

**THE CORPORATION OF
THE TOWN OF KINGSVILLE**

Consolidated Financial Statements
December 31, 2020

**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, 2020 and the consolidated statement of financial operations and accumulated surplus, the consolidated statement of changes in net financial assets, the 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 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 from 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 judgment, including the assessment of

the 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 overall 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, 2020 and their financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting

Chartered Professional Accountants, Licensed Public Accountants

Essex, Ontario
June 28, 2021

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Statement of Financial Position
as at December 31, 2020

	<u>2020</u>	<u>2019</u>
FINANCIAL ASSETS		
Cash and cash equivalents (Notes 3 & 9)	\$ 35,878,282	\$ 30,511,981
Taxes and grants-in-lieu receivable	1,581,412	1,470,816
Trade and other receivables (Note 3)	4,310,979	4,497,203
Drainage costs recoverable (Note 6)	3,720,080	1,084,776
Drainage debt receivable (Note 6)	251,660	496,986
Land held for sale	-	1,075,171
Long-term investment (Note 3)	4,349,755	4,241,306
	<u>50,092,168</u>	<u>43,378,239</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (Note 3)	9,813,258	6,942,393
Accrued interest	47,092	55,158
Municipal debt (Notes 3 & 4)	11,328,630	12,693,281
Employee future benefits (Note 7)	1,426,637	1,300,598
Deferred revenue (Schedule 2)	6,040,977	7,118,589
	<u>28,656,594</u>	<u>28,110,019</u>
NET FINANCIAL ASSETS	<u>21,435,574</u>	<u>15,268,220</u>
Contractual obligations (Note 14)		
Contingencies (Note 17)		
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3, Schedule 1)	129,945,434	121,992,658
Prepaid expenses	36,611	94,464
	<u>129,982,045</u>	<u>122,087,122</u>
ACCUMULATED SURPLUS	<u>\$ 151,417,619</u>	<u>\$ 137,355,342</u>

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Statement of Financial Operations and Accumulated Surplus
for the year ended December 31, 2020

	<u>2020 Budget</u> (Note 11)	<u>2020</u>	<u>2019</u>
REVENUES			
Net taxation/user charges	\$ 33,730,301	\$ 29,981,690	\$ 28,163,088
Government transfers	946,203	1,150,133	1,026,914
Other	1,842,574	2,238,350	2,373,562
TOTAL REVENUES	36,519,078	33,370,173	31,563,564
EXPENSES			
General government	4,138,126	4,278,418	4,073,696
Protection to persons and property	6,015,962	6,013,277	5,824,156
Transportation services	6,472,125	6,550,010	6,559,193
Environmental services	10,937,451	10,121,247	9,045,748
Health services	127,499	108,103	123,055
Recreation and culture	3,237,468	2,833,583	3,400,649
Planning and development	515,338	444,316	519,483
TOTAL EXPENSES	31,443,969	30,348,954	29,545,980
NET REVENUES	5,075,109	3,021,219	2,017,584
OTHER			
Deferred revenue earned	3,254,500	2,306,756	175,735
Government transfers received for capital projects	5,011,498	3,682,990	1,824,016
Transfers to Upper Tier Municipality (Note 15)	(450,000)	(435,253)	(180,920)
Employee future benefits	-	(126,039)	(116,585)
Contributed tangible capital assets	-	4,368,485	4,216,077
Gain on sale of land	1,150,000	1,246,233	
Loss on disposal of tangible capital assets	-	(2,114)	(64,125)
	8,965,998	11,041,058	5,854,198
ANNUAL SURPLUS	14,041,107	14,062,277	7,871,782
ACCUMULATED SURPLUS, BEGINNING OF YEAR	137,355,342	137,355,342	129,483,560
ACCUMULATED SURPLUS, END OF YEAR	\$ 151,396,449	\$ 151,417,619	\$ 137,355,342

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Statement of Changes in Net Financial Assets
for the year ended December 31, 2020

	<u>2020 Budget</u> (Note 11)		<u>2020</u>		<u>2019</u>
Annual Surplus	\$ 14,041,107	\$	14,062,277	\$	7,871,782
Amortization of tangible capital assets	6,857,831		7,101,109		6,857,831
Acquisition of tangible capital assets	(31,107,900)		(15,067,549)		(11,915,268)
Disposals of tangible capital assets	-		13,664		144,588
Acquisition of prepaid expense	-		(36,611)		(94,464)
Consumption of prepaid expense	-		94,464		103,480
INCREASE IN NET FINANCIAL ASSETS	(10,208,962)		6,167,354		2,967,949
NET FINANCIAL ASSETS, BEGINNING OF YEAR	15,268,220		15,268,220		12,300,271
NET FINANCIAL ASSETS, END OF YEAR	\$ 5,059,258	\$	21,435,574	\$	15,268,220

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Statement of Cash Flows
for the year ended December 31, 2020

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Annual Surplus	\$ 14,062,277	\$ 7,871,782
Items Not Involving Cash		
Amortization of tangible capital assets	7,101,109	6,857,831
Loss on disposal of tangible capital assets	2,114	64,125
Change in employee future benefits	126,039	116,585
Sources (Uses)		
Taxes and grants-in-lieu receivable	(110,596)	(181,447)
Trade and other receivables	186,224	(3,473)
Drainage costs and debt receivable	(2,389,978)	753,610
Assets held for sale	1,075,171	(50,061)
Prepaid expenses	57,853	9,016
Accounts payable and accrued liabilities	2,870,865	(460,655)
Deferred revenue	(1,077,612)	3,934,743
Accrued interest	(8,066)	(7,575)
	21,895,400	18,904,481
INVESTING ACTIVITIES		
Increase in long-term investments	(108,449)	(105,464)
	(108,449)	(105,464)
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(15,067,549)	(11,915,268)
Proceeds on disposal of tangible capital assets	11,550	80,463
	(15,055,999)	(11,834,805)
FINANCING ACTIVITIES		
Long-term debt repaid	(1,364,651)	(1,340,892)
	(1,364,651)	(1,340,892)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,366,301	5,623,320
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	30,511,981	24,888,661
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 35,878,282	\$ 30,511,981

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2020

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 consolidated 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, 2020

(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.

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, 2020

(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, 2020

(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, 2020

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>2020</u>	<u>2019</u>
School Boards	\$ 6,518,682	\$ 6,303,138
County	<u>13,127,751</u>	<u>12,312,336</u>
	<u><u>\$ 19,646,433</u></u>	<u><u>\$ 18,615,474</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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 5,008,652	\$ 4,057,490
Trade and other receivables	528,646	476,645
Long-term investment	4,349,755	4,241,306
Accounts payable and accrued liabilities	(755,377)	(1,082,918)
Long-term debt	<u>(4,306,542)</u>	<u>(4,772,208)</u>
Net Financial Assets	4,825,134	2,920,315
 Tangible capital assets	 <u>17,015,075</u>	 <u>17,500,358</u>
 Accumulated surplus	 <u><u>\$ 21,840,209</u></u>	 <u><u>\$ 20,420,673</u></u>
 Equity in Reserve and Reserve Funds	 <u><u>\$ 9,131,676</u></u>	 <u><u>\$ 7,692,522</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 \$1,419,536 (2019 - \$1,301,387).

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2020

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>2020</u>	<u>2019</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	\$ 642,055	\$ 740,833
ii) OILC Loan - repayable in semi-annual instalments of \$119,772 including interest at 3.97%, due December, 2033	2,414,336	2,553,863
iii) OILC Loan - repayable in semi-annual instalments of \$91,043 including interest at 2.47%, due November, 2025	851,523	1,009,641
iv) OILC Loan - repayable in semi-annual instalments of \$52,753 including interest at 3.34%, due November, 2035	1,236,906	1,299,528
v) OILC Loan - repayable in semi-annual instalments of \$131,283 including interest at 2.56%, due November, 2026	1,451,788	1,672,933
<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 2021 to 2022	154,927	292,650
ii) Drain Debentures - repayable in annual instalments including interest ranging from 3.25% to 5.0%, due in various amounts from 2021 to 2028	251,659	496,987
iii) Sanitary Sewer Debentures - repayable in annual instalments including interest ranging from 2.83% to 5.0%, due in various amounts from 2021 to 2025	638,278	849,373
iv) Watermain Debentures - repayable in annual instalments including interest of 4.5%, due 2029	70,798	-
v) Tile Loans - repayable in annual instalments including interest at 6.0%, due in various amounts from 2021 to 2028	<u>115,743</u>	<u>139,095</u>
Total long-term liabilities incurred by the Municipality and those incurred on behalf of benefiting land owners	7,828,013	9,054,903
Less: Internally financed debt	<u>(805,925)</u>	<u>(1,133,830)</u>
	7,022,088	7,921,073
Share of Union Water System Obligations	<u>4,306,542</u>	<u>4,772,208</u>
	<u>\$ 11,328,630</u>	<u>\$ 12,693,281</u>

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Financial Statements
for the year ended December 31, 2020

4. Municipal Debt (continued)

(b) Principal payments are as follows;

2021	\$ 1,334,018
2022	1,419,884
2023	1,458,783
2024	1,558,483
2025	1,666,304
2026 onward	<u>3,891,158</u>
	<u>\$ 11,328,630</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>2020</u>	<u>2019</u>
Interest	\$ 794,256	\$ 871,365

5. Trust Funds

The municipality administers a Perpetual Care Cemetery Trust Fund which amounts to \$1,248,782 (2019 - \$1,215,751). 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 Operations and Accumulated Surplus".

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, 2020

7. Employee Future Benefits

The municipality pays certain medical, dental and life insurance benefits on behalf of its retired employees until they reach the age of 65. Information about the Town's defined benefit plans is as follows:

	<u>2020</u>	<u>2019</u>
Accrued benefit as at January 1	\$ 1,300,598	\$ 1,184,013
Service cost	68,337	60,513
Interest cost	40,408	42,824
Benefit paid for year	(43,996)	(41,968)
Actuarial gain	<u>61,290</u>	<u>55,216</u>
Projected accrued benefit obligation at December 31	\$ <u><u>1,426,637</u></u>	\$ <u><u>1,300,598</u></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>2020</u>	<u>2019</u>
Discount rate	2.5%	3.0%
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, 2020

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. Cash and Cash Equivalents

The Town has an authorized overdraft limit of \$2,000,000 bearing interest at prime with TD Canada Trust. At December 31, 2020, the Town had \$2,000,000 (2019 - \$2,000,000) in unused credit available.

Included in cash and cash equivalents is deferred revenue of \$6,040,977 (2019 - \$7,118,589) and reserve funds of \$59,276 (2019 - \$59,276) which is restricted for specific purposes as outlined in schedules 2 and 3.

Cash equivalents may include short-term investments with maturity dates of more than six months from the date of acquisition but less than one year. The total included is \$0 (2019 - \$9,508,537).

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2020

10. Reserve, Reserve Funds and Deferred Revenue

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

	<u>2020</u>	<u>2019</u>
Total reserves and reserve funds (Schedule 3)	\$ 30,501,754	\$ 25,649,658
Deferred revenue portion of reserve funds set aside for specific purposes by legislation, regulation or agreement (Schedule 2)	<u>6,040,977</u>	<u>7,118,589</u>
	<u><u>\$ 36,542,731</u></u>	<u><u>\$ 32,768,247</u></u>

11. Budget Amounts

The 2020 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, 2020

	2020 Budget	Change	Restated 2020 Budget
Revenue	\$ 61,701,431		61,701,431
Less: Contributions from reserves		(7,644,621)	(7,644,621)
Less: Proceeds from long-term debt		(7,950,000)	(7,950,000)
Less: Inter-departmental revenues		(570,500)	(570,500)
Plus: Local Improvements		398,766	398,766
	<u>61,701,431</u>	<u>(15,766,355)</u>	<u>45,935,076</u>
Expenses			
Total Expenditures as per budget	61,701,431		61,701,431
Less: Contributions to reserves		(4,368,200)	(4,368,200)
Less: Capital expenditures, net of transfers		(31,107,900)	(31,107,900)
Plus: Amortization		6,857,831	6,857,831
Plus: Interest on non-tax funded debt		61,495	61,495
Less: Repayments of tax funded debt		(680,188)	(680,188)
Less: Inter-departmental expenses		(570,500)	(570,500)
	<u>61,701,431</u>	<u>(29,807,462)</u>	<u>31,893,969</u>
Annual Surplus			14,041,107
Accumulated surplus, beginning of year			137,355,342
Accumulated surplus, end of year			\$ 151,396,449

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2020

12. Pension Plan

The Town belongs to the Ontario Municipal Employee Retirement Fund (OMERS) which is a multi-employer plan on behalf of 62 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 2020 was \$516,450 (2019 - \$470,407). At December 31, 2020 the OMERS plan was in a deficit position, funded at 97% (2019 - 97%). Contribution rates to the plan are determined by OMERS, based on the funding status of the plan, investment projections and other actuarial assumptions. Ongoing adequacy of the current contribution rates will need to be monitored as fluctuations in the financial markets may lead to increased future funding requirements.

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 2020, the following employees met this requirement:

Position	Name	Salary Paid	Taxable Benefits
Chief Building Official	P. Valore	\$ 128,123	930
Deputy Fire Chief	J. Dean	111,470	844
Director of Financial and IT Services	R. McLeod	151,786	1,011
Director of Infrastructure and Engineering	A. Plancke	136,998	983
Director of Legislative Services	J. Astrologo	159,775	1,070
Fire Chief	C. Parsons	126,781	1,954
Manager of Engineering	T. Del Greco	111,470	844
Manager of Facilities and Properties	D. Wolicki	100,324	775
Manager of Financial Services	T. Hong	105,897	797
Manager of Human Resources	J. Galea	105,276	808
Manager of Information Technology	T. Iacobelli	126,782	930
Manager of Planning & Development Services	R. Brown	126,781	930
Manager of Public Works/Environmental Svcs	S. Martinho	111,470	1,421
Manager of Recreation Programs	M. Durocher	100,549	767

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 2020, the OPP contract approximated \$3.3 million (2019 - \$3.2 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 \$1,256,000 (2019 - \$1,168,000).

The Town has entered an agreement for waste collection services which expires on December 31, 2026. In 2020, the cost of collection services provided under this agreement was \$563,000 (2019 - \$540,000).

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2020

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.

17. Contingencies

The Town has been named as a defendant in 2 lawsuits arising from the actions of a former employee. These claims are currently being managed by an insurance provider and no additional liability is expected against the Town, at this time. As the outcome of these claims is not determinable, no provision for such costs have been recorded in the financial statements.

There is possibility of additional claims from additional victims which may or may not be covered by insurance and give rise to the possibility of a financial liability, but at this time no other claims have been received.

18. Uncertainty due to COVID-19

The global pandemic has disrupted economic activities and supply chains. The Town continues to provide essential services and has adapted operations to comply with Provincial Health regulations. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the related financial impact cannot be reasonably estimated at this time.

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Tangible Capital Assets
Categorized by Asset Type
For the Year Ended December 31, 2020

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	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST										
Balance, beginning 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
Additions during the year	153,595	4,264,804	474,006	-	716,328	3,057,779	5,593,961	807,076	15,067,549	11,915,268
Disposals during the year	-	-	(71,610)	-	(157,826)	(37,817)	(22,631)	-	(289,884)	(1,374,936)
BALANCE, END OF YEAR	4,616,283	19,413,483	889,430	501,961	10,607,697	133,093,978	117,500,923	8,383,867	295,007,622	280,229,957
ACCUMULATED AMORTIZATION										
Balance, beginning 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
Amortization during the year	32,437	449,459	93,420	26,164	616,489	3,329,393	2,553,747	-	7,101,109	6,857,831
Accumulated Amortization on disposals	-	-	(71,610)	-	(144,162)	(37,817)	(22,631)	-	(276,220)	(1,230,348)
BALANCE, END OF YEAR	151,421	7,384,650	400,913	332,535	6,111,592	101,577,493	49,103,584	-	165,062,188	158,237,299
TANGIBLE CAPITAL ASSETS	4,464,862	12,028,833	488,517	169,426	4,496,105	31,516,485	68,397,339	8,383,867	129,945,434	121,992,658

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Deferred Revenue
For the Year Ended December 31, 2020

Schedule 2

	Opening	Contributions Received	Interest Earned	Deferred Revenue Allocated	Ending
	\$	\$	\$	\$	\$
Development charges	4,136,185	1,911,812	59,487	(2,306,756)	3,800,728
Federal gas tax	1,449,201	1,046,091	19,891	(1,292,299)	1,222,884
Ontario Community Infrastructure Grant	939,168	962,227	14,088	(1,468,000)	447,483
Cannabis Legalization Implementation Grant	33,257	-	496	-	33,753
Modernization Grant	560,778	131,250	6,555	(378,779)	319,804
Safe Restart (Covid) Fund	-	542,800	-	(326,475)	216,325
	7,118,589	4,594,180	100,517	(5,772,309)	6,040,977

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Reserves and Reserve Funds
For the Year Ended December 31, 2020

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	65,812	19,137	-	-	84,949
BUILDING	642,970	433,279	-	-	1,076,249
FACILITIES	762,336	220,000	-	29,690	952,646
FIRE	564,549	313,000	-	50,246	827,303
GENERAL	6,549,057	1,146,169	50,000	39,343	7,605,883
IT	4,316	-	-	-	4,316
MARINA	67,305	-	-	30,000	37,305
MIGRATION	7,249	55	-	-	7,304
PARKS & RECREATION	866,112	640,179	8,921	448,679	1,048,691
PLANNING	20,000	-	-	-	20,000
POLICE	701,388	80,000	-	-	781,388
PUBLIC WORKS	2,670,803	1,985,952	-	362,427	4,294,328
SEWER	745,038	721,634	18,183	1,250,160	198,329
WATER - MUNICIPAL	4,230,925	1,072,044	-	930,858	4,372,111
WATER - UNION WATER SUPPLY SYSTEM	7,692,522	1,439,154	-	-	9,131,676
	25,590,382	8,070,603	77,104	3,141,403	30,442,478
	25,649,658	8,070,603	77,104	3,141,403	30,501,754

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Accumulated Surplus
as at December 31, 2020

Schedule 4

	<u>2020</u>		<u>2019</u>
Tangible capital assets	\$ 129,945,434	\$	121,992,658
Reserves and reserve funds	30,501,754		25,649,658
Operating fund surplus	3,121,099		3,381,725
Unfinanced capital	(338,571)		(338,574)
Drainage debt receivable	251,660		496,986
Amounts to be Recovered:			
Municipal Debt - Recoverable from future taxation	(6,596,608)		(7,276,798)
Municipal Debt - Recoverable from benefiting property owners	(1,160,607)		(1,778,105)
Union Water Supply System Debt - Recoverable from rate payers	(4,306,542)		(4,772,208)
Accumulated Surplus	\$ 151,417,619	\$	137,355,342

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Segmented Information
For the Year Ended December 31, 2020

Schedule 5

	General Government	Protection to Persons & Property	Transportation	Environmental	Health Services	Recreation & Culture	Planning & Development	Total
Revenues								
Property taxes	\$ 3,058,344	\$ 5,206,068	\$ 5,854,490	\$ 1,398,833	\$ 44,941	\$ 3,136,567	\$ 274,978	\$ 18,974,222
User charges	89,138	94,612	468,764	9,783,597	73,002	398,189	100,166	11,007,468
Government transfers	978,511	20,059	-	52,384	-	76,519	22,660	1,150,133
Local improvement charges	-	-	-	441,732	-	-	-	441,732
Licences, permits, rents	44,212	1,023,788	8,432	-	1,273	113,398	-	1,191,103
Fines and penalties	134,846	21,277	-	14,240	-	-	-	170,363
Donations	-	250	7,400	-	-	6,905	400	14,955
Investment income	335,835	-	-	84,362	-	-	-	420,197
	<u>4,640,886</u>	<u>6,366,054</u>	<u>6,339,086</u>	<u>11,775,148</u>	<u>119,216</u>	<u>3,731,578</u>	<u>398,204</u>	<u>33,370,173</u>
Expenses								
Wages and benefits	2,395,476	1,993,044	980,609	887,430	41,984	1,394,734	325,190	8,018,467
Interest on long-term debt	21,300	-	177,993	544,100	-	42,886	-	786,279
Materials	1,206,503	291,996	1,833,146	1,271,786	9,415	763,103	96,885	5,472,834
Contracted services	419,934	3,482,774	-	4,782,362	50,834	78,043	18,471	8,832,418
Rents & financial expenses	88,034	19,636	7,724	-	-	18,896	3,557	137,847
Amortization	147,171	225,827	3,550,538	2,635,569	5,870	535,921	213	7,101,109
	<u>4,278,418</u>	<u>6,013,277</u>	<u>6,550,010</u>	<u>10,121,247</u>	<u>108,103</u>	<u>2,833,583</u>	<u>444,316</u>	<u>30,348,954</u>
Other								
Deferred revenue earned	-	-	169,107	2,137,649	-	-	-	2,306,756
Government transfers received for capital	518,551	-	3,122,159	42,280	-	-	-	3,682,990
Government transfers provided for capital	-	-	(435,253)	-	-	-	-	(435,253)
Change in employee benefits	(126,039)	-	-	-	-	-	-	(126,039)
Contributed tangible capital assets	-	-	1,414,104	2,941,781	-	12,600	-	4,368,485
Gain on sale of land	-	-	1,246,233	-	-	-	-	1,246,233
Gain/(Loss) on sale of assets	-	-	8,452	3,006	-	(13,572)	-	(2,114)
	<u>392,512</u>	<u>-</u>	<u>5,524,802</u>	<u>5,124,716</u>	<u>-</u>	<u>(972)</u>	<u>-</u>	<u>11,041,058</u>
Annual Surplus (Deficit)	<u>\$ 754,980</u>	<u>\$ 352,777</u>	<u>\$ 5,313,878</u>	<u>\$ 6,778,617</u>	<u>\$ 11,113</u>	<u>\$ 897,023</u>	<u>\$ (46,112)</u>	<u>\$ 14,062,277</u>

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>