinery	Furniture, Fixtures and Equipment	Land	Land Improvements	Plants and Facilities	Roads	Bridges and Culverts	Utility Networks	Other		2009	2008
Cost															
Balance, beginning of year	\$ 70,353	\$ 42,179	\$ 242,461	\$ 54,741	\$ 37,804	\$ 6,311	\$ 11,217	\$ 162,490	\$ 312,691	\$ 25,314	\$ 341,445	\$ 145,953	\$ 109,005	\$ 1,561,964	\$ 1,468,219
Add: Additions	135	1,182	9,810	7,394	4,428	2,504	186	103,800	12,950	1,914	5,915	13,453	(91,368)	72,303	97,651
Less: Disposals				(4,083)	(1,388)			(1,322)	(5,870)			(405)		(13,068)	(3,906)
Balance, end of year	70,488	43,361	252,271	58,052	40,844	8,815	11,403	264,968	319,771	27,228	347,360	159,001	17,637	1,621,199	1,561,964
Accumulated Amortization															
Balance, beginning of year	-	25,575	54,706	32,449	16,862	-	1,328	75,318	173,625	7,300	87,231	54,679	-	529,073	496,499
Add: Amortization		570	6,226	3,443	3,289		1,378	7,209	7,933	421	4,802	4,489	-	39,760	35,990
Less: Accumulated amortization on disposals				(3,804)	(1,388)			(1,303)	(5,313)			(360)	-	(12,168)	(3,416)
Balance, end of year	-	26,145	60,932	32,088	18,763	-	2,706	81,224	176,245	7,721	92,033	58,808	-	556,665	529,073
Net Book Value of Tangible Capital Assets															
	\$ 70,488	\$ 17,216	\$ 191,339	\$ 25,964	\$ 22,081	\$ 8,815	\$ 8,697	\$ 183,744	\$ 143,526	\$ 19,507	\$ 255,327	\$ 100,193	\$ 17,637	\$ 1,064,534	\$ 1,032,891

CORPORATION OF THE CITY OF KINGSTON
CONSOLIDATED SCHEDULE OF TANGIBLE ASSETS – BY MAJOR ASSET CLASS

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

	GENERAL ASSETS					INFRASTRUCTURE ASSETS								CAPITAL WORKS IN PROGRESS	TOTALS
	Land	Land Improvements	Buildings	Vehicles and Machinery	Furniture, Fixtures and Equipment	Land	Land Improvements	Plants and Facilities	Roads	Bridges and Culverts	Utility Networks	Other	2008		
Cost															
Balance, beginning of year	\$ 69,674	\$ 40,681	\$ 152,768	\$ 50,449	\$ 28,295	\$ 1,466	\$ 10,350	\$ 161,742	\$ 307,631	\$ 24,068	\$ 328,365	\$ 141,613	\$ 151,117	\$ 1,468,219	
Add: Additions	679	1,498	89,693	5,406	9,509	4,845	867	1,884	6,477	1,246	13,080	4,579	(42,112)	97,651	
Less: Disposals	-	-	-	(1,114)	-	-	-	(1,136)	(1,417)	-	-	(239)	-	(3,906)	
Balance, end of year	70,353	42,179	242,461	54,741	37,804	6,311	11,217	162,490	312,691	25,314	341,445	145,953	109,005	1,561,964	
Accumulated Amortization															
Balance, beginning of year	-	23,826	49,803	30,409	13,929	-	1,171	70,222	167,111	6,897	81,450	51,681	-	496,499	
Add: Amortization	-	1,749	4,903	3,084	2,933	-	157	6,025	7,828	403	5,781	3,127	-	35,990	
Less: Accumulated amortization on disposals	-	-	-	(1,044)	-	-	-	(929)	(1,314)	-	-	(129)	-	(3,416)	
Balance, end of year	-	25,575	54,706	32,449	16,862	-	1,328	75,318	173,625	7,300	87,231	54,679	-	529,073	
Net Book Value of Tangible Capital Assets	\$ 70,353	\$ 16,604	\$ 187,755	\$ 22,292	\$ 20,942	\$ 6,311	\$ 9,889	\$ 87,172	\$ 139,066	\$ 18,014	\$ 254,214	\$ 91,274	\$ 109,005	\$ 1,032,891	

CORPORATION OF THE CITY OF KINGSTON
WATER OPERATIONS
SCHEDULE OF REVENUES AND EXPENDITURES

Year ended December 31, 2009, with comparative figures for 2008
(In thousands of dollars)

	2009	2008
Operating revenues:		
Water revenue	\$ 15,533	\$ 13,347
Other revenue	446	403
Total revenues	15,979	13,750
Operating expenditures:		
Contracted services	9,848	8,707
Net revenues before capital expenditures and financing and transfers	6,131	5,043
Capital expenditures:		
Unfinanced capital expenditures, beginning of year	2,178	1,191
Capital expenditures current year:		
Contracted services	9,517	7,937
Less capital financing:		
Water capital reserve funds	(5,223)	(5,305)
Impost reserve fund	(1,281)	(587)
Debt	-	(995)
Other	(442)	(63)
	4,749	2,178
Unfinanced capital expenditures, end of year	(4,749)	(2,178)
Capital financed from operations	-	-
Financing and transfers:		
Transfer to water capital reserve funds (prior years)	(692)	(676)
Transfer to water capital reserve funds	(5,203)	(4,351)
Net financing and transfers	(5,895)	(5,027)
Net revenues for the year	236	16
Opening accumulated net revenues	2,101	2,085
Closing accumulated net revenues	\$ 2,337	\$ 2,101

CORPORATION OF THE CITY OF KINGSTON
SEWER OPERATIONS
SCHEDULE OF REVENUES AND EXPENDITURES

Year ended December 31, 2009, with comparative figures for 2008
(In thousands of dollars)

	2009	2008
Revenues:		
Sewer revenue	\$ 21,585	\$ 20,288
Other revenue	932	898
Total revenues	22,517	21,186
Operating expenditures:		
Contracted services	9,237	9,270
Net revenues before capital expenditures and financing and transfers	13,280	11,916
Capital expenditures:		
Unfinanced capital expenditures, beginning of year	7,539	9,220
Capital expenditures current year:		
Contracted services	16,260	35,936
Less:		
Debt	-	(13,235)
Impost reserve fund	(4,000)	(7,467)
Sewer capital reserve funds	(5,377)	(5,210)
Grants	-	(61)
Other capital revenues	(48)	(11,644)
	14,374	7,539
Unfinanced capital expenditures, end of year	(14,374)	(7,539)
Capital financed from operations	-	-
Financing and transfers:		
Transfer to sewer capital reserve funds (prior years)	(592)	(414)
Transfer to sewer capital reserve funds	(11,185)	(11,325)
Net financing and transfers	(11,777)	(11,739)
Net revenues for the year	1,503	177
Opening accumulated net revenues	1,876	1,699
Closing accumulated net revenues	\$ 3,379	\$ 1,876

CORPORATION OF THE CITY OF KINGSTON
GAS OPERATIONS
SCHEDULE OF REVENUES AND EXPENDITURES

Year ended December 31, 2009, with comparative figures for 2008
(In thousands of dollars)

	2009	2008
Sales and distribution revenue	\$ 22,909	\$ 23,576
Cost of gas	22,909	23,576
	-	-
Sale of hot water tanks	71	-
Cost of goods sold	53	-
	18	-
Local distribution	8,876	8,630
Other revenue	2,210	2,324
Total revenues	11,086	10,954
Operating expenditures:		
Contracted services	3,393	3,282
Net revenues before capital expenditures and financing and transfers	7,711	7,672
Capital expenditures:		
Capital expenditures current year:		
Contracted services	2,520	2,281
Less:		
Gas capital reserve funds	(2,463)	(2,272)
Other capital revenues	(57)	(9)
	-	-
Capital financed from operations	-	-
Financing and transfers:		
Transfers to gas capital reserve funds	(3,752)	(3,986)
Transfer to gas capital reserve funds (prior years)	(1,686)	(1,384)
Transfers to City of Kingston	(2,500)	(2,000)
Net financing and transfers	(7,938)	(7,370)
Net revenues for the year	(227)	302
Opening accumulated net revenues	5,925	5,623
Closing accumulated net revenues	\$ 5,698	\$ 5,925

CORPORATION OF THE CITY OF KINGSTON
CONSOLIDATED SCHEDULE OF SEGMENT INFORMATION

Year ended December 31, 2009, with comparative figures for 2008
(In thousands of dollars)

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services
Revenue:						
Government grants	\$ 2,127	1,624	706	3,122	8,919	54,655
Other municipalities	134	-	381	381	-	3,292
User fees and service charges	5,048	3,638	14,533	39,800	637	7,536
User fees – gas commodity	-	-	-	-	-	-
Other	2,520	22	10,573	6,707	-	2
	9,829	5,284	26,193	50,010	9,556	65,485
Expenditures:						
Salaries, wages and employee benefits	15,091	48,131	16,360	3,230	9,990	22,099
Materials	4,157	3,872	10,450	657	1,682	4,156
Contracted services	6,282	2,344	5,239	25,346	1	2,073
Gas commodity purchases	-	-	-	-	-	-
Rents and financial expenses	2,145	1,109	1,788	2,910	879	3,105
External transfers	972	1,383	2,033	-	5,338	63,906
Amortization	1,711	2,509	13,323	14,556	330	1,504
Inter-departmental charges	(4,539)	(550)	(482)	2,591	-	1,364
	25,819	58,798	48,711	49,290	18,220	98,207
Excess of expenditures over revenue	\$ (15,990)	\$ (53,514)	\$ (22,518)	\$ 720	\$ (8,664)	\$ (32,722)

CORPORATION OF THE CITY OF KINGSTON
CONSOLIDATED SCHEDULE OF SEGMENT INFORMATION (CONTINUED)

Year ended December 31, 2009, with comparative figures for 2008
(In thousands of dollars)

	Recreation and Cultural Services	Planning and Development Services	Gas Works	Total 2009	Total 2008 (Restated, note 2)
Revenue:					
Government grants	646	2	\$ —	\$ 71,801	84,992
Other municipalities	648	—	—	4,836	4,742
User fees and service charges	8,678	3,651	11,085	94,606	88,903
User fees – gas commodity	—	—	22,909	22,909	23,576
Other	1,516	598	71	22,009	22,903
	<u>11,488</u>	<u>4,251</u>	<u>34,065</u>	<u>216,161</u>	<u>225,116</u>
Expenditures:					
Salaries, wages and employee benefits	15,270	2,030	—	132,201	122,979
Materials	5,392	95	—	30,461	34,935
Contracted services	4,010	360	1,709	47,364	48,048
Gas commodity purchases	—	—	22,909	22,909	23,576
Rents and financial expenses	3,119	38	1,471	16,564	11,397
External transfers	755	3,368	—	77,755	71,356
Amortization	4,020	—	1,807	39,760	35,990
Inter-departmental charges	1,192	2	422	—	—
	<u>33,758</u>	<u>5,893</u>	<u>28,318</u>	<u>367,014</u>	<u>348,281</u>
Excess of expenditures over revenue	(22,270)	(1,642)	5,747	(150,853)	(123,165)
Funded through:					
Taxation				159,673	150,088
Payments in lieu of taxation				13,439	13,375
Investment in Government Business Enterprise				2,194	1,253
Investment income				5,024	7,894
				<u>180,330</u>	<u>172,610</u>
Annual surplus				\$ 29,477	\$ 49,445

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, 2009 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, 2009 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 23, 2010

CORPORATION OF THE CITY OF KINGSTON

Trust Funds

Name of Fund	Ontario Home Renewal Program	Rideaucrest Residents Funds, Donations and Endowments	Other	Total 2009	Total 2008
Statements of Financial Position					
As at December 31, 2009, with comparative figures for 2008					
Assets					
Cash and short-term investments	\$ -	\$ 214,164	\$ 83,503	\$ 297,667	\$ 287,767
Loans receivable	-	-	-	-	312
Accounts receivable	-	-	-	-	-
	\$ -	\$ 214,164	\$ 83,503	\$ 297,667	\$ 288,079
Fund balances:					
Unexpendable trust	\$ -	\$ 40,400	\$ 25,000	\$ 65,400	\$ 65,400
Capital/earned surplus	-	173,764	58,503	232,267	222,679
	\$ -	\$ 214,164	\$ 83,503	\$ 297,667	\$ 288,079
Statements of Continuity					
Year ended December 31, 2009, with comparative figures for 2008					
Balances, beginning of year	\$ 312	\$ 206,531	\$ 81,236	\$ 288,079	\$ 273,132
Donations and other revenue	-	129,144	1,620	130,764	158,652
Interest earned	11	1,690	647	2,348	8,303
	323	337,365	83,503	421,191	440,087
Expenditures	323	123,201	-	123,524	152,008
Balances, end of year	\$ -	\$ 214,164	\$ 83,503	\$ 297,667	\$ 288,079

CORPORATION OF THE CITY OF KINGSTON

Trust Funds
Notes to Financial Statements

Year ended December 31, 2009

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, 2009 comprise repayable loans of \$Nil (2008 - \$312) 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, 2009

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.

DRAFT