

**THE CORPORATION OF
THE TOWN OF KINGSVILLE**

Financial Statements
December 31, 2017

DRAFT

Draft for discussion purposes only

**THE CORPORATION OF
THE TOWN OF KINGSVILLE**
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Independent Auditor's Report

**To the Members of Council, Inhabitants and Ratepayers
of The Corporation of the Town of Kingsville**

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Kingsville, which comprise the Consolidated Statement of Financial Position as at December 31, 2017, and the Consolidated Statement of Financial Operations and Accumulated Surplus, Consolidated Statement of Changes in Net Financial Debt and Consolidated Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly in all material respects, the financial position of The Corporation of the Town of Kingsville as at December 31, 2017 and their financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Essex, Ontario
May 28, 2018

Draft for discussion purposes only

THE COPORATION OF THE TOWN OF KINGSVILLE
Consolidated Statement of Financial Position
as at December 31, 2017

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Cash and cash equivalents (Notes 3 & 9)	\$ 22,076,583	\$ 19,237,767
Taxes and grants-in-lieu receivable	1,315,970	1,507,954
Trade and other receivables (Note 3)	3,414,852	3,029,418
Drainage costs recoverable (Note 6)	2,086,735	2,403,598
Drainage debt receivable (Note 6)	754,963	559,599
Long-term Investment (Note3)	4,033,000	-
	<u>33,682,103</u>	<u>26,738,336</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (Note 3)	5,874,689	4,396,527
Accrued interest	67,026	75,274
Municipal debt (Note 3 & 4)	15,512,713	16,028,377
Employee future benefits (Note 7)	1,145,500	2,118,150
Deferred revenue (Schedule 2)	1,982,734	957,805
	<u>24,382,662</u>	<u>23,576,133</u>
NET FINANCIAL ASSETS (DEBT)	<u>9,299,441</u>	<u>3,162,203</u>
Contractual obligations (Note 14)		
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3, Schedule 1)	117,649,509	119,025,033
Prepaid expenses	63,856	93,403
	<u>117,713,365</u>	<u>119,118,436</u>
ACCUMULATED SURPLUS	<u>\$ 127,012,806</u>	<u>\$ 122,280,639</u>

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Statement of Financial Operations and Accumulated Surplus
for the year ended December 31, 2017

	<u>2017 Budget</u> (Note 11)	<u>2017</u>	<u>2016</u>
REVENUES			
Net taxation/user charges	\$ 27,910,679	\$ 24,016,224	\$ 23,678,680
Government transfers	1,272,699	1,255,796	1,282,368
Other	2,435,689	2,737,939	2,662,317
TOTAL REVENUES	31,619,067	28,009,959	27,623,365
EXPENSES			
General government	3,936,871	3,814,658	3,474,858
Protection to persons and property	5,448,609	5,228,052	5,116,723
Transportation services	7,428,671	8,137,467	7,659,263
Environmental services	10,198,869	9,089,868	9,236,791
Health services	157,036	101,975	135,438
Recreation and culture	2,522,474	2,411,191	2,280,858
Planning and development	383,865	390,016	322,127
TOTAL EXPENSES	30,076,395	29,173,227	28,226,058
NET REVENUES (EXPENSES)	1,542,672	(1,163,268)	(602,693)
OTHER			
Deferred revenue earned	373,455	289,338	185,137
Government transfers for capital projects	2,912,306	2,363,282	1,394,172
Employee future benefits	-	972,650	(166,300)
Gain on investment in UWSS (note 3)	-	2,356,277	-
Contributed tangible capital assets	-	130,900	-
Loss on disposal of tangible capital assets	-	(217,012)	(99,183)
	3,285,761	5,895,435	1,313,826
ANNUAL SURPLUS (DEFICIT)	4,828,433	4,732,167	711,133
ACCUMULATED SURPLUS, BEGINNING OF YEAR	122,280,639	122,280,639	121,569,506
ACCUMULATED SURPLUS, END OF YEAR	\$ 127,109,072	\$ 127,012,806	\$ 122,280,639

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Statement of Changes in Net Financial Debt
for the year ended December 31, 2017

	<u>2017 Budget</u> (Note 11)	<u>2017</u>	<u>2016</u>
Annual Surplus (Deficit)	\$ 4,828,433	\$ 4,732,167	\$ 711,133
Amortization of tangible capital assets	8,233,745	8,484,740	8,233,745
Acquisition of tangible capital assets	(7,906,449)	(7,411,307)	(5,449,246)
Disposals of tangible capital assets	-	302,091	193,314
Acquisition of prepaid expense	-	(63,856)	(93,403)
Consumption of prepaid expense	-	93,403	61,852
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	5,155,729	6,137,238	3,657,395
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	3,162,203	3,162,203	(495,192)
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ 8,317,932	\$ 9,299,441	\$ 3,162,203

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THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Statement of Cash Flows
for the year ended December 31, 2017

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Annual Surplus (Deficit)	\$ 4,732,167	\$ 711,133
Sources (Uses)		
Taxes and grants-in-lieu receivable	191,984	(58,077)
Trade and other receivables	(385,434)	347,836
Drainage costs and debt receivable	121,499	(144,671)
Prepaid expenses	29,547	(31,551)
Accounts payable and accrued liabilities	1,478,162	(247,493)
Deferred revenue	1,024,929	683,761
Accrued interest	(8,248)	5,526
Increase in employee future benefits	(972,650)	166,300
	6,211,956	1,432,764
INVESTING ACTIVITIES		
Increase in long-term investments	(4,033,000)	-
	(4,033,000)	-
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(7,411,307)	(5,449,246)
Amortization of tangible capital assets	8,484,740	8,233,745
Loss on disposal of tangible capital assets	217,012	99,183
Proceeds on disposal of tangible capital assets	85,079	94,131
	1,375,524	2,977,813
FINANCING ACTIVITIES		
Long-term debt issued	800,304	2,606,430
Long-term debt repaid	(1,515,968)	(1,276,853)
	(715,664)	1,329,577
NET INCREASE (DECREASE) IN CASH	2,838,816	5,740,154
CASH, BEGINNING OF THE YEAR	19,237,767	13,497,613
CASH, END OF YEAR	\$ 22,076,583	\$ 19,237,767

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2017

1. Significant Accounting Policies

(a) Management Responsibility

The consolidated financial statements of the Corporation of the Town of Kingsville (the "Town") are the responsibility of management. They have been prepared in accordance with generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The preparation of financial statements requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ as additional information becomes available in the future.

(b) Basis of Consolidation

(i) Consolidated Entities

The consolidated financial statements reflect the financial assets, liabilities, revenues, expenses, reserves and changes in investment in tangible capital assets of the Town and includes the activities of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Town and are owned or controlled by the Town.

Interdepartmental and inter-organizational transactions and balances have been eliminated.

The Town's proportionate share in the Union Water Supply System is accounted for on a proportionate consolidation basis, consistent with the generally accepted accounting treatment for government units.

(ii) Accounting for Region (County) and School Board Transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the School Boards, and the County of Essex are not reflected in the municipal fund balances of these financial statements. Taxation raised by the municipality on their behalf is reflected as a deduction from total taxation on the Consolidated Statement of Financial Operations. Amounts due from/to the County of Essex and School Boards are included in trade and other receivables/accounts payable and accrued liabilities on the Consolidated Statement of Financial Position.

(iii) Trust Funds

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the Trust Funds Financial Statements.

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2017

(c) Basis of Accounting

(i) Accrual Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods and services and the creation of a legal obligation to pay.

(ii) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending 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 Change in Net Financial Assets for the year.

(ii.1) 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 are amortized on a straight-line basis over their estimated useful lives as follows:

Land - Not amortized

Land Improvements - 10 to 30 years

Buildings & Improvements - 10 to 40 years

Information Technology - 4 years

Vehicles/Machinery & Equipment - 4 to 25 years

Furniture and Fixtures - 10 to 15 years

Infrastructure - 20 to 50 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The Town has a capitalization threshold of \$5,000 - \$50,000 depending on the asset, so that individual tangible capital assets of lesser value are expensed, unless they are land, construction in progress, or pooled because, collectively, they have significant value, or for operational reasons. Examples of asset pools are desktop computers and computer laptops.

(ii.2) Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, 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.

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2017

(ii.3) Leases

Leases are classified as capital or operation leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property 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.

(ii.4) Inventories

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

(iii) Deferred Revenue

Revenue restricted by legislating, regulation or agreement and is not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations in the year in which it is used for the specific purpose.

(iv) Employee Future Benefits

The Town has adopted the accrual method for employee future benefits as required by the Chartered Professional Accountants of Canada. The cost of future benefits earned by employees is actuarially determined using the projected benefit method prorated on service and assumptions with respect to mortality and termination costs, retirement age and expected inflation costs associated with employee benefit costs.

(v) Use of Estimates

The preparation of financial statements in accordance with local government accounting standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2017

(vi) Taxes receivable and related revenues

Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Town Council, incorporating amounts to be raised for local services and amounts the Town is required to collect on behalf of the Province of Ontario in respect to education taxes. A normal part of the assessment process is the issuance of supplementary assessment rolls, which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Town revenues are recorded at the time tax billings are issued. Assessment and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded based upon management's estimate of the outcome taking into consideration historical trends. The Town is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied. Tax revenue is recorded net of reductions. Taxes receivable are reported net of an allowance for doubtful accounts.

(vii) Government transfers

Government transfers, which include legislative grants, are recognized as revenue in the consolidated financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. When transfer stipulations give rise to a liability, government transfers are recognized as deferred revenue and recognized as revenue when the stipulations are settled.

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2017

2. Operation of School Boards and the County of Essex

During the year, the following revenue was raised and remitted to the school boards and the County of Essex.

	<u>2017</u>	<u>2016</u>
School Boards	\$ 6,123,586	\$ 6,314,299
County	<u>10,563,840</u>	<u>10,340,100</u>
	<u>\$ 16,687,426</u>	<u>\$ 16,654,399</u>

3. Equity in the Union Water Supply System

Effective January 2, 2001, the assets, liabilities, rights and obligations of the Union Water Supply System (UWSS) were transferred from Ontario Clean Water Agency to the joint ownership of the system's participating municipalities pursuant to an order issued by the Minister of the Environment under the Municipal Water and Sewage Act, 1997.

The equity of interest for each municipality is determined every 4 years according to their proportional water consumption from the system. The ownership interests were last set January 1, 2017. Kingsville's equity is currently 40.33% (2016 - 34.83%). The change in Kingsville's equity share during 2017 has resulted in a gain of \$2,356,277.

The Town's equity in the UWSS is made up as follows:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 3,381,487	\$ 5,667,823
Trade and other receivables	373,995	270,831
Long-term Investment	4,033,000	-
Accounts payable and accrued liabilities	(459,371)	(202,146)
Long-term debt	<u>(5,548,015)</u>	<u>(5,068,099)</u>
Net Financial Assets	1,781,096	668,409
 Tangible capital assets	 <u>16,198,048</u>	 <u>14,253,251</u>
 Accumulated surplus	 <u>\$ 17,979,144</u>	 <u>\$ 14,921,660</u>
 Equity in Reserve and Reserve Funds	 <u>\$ 7,329,112</u>	 <u>\$ 5,736,509</u>

The Town's share of any operating surplus or deficit from UWSS is included in Environmental Services expenses on the Consolidated Statement of Financial Operations and Accumulated Surplus. Kingsville's share of the UWSS current year operating surplus was \$701,206 (2016 - \$661,780).

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2017

4. Municipal Debt

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

	<u>2017</u>	<u>2016</u>
<i>Property Tax Supported</i>		
i) OSIFA Loan - repayable in semi-annual instalments of \$49,389 plus interest at 4.72%, due September, 2027	\$ 938,388	\$ 1,037,165
ii) OILC Loan - repayable in semi-annual instalments of \$119,772 including interest at 3.97%, due December, 2033	2,816,989	2,940,994
iii) OILC Loan - repayable in semi-annual instalments of \$91,043 including interest at 2.47%, due November, 2025	1,314,466	1,461,358
iv) OILC Loan - repayable in semi-annual instalments of \$52,753 including interest at 3.34%, due November, 2035	1,418,716	1,475,414
v) Mortgage - repayable in annual instalments of \$143,750, interest free, due January, 2017	-	143,750
vi) OILC Loan - repayable in semi-annual instalments of \$131,283 including interest at 2.56%, due November, 2026	2,098,697	2,303,594
<i>Benefiting Property Owners</i>		
i) Sewer Separation Program Debentures - repayable in annual instalments including interest ranging from 4.0% to 5.0%, due in various amounts from 2017 to 2022	631,964	818,373
ii) Drain Debentures - repayable in annual instalments including interest ranging from 2.25% to 5.0%, due in various amounts from 2017 to 2028	754,963	559,599
iii) Sanitary Sewer Debentures - repayable in annual instalments including interest ranging from 2.83% to 5.0%, due in various amounts from 2018 to 2025	1,540,739	2,010,054
iv) Watermain Debentures - repayable in annual instalments including interest at 5%, due in various amounts in 2018	17,372	33,916
v) Tile Loans - repayable in annual instalments including interest ranging from 6.0% to 6.8%, due in various amounts from 2017 to 2024	<u>131,224</u>	<u>153,225</u>
Total long-term liabilities incurred by the Municipality and those incurred on behalf of benefiting land owners	11,663,518	12,937,442
Less: Internally financed debt	<u>(1,898,820)</u>	<u>(1,977,164)</u>
	9,764,698	10,960,278
Share of Union Water System Obligations	<u>5,548,015</u>	<u>5,068,099</u>
	\$ <u>15,312,713</u>	\$ <u>16,028,377</u>

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Financial Statements
for the year ended December 31, 2017

4. Municipal Debt (continued)

(b) Principal payments are as follows:

2018	\$ 1,325,839
2019	1,337,305
2020	1,360,847
2021	1,329,986
2022	1,415,610
2023 onward	8,543,126
	<u>\$ 15,312,713</u>

(c) The long-term liabilities in (a) issued in the name of the Municipality have received approval of the Ontario Municipal Board (or approval by private legislation) for those approved 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.

(d) Total interest charges for the year for net long-term liabilities which are reported on the Consolidated Statement of Financial Operations, are as follows:

	<u>2017</u>	<u>2016</u>
Interest	\$ 1,053,205	\$ 996,394

5. Trust Funds

The municipality administers a Perpetual Care Cemetery Trust Fund which amounts to \$1,136,887 (2016 - \$1,099,351). The assets and liabilities of this trust have not been included in the "Consolidated Statement of Financial Position" nor have the operations been included in the "Consolidated Statement of Financial

6. Drainage Costs Recoverable and Drainage Debt Receivable

The Town incurs costs to maintain and construct municipal drains which are recoverable from the benefitting landowners. In accordance with the Drainage Act these costs can accumulate for a five year period prior to being invoiced. Drainage costs recoverable represents accumulated drainage costs which have not yet been invoiced to the benefitting landowners. Drainage debt receivable represents costs that have been billed to the benefitting landowners, financed on taxes and are in the collection stage. The Town issues a debenture by-law for all financed projects which outlines the terms and interest rates. There are approximately 350 municipal drains in the Town of Kingsville.

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2017

7. Employee Future Benefits

The municipality pays certain benefits on behalf of its retired employees. Information about the Town's defined benefit plans is as follows:

	<u>2017</u>	<u>2016</u>
Accrued benefit as at January 1	\$ 2,118,150	\$ 1,951,850
Service cost	140,215	135,473
Interest cost	78,429	72,330
Benefit paid for year	(35,078)	(41,503)
Actuarial loss (gain)	<u>(1,156,216)</u>	<u>-</u>
Projected accrued benefit obligation at December 31	\$ <u>1,145,500</u>	\$ <u>2,118,150</u>

All actuarial gains and losses are fully recognized in the year they are identified.

An actuarial valuation was performed as of December 31, 2017 (previously, January 1, 2011). The main actuarial assumptions employed in the valuations are as follows:

	<u>2017</u>	<u>2016</u>
Discount rate	3.5%	3.5%
Salary scale	3.0%	3.0%
Drug expense trend	8% in 2018 to 4% over 10 years	9.5% in 2011 to 4.5% over 20 years
Dental expense trend	4.0%	4.5%
Other medical expense trend	4.5%	4.5%

8. Segmented Information

The Town provides a wide range of services to its citizens. On Schedule 5, consolidated revenues and expenses have been presented on a segmented basis. Municipal services have been segmented by grouping activities with similar service objectives. Revenue directly related to each service has been allocated to its respective segment. Municipal taxation revenue has been allocated based on the percentage of total budgeted expenditures. The segments are defined as follows:

General Government

General government consists of governance, corporate management and program support. It includes the offices of Council, Chief Administrative Officer, Information Technology, Financial and Clerk Services.

Protection to Persons and Property

Protection to persons and property includes Fire and Police services, Building permitting & inspection and by-law enforcement, and Animal control.

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2017

Transportation

Transportation services refers to the operations of the Public Works Department which is responsible for road maintenance, winter control and street lighting.

Environmental

Environmental services includes the distribution and treatment of water, the collection and treatment of waste water and storm water, and the collection and disposal of garbage.

Health Services

Health Services refers to cemetery operations.

Recreation & Culture

Recreation & Culture services refers to the operations of municipally owned recreational facilities, parks, arena, marina and community centres. It also includes the delivery of recreational and cultural programming.

Planning & Development

Planning & Development refers to the operations of the planning department which facilitates the orderly growth of the Town in accordance with the official plan.

9. Bank Overdraft

The Town has an authorized overdraft limit of \$2,000,000 bearing interest at prime with TD Canada Trust. At December 31, 2017, the Town had \$2,000,000 (2016 - \$2,000,000) in unused credit

10. Reserve, Reserve Funds and Deferred Revenue

The balance of reserve, reserve funds and deferred revenue is made up of the following:

	<u>2017</u>	<u>2016</u>
Total reserves and reserve funds (Schedule 3)	\$ 23,042,213	\$ 19,171,022
Deferred revenue portion of reserve funds set aside for specific purposes by legislation, regulation or agreement (Schedule 2)	<u>1,982,734</u>	<u>957,805</u>
	<u>\$ 25,024,947</u>	<u>\$ 20,128,827</u>

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2017

11. Budget Amounts

The 2017 Financial Budget was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. Further, the budget includes all tangible capital expenditures rather than amortization expense. For the purpose of these financial statements, the budget figures have been modified as follows;

Consolidated Statement of Financial Activities
For the year ended December 31, 2017

	2017 Budget	Change	Restated 2017 Budget
Revenue	\$ 37,452,420		\$ 37,452,420
Less: Contributions from reserves		(3,335,201)	(3,335,201)
Less: Proceeds from Long-term Debt		-	-
Less: Inter-departmental revenues		(435,000)	(435,000)
Plus: Local Improvements		1,222,609	1,222,609
	<u>37,452,420</u>	<u>(2,547,592)</u>	<u>34,904,828</u>
Expenses			
Total Expenditures as per budget	37,452,420		37,452,420
Less: Contributions to reserves		(2,366,787)	(2,366,787)
Less: Capital expenditures		(11,978,454)	(11,978,454)
Plus: Amortization		8,233,745	8,233,745
Plus: Interest on non-tax funded debt		143,149	143,149
Less: Repayments of tax funded debt		(631,268)	(631,268)
Plus: Capital transactions to be financed		(341,410)	(341,410)
Less: Inter-departmental expenses		(435,000)	(435,000)
	<u>37,452,420</u>	<u>(7,376,025)</u>	<u>30,076,395</u>
Annual Surplus (Deficit)	-	4,828,433	4,828,433
Accumulated surplus, beginning of year			122,280,639
Accumulated surplus, end of year			<u>\$ 127,109,072</u>

12. Pension Plan

The Town belongs to the Ontario Municipal Employee Retirement Fund (OMERS) which is a multi-employer plan on behalf of 59 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 their length of service and rates of pay. The plan is funded through equal contributions from the employer and its member employees.

The amount contributed by the Municipality in 2017 was \$395,437 (2016 - \$355,880). At December 31, 2017 the OMERS plan was in a deficit position, funded at 94% (2016 - 93%). Contribution rates to the plan are determined by OMERS, based on the funding status of the plan, investment projections and other actuarial assumptions.

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2017

13. Public Sector Salary Disclosure Act

The Public Sector Salary Disclosure Act requires all municipalities to disclose, which, if any, employees or officers received remuneration totaling more than \$100,000 during the year. During 2017, the following employees met this requirement:

Position	Name	Salary Paid	Taxable Benefits
Chief Administrative Officer	M. Van Mierlo-West	\$ 133,206	1,042
Director of Financial Services	S. Zwiers	131,979	1,030
Director of Corporate Services	J. Astrologo	118,781	938
Director of Municipal Services	A. Plancke	115,101	1,167
Manager of Information Technology	T. Iacobelli	109,923	896
Manager of Planning	R. Brown	104,426	853
Manager of Building & By-law	P. Valore	103,540	854

14. Contractual Obligations

The Town has entered into various facility leases. The obligation over the remaining life of these leases are as follows:

2018	34,000
2019	25,500
	<u>\$ 59,500</u>

Policing services for the Town are currently provided by the Ontario Provincial Police (OPP). Under the current agreement, which expires December 31, 2018, policing costs are determined annually. In 2017, the OPP contract approximated \$3.1 million (2016 - \$3.0 million)

The Town has entered an agreement with the Ontario Clean Water Agency (OCWA), to operate their sewage facilities through May 31, 2025. Under this agreement, the Town retains responsibility for all operating and capital costs associated with these facilities. Included in the consolidated statement of financial activities are charges from OCWA of approximately \$1,089,000 (2016 - \$972,000).

The Town has entered an agreement for waste collection services which expires on December 31, 2020. In 2017, the cost of collection services provided under this agreement was \$512,000 (2016 - \$501,000).

15. Comparative Amounts

Certain comparative balances have been reclassified to conform with the current year's presentation.

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Tangible Capital Assets
Categorized by Asset Type
For the Year Ended December 31, 2017

Schedule 1

	GENERAL					INFRASTRUCTURE			TOTALS	
	Land & Improvements	Buildings & Improvements	Information Technology	Furniture & Fixtures	Vehicles, Machinery & Equipment	Roads & Bridges	Water, Wastewater & Storm Sewers	Construction in Progress	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST										
Balance, beginning of year	4,060,345	15,072,644	329,560	385,666	9,673,264	123,089,595	100,462,467	3,286,004	256,359,545	252,485,423
Additions during the year	129,850	8,027	41,344	19,842	1,057,585	2,396,724	847,464	659,742	5,160,578	5,449,246
Disposals during the year	-	-	(6,585)	-	(1,408,390)	(674,390)	(30,294)	-	(2,119,659)	(1,575,124)
Adjustments / Transfers	-	-	-	-	-	-	3,440,344	-	3,440,344	-
BALANCE, END OF YEAR	4,190,195	15,080,671	364,319	405,508	9,322,459	124,811,929	104,719,981	3,945,746	262,840,808	256,359,545
ACCUMULATED AMORTIZATION										
Balance, beginning of year	44,428	5,656,292	248,575	242,530	5,884,616	86,670,854	38,587,217	-	137,334,512	130,482,577
Amortization during the year	23,335	431,639	36,102	20,044	548,192	5,123,659	2,301,769	-	8,484,740	8,233,745
Accumulated Amortization on disposals	-	-	(6,585)	-	(1,306,684)	(479,263)	(25,036)	-	(1,817,568)	(1,381,810)
Adjustments / Transfers	-	-	-	-	-	-	1,189,615	-	1,189,615	-
BALANCE, END OF YEAR	67,763	6,087,931	278,092	262,574	5,126,124	91,315,250	42,053,565	-	145,191,299	137,334,512
TANGIBLE CAPITAL ASSETS	4,122,432	8,992,740	86,227	142,934	4,196,335	33,496,679	62,666,416	3,945,746	117,649,509	119,025,033

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Deferred Revenue
For the Year Ended December 31, 2017

Schedule 2

	Opening	Contributions Received	Deferred Revenue Allocated	Ending
	\$	\$	\$	\$
Development charges	957,805	1,148,840	(289,338)	1,817,307
Federal gas tax		165,427		165,427
	957,805	1,314,267	(289,338)	1,982,734

Draft for discussion purposes only

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Reserves and Reserve Funds
For the Year Ended December 31, 2017

Schedule 3

	Opening	Contributions Received	Transfer to Operations	Transfer to Capital	Ending
	\$	\$	\$	\$	\$
RESERVE FUNDS					
WATER CAPITAL	59,276	-	-	-	59,276
	59,276	-	-	-	59,276
RESERVES					
BIA	59,644	609	-	5,239	55,014
BUILDING	189,716	197,981			387,697
FACILITIES	150,000	220,000		11,944	358,056
FIRE	177,549	247,000		410,000	14,549
GENERAL	9,046,435	569,887	16,357	333,373	9,266,592
IT	23,316			19,000	4,316
MARINA	1,128	15,557			16,685
MIGRATION	11,749				11,749
PARKS & RECREATION	467,915	278,720	2,000	190,845	553,790
POLICE	502,280	80,000	200		582,080
PUBLIC WORKS	493,865	1,541,193		219,191	1,815,867
SEWER	(126,895)	530,948	130,933	95,217	177,903
WATER - MUNICIPAL	2,378,535	729,434	9,999	688,443	2,409,527
WATER - UNION WATER SUPPLY SYSTEM	5,736,509	1,592,603			7,329,112
	19,111,746	6,003,932	159,489	1,973,252	22,982,937
	19,171,022	6,003,932	159,489	1,973,252	23,042,213

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Accumulated Surplus
as at December 31, 2017

Schedule 4

	<u>2017</u>		<u>2016</u>
Tangible capital assets	\$ 117,649,509	\$	119,025,033
Reserves and reserve funds	23,042,213		19,171,022
Operating fund surplus	4,277,316		4,160,789
Unfinanced capital (net of drainage costs recoverable)	(354,162)		(512,113)
Drainage debt receivable	754,963		559,599
Amounts to be Recovered:			
Municipal Debt - Recoverable from future taxation	(8,587,256)		(9,362,275)
Municipal Debt - Recoverable from benefiting property owners	(3,076,262)		(3,575,167)
Union Water Supply System Debt - Recoverable from rate payers	(5,548,615)		(5,068,099)
Unfunded Liabilities:			
Post-employment liabilities and sick leave	(1,145,500)		(2,118,150)
Accumulated Surplus	\$ 127,012,806	\$	122,280,639

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THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Segmented Information
For the Year Ended December 31, 2017

Schedule 5

	General Government	Protection to Persons & Property	Transportation	Environmental	Health Services	Recreation & Culture	Planning & Development	Total
Revenues								
Property taxes	2,649,335	5,501,934	2,972,218	1,683,338	95,248	1,918,746	269,124	\$ 15,089,943
Government transfers	1,074,200	120,019	43,578	-	-	-	18,000	1,255,797
User charges	154,803	77,968	21,418	8,003,710	66,944	530,532	70,906	8,926,281
Local improvement charges	-	-	-	1,209,181	-	-	-	1,209,181
Licences, permits, rents	23,021	686,206	55,710	-	3,308	95,560	-	863,805
Fines and penalties	270,253	77,449	-	22,765	-	1,114	-	371,581
Donations	-	250	-	-	-	20,592	2,800	23,642
Investment income	269,729	-	-	-	-	-	-	269,729
	<u>4,441,341</u>	<u>6,463,826</u>	<u>3,092,924</u>	<u>10,918,994</u>	<u>165,500</u>	<u>2,566,544</u>	<u>360,830</u>	<u>28,009,959</u>
Expenses								
Wages and benefits	2,239,852	1,450,257	867,473	779,313	39,083	1,024,337	236,633	6,636,948
Interest on long-term debt	29,656	-	226,525	748,214	-	48,809	-	1,053,204
Materials	915,663	282,512	1,729,348	724,169	12,887	852,680	91,797	4,609,056
Contracted services	399,849	3,218,381	-	4,483,826	37,635	28,824	55,295	8,223,810
Rents & financial expenses	109,801	20,315	4,012	-	-	25,447	5,894	165,469
Amortization	119,837	256,587	5,310,109	2,354,346	12,370	431,094	397	8,484,740
	<u>3,814,658</u>	<u>5,228,052</u>	<u>8,137,467</u>	<u>9,089,868</u>	<u>101,975</u>	<u>2,411,191</u>	<u>390,016</u>	<u>29,173,227</u>
Other								
Deferred revenue earned	30,879		200,755			51,345	6,359	289,338
Government transfers for capital projects			2,363,282	-				2,363,282
Change in employee benefits	972,650							972,650
Gain on investment in UWSS				2,356,277				2,356,277
Contributed tangible capital assets			31,200			99,700		130,900
Gain/(Loss) on sale of assets		(94,506)	(117,469)	(5,258)		221		(217,012)
	<u>1,003,529</u>	<u>(94,506)</u>	<u>2,477,768</u>	<u>2,351,019</u>	<u>-</u>	<u>151,266</u>	<u>6,359</u>	<u>5,895,435</u>
Annual Surplus (Deficit)	<u>\$ 1,630,212</u>	<u>\$ 1,141,268</u>	<u>\$ (2,566,775)</u>	<u>\$ 4,180,145</u>	<u>\$ 63,525</u>	<u>\$ 306,619</u>	<u>\$ (22,827)</u>	<u>\$ 4,732,167</u>

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Segmented Information
For the Year Ended December 31, 2016

Schedule 5

	General Government	Protection to Persons & Property	Transportation	Environmental	Health Services	Recreation & Culture	Planning & Development	Total
Revenues								
Property taxes	2,106,204	6,379,423	2,993,565	1,488,716	151,987	1,180,938	187,809	\$ 14,488,643
Government transfers	1,122,546	103,496	34,989	1,577	-	6,760	13,000	1,282,368
User charges	207,715	57,770	27,007	8,110,883	83,949	584,260	118,453	9,190,037
Local improvement charges	-	-	-	1,170,741	-	-	-	1,170,741
Licences, permits, rents	22,264	575,558	55,782	-	3,587	84,737	-	741,928
Fines and penalties	270,288	115,668	-	26,459	-	1,448	-	413,863
Donations	-	2,360	1,750	-	-	80,142	59,332	143,584
Investment income	66,586	-	-	-	-	125,615	-	192,201
	<u>3,795,603</u>	<u>7,234,275</u>	<u>3,113,093</u>	<u>10,798,376</u>	<u>239,523</u>	<u>2,063,900</u>	<u>378,594</u>	<u>27,623,365</u>
Expenses								
Wages and benefits	2,143,793	1,387,403	733,465	768,694	46,234	929,199	227,377	6,236,165
Interest on long-term debt	-	-	211,663	734,074	-	50,657	-	996,394
Materials	762,543	308,067	1,535,156	1,059,017	29,972	845,108	48,209	4,588,072
Contracted services	340,553	3,168,517	-	4,412,506	40,362	26,640	40,472	8,029,050
Rents & financial expenses	107,977	11,055	-	-	-	17,822	5,778	142,632
Amortization	119,992	241,681	5,178,979	2,262,500	18,870	411,432	291	8,233,745
	<u>3,474,858</u>	<u>5,116,723</u>	<u>7,659,263</u>	<u>9,236,791</u>	<u>135,438</u>	<u>2,280,858</u>	<u>322,127</u>	<u>28,226,058</u>
Other								
Deferred revenue earned						185,137		185,137
Government transfers for capital projects			1,286,713	107,459				1,394,172
Change in employee benefits	(166,300)							(166,300)
Gain/(Loss) on sale of assets	(18,968)	(120,041)	18,062	21,764				(99,183)
	<u>(185,268)</u>	<u>(120,041)</u>	<u>1,304,775</u>	<u>129,223</u>	<u>-</u>	<u>185,137</u>	<u>-</u>	<u>1,313,826</u>
Annual Surplus (Deficit)	<u>\$ 135,477</u>	<u>\$ 1,997,511</u>	<u>\$ (3,241,395)</u>	<u>\$ 1,690,808</u>	<u>\$ 104,085</u>	<u>\$ (31,821)</u>	<u>\$ 56,467</u>	<u>\$ 711,133</u>