

**THE CORPORATION OF
THE TOWN OF KINGSVILLE**

Consolidated Financial Statements
December 31, 2022

**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**

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, 2022, 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 consolidated financial position of the Town as at December 31, 2022, and its consolidated results of operations, its consolidated change in net financial assets and consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Town to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Essex, Ontario

May 25, 2023

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Statement of Financial Position
as at December 31, 2022

	<u>2022</u>	<u>2021</u>
FINANCIAL ASSETS		
Cash and cash equivalents (Notes 3 & 9)	\$ 29,807,601	\$ 30,261,354
Taxes and grants-in-lieu receivable	1,725,167	1,513,743
Trade and other receivables (Note 3)	6,959,145	5,743,473
Drainage costs recoverable (Note 6)	4,661,666	5,428,851
Drainage debt receivable (Note 6)	81,897	130,177
Long-term investment (Note 3)	-	4,282,601
	43,235,476	47,360,199
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (Note 3)	9,872,379	11,171,058
Accrued interest	32,227	39,458
Municipal debt (Notes 3 & 4)	8,447,394	9,843,662
Employee future benefits (Note 7)	737,700	1,501,270
Deferred revenue (Schedule 2)	2,347,034	3,973,454
	21,436,734	26,528,902
NET FINANCIAL ASSETS	21,798,742	20,831,297
Contractual obligations (Note 14)		
Contingencies (Note 16)		
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3, Schedule 1)	159,583,874	143,450,031
Prepaid expenses	77,104	27,162
	159,660,978	143,477,193
ACCUMULATED SURPLUS	\$ 181,459,720	\$ 164,308,490

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Statement of Financial Operations and Accumulated Surplus
for the year ended December 31, 2022

	<u>2022 Budget</u> (Note 11)	<u>2022</u>	<u>2021</u>
REVENUES			
Net taxation/user charges	\$ 32,387,984	33,289,317	\$ 31,508,478
Government transfers	1,024,103	1,058,557	950,099
Other	1,797,718	2,664,915	2,400,748
TOTAL REVENUES	35,209,805	37,012,789	34,859,325
EXPENSES			
General government	4,931,285	4,951,240	4,252,027
Protection to persons and property	6,665,886	6,394,211	6,253,668
Transportation services	7,265,944	7,842,900	6,837,069
Environmental services	12,491,951	10,695,822	9,725,181
Health services	141,776	109,895	141,918
Recreation and culture	3,601,568	3,911,308	3,027,562
Planning and development	670,562	716,253	605,340
TOTAL EXPENSES	35,768,972	34,621,629	30,842,765
NET REVENUES	(559,167)	2,391,160	4,016,560
OTHER			
Development charges applied	10,901,750	2,481,872	6,126,557
Government transfers received for capital projects	6,030,960	5,835,663	2,390,096
Employee future benefits	-	763,570	(74,633)
Contributed tangible capital assets	5,700,000	5,631,418	1,346,152
Loss on investment in UWSS (Note 3)	-	-	(871,875)
Gain (loss) on disposal of tangible capital assets	-	47,547	(41,986)
	22,632,710	14,760,070	8,874,311
ANNUAL SURPLUS	22,073,543	17,151,230	12,890,871
ACCUMULATED SURPLUS, BEGINNING OF YEAR	164,308,490	164,308,490	151,417,619
ACCUMULATED SURPLUS, END OF YEAR	\$ 186,382,033	\$ 181,459,720	\$ 164,308,490

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Statement of Changes in Net Financial Assets
for the year ended December 31, 2022

	<u>2022 Budget</u> (Note 11)	<u>2022</u>	<u>2021</u>
Annual Surplus	\$ 22,073,543	17,151,230	\$ 12,890,871
Amortization of tangible capital assets	7,596,357	8,307,906	7,596,357
Acquisition of tangible capital assets	(30,567,535)	(24,508,349)	(21,832,198)
Disposals of tangible capital assets	-	66,600	731,244
Acquisition of prepaid expense	-	(77,104)	(27,162)
Consumption of prepaid expense	-	27,162	36,611
INCREASE IN NET FINANCIAL ASSETS	(897,635)	967,445	(604,277)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	20,831,297	20,831,297	21,435,574
NET FINANCIAL ASSETS, END OF YEAR	\$ 19,933,662	\$ 21,798,742	\$ 20,831,297

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Statement of Cash Flows
for the year ended December 31, 2022

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Annual Surplus	\$ 17,151,230	\$ 12,890,871
Items Not Involving Cash		
Amortization of tangible capital assets	8,307,906	7,596,357
(Gain) loss on disposal of tangible capital assets	(47,547)	41,986
Loss on investment in UWSS tangible capital assets	-	679,253
Change in employee future benefits	(763,570)	74,633
Sources (Uses)		
Taxes and grants-in-lieu receivable	(211,424)	67,669
Trade and other receivables	(1,215,672)	(1,432,494)
Drainage costs and debt receivable	815,465	(1,587,288)
Prepaid expenses	(49,942)	9,449
Accounts payable and accrued liabilities	(1,298,679)	1,357,800
Deferred revenue	(1,626,420)	(2,067,523)
Accrued interest	(7,231)	(7,634)
	21,054,116	17,623,079
INVESTING ACTIVITIES		
Decrease (increase) in long-term investments	4,282,601	67,154
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(24,508,349)	(21,832,198)
Proceeds on disposal of tangible capital assets	114,147	10,005
	(24,394,202)	(21,822,193)
FINANCING ACTIVITIES		
Long-term debt repaid	(1,396,268)	(1,484,968)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(453,753)	(5,616,928)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	30,261,354	35,878,282
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 29,807,601	\$ 30,261,354

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2022

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 partnerships.

(ii) Accounting for 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, 2022

(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 and the estimated useful life.

(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, 2022

(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, 2022

(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) User charges

User charges include water, wastewater, recreation, planning and other revenues based on demand for service. Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenue.

(viii) 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.

(ix) Cash and Cash Equivalents

Cash and 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 CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2022

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>2022</u>	<u>2021</u>
School Boards	\$ 6,233,947	\$ 6,092,196
County	<u>14,439,680</u>	<u>13,662,799</u>
	<u>\$ 20,673,627</u>	<u>\$ 19,754,995</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, 2021, where it was decreased to 38.72% (2020 - 40.33%). Due to the reduction in ownership, the Town recognized a loss of \$871,875 in 2021.

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 7,957,459	\$ 4,243,967
Trade and other receivables	485,374	687,449
Long-term investment	-	4,282,601
Accounts payable and accrued liabilities	(1,314,257)	(1,508,879)
Long-term debt	<u>(3,062,343)</u>	<u>(3,630,299)</u>
Net Financial Assets	4,066,233	4,074,839
Tangible capital assets	<u>21,398,089</u>	<u>19,007,392</u>
Accumulated surplus	<u>\$ 25,464,322</u>	<u>\$ 23,082,231</u>
Equity in Reserve and Reserve Funds	<u>\$ 7,128,576</u>	<u>\$ 7,705,137</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 \$2,382,090 (2021 - \$2,113,897).

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2022

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>2022</u>	<u>2021</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	\$ 444,500	\$ 543,277
ii) OILC Loan - repayable in semi-annual instalments of \$119,772 including interest at 3.97%, due December, 2033	2,118,275	2,269,215
iii) OILC Loan - repayable in semi-annual instalments of \$91,043 including interest at 2.47%, due November, 2025	523,401	689,475
iv) OILC Loan - repayable in semi-annual instalments of \$52,753 including interest at 3.34%, due November, 2035	1,105,266	1,172,176
v) OILC Loan - repayable in semi-annual instalments of \$131,283 including interest at 2.56%, due November, 2026	992,259	1,224,945
<i>Benefiting Property Owners</i>		
i) Sewer Separation Program Debentures - repayable in annual instalments including interest of 4.0%, repaid in 2022	-	47,454
ii) Drain Debentures - repayable in annual instalments including interest ranging from 3.0% to 5.0%, due in various amounts from 2023 to 2028	106,408	145,959
iii) Sanitary Sewer Debentures - repayable in annual instalments including interest ranging from 2.83% to 5.0%, due in various amounts from 2022 to 2025	393,791	517,770
iv) Watermain Debentures - repayable in annual instalments including interest of 4.5%, due in 2029	57,395	64,244
v) Tile Loans - repayable in annual instalments including interest at 6.0%, due in various amounts from 2023 to 2028	67,590	90,991
Total long-term liabilities incurred by the Municipality and those incurred on behalf of benefiting land owners	5,808,885	6,765,506
Less: Internally financed debt	(423,834)	(552,143)
	5,385,051	6,213,363
Share of Union Water System Obligations	3,062,343	3,630,299
	\$ 8,447,394	\$ 9,843,662

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Financial Statements
for the year ended December 31, 2022

4. Municipal Debt (continued)

(b) Principal payments are as follows;

2023		\$ 1,432,226
2024		1,528,657
2025		1,632,846
2026		1,524,123
2027		319,029
2028 onward		<u>2,010,513</u>
		<u>\$ 8,447,394</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>2022</u>	<u>2021</u>
Interest	\$ 579,700	\$ 672,166

5. Trust Funds

The Town administers a Perpetual Care Cemetery Trust Fund which amounts to \$1,312,582 (2021 - \$1,262,682). 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, 2022

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>2022</u>	<u>2021</u>
Accrued benefit as at January 1	\$ 1,501,270	\$ 1,426,637
Service cost	78,472	76,558
Interest cost	38,926	37,092
Benefit paid for year	(45,436)	(39,017)
Actuarial gain	<u>(835,532)</u>	<u>0</u>
Projected accrued benefit obligation at December 31	\$ <u>737,700</u>	\$ <u>1,501,270</u>

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

An actuarial valuation was performed as of December 31, 2022. The main actuarial assumptions employed in the valuations are as follows:

	<u>2022</u>	<u>2021</u>
Discount rate	4.5%	2.5%
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, Legal and Clerk

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, 2022

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, 2022, the Town had \$2,000,000 (2021 - \$2,000,000) in unused credit available.

Included in cash and cash equivalents is deferred revenue of \$2,347,034 (2021 - \$3,973,454) and reserve funds of \$59,276 (2021 - \$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 CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2022

10. Reserve, Reserve Funds and Deferred Revenue

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

	<u>2022</u>	<u>2021</u>
Total reserves and reserve funds (Schedule 3)	\$ 32,559,453	\$ 29,763,188
Deferred revenue portion of reserve funds set aside for specific purposes by legislation, regulation or agreement (Schedule 2)	<u>2,347,034</u>	<u>3,973,454</u>
	<u><u>\$ 34,906,487</u></u>	<u><u>\$ 33,736,642</u></u>

11. Budget Amounts

The 2022 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, 2022

	<u>2022 Budget</u>	<u>Change</u>	<u>Restated 2022 Budget</u>
Revenue	\$ 65,034,544		65,034,544
Less: Contributions from reserves		(6,400,896)	(6,400,896)
Less: Proceeds from long-term debt		(606,250)	(606,250)
Less: Inter-departmental revenues		(402,000)	(402,000)
Plus: Local Improvements		217,117	217,117
	<u>65,034,544</u>	<u>(7,192,029)</u>	<u>57,842,515</u>
Expenses			
Total Expenditures as per budget	65,034,544		65,034,544
Less: Contributions to reserves		(5,201,851)	(5,201,851)
Less: Capital expenditures, net of transfers		(30,567,535)	(30,567,535)
Plus: Amortization		7,596,357	7,596,357
Plus: Interest on non-tax funded debt		24,846	24,846
Less: Repayments of tax funded debt		(715,389)	(715,389)
Less: Inter-departmental expenses		(402,000)	(402,000)
	<u>65,034,544</u>	<u>(29,265,572)</u>	<u>35,768,972</u>
Annual Surplus			22,073,543
Accumulated surplus, beginning of year			164,308,490
Accumulated surplus, end of year			<u>\$ 186,382,033</u>

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2022

12. Pension Plan

The Town belongs to the Ontario Municipal Employee Retirement Fund (OMERS) which is a multi-employer plan on behalf of 83 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 2022 was \$621,167 (2021 - \$540,387). At December 31, 2022 the OMERS plan was in a deficit position, funded at 95% (2021 - 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 2022, the following employees met this requirement:

Position	Name	Salary Paid	Taxable Benefits
CAO	J. Norton	\$ 215,353	1,393
Director of Financial and IT Services	R. McLeod	157,672	1,125
Director of Legal, Building and Bylaw Enforcement / Town Solicitor	S.Hirota	153,760	1,125
Director of Infrastructure and Engineering	A. Plancke	148,809	1,095
Fire Chief	J. Quennell	146,823	-
Director of Community and Development Services	R.Wyma	144,547	1,044
Manager of IT	P.Girard	127,018	976
Manager of Engineering	T. Del Greco	126,917	922
Manager of Public Works/Environmental Svcs	S. Martinho	126,588	1,386
Manager of Human Resources	J. Galea	115,900	886
Manager of Municipal Governance / Town Clerk	P.Parker	113,046	895
Manager of Financial Services / Deputy Treasurer	M.Schroeder	113,046	885
Manager of Recreation Program and Special Events	K.Loney	110,945	823
Manager of Planning & Development Services	R. Brown	110,768	812
Chief Building Official	R.Frias	110,138	810
Fire Training/Public Education Officer	J. Dean	110,022	873
Building Inspector / Property Standards	M.Olewski	106,001	753

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, 2023, policing costs are determined annually. In 2022, the OPP contract approximated \$3.3 million (2021 - \$3.4 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 \$1,281,000 (2021 - \$1,247,000).

The Town has entered an agreement with GFL Environmental Inc. for waste collection services through December 31, 2026. In 2022, the cost of collection services provided under this agreement was \$599,000 (2021 - \$557,000).

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2022

15. Comparative Amounts

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

16. Contingencies

As of December 31, 2022, certain legal actions are pending against the Town, however, the final outcome of these claims cannot be determined at this time. Based on the available information, any potential settlements are not expected to have a material effect on the consolidated financial statements of the Town.

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Tangible Capital Assets
Categorized by Asset Type
For the Year Ended December 31, 2022

Schedule 1

	GENERAL					INFRASTRUCTURE		Construction in Progress	TOTALS	
	Land & Improvements	Buildings & Improvements	Information Technology	Furniture & Fixtures	Vehicles, Machinery & Equipment	Roads & Bridges	Water, Wastewater & Storm Sewers		2022	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST										
Balance, beginning of year	5,030,381	19,899,922	906,765	501,961	12,148,925	137,835,412	123,935,094	14,066,476	314,324,936	295,007,622
Additions during the year	543,100	586,585	68,972	59,585	884,146	10,681,071	9,758,474	1,926,416	24,508,349	21,832,198
Disposals during the year					(550,598)	(452,982)	(130,057)		(1,133,637)	(2,514,884)
BALANCE, END OF YEAR	5,573,481	20,486,507	975,737	561,546	12,482,473	148,063,501	133,563,511	15,992,892	337,699,648	314,324,936
ACCUMULATED AMORTIZATION										
Balance, beginning of year	188,906	7,888,889	538,019	356,796	6,665,094	103,979,600	51,257,601		170,874,905	165,062,188
Amortization during the year	46,538	516,995	139,340	28,150	699,367	3,945,671	2,931,845		8,307,906	7,596,357
Accumulated Amortization on disposals					(526,008)	(426,312)	(114,717)		(1,067,037)	(1,783,640)
BALANCE, END OF YEAR	235,444	8,405,884	677,359	384,946	6,838,453	107,498,959	54,074,729	-	178,115,774	170,874,905
TANGIBLE CAPITAL ASSETS										
	5,338,037	12,080,623	298,378	176,600	5,644,020	40,564,542	79,488,782	15,992,892	159,583,874	143,450,031

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Deferred Revenue
For the Year Ended December 31, 2022

Schedule 2

	Opening	Contributions Received (Refunded)	Interest Earned	Deferred Revenue Allocated	Ending
	\$				\$
Development charges	98,199	2,426,759	1,554	(2,481,872)	44,640
Canada Community Building Fund	1,996,243	1,079,477	27,091	(2,609,125)	493,686
Ontario Community Infrastructure Grant	972,921	1,877,534	25,388	(1,588,807)	1,287,036
Cannabis Legalization Implementation Grant	24,182	-	-	(24,182)	-
Modernization Grant	259,511	34,726	-	(145,887)	148,350
Safe Restart (Covid) Fund	622,397	-	-	(249,075)	373,322
	<u>3,973,454</u>	<u>5,418,496</u>	<u>54,033</u>	<u>(7,098,948)</u>	<u>2,347,034</u>

Schedule 3

	Opening	Contributions Received	Transfer to Operations	Transfer to Capital	Ending
	\$	\$	\$	\$	\$
RESERVE FUNDS					
WATER CAPITAL	59,276	-	-	-	59,276
	<u>59,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,276</u>
RESERVES					
BIA	86,237	9,421	-	-	95,658
BUILDING	1,638,567	395,307	-	-	2,033,874
FACILITIES	959,145	245,000	-	174,026	1,030,119
FIRE	537,303	292,691	-	22,965	807,029
GENERAL	7,668,330	674,676	73,673	29,000	8,240,333
IT	4,316	-	-	-	4,316
MARINA	47,305	10,000	-	5,000	52,305
PARKS & RECREATION	974,083	492,485	42,561	40,528	1,383,479
PLANNING	61,384	100,000	-	2,519	158,865
POLICE	861,388	80,000	-	10,000	931,388
PUBLIC WORKS	4,315,598	2,645,894	100,000	1,240,402	5,621,090
SEWER	542,039	1,071,597	-	345,146	1,268,490
WATER - MUNICIPAL	4,303,080	1,005,306	-	1,563,731	3,744,655
WATER - UNION WATER SUPPLY SYSTEM	7,705,137	84,671	-	661,232	7,128,576
	<u>29,703,912</u>	<u>7,107,048</u>	<u>216,234</u>	<u>4,094,549</u>	<u>32,500,177</u>
	<u>29,763,188</u>	<u>7,107,048</u>	<u>216,234</u>	<u>4,094,549</u>	<u>32,559,453</u>

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Accumulated Surplus
as at December 31, 2022

Schedule 4

	<u>2022</u>	<u>2021</u>
Tangible capital assets	\$ 159,583,874	\$ 143,450,031
Reserves and reserve funds	32,559,453	29,763,188
Operating fund surplus	3,832,367	2,913,191
Unfinanced capital	(5,808,550)	(1,632,320)
Drainage debt receivable	81,897	130,177
Amounts to be Recovered:		
Municipal Debt - Recoverable from future taxation	(5,183,700)	(5,899,089)
Municipal Debt - Recoverable from benefiting property owners	(543,278)	(786,389)
Union Water Supply System Debt - Recoverable from rate payers	(3,062,343)	(3,630,299)
Accumulated Surplus	\$ 181,459,720	\$ 164,308,490

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Segmented Information
For the Year Ended December 31, 2022

Schedule 5

	General Government	Protection to Persons & Property	Transportation	Environmental	Health Services	Recreation & Culture	Planning & Development	Total
Revenues								
Property taxes	\$ 3,132,418	\$ 5,566,887	\$ 6,725,248	\$ 1,575,561	\$ 39,793	\$ 3,177,379	\$ 686,426	\$ 20,903,712
User charges	163,251	174,895	127,400	11,114,327	115,522	556,960	133,250	12,385,605
Government transfers	811,001	72,729	-	54,524	-	95,303	25,000	1,058,557
Local improvement charges	-	-	-	226,909	-	-	-	226,909
Licences, permits, rents	19,132	1,211,807	20,990	960	66,078	101,415	-	1,420,382
Fines and penalties	315,243	83,385	-	26,249	-	-	-	424,877
Donations	-	250	-	-	-	30,954	200	31,404
Investment income	415,067	-	-	122,785	23,491	-	-	561,343
	<u>4,856,112</u>	<u>7,109,953</u>	<u>6,873,638</u>	<u>13,121,314</u>	<u>244,884</u>	<u>3,962,011</u>	<u>844,876</u>	<u>37,012,789</u>
Expenses								
Wages and benefits	2,944,114	2,201,945	1,329,336	1,191,532	34,487	1,663,240	573,080	9,937,734
Interest on long-term debt	15,365	-	143,597	382,141	-	38,597	-	579,700
Materials	1,402,225	514,107	2,143,513	1,474,619	20,104	1,384,933	115,478	7,054,979
Contracted services	307,534	3,420,353	42,334	4,629,796	49,434	117,407	23,225	8,590,083
Rents & financial expenses	90,751	12,199	19,643	356	-	24,668	3,610	151,227
Amortization	191,251	245,607	4,164,477	3,017,378	5,870	682,463	860	8,307,906
	<u>4,951,240</u>	<u>6,394,211</u>	<u>7,842,900</u>	<u>10,695,822</u>	<u>109,895</u>	<u>3,911,308</u>	<u>716,253</u>	<u>34,621,629</u>
Other								
Development charges applied	44,700	-	1,404,770	1,032,402	-	-	-	2,481,872
Government transfers received for capital	130,273	-	4,556,158	775,815	-	273,417	100,000	5,835,663
Change in employee benefits	763,570	-	-	-	-	-	-	763,570
Contributed tangible capital assets	-	-	1,614,938	4,016,480	-	-	-	5,631,418
Gain/(Loss) on sale of assets	-	17,691	17,967	(4,228)	-	16,117	-	47,547
	<u>938,543</u>	<u>17,691</u>	<u>7,593,833</u>	<u>5,820,469</u>	<u>-</u>	<u>289,534</u>	<u>100,000</u>	<u>14,760,070</u>
Annual Surplus (Deficit)	<u>\$ 843,415</u>	<u>\$ 733,433</u>	<u>\$ 6,624,571</u>	<u>\$ 8,245,962</u>	<u>\$ 134,989</u>	<u>\$ 340,237</u>	<u>\$ 228,623</u>	<u>\$ 17,151,230</u>

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Segmented Information
For the Year Ended December 31, 2021

Schedule 5

	General Government	Protection to Persons & Property	Transportation	Environmental	Health Services	Recreation & Culture	Planning & Development	Total
Revenues								
Property taxes	\$ 2,835,279	\$ 5,437,686	\$ 6,449,556	\$ 1,444,979	\$ 44,848	\$ 2,935,925	\$ 502,634	\$ 19,650,907
User charges	88,453	82,945	242,098	10,740,510	81,176	469,844	152,545	11,857,571
Government transfers	788,000	21,960	-	48,139	-	67,000	25,000	950,099
Local improvement charges	-	-	-	298,956	-	-	-	298,956
Licences, permits, rents	15,949	1,320,448	16,490	-	1,321	104,312	-	1,458,520
Fines and penalties	267,376	35,856	-	25,012	-	-	-	328,244
Donations	-	20	-	-	-	62,308	717	63,045
Investment income	163,253	-	-	80,651	8,079	-	-	251,983
	<u>4,158,310</u>	<u>6,898,915</u>	<u>6,708,144</u>	<u>12,638,247</u>	<u>135,424</u>	<u>3,639,389</u>	<u>680,896</u>	<u>34,859,325</u>
Expenses								
Wages and benefits	2,658,328	2,069,864	1,081,310	1,026,990	54,237	1,394,048	456,108	8,740,885
Interest on long-term debt	18,370	-	160,944	452,075	-	40,777	-	672,166
Materials	916,324	429,122	1,780,441	1,158,012	30,011	860,828	107,438	5,282,176
Contracted services	377,745	3,512,125	17,308	4,326,397	51,800	98,581	41,086	8,425,042
Rents & financial expenses	89,675	12,648	9,865	-	-	13,349	602	126,139
Amortization	191,585	229,909	3,787,201	2,761,707	5,870	619,979	106	7,596,357
	<u>4,252,027</u>	<u>6,253,668</u>	<u>6,837,069</u>	<u>9,725,181</u>	<u>141,918</u>	<u>3,027,562</u>	<u>605,340</u>	<u>30,842,765</u>
Other								
Development charges applied	-	-	3,165,237	2,814,749	-	146,571	-	6,126,557
Government transfers received for capital	217,008	9,900	1,963,023	84,800	-	115,365	-	2,390,096
Change in employee benefits	(74,633)	-	-	-	-	-	-	(74,633)
Contributed tangible capital assets	-	-	533,463	812,689	-	-	-	1,346,152
Loss on investment in UWSS	-	-	-	(871,875)	-	-	-	(871,875)
Gain/(Loss) on sale of assets	-	3,575	(1,237)	(19,814)	-	(24,510)	-	(41,986)
	<u>142,375</u>	<u>13,475</u>	<u>5,660,486</u>	<u>2,820,549</u>	<u>-</u>	<u>237,426</u>	<u>-</u>	<u>8,874,311</u>
Annual Surplus (Deficit)	<u>\$ 48,658</u>	<u>\$ 658,722</u>	<u>\$ 5,531,561</u>	<u>\$ 5,733,615</u>	<u>\$ (6,494)</u>	<u>\$ 849,253</u>	<u>\$ 75,556</u>	<u>\$ 12,890,871</u>