

**THE CORPORATION OF
THE TOWN OF KINGSVILLE**

Consolidated Financial Statements
December 31, 2023

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Corporation of the The Corporation of the Town of Kingsville, which comprise:

- the consolidated statement of financial position as at December 31, 2023
- the consolidated statement of financial operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets
- the consolidated statement of cash flow for the year then ended
- and notes to the consolidated financial statements including summary of accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of The Corporation of the The Corporation of the Town of Kingsville as at December 31, 2023, and its consolidated results of operations and its 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 Corporation of the The Corporation of the Town of Kingsville in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our 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 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 Corporation of the Town of Kingsville'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 Corporation of the Town of Kingsville or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing The Corporation of the Town of Kingsville's financial reporting process. When individuals responsible for the oversight of the financial reporting process are the same as those responsible for the preparation of the consolidated financial statements, no reference to oversight responsibilities is required.

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 judgment 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 Corporation of the Town of Kingsville'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 Corporation of the Town of Kingsville'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 Corporation of the Town of Kingsville 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.

HICKS, MacPHERSON, IATONNA
& DRIEDGER LLP

*Hicks, Macpherson,
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Leamington, Ontario
June 24, 2024

Chartered Professional Accountants
Licensed Public Accountants

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Statement of Financial Position
as at December 31, 2023

	<u>2023</u>	<u>2022</u> (Restated - Note 17)
FINANCIAL ASSETS		
Cash and cash equivalents (Notes 3 & 9)	\$ 30,983,354	\$ 29,807,601
Taxes and grants-in-lieu receivable	2,479,577	1,725,167
Trade and other receivables (Note 3)	9,617,039	7,041,042
Drainage costs recoverable (Note 6)	1,164,373	4,661,666
	<u>44,244,343</u>	<u>43,235,476</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (Note 3)	9,813,583	9,872,379
Accrued interest	27,667	32,227
Municipal debt (Notes 3 & 4)	12,101,380	8,447,394
Asset retirement obligation (Notes 3 & 16)	1,381,936	1,334,487
Employee future benefits (Note 7)	813,809	737,700
Deferred revenue (Schedule 2)	2,703,830	2,347,034
	<u>26,842,205</u>	<u>22,771,221</u>
NET FINANCIAL ASSETS	<u>17,402,138</u>	<u>20,464,255</u>
Contractual obligations (Note 13)		
Contingencies (Note 15)		
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3, Schedule 1)	172,279,947	159,583,874
Asset retirement obligation assets (Notes 3 & 16)	332,334	343,236
Prepaid expenses	60,040	77,104
	<u>172,672,321</u>	<u>160,004,214</u>
ACCUMULATED SURPLUS	<u>\$ 190,074,459</u>	<u>\$ 180,468,469</u>

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Statement of Financial Operations and Accumulated Surplus
as at December 31, 2023

	<u>2023 Budget</u> (Note 11)	<u>2023</u>	<u>2022</u> (Restated - Note 17)
REVENUES			
Net taxation/user charges	\$ 40,396,537	\$ 36,264,116	\$ 33,289,317
Government transfers	920,100	906,315	1,058,557
Other	1,989,793	2,797,556	2,664,915
TOTAL REVENUES	43,306,430	39,967,987	37,012,789
EXPENSES			
General government	4,892,571	4,837,289	4,951,240
Protection to persons and property	6,844,528	6,817,087	6,394,211
Transportation services	7,937,080	7,896,688	7,842,900
Environmental services	14,032,040	11,159,248	10,695,822
Health services	164,045	147,543	109,895
Recreation and culture	4,130,709	4,178,353	3,911,308
Planning and development	706,624	644,672	716,253
TOTAL EXPENSES	38,707,597	35,680,880	34,621,629
NET REVENUES	4,598,833	4,287,107	2,391,160
OTHER			
Development charges applied	3,551,250	1,142,114	2,481,872
Government transfers received for capital projects	4,875,420	4,381,267	5,835,663
Employee future benefits	-	(76,109)	763,570
Contributed tangible capital assets	-	-	5,631,418
Asset retirement obligation accretion / amortization	-	(58,351)	(56,522)
(Loss) gain on disposal of tangible capital assets	-	(70,038)	47,547
	8,426,670	5,318,883	14,703,548
ANNUAL SURPLUS	13,025,503	9,605,990	17,094,708
ACCUMULATED SURPLUS, BEGINNING OF YEAR	180,468,469	180,468,469	163,373,761
ACCUMULATED SURPLUS, END OF YEAR	\$ 193,493,972	\$ 190,074,459	\$ 180,468,469

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Statement of Changes in Net Financial Assets
as at December 31, 2023

	<u>2023 Budget</u> (Note 11)	<u>2023</u>	<u>2022</u> (Restated - Note 17)
Annual Surplus	\$ 13,025,503	\$ 9,605,990	\$ 17,094,708
Amortization of tangible capital assets	8,307,906	8,702,240	8,307,906
Amortization of ARO Assets		10,902	10,902
Acquisition of tangible capital assets	(37,526,100)	(21,492,567)	(24,508,349)
Disposals of tangible capital assets	-	94,254	66,600
Acquisition of prepaid expense	-	(60,040)	(77,104)
Consumption of prepaid expense	-	77,104	27,162
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	(16,192,691)	(3,062,117)	921,825
NET FINANCIAL ASSETS, BEGINNING OF YEAR	20,464,255	20,464,255	19,542,430
NET FINANCIAL ASSETS, END OF YEAR	\$ 4,271,564	\$ 17,402,138	\$ 20,464,255

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Statement of Cash Flows
as at December 31, 2023

	<u>2023</u>	<u>2022</u> (Restated - Note 17)
OPERATING ACTIVITIES		
Annual Surplus	\$ 9,605,990	\$ 17,094,708
Items Not Involving Cash		
Amortization of tangible capital assets	8,702,240	8,307,906
Accretion and amortization of asset retirement obligations	58,351	56,522
Loss (gain) on disposal of tangible capital assets	70,038	(47,547)
Change in employee future benefits	76,109	(763,570)
Sources (Uses)		
Taxes and grants-in-lieu receivable	(754,410)	(211,424)
Trade and other receivables	(2,575,997)	(1,167,392)
Drainage costs and debt receivable	3,497,293	767,185
Prepaid expenses	17,064	(49,942)
Accounts payable and accrued liabilities	(58,796)	(1,298,679)
Deferred revenue	356,796	(1,626,420)
Accrued interest	(4,560)	(7,231)
	<u>18,990,118</u>	<u>21,054,116</u>
INVESTING ACTIVITIES		
Decrease in long-term investments	-	4,282,601
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(21,492,567)	(24,508,349)
Proceeds on disposal of tangible capital assets	24,216	114,147
	<u>(21,468,351)</u>	<u>(24,394,202)</u>
FINANCING ACTIVITIES		
Municipal debt issued	5,086,213	-
Municipal debt repaid	(1,432,227)	(1,396,268)
	<u>3,653,986</u>	<u>(1,396,268)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,175,753	(453,753)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	29,807,601	30,261,354
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 30,983,354	\$ 29,807,601

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2023

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, 2023

1. Significant Accounting Policies (Cont'd)

(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 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.

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2023

1. Significant Accounting Policies (Cont'd)

(ii.2) Asset Retirement Obligations

Asset Retirement Obligations

A liability is recognized when, as at the financial report date:

There is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made.

Liabilities are recognized for statutory, contractual or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The liability includes costs for the removal of asbestos in buildings, the demolition of sewer holding ponds and wastewater treatment plants. The estimate of the asset retirement obligation includes costs directly attributable to the asset retirement activities. The resulting costs have been capitalized and are being amortized on the same basis as the related tangible capital asset. The carrying value of the liability is reviewed annually with changes to the timing or amount of the original estimate of cash flows recorded as an adjustment to the liability and related tangible capital asset.

(ii.3) 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.

(ii.4) 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.5) 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.

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2023

1. Significant Accounting Policies (Cont'd)

(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.

(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, 2023

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>2023</u>		<u>2022</u>
School Boards	\$ 6,470,791	\$	6,233,947
County	<u>15,386,200</u>		<u>14,439,680</u>
	<u>\$ 21,856,991</u>	\$	<u>20,673,627</u>

3. Equity in the Union Water Supply System and Subsequent Event

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%).

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

	<u>2023</u>		<u>2022</u> (Restated - Note 17)
Cash and cash equivalents	\$ 9,423,319	\$	7,957,459
Trade and other receivables	706,715		485,374
Accounts payable and accrued liabilities	(889,658)		(1,314,257)
Asset retirement obligation	(466,083)		(455,159)
Long-term debt	<u>(2,423,659)</u>		<u>(3,062,343)</u>
Net Financial Assets	6,350,634		3,611,074
 Tangible capital assets	 21,195,900		 21,398,089
Asset retirement obligation asset	<u>253,787</u>		<u>260,940</u>
 Accumulated surplus	 <u>\$ 27,800,321</u>	\$	 <u>25,270,103</u>
 Equity in Reserve and Reserve Funds	 <u>\$ 9,240,375</u>	\$	 <u>7,128,576</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 \$2,530,219 (2022 - \$2,364,270).

On February 24, 2023 Union Water System Inc. (UWSS Inc.) was created as a Municipal Service Corporation under Ontario Regulation 599/06 of the Municipal Act, 2001. Effective January 1, 2024, the Town entered into a Water Service Agreement with UWSS Inc. for water treatment services. All assets previously associated with the UWSS partnership were transferred to UWSS Inc. on April 22, 2024. The Town currently owns 38.72% of UWSS Inc.

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2023

4. Municipal Debt

(a) The balance of Municipal Debt reported on the "Consolidated Statement of Financial Position" is made up of the following:

	<u>2023</u>	<u>2022</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	\$ 345,722	\$ 444,500
ii) OILC Loan - repayable in semi-annual instalments of \$119,772 including interest at 3.97%, due December, 2033	1,961,284	2,118,275
iii) OILC Loan - repayable in semi-annual instalments of \$91,043 including interest at 2.47%, due November, 2025	353,199	523,401
iv) OILC Loan - repayable in semi-annual instalments of \$52,753 including interest at 3.34%, due November, 2035	1,036,102	1,105,266
v) OILC Loan - repayable in semi-annual instalments of \$131,283 including interest at 2.56%, due November, 2026	753,578	992,259
<i>Development Charge Supported</i>		
i) OILC Construction Loan - authorized for a maximum principal draw of \$12,000,000, no fixed repayment term, incurring interest at a variable rate of 5.49%	5,016,613	-
<i>Benefiting Property Owners</i>		
i) Drain Debentures - repayable in annual instalments including interest ranging from 3.0% to 5.0%, due in various amounts from 2023 to 2028	58,433	106,408
ii) Sanitary Sewer Debentures - repayable in annual instalments including interest ranging from 2.83% to 5.0%, due in various amounts from 2022 to 2025	266,240	393,791
iii) Watermain Debentures - repayable in annual instalments including interest of 4.5%, due in 2029	50,238	57,395
iv) Tile Loans - repayable in annual instalments including interest at 6.0%, due in various amounts from 2023 to 2033	<u>119,534</u>	<u>67,590</u>
	9,960,943	5,808,885
Less: Internally financed debt	<u>(283,222)</u>	<u>(423,834)</u>
	9,677,721	5,385,051
Share of Union Water System Obligations	2,423,659	3,062,343
	<u>\$ 12,101,380</u>	<u>\$ 8,447,394</u>

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Financial Statements
for the year ended December 31, 2023

4. Municipal Debt (Cont'd)

(b) Principal payments are as follows;

2024	\$	6,550,551
2025		1,638,443
2026		1,530,055
2027		325,319
2028		286,738
2029 onward		1,770,274
	\$	<u>12,101,380</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 the Municipal Debt reported on the Consolidated Statement of Financial Operations, are as follows:

	<u>2023</u>	<u>2022</u>
Interest	\$ 545,062	\$ 579,700

5. Trust Funds

The Town administers a Perpetual Care Cemetery Trust Fund which amounts to \$1,328,182 (2022 - \$1,312,582). 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

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. Any Drainage charges that have been billed to the benefitting landowners and are financed on taxes and are included in Trade and other receivables. 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, 2023

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>2023</u>	<u>2022</u>
Accrued benefit as at January 1	\$ 737,700	\$ 1,501,270
Service cost	77,600	78,472
Interest cost	35,848	38,926
Benefit paid for year	(37,339)	(45,436)
Actuarial gain	<u>-</u>	<u>(835,532)</u>
Projected accrued benefit obligation at December 31	\$ <u>813,809</u>	\$ <u>737,700</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>2023</u>	<u>2022</u>
Discount rate	4.5%	4.5%
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 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, 2023

8. Segmented Information (Cont'd)

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, 2023, the Town had \$2,000,000 (2022 - \$2,000,000) in unused credit available.

Included in cash and cash equivalents is deferred revenue of \$2,703,830 (2022 - \$2,347,034) and reserve funds of \$59,276 (2022 - \$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, 2023

10. Reserve, Reserve Funds and Deferred Revenue

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

	<u>2023</u>	<u>2022</u>
Total reserves and reserve funds (Schedule 3)	\$ 33,797,811	\$ 32,559,453
Deferred revenue portion of reserve funds set aside for specific purposes by legislation, regulation or agreement (Schedule 2)	<u>2,703,830</u>	<u>2,347,034</u>
	<u><u>\$ 36,501,641</u></u>	<u><u>\$ 34,906,487</u></u>

11. Budget Amounts

The 2023 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, 2023

	2023 Budget	Change	Restated 2023 Budget
Revenue	\$ 74,260,594		74,260,594
Less: Contributions from reserves		(11,960,112)	(11,960,112)
Less: Proceeds from long-term debt		(10,275,000)	(10,275,000)
Less: Inter-departmental revenues		(453,000)	(453,000)
Plus: Local Improvements		160,618	160,618
	<u>74,260,594</u>	<u>(22,527,494)</u>	<u>51,733,100</u>
Expenses			
Total Expenditures as per budget	74,260,594		74,260,594
Less: Contributions to reserves		(5,166,848)	(5,166,848)
Less: Capital expenditures, net of transfers		(37,526,100)	(37,526,100)
Plus: Amortization		8,307,906	8,307,906
Plus: Interest on non-tax funded debt		17,861	17,861
Less: Repayments of tax funded debt		(733,816)	(733,816)
Less: Inter-departmental expenses		(452,000)	(452,000)
	<u>74,260,594</u>	<u>(35,552,997)</u>	<u>38,707,597</u>
Annual Surplus			13,025,503
Accumulated surplus, beginning of year			180,468,469
Accumulated surplus, end of year			\$ 193,493,972

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2023

12. Pension Plan

The Town belongs to the Ontario Municipal Employee Retirement Fund (OMERS) which is a multi-employer plan on behalf of 88 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 2023 was \$705,797 (2022 - \$621,167). At December 31, 2023 the OMERS plan was in a deficit position, funded at 97% (2022 - 95%). 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. 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 2023, the OPP contract approximated \$3.3 million (2022 - \$3.3 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 \$1,482,500 (2021 - \$1,281,000).

The Town has entered an agreement with GFL Environmental Inc. for waste collection services through December 31, 2026. In 2023, the cost of collection services provided under this agreement was \$657,000 (2022 - \$599,000).

14. Comparative Amounts

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

15. Contingencies

As of December 31, 2023, 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
Notes to the Consolidated Financial Statements
for the year ended December 31, 2023

16. Asset Retirement Obligation

Liabilities exist for the removal and disposal of asbestos or other hazardous substances within buildings and facilities owned by the Town of Kingsville which include the Wastewater Treatment Plant, Police Station, Arena and other Parks & Recreation facilities.

	<u>2023</u>	<u>2022</u> (Restated - Note 17)
Asset Retirement Obligation, beginning of the year	\$ 1,334,487	1,288,867
Settlements during the year	-	-
Accretion expense	<u>47,449</u>	<u>45,620</u>
Asset Retirement Obligation, end of year	\$ <u><u>1,381,936</u></u>	\$ <u><u>1,334,487</u></u>

17. Prior Period Adjustment - Change in Accounting Policy

Effective January 1, 2023, the Town of Kingsville adopted Canadian public sector account stand PS 3280 Asset Retirement Obligations. This new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of certain tangible capital assets such as asbestos removal and disposal within buildings (see note 16). This standard was adopted using the modified retroactive approach.

The impact of the prior period adjustment on the December 31, 2022 comparative amounts is as follows:

	<u>Increase (Decrease)</u>
ARO Asset - Cost	\$ 533,844
ARO Asset - Accumulated Amortization	(179,706)
Asset Retirement Obligation (liability)	(1,288,867)
Accumulated Deficit, January 1, 2022	<u>(934,729)</u>
Amortization/Accretion Expense	(56,522)
Annual Deficit for the year ending December 31, 2022	<u>(56,522)</u>
Accumulated Deficit, December 31, 2022	<u><u>(991,251)</u></u>

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Tangible Capital Assets
Categorized by Asset Type
for the year ended December 31, 2023

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	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST										
Balance, beginning of year	5,667,781	20,392,207	975,737	561,546	12,482,473	148,063,501	133,563,511	15,992,892	337,699,648	314,324,936
Additions during the year	238,075	1,793,968	65,140	-	2,706,212	2,693,392	12,881,485	1,114,295	21,492,567	24,508,349
Disposals during the year	-	-	(5,034)	-	(522,375)	-	(6,940)	-	(534,349)	(1,133,637)
BALANCE, END OF YEAR	5,905,856	22,186,175	1,035,843	561,546	14,666,310	150,756,893	146,438,056	17,107,187	358,657,866	337,699,648
ACCUMULATED AMORTIZATION										
Balance, beginning of year	329,744	8,311,584	677,359	384,946	6,838,453	107,498,959	54,074,729	-	178,115,774	170,874,905
Amortization during the year	56,125	558,652	107,604	32,399	786,027	3,908,370	3,253,063	-	8,702,240	8,307,906
Accumulated Amortization on disposals	-	-	(5,034)	-	(435,061)	-	-	-	(440,095)	(1,067,037)
BALANCE, END OF YEAR	385,869	8,870,236	779,929	417,345	7,189,419	111,407,329	57,327,792	-	186,377,919	178,115,774
TANGIBLE CAPITAL ASSETS	5,519,987	13,315,939	255,914	144,201	7,476,891	39,349,564	89,110,264	17,107,187	172,279,947	159,583,874

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Deferred Revenue
for the year ended December 31, 2023

Schedule 2

	Opening	Contributions Received	Interest Earned	Deferred Revenue Allocated	Ending
Development charges	\$ 44,640	1,105,423	1,315	(1,142,114)	\$ 9,263
Canada Community Building Fund	493,686	1,126,410	32,469	(530,060)	1,122,505
Ontario Community Infrastructure Grant	1,287,036	1,595,904	44,874	(1,695,264)	1,232,550
Modernization Grant	148,350	-	-	(80,624)	67,726
Safe Restart (Covid) Fund	373,322	-	-	(101,537)	271,785
	2,347,034	3,827,737	78,658	(3,549,599)	2,703,830

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Reserves and Reserve Funds
for the year ended December 31, 2023

Schedule 3

	Opening	Contributions Received	Transfer to Operations	Transfer to Capital	Ending
	\$	\$	\$	\$	\$
RESERVE FUNDS					
WATER CAPITAL	59,276	-	-	-	59,276
RESERVES					
BIA	95,658	15,110	-	-	110,768
BUILDING	2,033,874	22,000	223,416	50,315	1,782,143
FACILITIES	1,030,119	445,000	-	653,465	821,654
FIRE	807,029	300,000	-	494,632	612,397
GENERAL	8,240,333	334,833	20,185	77,523	8,477,458
IT	4,316	28,000	-	-	32,316
MARINA	52,305	10,000	-	5,000	57,305
PARKS & RECREATION	1,383,479	300,980	17,261	558,995	1,108,203
PLANNING	158,865	-	-	8,650	150,215
POLICE	931,388	80,000	-	-	1,011,388
PUBLIC WORKS	5,621,090	2,625,000	15,000	3,126,064	5,105,026
SEWER	1,268,490	1,047,493	-	497,057	1,818,926
WATER - MUNICIPAL	3,744,655	1,151,019	-	1,485,313	3,410,361
WATER - UNION WATER SUPPLY SYSTEM	7,128,576	2,111,799	-	-	9,240,375
	32,500,177	8,471,234	275,862	6,957,014	33,738,535
	32,559,453	8,471,234	275,862	6,957,014	33,797,811

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Accumulated Surplus
for the year ended December 31, 2023

Schedule 4

	<u>2023</u>	<u>2022</u> (Restated - Note 17)
Tangible capital assets	\$ 172,279,947	\$ 159,583,874
Reserves and reserve funds	33,797,811	32,559,453
Operating fund surplus	3,951,426	3,832,367
Unfinanced capital	(6,698,792)	(5,808,550)
Drainage debt receivable	45,335	81,897
Asset retirement obligation (net)	(1,049,602)	(991,251)
Amounts to be Recovered:		
Municipal Debt - Recoverable from future taxation	(9,466,498)	(5,183,700)
Municipal Debt - Recoverable from benefiting property owners	(361,509)	(543,278)
Union Water Supply System Debt - Recoverable from rate payers	(2,423,659)	(3,062,343)
Accumulated Surplus	\$ 190,074,459	\$ 180,468,469

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Segmented Information
for the year ended December 31, 2023

Schedule 5

	General Government	Protection to Persons & Property	Transportation	Environmental	Health Services	Recreation & Culture	Planning & Development	Total
Revenues								
Property taxes	\$ 3,582,039	\$ 5,521,054	\$ 6,840,382	\$ 1,655,853	\$ 62,151	\$ 4,238,176	\$ 530,482	\$ 22,430,136
User charges	82,433	240,512	165,577	12,515,939	79,196	573,451	176,872	13,833,980
Government transfers	697,214	127,019	-	37,089	-	18,743	26,250	906,315
Local improvement charges	-	-	-	167,627	-	-	-	167,627
Licences, permits, rents	20,612	664,078	18,756	2,176	64,380	75,320	-	845,322
Fines and penalties	332,752	61,720	-	28,410	-	50	-	422,932
Donations	-	400	-	-	-	9,076	1,695	11,171
Investment income	922,654	93,074	-	288,512	46,264	-	-	1,350,504
	<u>5,637,704</u>	<u>6,707,857</u>	<u>7,024,715</u>	<u>14,695,606</u>	<u>251,991</u>	<u>4,914,816</u>	<u>735,299</u>	<u>39,967,987</u>
Expenses								
Wages and benefits	2,990,054	2,497,941	1,701,025	1,508,988	57,155	1,844,394	483,707	11,083,264
Interest on long-term debt	12,282	-	125,843	300,994	-	36,343	-	475,462
Materials	1,130,721	603,210	1,861,282	1,202,487	37,050	1,377,310	154,320	6,366,380
Contracted services	453,378	3,440,840	33,402	4,803,440	49,943	136,688	1,315	8,919,006
Rents & financial expenses	91,734	14,940	5,921	-	-	18,323	3,610	134,528
Amortization	159,120	260,157	4,169,214	3,343,336	3,396	765,297	1,720	8,702,240
	<u>4,837,289</u>	<u>6,817,088</u>	<u>7,896,687</u>	<u>11,159,245</u>	<u>147,544</u>	<u>4,178,355</u>	<u>644,672</u>	<u>35,680,880</u>
Other								
Development charges applied	11,797	-	415,045	314,581	-	400,691	-	1,142,114
Government transfers received for capital projects	66,968	-	3,172,535	826,101	-	315,663	-	4,381,267
Employee future benefits	(76,109)	-	-	-	-	-	-	(76,109)
Asset retirement obligation accretion / amortization	-	(3,039)	-	(41,569)	-	(13,743)	-	(58,351)
(Loss) gain on disposal of tangible capital assets	-	(87,312)	16,914	(3,152)	-	3,512	-	(70,038)
	<u>2,656</u>	<u>(90,351)</u>	<u>3,604,494</u>	<u>1,095,961</u>	<u>-</u>	<u>706,123</u>	<u>-</u>	<u>5,318,883</u>
Annual Surplus (Deficit)	<u>\$ 803,071</u>	<u>\$ (199,582)</u>	<u>\$ 2,732,522</u>	<u>\$ 4,632,322</u>	<u>\$ 104,447</u>	<u>\$ 1,442,584</u>	<u>\$ 90,627</u>	<u>\$ 9,605,990</u>

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Segmented Information
for the year ended December 31, 2022
(Restated - Note 17)

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 projects	130,273	-	4,556,158	775,815	-	273,417	100,000	5,835,663
Employee future benefits	763,570	-	-	-	-	-	-	763,570
Contributed tangible capital assets	-	-	1,614,938	4,016,480	-	-	-	5,631,418
Asset retirement obligation accretion / amortization	-	(2,922)	-	(40,425)	-	(13,175)	-	(56,522)
(Loss) gain on disposal of tangible capital assets	-	17,691	17,967	(4,228)	-	16,117	-	47,547
	<u>938,543</u>	<u>14,769</u>	<u>7,593,833</u>	<u>5,780,044</u>	<u>-</u>	<u>276,359</u>	<u>100,000</u>	<u>14,703,548</u>
Annual Surplus	<u>\$ 843,415</u>	<u>\$ 730,511</u>	<u>\$ 6,624,571</u>	<u>\$ 8,205,537</u>	<u>\$ 134,989</u>	<u>\$ 327,062</u>	<u>\$ 228,623</u>	<u>\$ 17,094,708</u>