

**THE CORPORATION OF
THE TOWN OF KINGSVILLE**

Financial Statements
December 31, 2019

Draft for discussion purposes

**THE CORPORATION OF
THE TOWN OF KINGSVILLE**
Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Consolidated Statement of Financial Position	3
Consolidated Statement of Financial Operations and Accumulated Surplus	4
Consolidated Statement of Changes in Net Financial Assets	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7-18
Consolidated Schedule of Tangible Capital Assets	19
Consolidated Schedule of Deferred Revenue	20
Consolidated Schedule of Reserves and Reserve Funds	21
Consolidated Schedule of Accumulated Surplus	22
Consolidated Schedule of Segmented Information	23-24

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of The Corporation of the Town of Kingsville, (the Town), which comprise the Consolidated Statement of Financial Position as at December 31, 2019, and the Consolidated Statement of Financial Operations and Accumulated Surplus, Consolidated Statement of Changes in Net Financial Assets and Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2019, and its results of operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged With Governance 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Essex, Ontario

THE COPORATION OF THE TOWN OF KINGSVILLE
Consolidated Statement of Financial Position
as at December 31, 2019

	<u>2019</u>	<u>2018</u>
FINANCIAL ASSETS		
Cash and cash equivalents (Notes 3 & 9)	\$ 30,511,981	\$ 24,888,661
Taxes and grants-in-lieu receivable	1,470,816	1,289,369
Trade and other receivables (Note 3)	4,497,203	4,493,730
Drainage costs recoverable (Note 6)	1,084,776	1,691,602
Drainage debt receivable (Note 6)	496,986	643,770
Land held for sale	1,075,171	1,025,110
Long-term investment (Note 3)	4,241,306	4,135,842
	<u>43,378,239</u>	<u>38,168,084</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (Note 3)	6,942,393	7,403,048
Accrued interest	55,158	62,733
Municipal debt (Notes 3 & 4)	12,693,281	14,034,173
Employee future benefits (Note 7)	1,300,598	1,184,013
Deferred revenue (Schedule 2)	7,118,589	3,183,846
	<u>28,110,019</u>	<u>25,867,813</u>
NET FINANCIAL ASSETS	<u>15,268,220</u>	<u>12,300,271</u>
Contractual obligations (Note 14)		
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3, Schedule 1)	121,992,658	117,079,809
Prepaid expenses	94,464	103,480
	<u>122,087,122</u>	<u>117,183,289</u>
ACCUMULATED SURPLUS	<u>\$ 137,355,342</u>	<u>\$ 129,483,560</u>

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Statement of Financial Operations and Accumulated Surplus
for the year ended December 31, 2019

	<u>2019 Budget</u> (Note 11)	<u>2019</u>	<u>2018</u>
REVENUES			
Net taxation/user charges	\$ 31,222,609	\$ 28,163,088	\$ 25,798,122
Government transfers	895,901	1,026,914	1,102,017
Other	1,692,080	2,373,562	2,533,304
TOTAL REVENUES	33,810,590	31,563,564	29,433,443
EXPENSES			
General government	4,058,110	4,073,696	3,801,955
Protection to persons and property	5,875,857	5,824,156	5,319,577
Transportation services	7,208,205	6,559,193	7,184,788
Environmental services	10,663,081	9,045,748	8,738,442
Health services	143,214	123,055	97,385
Recreation and culture	3,087,977	3,400,649	2,630,840
Planning and development	513,415	519,483	416,889
TOTAL EXPENSES	31,549,859	29,545,980	28,189,876
NET REVENUES (EXPENSES)	2,260,731	2,017,584	1,243,567
OTHER			
Deferred revenue earned	2,806,350	175,735	112,789
Government transfers received for capital projects	2,000,586	1,824,016	2,503,607
Transfers to Upper Tier Municipality (Note 15)	(215,000)	(180,920)	(2,522,596)
Employee future benefits	-	(116,585)	(38,513)
Contributed tangible capital assets	-	4,216,077	1,133,637
(Loss) gain on disposal of tangible capital assets	-	(64,125)	38,263
	4,591,936	5,854,198	1,227,187
ANNUAL SURPLUS	6,852,667	7,871,782	2,470,754
ACCUMULATED SURPLUS, BEGINNING OF YEAR	129,483,560	129,483,560	127,012,806
ACCUMULATED SURPLUS, END OF YEAR	\$ 136,336,227	\$ 137,355,342	\$ 129,483,560

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Statement of Changes in Net Financial Assets
for the year ended December 31, 2019

	<u>2019 Budget</u> (Note 11)		<u>2019</u>		<u>2018</u>
Annual Surplus	\$ 6,852,667	\$	7,871,782	\$	2,470,754
Amortization of tangible capital assets	7,729,692		6,857,831		7,729,692
Acquisition of tangible capital assets	(16,077,984)		(11,915,268)		(7,183,071)
Disposals of tangible capital assets	-		144,588		23,079
Acquisition of prepaid expense	-		(94,464)		(103,480)
Consumption of prepaid expense	-		103,480		63,856
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(1,495,625)		2,967,949		3,000,830
NET FINANCIAL ASSETS, BEGINNING OF YEAR	12,300,271		12,300,271		9,299,441
NET FINANCIAL ASSETS, END OF YEAR	\$ 10,804,646	\$	15,268,220	\$	12,300,271

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Statement of Cash Flows
for the year ended December 31, 2019

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Annual Surplus	\$ 7,871,782	\$ 2,470,754
Sources (Uses)		
Taxes and grants-in-lieu receivable	(181,447)	26,601
Trade and other receivables	(3,473)	(1,078,878)
Drainage costs and debt receivable	753,610	506,326
Assets held for sale	(50,061)	(1,025,110)
Prepaid expenses	9,016	(39,624)
Accounts payable and accrued liabilities	(460,655)	1,528,359
Deferred revenue	3,934,743	1,201,112
Accrued interest	(7,575)	(4,293)
Increase in employee future benefits	116,585	38,513
	11,982,525	3,623,760
INVESTING ACTIVITIES		
Increase in long-term investments	(105,464)	(102,842)
	(105,464)	(102,842)
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(11,915,268)	(7,183,071)
Amortization of tangible capital assets	6,857,831	7,729,692
Loss (gain) on disposal of tangible capital assets	64,125	(38,263)
Proceeds on disposal of tangible capital assets	80,463	61,342
	(4,912,849)	569,700
FINANCING ACTIVITIES		
Long-term debt issued	-	47,300
Long-term debt repaid	(1,340,892)	(1,325,840)
	(1,340,892)	(1,278,540)
NET INCREASE IN CASH	5,623,320	2,812,078
CASH, BEGINNING OF YEAR	24,888,661	22,076,583
CASH, END OF YEAR	\$ 30,511,981	\$ 24,888,661

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2019

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, 2019

(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, 2019

(ii.3) Leases

Leases are classified as capital or operating 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, 2019

(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.

(viii) Cash and Cash Equivalents

Cash and cash equivalents include guaranteed investment certificate having a maturity of more than six months from the date of acquisition which are held for the purpose of meeting short-term cash commitments.

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2019

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>2019</u>	<u>2018</u>
School Boards	\$ 6,303,138	\$ 6,261,673
County	<u>12,312,336</u>	<u>11,466,997</u>
	<u><u>\$ 18,615,474</u></u>	<u><u>\$ 17,728,670</u></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, where it was increased to 40.33%.

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

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 4,057,490	\$ 3,443,217
Trade and other receivables	476,645	511,890
Long-term investment	4,241,306	4,135,842
Accounts payable and accrued liabilities	(1,082,918)	(179,730)
Long-term debt	<u>(4,772,208)</u>	<u>(5,184,234)</u>
Net Financial Assets	2,920,315	2,726,985
 Tangible capital assets	 <u>17,500,358</u>	 <u>16,392,299</u>
 Accumulated surplus	 <u><u>\$ 20,420,673</u></u>	 <u><u>\$ 19,119,284</u></u>
 Equity in Reserve and Reserve Funds	 <u><u>\$ 7,692,522</u></u>	 <u><u>\$ 7,911,219</u></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 \$1,301,387 (2018 - \$1,140,140).

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2019

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>2019</u>	<u>2018</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	\$ 740,833	\$ 839,610
ii) OILC Loan - repayable in semi-annual instalments of \$119,772 including interest at 3.97%, due December, 2033	2,553,863	2,688,012
iii) OILC Loan - repayable in semi-annual instalments of \$91,043 including interest at 2.47%, due November, 2025	1,009,641	1,163,924
iv) OILC Loan - repayable in semi-annual instalments of \$52,753 including interest at 3.34%, due November, 2035	1,299,528	1,360,109
v) OILC Loan - repayable in semi-annual instalments of \$131,283 including interest at 2.56%, due November, 2026	1,672,933	1,888,522
<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 2020 to 2022	292,650	461,071
ii) Drain Debentures - repayable in annual instalments including interest ranging from 2.25% to 5.0%, due in various amounts from 2020 to 2028	496,987	643,770
iii) Sanitary Sewer Debentures - repayable in annual instalments including interest ranging from 2.83% to 5.0%, due in various amounts from 2020 to 2025	849,373	1,053,868
iv) Tile Loans - repayable in annual instalments including interest at 6.0%, due in various amounts from 2021 to 2028	<u>139,095</u>	<u>161,126</u>
Total long-term liabilities incurred by the Municipality and those incurred on behalf of benefiting land owners	9,054,903	10,260,012
Less: Internally financed debt	<u>(1,133,830)</u>	<u>(1,410,073)</u>
	7,921,073	8,849,939
Share of Union Water System Obligations	<u>4,772,208</u>	<u>5,184,234</u>
	<u>\$ 12,693,281</u>	<u>\$ 14,034,173</u>

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Financial Statements
for the year ended December 31, 2019

4. Municipal Debt (continued)

(b) Principal payments are as follows;

2020	\$ 1,364,650
2021	1,334,018
2022	1,419,884
2023	1,458,783
2024	1,558,483
2025 onward	5,557,463
	<u>\$ 12,693,281</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>2019</u>	<u>2018</u>
Interest	\$ 871,365	\$ 963,030

5. Trust Funds

The municipality administers a Perpetual Care Cemetery Trust Fund which amounts to \$1,215,751 (2018 - \$1,162,630). 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, 2019

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>2019</u>	<u>2018</u>
Accrued benefit as at January 1	\$ 1,184,013	\$ 1,145,500
Service cost	60,513	60,200
Interest cost	42,824	41,538
Benefit paid for year	(41,968)	(37,813)
Actuarial gain	<u>55,216</u>	<u>(25,412)</u>
Projected accrued benefit obligation at December 31	\$ <u>1,300,598</u>	\$ <u>1,184,013</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. The main actuarial assumptions employed in the valuations are as follows:

	<u>2019</u>	<u>2018</u>
Discount rate	3.0%	3.5%
Salary scale	3.0%	3.0%
Drug expense trend	7% in 2018 to 4% over 20 years	7% in 2018 to 4% over 20 years
Dental expense trend	3.5%	3.5%
Other medical expense trend	4.0%	4.0%

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, 2019

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, 2019, the Town had \$2,000,000 (2018 - \$2,000,000) in unused credit available.

10. Reserve, Reserve Funds and Deferred Revenue

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

	<u>2019</u>	<u>2018</u>
Total reserves and reserve funds (Schedule 3)	\$ 25,649,658	\$ 24,517,675
Deferred revenue portion of reserve funds set aside for specific purposes by legislation, regulation or agreement (Schedule 2)	<u>7,118,589</u>	<u>3,183,846</u>
	<u><u>\$ 32,768,247</u></u>	<u><u>\$ 27,701,521</u></u>

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2019

11. Budget Amounts

The 2019 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, 2019

	2019 Budget	Change	Restated 2019 Budget
Revenue	\$ 44,930,051		44,930,051
Less: Contributions from reserves		(6,204,721)	(6,204,721)
Less: Inter-departmental revenues		(565,500)	(565,500)
Plus: Local Improvements		457,695	457,695
	44,930,051	(6,312,526)	38,617,525
Expenses			
Total Expenditures as per budget	44,930,051		44,930,051
Less: Contributions to reserves		(3,667,241)	(3,667,241)
Less: Capital expenditures, net of transfers		(16,077,984)	(16,077,984)
Plus: Amortization		7,729,692	7,729,692
Plus: Interest on non-tax funded debt		79,221	79,221
Less: Repayments of tax funded debt		(663,381)	(663,381)
Less: Inter-departmental expenses		(565,500)	(565,500)
	44,930,051	(13,165,193)	31,764,858
 Annual Surplus (Deficit)			 6,852,667
 Accumulated surplus, beginning of year			 129,483,560
 Accumulated surplus, end of year			 \$ 136,336,227

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 2019 was \$470,407 (2018 - \$427,659). At December 31, 2019 the OMERS plan was in a deficit position, funded at 97% (2018 - 96%). 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, 2019

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 2019, the following employees met this requirement:

Position	Name	Salary Paid	Taxable Benefits
Chief Administrative Officer	M. Van Mierlo-West	\$ 163,352	1,159
Director of Corporate Services	J. Astrologo	143,864	1,047
Director of Financial Services	R. McLeod	129,477	964
Director of Municipal Services	A. Plancke	129,477	979
Fire Chief	C. Parsons	119,821	2,583
Manager of Information Technology	T. Iacobelli	119,821	921
Manager of Building & By-law	P. Valore	119,821	921
Manager of Planning	R. Brown	119,821	921
Manager of Municipal Services	T. Del Greco	105,351	838
Deputy Fire Chief	J. Dean	105,351	838
Manager of Public Works	S. Martinho	100,083	1,776

14. Contractual Obligations

Policing services for the Town are currently provided by the Ontario Provincial Police (OPP). Under the current agreement, which expires December 31, 2021, policing costs are determined annually. In 2019, the OPP contract approximated \$3.2 million (2018 - \$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 \$1,168,000 (2018 - \$1,122,000).

The Town has entered an agreement for waste collection services which expires on December 31, 2020. In 2019, the cost of collection services provided under this agreement was \$540,000 (2018 - \$525,000).

15. Transfers to Upper Tier Municipality

During the year, the Town transferred funds to the County of Essex for the construction of various County Wide Active Transportation System (CWATS) projects built within the Town. Any CWATS expenses associated with the County road network are considered to be assets of the County.

16. Comparative Amounts

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

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2019

17. Subsequent Event

Subsequent to year end, COVID-19 has had a significant impact on the global, Canadian and local economies. Although the disruption from the virus is expected to be temporary, the duration of this disruption and the related financial impact cannot be reasonably estimated at this time. The Town's ability to continue to deliver non-essential services and employ related staff, will depend on the legislative mandates from various levels of government. The Town will continue to focus on collecting receivables, managing expenditures, and leveraging existing reserves and available credit facilities to ensure it is able to continue providing essential services to its citizens.

On January 16, 2020 the Land held for Sale on the Consolidated Statement of Financial Position was sold for approximately \$2.3 million.

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Tangible Capital Assets
Categorized by Asset Type
For the Year Ended December 31, 2019

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	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST										
Balance, beginning of year	4,286,195	15,139,412	441,560	421,566	9,592,962	125,994,684	106,587,159	7,226,087	269,689,625	262,840,808
Additions during the year	176,493	9,267	45,474	80,395	851,042	4,715,712	5,686,181	350,704	11,915,268	7,183,071
Disposals during the year	-	-	-	-	(394,809)	(636,380)	(343,747)	-	(1,374,936)	(334,254)
Adjustments / Transfers	-	-	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	4,462,688	15,148,679	487,034	501,961	10,049,195	130,074,016	111,929,593	7,576,791	280,229,957	269,689,625
ACCUMULATED AMORTIZATION										
Balance, beginning of year	91,098	6,516,507	326,808	282,606	5,407,195	95,592,627	44,392,975	-	152,609,816	145,191,299
Amortization during the year	27,886	418,684	52,295	23,765	607,900	3,329,670	2,397,631	-	6,857,831	7,729,692
Accumulated Amortization on disposals	-	-	-	-	(375,830)	(636,380)	(218,138)	-	(1,230,348)	(311,175)
Adjustments / Transfers	-	-	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	118,984	6,935,191	379,103	306,371	5,639,265	98,285,917	46,572,468	-	158,237,299	152,609,816
TANGIBLE CAPITAL ASSETS	4,343,704	8,213,488	107,931	195,590	4,409,930	31,788,099	65,357,125	7,576,791	121,992,658	117,079,809

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Deferred Revenue
For the Year Ended December 31, 2019

Schedule 2

	Opening	Contributions Received	Interest Earned	Deferred Revenue Allocated	Ending
	\$	\$		\$	\$
Development charges	2,865,083	1,368,949	77,888	(175,735)	4,136,185
Federal gas tax	318,763	1,110,770	19,668	-	1,449,201
Ontario Community Infrastructure Grant	-	928,720	10,448	-	939,168
Cannabis Legalization Implementation Grant	-	32,887	370	-	33,257
Modernization Grant	-	554,539	6,239	-	560,778
	3,183,846	3,995,865	114,613	(175,735)	7,118,589

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Reserves and Reserve Funds
For the Year Ended December 31, 2019

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	65,884	719	-	791	65,812
BUILDING	500,293	195,869	-	53,192	642,970
FACILITIES	585,765	220,000	-	43,429	762,336
FIRE	279,549	285,000	-	-	564,549
GENERAL	7,297,845	608,229	66,275	1,290,742	6,549,057
IT	4,316	-	-	-	4,316
MARINA	77,805	-	-	10,500	67,305
MIGRATION	7,149	100	-	-	7,249
PARKS & RECREATION	635,206	444,124	-	213,218	866,112
PLANNING	20,000	-	-	-	20,000
POLICE	621,388	80,000	-	-	701,388
PUBLIC WORKS	2,520,266	1,686,271	290,847	1,244,887	2,670,803
SEWER	601,430	647,835	161,493	342,734	745,038
WATER - MUNICIPAL	3,330,284	1,078,539	-	177,898	4,230,925
WATER - UNION WATER SUPPLY SYSTEM	7,911,219	122,057	-	340,754	7,692,522
	24,458,399	5,368,743	518,615	3,718,145	25,590,382
	24,517,675	5,368,743	518,615	3,718,145	25,649,658

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Accumulated Surplus
as at December 31, 2019

Schedule 4

	<u>2019</u>		<u>2018</u>
Tangible capital assets	\$ 121,992,658	\$	117,079,809
Reserves and reserve funds	25,649,658		24,517,675
Operating fund surplus	3,381,725		3,025,127
Unfinanced capital (net of drainage costs recoverable)	(338,574)		(338,575)
Drainage debt receivable	496,986		643,770
Amounts to be Recovered:			
Municipal Debt - Recoverable from future taxation	(7,276,798)		(7,940,177)
Municipal Debt - Recoverable from benefiting property owners	(1,778,105)		(2,319,835)
Union Water Supply System Debt - Recoverable from rate payers	(4,772,208)		(5,184,234)
Accumulated Surplus	\$ 137,355,342	\$	129,483,560

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Segmented Information
For the Year Ended December 31, 2019

Schedule 5

	General Government	Protection to Persons & Property	Transportation	Environmental	Health Services	Recreation & Culture	Planning & Development	Total
Revenues								
Property taxes	\$ 2,976,621	\$ 5,040,874	\$ 5,144,137	\$ 1,382,322	\$ 66,900	\$ 2,973,506	\$ 269,277	\$ 17,853,637
User charges	392,716	105,279	283,111	8,564,657	98,037	747,466	118,185	10,309,451
Government transfers	853,064	50,932	51,157	-	-	52,408	19,353	1,026,914
Local improvement charges	-	-	-	481,742	-	-	-	481,742
Licences, permits, rents	59,128	722,098	54,156	-	3,398	91,571	-	930,351
Fines and penalties	248,594	118,390	-	24,127	-	-	-	391,111
Donations	-	15,250	4,050	-	-	15,923	719	35,942
Investment income	411,581	-	-	122,835	-	-	-	534,416
	<u>4,941,704</u>	<u>6,052,823</u>	<u>5,536,611</u>	<u>10,575,683</u>	<u>168,335</u>	<u>3,880,874</u>	<u>407,534</u>	<u>31,563,564</u>
Expenses								
Wages and benefits	2,377,087	1,774,721	889,594	850,456	46,398	1,282,947	244,405	7,465,608
Interest on long-term debt	24,157	-	194,471	607,811	-	44,926	-	871,365
Materials	1,069,725	451,287	1,878,883	1,132,002	23,034	1,454,194	137,047	6,146,172
Contracted services	355,056	3,339,626	35,687	3,991,975	47,753	106,573	134,331	8,011,001
Rents & financial expenses	128,773	20,592	11,634	117	-	29,400	3,487	194,003
Amortization	118,898	237,930	3,548,924	2,463,387	5,870	482,609	213	6,857,831
	<u>4,073,696</u>	<u>5,824,156</u>	<u>6,559,193</u>	<u>9,045,748</u>	<u>123,055</u>	<u>3,400,649</u>	<u>519,483</u>	<u>29,545,980</u>
Other								
Deferred revenue earned	-	-	-	161,361	-	14,374	-	175,735
Government transfers received for capital	65,663	-	1,235,068	507,684	-	15,601	-	1,824,016
Government transfers provided for capital	-	-	(180,920)	-	-	-	-	(180,920)
Change in employee benefits	(116,585)	-	-	-	-	-	-	(116,585)
Contributed tangible capital assets	-	-	1,100,656	3,115,421	-	-	-	4,216,077
Gain/(Loss) on sale of assets	-	-	(26,087)	(38,038)	-	-	-	(64,125)
	<u>(50,922)</u>	<u>-</u>	<u>2,128,717</u>	<u>3,746,428</u>	<u>-</u>	<u>29,975</u>	<u>-</u>	<u>5,854,198</u>
Annual Surplus (Deficit)	<u>\$ 817,086</u>	<u>\$ 228,667</u>	<u>\$ 1,106,135</u>	<u>\$ 5,276,363</u>	<u>\$ 45,280</u>	<u>\$ 510,200</u>	<u>\$ (111,949)</u>	<u>\$ 7,871,782</u>

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Segmented Information
For the Year Ended December 31, 2018

Schedule 5

	General Government	Protection to Persons & Property	Transportation	Environmental	Health Services	Recreation & Culture	Planning & Development	Total
Revenues								
Property taxes	\$ 2,549,533	\$ 4,686,508	\$ 4,812,501	\$ 1,348,635	\$ 63,166	\$ 2,703,881	\$ 287,913	\$ 16,452,137
User charges	94,017	66,372	74,536	8,400,871	66,048	534,408	109,733	9,345,985
Government transfers	913,100	117,787	-	50,831	-	-	20,299	1,102,017
Local improvement charges	-	-	-	874,826	-	-	-	874,826
Licences, permits, rents	21,380	729,146	53,530	-	3,167	96,462	-	903,685
Fines and penalties	247,457	76,762	-	24,263	-	660	-	349,142
Donations	-	250	4,050	-	-	11,183	800	16,283
Investment income	389,368	-	-	-	-	-	-	389,368
	<u>4,214,855</u>	<u>5,676,825</u>	<u>4,944,617</u>	<u>10,699,426</u>	<u>132,381</u>	<u>3,346,594</u>	<u>418,745</u>	<u>29,433,443</u>
Expenses								
Wages and benefits	2,279,212	1,586,264	883,087	779,722	40,007	1,205,804	247,038	7,021,134
Interest on long-term debt	26,941	-	210,676	678,513	-	46,900	-	963,030
Materials	853,869	289,340	1,573,348	920,787	11,705	827,796	117,923	4,594,768
Contracted services	398,860	3,180,925	3,195	3,969,345	39,803	68,403	46,211	7,706,742
Rents & financial expenses	112,873	22,057	9,980	-	-	24,241	5,359	174,510
Amortization	130,200	240,991	4,504,502	2,390,075	5,870	457,696	358	7,729,692
	<u>3,801,955</u>	<u>5,319,577</u>	<u>7,184,788</u>	<u>8,738,442</u>	<u>97,385</u>	<u>2,630,840</u>	<u>416,889</u>	<u>28,189,876</u>
Other								
Deferred revenue earned	2,243	-	4,455	69,313	-	11,903	24,875	112,789
Government transfers received for capital	-	-	1,694,431	572,052	-	180,412	56,712	2,503,607
Government transfers provided for capital	-	-	(2,522,596)	-	-	-	-	(2,522,596)
Change in employee benefits	(38,513)	-	-	-	-	-	-	(38,513)
Contributed tangible capital assets	-	-	271,684	765,953	-	96,000	-	1,133,637
Gain/(Loss) on sale of assets	-	-	30,080	1,922	-	6,261	-	38,263
	<u>(36,270)</u>	<u>-</u>	<u>(521,946)</u>	<u>1,409,240</u>	<u>-</u>	<u>294,576</u>	<u>81,587</u>	<u>1,227,187</u>
Annual Surplus (Deficit)	<u>\$ 376,630</u>	<u>\$ 357,248</u>	<u>\$ (2,762,117)</u>	<u>\$ 3,370,224</u>	<u>\$ 34,996</u>	<u>\$ 1,010,330</u>	<u>\$ 83,443</u>	<u>\$ 2,470,754</u>