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## AUDITORS' REPORT

To the Mayor and Members of Council, Inhabitants and Ratepayers of  
The Corporation of the City of Kitchener

We have audited the consolidated statement of financial position of The Corporation of the City of Kitchener as at December 31, 2009 and the consolidated statements of operations, changes in net financial assets and cash flows 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 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 the changes in its net financial assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Waterloo, Canada  
May 21, 2010

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# CITY OF KITCHENER

## Consolidated Statement of Financial Position

As at December 31, 2009

(in thousands of dollars)

	2009	2008 (restated-note 15)
<b>Financial assets</b>		
Cash and temporary investments	64,643	58,609
Taxes receivable	20,286	18,785
Trade and other accounts receivable	47,999	44,569
Inventory for resale	17,247	20,442
Investments (note 4)	12,860	12,385
Investment in Kitchener Power Corporation and its affiliates (note 5)	162,872	169,822
	<b>325,907</b>	<b>324,612</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	62,263	67,228
Deferred revenue - obligatory reserve funds (note 7)	5,831	8,129
Deferred revenue - other	7,335	22,128
Municipal debt (note 8)	72,200	63,512
Employee future benefits (note 10)	22,787	21,159
	<b>170,416</b>	<b>182,156</b>
<b>Net financial assets</b>	<b>155,491</b>	<b>142,456</b>
<b>Non-financial assets</b>		
Tangible capital assets - net (note 11)	730,480	697,110
Inventory of supplies	1,648	1,672
Prepaid expenses	739	661
	<b>732,867</b>	<b>699,443</b>
<b>Accumulated surplus</b>	<b>888,358</b>	<b>841,899</b>

See accompanying notes

# CITY OF KITCHENER

## Consolidated Statement of Operations

Year Ended December 31, 2009  
(in thousands of dollars)

	2009 Actual	2009 Budget (unaudited)	2008 Actual (restated - note 15)
<b>Revenues</b>			
Taxation	95,849	96,434	90,731
User fees and charges			
Gasworks	112,394	110,341	109,774
Water and sewer	29,800	33,200	27,185
Other	37,056	32,500	38,254
Grants	18,041	2,167	3,788
Contributions of tangible capital assets	9,117	-	2,256
Investment income	6,764	8,270	8,983
Penalty and interest on taxes	2,937	2,657	2,727
Obligatory reserve funds revenue recognized	11,986	16,578	14,709
Share of net income of Kitchener Power Corporation and its affiliates (note 5)	4,238	-	4,718
Other	12,966	13,155	18,332
<b>Total revenues</b>	<b>341,148</b>	<b>315,302</b>	<b>321,457</b>
<b>Expenses</b>			
General government	40,050	38,927	37,458
Protection to persons and property	38,367	33,855	35,182
Transportation services	27,436	21,702	29,969
Environmental services	17,822	14,313	18,162
Health services	2,141	1,468	1,772
Social and family services	1,756	2,087	1,649
Recreation and cultural services	58,537	57,104	54,874
Planning and development	8,450	8,508	28,402
Gasworks	90,880	104,165	95,488
<b>Total expenses</b>	<b>285,439</b>	<b>282,129</b>	<b>302,956</b>
<b>Annual surplus</b>	<b>55,709</b>	<b>33,173</b>	<b>18,501</b>
Accumulated surplus, beginning of year	841,899	841,899	813,227
Effect of change in accounting policies of Kitchener Power Corporation	(9,250)	-	10,171
<b>Accumulated surplus, end of year</b>	<b>888,358</b>	<b>875,072</b>	<b>841,899</b>

See accompanying notes

**CITY OF KITCHENER**  
**Consolidated Statement of**  
**Change in Net Financial Assets**  
Year Ended December 31, 2009  
(in thousands of dollars)

	<b>2009</b>	<b>2009</b>	<b>2008</b>
	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
		<b>(unaudited)</b>	<b>(restated - note 15)</b>
<b>Annual surplus</b>	<b>55,709</b>	<b>33,173</b>	18,501
Amortization of tangible capital assets	<b>28,155</b>	-	28,125
Acquisition of tangible capital assets	<b>(73,388)</b>	<b>(93,708)</b>	(79,933)
(Gain)/loss on disposal of tangible capital assets	<b>11,454</b>	-	112
Proceeds on disposal of tangible capital assets	<b>409</b>	-	62
Effect of change in accounting policies of Kitchener Power Corporation	<b>(9,250)</b>	-	10,171
Acquisition of supplies of inventories	<b>(6,793)</b>	-	(1,575)
Acquisition of prepaid expenses	<b>(137)</b>	-	(146)
Consumption of supplies inventory	<b>6,817</b>	-	1,881
Use of prepaid expenses	<b>59</b>	-	77
<b>Change in net financial assets</b>	<b>13,035</b>	<b>(60,535)</b>	(22,725)
Net financial assets, beginning of the year	<b>142,456</b>	<b>142,456</b>	165,181
<b>Net financial assets, end of the year</b>	<b>155,491</b>	<b>81,921</b>	142,456

See accompanying notes

# CITY OF KITCHENER

## Consolidated Statement of Cash Flow

Year Ended December 31, 2009  
(in thousands of dollars)

	2009	2008 (restated-note 15)
<b>Operating</b>		
Annual surplus	55,709	18,501
Items not involving cash		
Amortization	28,155	28,125
Loss on sale of tangible capital assets	11,454	112
Change in employee future benefits	1,628	1,446
Contributions of tangible capital assets	(9,117)	(2,256)
Change in non-cash assets and liabilities		
Taxes receivable	(1,501)	(2,451)
Trade and other accounts receivable	(3,430)	(674)
Inventory of supplies	24	898
Inventory for resale	3,195	(7,677)
Prepaid expenses	(78)	(661)
Deferred revenue - obligatory reserve funds	(2,298)	(5,577)
Deferred revenue - other	(14,793)	22,128
Accounts payable and accrued liabilities	(4,965)	10,575
Net change in cash from operating activities	63,983	62,489
<b>Investing</b>		
Acquisition of tangible capital assets	(64,271)	(77,677)
Proceeds on disposal of tangible capital assets	409	62
Share of net income of Kitchener Power Corporation and its affiliates	(4,238)	(4,718)
Dividends received from Kitchener Power Corporation	1,938	2,121
Net acquisition of long-term investments	(475)	5,969
Net change in cash from investing activities	(66,637)	(74,243)
<b>Financing</b>		
Municipal debt issued	15,101	12,951
Municipal debt repaid	(6,413)	(5,842)
Net change in cash from financing activities	8,688	7,109
<b>Net Change in cash and temporary investments</b>	<b>6,034</b>	<b>(4,645)</b>
Cash and temporary investments, beginning of year	58,609	63,254
<b>Cash and temporary investments, end of year</b>	<b>64,643</b>	<b>58,609</b>

See accompanying notes

# CITY OF KITCHENER

## Notes to Consolidated Financial Statements

Year Ended December 31, 2009  
(in thousands of dollars)

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### 1. Summary of significant accounting policies

These consolidated financial statements of The Corporation of the City of Kitchener (the "City") have been prepared by management in accordance with Canadian generally accepted accounting principles for local governments as established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The following is a summary of the significant accounting policies followed in the preparation of these financial statements:

#### a. Basis of consolidation

##### i. Consolidated entities

These consolidated financial statements reflect the assets, liabilities, reserves, surpluses/deficits, revenues, and expenditures of those City funds and governmental functions or entities which have been determined to comprise a part of the aggregate City operations based upon control exercised by the City except for the City's government businesses which are accounted for on the modified equity basis of accounting. The following boards, municipal enterprises and utilities have been included in the consolidated financial statements:

- Kitchener Public Library Board
- Kitchener Downtown Improvement Area Board of Management
- Belmont Improvement Area Board of Management
- Centre in the Square Inc.
- Waterworks Enterprise
- Gasworks Enterprise
- Sewer Surcharge Enterprise
- Doon Valley Golf Club
- Rockway Golf Club

All inter-organizational and inter-fund transactions and balances have been eliminated.

##### ii. Government business enterprises

Kitchener Power Corporation and its affiliates are not consolidated but are accounted for on the modified equity basis which reflects the City of Kitchener's investment in the enterprises and its share of net income since acquisition. Under the modified equity basis, the enterprises' accounting principles are not adjusted to conform to those of the City, and inter-organizational transactions and balances are not eliminated.

##### iii. Accounting for region and school board transactions

The taxation, other revenues, expenditures, assets and liabilities, with respect to the operations of the school boards and the Regional Municipality of Waterloo, are not reflected in these consolidated financial statements.

##### iv. Trust funds

Trust funds and their related operations administered by the City are not consolidated, but are reported separately on the "Trust Funds Statement of Continuity and Balance Sheet" (see note 3).

# CITY OF KITCHENER

## Notes to Consolidated Financial Statements

Year Ended December 31, 2009  
(in thousands of dollars)

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### 1. Summary of significant accounting policies (continued)

#### b. Basis of accounting

##### i. Accrual basis of accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that gave rise to the revenues; expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

##### ii. Trade and other accounts receivable

Trade and other accounts receivable are reported net of any allowance for doubtful accounts.

##### iii. Inventory for resale

Inventory for resale is valued at the lower of cost or net realizable value on a first-in-first-out basis.

##### iv. Investments

Portfolio investments are carried at cost, net of accumulated amortization on premiums and discounts. Premiums and discounts are amortized on a straight line basis over the term to maturity. Interest income is recorded as it accrues. When the value of any portfolio investment is identified as impaired, the carrying amount is adjusted to estimated realizable amount and any adjustments are included in investment income in the period the impairment is recognized.

##### v. Deferred revenue

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

##### vi. Employee future benefits

The contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due. The costs of post-employment benefits are recognized when the event that obligates the City occurs; costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

The costs of post-employment benefits are actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation, expected health care costs and plan investment performance. Liabilities are actuarially determined using discount rates that are consistent with the market rates of high quality debt instruments. Any gains or losses from changes in assumptions or experience are amortized over the average remaining service period for active employees.

# CITY OF KITCHENER

## Notes to Consolidated Financial Statements

Year Ended December 31, 2009  
(in thousands of dollars)

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### 1. Summary of significant accounting policies (continued)

#### vii. Non-financial assets

Non-financial assets are not available to discharge liabilities and are held for use in the provision of services. They have useful lives that extend beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated change in net financial assets for the year.

#### a. Tangible capital assets

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 cost less residual value of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

<b>Assets</b>	<b>Amortization period</b>
Land	The original cost of land is not amortized
Land Improvements	10 to 25 years
Building & building Improvements	20 to 50 years
Leasehold improvements	Over the useful life of the improvement or the lease term, whichever is shorter
Machinery & equipment	3 to 15 years
Computer hardware	3 to 10 years
Computer software	1 to 10 years
Linear assets	20 to 100 years
Vehicles	3 to 25 years

#### b. Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at time of receipt and are recorded as revenue.

#### c. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all the risks and benefits incidental of ownership are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.



# CITY OF KITCHENER

## Notes to Consolidated Financial Statements

Year Ended December 31, 2009  
(in thousands of dollars)

### 1. Summary of significant accounting policies (continued)

#### d. Inventories

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

#### e. Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

#### viii. 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.

Government transfers and developer contributions-in-kind related to capital acquisitions are required to be recognized as revenue in the consolidated financial statements in the period in which the tangible capital assets are acquired.

#### ix. Use of estimates

Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgments. Actual results could differ from these estimates.

### 2. Operations of school boards and the Regional Municipality of Waterloo

Further to note 1 a) iii, the taxation, other revenues and requisitions for the school boards and the Regional Municipality of Waterloo are comprised of the following:

	School board	Region	Total
Taxation and user charges	83,143	171,152	254,295
Share of payments in lieu of taxes	2	1,116	1,118
Share of linear properties	64	110	174
Amounts requisitioned	83,209	172,378	255,587

### 3. Trust funds

Trust funds administered by the City have not been included in the "Consolidated Statement of Financial Position", nor have their operations been included in the "Consolidated Statement of Operations". The trust funds under administration are comprised of the following:

	2009	2008
Cemetery perpetual care and prepaid internment funds	9,486	9,039
Musagetes - Arts & Culture Fund	844	1,046
	10,330	10,085

# CITY OF KITCHENER

## Notes to Consolidated Financial Statements

Year Ended December 31, 2009  
(in thousands of dollars)

### 4. Investments

Investments are made up of the following:

	<b>2009</b>	<b>2009</b>	2008	2008
	<b>Cost</b>	<b>Market</b>	Cost	Market
		<b>Value</b>		Value
Bonds and debentures	<b>11,929</b>	<b>12,047</b>	11,872	11,505
Common Stock	<b>931</b>	<b>1,136</b>	513	482
	<b>12,860</b>	<b>13,183</b>	12,385	11,987

### 5. Investment in Kitchener Power Corp. and its Affiliates

Under the provincial government's Electricity Competition Act (Bill 35), Kitchener Power Corp., a holding company, along with its wholly owned subsidiaries, including Kitchener-Wilmot Hydro Inc., was incorporated on July 1, 2000.

On August 1, 2000, under by-laws passed by the City and the Township of Wilmot, the net assets of the former Hydro-Electric Commission of Kitchener-Wilmot were transferred to the new corporations. The City took back a 92.25% share in the common shares of Kitchener Power Corp. and a 92.25% share in long-term notes payable by the affiliates for the assets transferred. Certain surplus property assets and cash funds were excluded from the transfer and turned over to the City and the Township.

The investment is composed of the following:

	<b>2009</b>	2008
Kitchener Power Corp. common shares	<b>61,244</b>	61,244
Kitchener - Wilmot Hydro Inc. long-term notes receivable	<b>70,998</b>	70,998
Share of net income and prior period adjustments due to changes in accounting policies since acquisition, net of dividends	<b>30,630</b>	37,580
	<b>162,872</b>	169,822

The Kitchener-Wilmot Hydro Inc. notes are unsecured and bear interest at the rate of 6%. There are no repayment terms and there is no intent to redeem the notes or the shares.

Effective January 1, 2009, Kitchener Power Corp. adopted the amended sections of CICA Handbook Section 1100 - Generally Accepted Accounting Principles, CICA Handbook Section 3465 - Income Taxes and Accounting Guideline 19 - Disclosures by Entities Subject to Rate Regulation. As a result of these changes, opening retained earnings decreased by \$10,027, and regulatory liabilities and future income tax assets increased by \$14,123 and \$4,096 respectively at January 1, 2009.

# CITY OF KITCHENER

## Notes to Consolidated Financial Statements

Year Ended December 31, 2009  
(in thousands of dollars)

### 5. Investment in Kitchener Power Corp. and its Affiliates (continued)

The following table provides condensed financial information with respect to Kitchener Power Corp.:

	2009	2008
Current assets	65,742	75,056
Capital assets	138,170	137,850
Regulatory assets	15,072	4,306
Long-term investments	0	20
Future income taxes	12,443	11,643
<b>Total assets</b>	<b>231,427</b>	<b>228,875</b>
Current liabilities	27,106	25,235
Long-term debt	76,962	76,962
Regulatory liabilities	18,781	10,500
Other liabilities	8,984	9,051
<b>Total liabilities</b>	<b>131,833</b>	<b>121,748</b>
Net assets	99,594	107,127
<b>Results of operation</b>		
Revenues	178,829	173,299
Expenses	(174,235)	(168,184)
<b>Net income</b>	<b>4,594</b>	<b>5,115</b>
<b>City's share of net income - 92.25%</b>	<b>4,238</b>	<b>4,718</b>

### 6. Insurance pool

Liabilities include an amount of \$4,760 (2008 - \$4,390) which represents funds belonging to the Waterloo Region Municipalities Insurance Pool and administered by the City on behalf of the Pool's members. The members entered an agreement in 1998 to purchase property damage and public liability insurance on a group basis and share a retained level of risk.

The members pay an actuarially determined annual levy to fund insurance, prefund expected losses and contribute to a surplus. The Pool has purchased insurance to fund losses above a predetermined deductible and any losses above a predetermined total in any year.

The City's share of Pool levies is 26.23% (2008 - 27.53%) and its share of the Pool surplus as at May 31, 2009 was \$1,030 (2008 - \$1,289). The City's share of the Pool surplus has not been included in the "Consolidated Statement of Financial Position".

# CITY OF KITCHENER

## Notes to Consolidated Financial Statements

Year Ended December 31, 2009  
(in thousands of dollars)

### 7. Deferred revenue - obligatory

	2009	2008
Development charges	3,843	6,720
Recreational land	1,988	1,409
	<b>5,831</b>	<b>8,129</b>

The continuity of deferred revenues is as follows:

	2009	2008
Balance, beginning of the year	8,129	13,706
Collections	8,836	7,954
Interest earned	290	593
Other revenue	563	584
Contributions used	<b>(11,987)</b>	<b>(14,708)</b>
Balance, end of year	<b>5,831</b>	<b>8,129</b>

### 8. Municipal debt

a. The City has assumed responsibility for the payment of principal and interest charges on certain long-term debt issued by other municipalities. At the end of the year, the outstanding principal amount of this liability is \$72,200 (2008 - \$63,512).

b. The annual principal payments are:

2010	7,074
2011	6,459
2012	6,094
2013	6,046
2014 - 2024	46,527
	<b>72,200</b>

c. The annual principal and interest payments required to service the long-term debt are within the annual debt repayment limit prescribed by the Ontario Ministry of Municipal Affairs and Housing.

d. The long-term liabilities carry interest rates ranging from 1.00% to 6.40%.

### 9. Pension plan

The City makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf 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. Employee contributions are matched by the

# CITY OF KITCHENER

## Notes to Consolidated Financial Statements

Year Ended December 31, 2009  
(in thousands of dollars)

### 9. Pension Plan (continued)

City. Contributions were required on account of current service in 2009 amounting to \$5,721 (2008 - \$5,472). The latest available actuarial valuation of the OMERS plan indicates the assets of the plan were sufficient to meet all the liabilities in respect of members up to December 31, 2009.

### 10. Employee future benefits

	2009	2008
Sick leave benefit plan	11,571	10,151
Post retirement benefits	8,764	8,350
Future payments required to WSIB	2,452	2,658
	<b>22,787</b>	<b>21,159</b>

#### a. Sick leave

Under the sick leave benefit plan, unused sick leave can accumulate and certain employees may become entitled to cash payments when they leave the City's employment. The expense for the current year was \$738 (2008 - \$1,669).

The actuarial valuation of the future liability for sick leave assumes a discount rate of 5.25% (2008 - 5%).

Anticipated payments over the next five years to employees who are eligible to retire are:

2010	2,032
2011	297
2012	536
2013	786
2014	780
	<b>4,431</b>

#### b. Post-retirement benefits

The City of Kitchener pays certain health, dental and life insurance benefits on behalf of its retired employees up to the age of 65 if they have at least ten years service with the City. The expense for the year was \$1,195 (2008 - \$905) and is comprised of the following items:

As at December 31, 2008, the unamortized actuarial losses were \$1,628 (2008 - \$1,118) and are amortized over 12 years (2008 - 13 years). The amount of contributions and the amount of benefits paid during the year were \$780 (2008 - \$558).

**CITY OF KITCHENER**  
Notes to Consolidated Financial  
Statements  
Year Ended December 31, 2009  
(in thousands of dollars)

**10. Employee future benefits (continued)**

	2009	2008
Current period benefit cost	428	299
Amortization of actuarial losses	240	149
Retirement benefit expenditures	668	448
Retirement benefit interest expenditures	527	457
Total expenditures related to retirement benefits	1,195	905

The actuarial estimate of the future liability for post-retirement benefits assumes a discount rate of 5.25% (2008 – 5%) and inflation rates for benefit premiums of 5% to 9% (2008 – 4% to 7.12%).

**c. WSIB**

The Workplace Safety and Insurance Board (WSIB) administer injured worker benefits payments on behalf of the City as a Schedule 2 employer. The expense for the year was \$793 (2008 – \$718).

The actuarial estimate of the future liability for WSIB benefits assumes a discount rate of 5% (2008 – 5%).

**11. Tangible capital assets**

The write-down of tangible capital assets during the year was \$35 (2008 – nil). Assets contributed to the City totaled \$9,117 (2008 - \$2,256).

See Schedule A

**CITY OF KITCHENER**  
Notes to Consolidated Financial  
Statements  
Year Ended December 31, 2009  
(in thousands of dollars)

**12. Accumulated surplus**

The accumulated surplus consists of individual fund surplus/ (deficit) and reserves as follows:

	2009	2008
<b>Surplus:</b>		
Invested in tangible capital assets	730,480	697,110
Other	(6,278)	(36,997)
Equity in Kitchener Power Corporation and its affiliates	162,872	169,820
Unfunded		
Employee future benefits	(22,787)	(21,159)
<b>Total surplus</b>	<b>864,287</b>	<b>808,774</b>
<b>Reserves:</b>		
Acquisition of capital assets	7,015	8,730
<b>Total reserves</b>	<b>7,015</b>	<b>8,730</b>
<b>Reserve funds set aside for specific purpose by Council for:</b>		
Sick leave	4,537	3,859
Capital expenditures	2,575	9,495
Tax rate stabilization	1,760	3,938
Workplace safety and insurance	(329)	(119)
Insurance	384	424
Centre in the Square Inc.	2,385	2,440
Other	5,744	4,358
<b>Total reserve funds</b>	<b>17,056</b>	<b>24,395</b>
	<b>888,358</b>	<b>841,899</b>

**13. Contingent liabilities**

a. The City has extended a line of credit not to exceed \$2,000 to Kitchener Housing Inc. Interest is charged on the outstanding balance at bank prime plus 1% (rate as at December 31, 2009 was 1.5%).

b. Legal action has been undertaken against the City relating to a number of contract disputes and other matters. The outcome of these actions is not presently determinable. It is management's opinion that the City's insurance will adequately cover any potential liability arising from these contract disputes and other matters. Should any liability be determined and not covered by insurance it will be recognized in the period when it is determined.

# CITY OF KITCHENER

## Notes to Consolidated Financial Statements

Year Ended December 31, 2009  
(in thousands of dollars)

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### 14. Segmented information

The City of Kitchener is a diversified municipal government institution that provides a wide range of services to its citizens, including fire, roads, water, sewer, gasworks, libraries, and community services.

Segmented information has been prepared by major functional classification of activities provided, consistent with the Consolidated Statement of Financial Activities and provincially legislated requirements.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2. For additional information see the Consolidated Schedule of Segmented Disclosure.

See Schedule B

### 15. Change in accounting policy

The City has restated its financial statements to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook which requires governments to record and amortize their tangible capital assets on their financial statements. In addition, revenue from contributed assets and government grants and transfers relating to capital acquisitions has been included in income.

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

The financial information recorded includes the actual or estimated historical cost of the tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The City applied a consistent method of estimating the replacement or reproduction 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 defining replacement or reproduction cost, the Non-Residential Building construction price index (NRBCPI) was used as a resource for determining appropriate indices in order to deflate the replacement or reproduction cost to an estimated historical cost at the year of acquisition.

This change has been applied retroactively and prior periods have been restated. This change in accounting policy has changed amounts reported in the prior period as follows:



**CITY OF KITCHENER**  
Notes to Consolidated Financial  
Statements  
Year Ended December 31, 2009  
(in thousands of dollars)

**15. Change in accounting policy (continued)**

<b>2008 opening accumulated surplus</b>	
As previously stated	177,563
Net book value of tangible capital assets recorded	635,664
<b>Restated balance</b>	<b>813,227</b>
<b>2008 annual surplus</b>	
As previously stated (deficiency)	(29,110)
Assets capitalized but previously expensed	77,677
Revenue from contributed tangible capital assets	2,256
Amortization expense not previously recorded	(28,125)
Loss on disposal of assets	(174)
Change in non-financial assets not previously reported as expense	(4,023)
<b>Restated balance</b>	<b>18,501</b>

**16. Budget figures**

The budget figures reflected in these consolidated statements are those approved by Council at a meeting on January 12, 2009. Capital budget figures are based on the capital forecast for the current year. Actual revenues and expenditures may be significantly different from budget depending on the timing of projects, which may occur in a different year than originally budgeted.

**17. Comparative figures**

Certain of the prior year's comparative figures have been restated to conform to the current year's presentation.

# CITY OF KITCHENER

## Notes to Consolidated Financial Statements

Year Ended December 31, 2009  
(in thousands of dollars)

### Schedule A – Tangible Capital Assets

	General								Infrastructure				Total
	Land	Land improvements	Buildings	Leasehold improvements	Machinery & equipment	Computer software	Computer hardware	Vehicles	Land	Buildings	Linear assets	Assets under construction	
<b>Cost</b>													
Balance, beginning of year	39,292	29,785	139,033	2,942	40,214	18,854	4,681	25,513	121,817	17,337	555,436	34,245	1,029,149
Additions	5,006	4,111	6,820	73	4,506	1,132	640	3,793	3,069	-	37,942	6,296	73,388
Disposals	(877)	(108)	-	-	(988)	-	-	(1,224)	(9,474)	-	(2,383)	-	(15,054)
Write-down	-	(2)	(17)	-	(6)	-	(10)	-	-	-	-	-	(35)
Balance, end of year	43,421	33,786	145,836	3,015	43,726	19,986	5,311	28,082	115,412	17,337	590,995	40,541	1,087,448
<b>Accumulated Amortization</b>													
Balance, beginning of year	-	(15,870)	(64,173)	(179)	(20,166)	(9,785)	(2,288)	(12,016)	-	(3,534)	(204,028)	-	(332,039)
Disposals	-	99	-	-	803	-	-	1,111	-	-	1,213	-	3,226
Amortization expense	-	(1,265)	(3,863)	(60)	(3,437)	(2,549)	(778)	(1,909)	-	(335)	(13,959)	-	(28,155)
Balance, end of year	-	(17,036)	(68,036)	(239)	(22,800)	(12,334)	(3,066)	(12,814)	-	(3,869)	(216,774)	-	(356,968)
<b>Net book value, end of year</b>													
Net book value, end of year	43,421	16,750	77,800	2,776	20,926	7,652	2,245	15,268	115,412	13,468	374,221	40,541	730,480
Net book value, beginning of year	39,292	13,915	74,860	2,763	20,048	9,069	2,393	13,497	121,817	13,803	351,408	34,245	697,110

# CITY OF KITCHENER

## Notes to Consolidated Financial Statements

Year Ended December 31, 2009  
(in thousands of dollars)

### Schedule B – Segmented Information

<i>year ended December 31, 2009</i>	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Gasworks	General Government	Total
<b>Revenues</b>										
Taxation	(28,341)	(8,849)	(2,484)	(179)	(1,014)	(32,618)	-	-	(22,364)	(95,849)
User fees and charges	(6,710)	(6,309)	(29,800)	(1,229)	(298)	(19,827)	(1,612)	(112,394)	(1,071)	(179,250)
Grants	(42)	(6,519)	(43)	-	(549)	(8,427)	(116)	-	(2,345)	(18,041)
Investment income	(95)	(19)	(146)	(203)	(3)	(102)	(100)	(68)	(6,028)	(6,764)
Penalty and interest on taxes	-	-	-	-	-	-	-	-	(2,937)	(2,937)
Obligatory reserve funds revenue recognized	-	(2,766)	(6,408)	-	-	(1,133)	(488)	-	(1,191)	(11,986)
Share of net income in Kitchener Power Corporation	-	-	-	-	-	-	-	-	(4,238)	(4,238)
Asset donations	(2)	(5,348)	(152)	-	-	(98)	(3,517)	-	-	(9,117)
Other	(192)	(2,713)	(640)	(42)	(14)	(5,761)	(497)	(2,191)	(916)	(12,966)
<b>Total revenue</b>	<b>(35,382)</b>	<b>(32,523)</b>	<b>(39,673)</b>	<b>(1,653)</b>	<b>(1,878)</b>	<b>(67,966)</b>	<b>(6,330)</b>	<b>(114,653)</b>	<b>(41,090)</b>	<b>(341,148)</b>
<b>Expenses</b>										
Salaries, wages and benefits	31,920	12,101	5,702	1,066	1,386	31,840	4,813	5,262	20,588	114,678
Materials and services	3,328	7,219	5,287	921	250	18,642	1,208	78,924	8,434	124,213
Debenture debt interest	217	958	70	1	-	571	1,065	-	93	2,975
Internal charges and recoveries	1,517	(720)	1,499	5	33	135	650	2,339	(5,458)	-
Grants and other	-	9	320	-	11	2,390	91	-	20	2,841
Amortization	1,368	7,139	4,836	131	76	4,747	623	4,004	5,231	28,155
Loss / (gain) on sale of assets	17	730	108	17	-	212	-	351	11,142	12,577
<b>Total expenses</b>	<b>38,367</b>	<b>27,436</b>	<b>17,822</b>	<b>2,141</b>	<b>1,756</b>	<b>58,537</b>	<b>8,450</b>	<b>90,880</b>	<b>40,050</b>	<b>285,439</b>
<b>Net (surplus) / deficit</b>	<b>2,985</b>	<b>(5,087)</b>	<b>(21,851)</b>	<b>488</b>	<b>(122)</b>	<b>(9,429)</b>	<b>2,120</b>	<b>(23,773)</b>	<b>(1,040)</b>	<b>(55,709)</b>

# CITY OF KITCHENER

## Notes to Consolidated Financial Statements

Year Ended December 31, 2009  
(in thousands of dollars)

### Schedule B - Segmented Information

<i>year ended December 31, 2008</i>	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Gasworks	General Government	Total
<b>Revenues</b>										
Taxation	(27,526)	7,204	21,010	(171)	(796)	(22,305)	(24,154)	-	(43,993)	(90,731)
User fees and charges	(6,243)	(9,321)	(27,185)	(1,171)	(258)	(18,525)	(1,745)	(109,774)	(991)	(175,213)
Grants	(53)	(2,720)	(75)	-	(500)	(356)	-	-	(84)	(3,788)
Investment income	(249)	(40)	(253)	(264)	(3)	(117)	(107)	(323)	(7,627)	(8,983)
Penalty and interest on taxes	-	-	-	-	-	-	-	-	(2,727)	(2,727)
Obligatory reserve funds revenue recognized	-	(6,349)	(1,432)	-	-	(5,677)	(607)	-	(644)	(14,709)
Share of net income in Kitchener Power Corporation	-	-	-	-	-	-	-	-	(4,718)	(4,718)
Asset donations	(1)	(1,323)	(38)	-	-	(24)	(870)	-	-	(2,256)
Other	(164)	(10,112)	(1,969)	(35)	(16)	(2,805)	(297)	(1,423)	(1,511)	(18,332)
<b>Total revenue</b>	<b>(34,236)</b>	<b>(22,661)</b>	<b>(9,942)</b>	<b>(1,641)</b>	<b>(1,573)</b>	<b>(49,809)</b>	<b>(27,780)</b>	<b>(111,520)</b>	<b>(62,295)</b>	<b>(321,457)</b>
<b>Expenses</b>										
Salaries, wages and benefits	29,334	11,065	5,400	1,037	1,233	30,248	4,872	4,623	23,812	111,624
Materials and services	2,799	11,438	6,621	579	238	16,929	21,737	84,208	13,643	158,192
Debenture debt interest	193	1,019	81	-	60	777	491	-	42	2,663
Internal charges and recoveries	1,488	(869)	1,224	5	32	152	649	2,653	(5,334)	-
Grants and other	-	6	-	20	10	2,046	31	-	65	2,178
Amortization	1,368	7,136	4,836	131	76	4,722	622	4,004	5,230	28,125
Loss / (gain) on sale of assets	-	174	-	-	-	-	-	-	-	174
<b>Total expenses</b>	<b>35,182</b>	<b>29,969</b>	<b>18,162</b>	<b>1,772</b>	<b>1,649</b>	<b>54,874</b>	<b>28,402</b>	<b>95,488</b>	<b>37,458</b>	<b>302,956</b>
<b>Net (surplus) / deficit</b>	<b>946</b>	<b>7,308</b>	<b>8,220</b>	<b>131</b>	<b>76</b>	<b>5,065</b>	<b>622</b>	<b>(16,032)</b>	<b>(24,837)</b>	<b>(18,501)</b>