

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWN OF AMHERSTBURG**

Year ended December 31, 2015

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Financial Statements

Year ended December 31, 2015

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of the Town of Amherstburg (the "Town") are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Town's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Management meets with the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Town. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.





June 27, 2016



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Amherstburg, which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statements of financial activities, change in net financial debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Entity's preparation and fair presentation of the consolidated 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 consolidated 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 Amherstburg as at December 31, 2015, and the results of its financial activities, change in net financial debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

June 27, 2016
Windsor, Canada

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THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Financial assets		
Cash	\$ 11,644,662	\$ 6,684,027
Taxes receivable	2,388,528	2,389,145
Trade and other receivables	3,296,680	3,528,670
Drainage receivables	1,282,967	900,165
Investment in government business enterprise (note 3)	4,980,852	4,687,290
	<u>\$ 23,593,689</u>	<u>\$ 18,189,297</u>
Financial liabilities		
Bank indebtedness (note 9)	\$ 5,552,568	\$ 4,530,814
Accounts payable and accrued liabilities	5,668,217	3,760,240
Accrued interest on long-term debt	861,828	890,914
Municipal debt (note 5)	41,630,321	44,693,112
Employee future benefit obligations (note 6)	17,232,000	16,115,800
Deferred revenue (Schedule 2)	6,829,476	4,910,844
	<u>77,774,410</u>	<u>74,901,724</u>
Net debt	(54,180,721)	(56,712,427)
Non-financial assets		
Tangible capital assets (Schedule 1)	248,677,411	253,102,632
Prepaid expenses	606,768	675,440
	<u>249,284,179</u>	<u>253,778,072</u>
Commitments and contingencies (notes 12, 13 and 14)		
Accumulated surplus (Schedule 4)	<u>\$ 195,103,458</u>	<u>\$ 197,065,645</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Statement of Financial Activities

Year ended December 31, 2015, with comparative information for 2014

	2015 Actual	2014 Actual
Revenue:		
Taxation	\$ 21,217,582	\$ 18,671,471
Water charges	4,276,247	4,142,300
Wastewater charges	5,780,454	5,568,493
Government transfers	2,475,553	3,635,073
Other	1,279,538	1,579,789
Interest	411,643	404,780
Income from government business enterprise	430,530	407,497
Drainage	382,802	51,040
Gain on disposal of tangible capital assets	20,095	5,415
	<u>36,274,444</u>	<u>34,465,858</u>
Expenses:		
General government	5,479,838	6,143,471
Protection to persons and property	7,766,394	7,054,226
Transportation services	7,161,330	7,551,361
Environmental services	11,827,582	9,871,948
Recreation and cultural services	5,043,515	5,085,283
Planning and development	1,047,881	868,349
	<u>38,326,540</u>	<u>36,574,638</u>
Annual deficit	(2,052,096)	(2,108,780)
Accumulated surplus, beginning of year	197,065,645	199,174,425
Adjustment for GBE accounting standard change (note 3)	89,909	-
Accumulated surplus, end of year	<u>\$ 195,103,458</u>	<u>\$ 197,065,645</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Statement of Change in Net Financial Debt

Year ended December 31, 2015, with comparative information for 2014

	2015 Actual	2014 Actual
Annual deficit	\$ (2,052,096)	\$ (2,108,780)
Amortization of tangible capital assets	10,775,255	9,711,213
Acquisition of tangible capital assets	(6,350,034)	(2,275,921)
Gain on sale of tangible capital assets	(20,095)	(5,415)
Proceeds on sale of tangible capital assets	20,095	5,415
Use of (acquisition) of prepaid expense	68,672	(287,075)
Adjustment for GBE accounting standard changes	89,909	-
Change in net debt	2,531,706	5,039,437
Net debt, beginning of year	(56,712,427)	(61,751,864)
Net debt, end of year	\$ (54,180,721)	\$ (56,712,427)

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Annual deficit	\$ (2,052,096)	\$ (2,108,780)
Items not involving cash:		
Amortization of tangible capital assets	10,775,255	9,711,213
Gain on sale of tangible capital assets	(20,095)	(5,415)
Increase in employee benefits payable	1,116,200	850,200
Income from government business enterprise	(430,530)	(407,497)
Change in non-cash operating working capital:		
Taxes receivable	617	(76,553)
Accounts receivable	231,990	1,406,154
Drain receivables	(382,802)	(51,041)
Prepaid expenses	68,672	(287,075)
Accounts payable	1,907,977	(1,342,357)
Deferred revenue	1,918,632	901,552
Accrued interest	(29,086)	77,870
Net change in cash from operations	13,104,734	8,668,271
Investing:		
Dividends received from government business enterprise	226,877	220,317
Net change in cash from investing	226,877	220,317
Capital:		
Acquisition of tangible capital assets	(6,350,034)	(2,275,921)
Proceeds on sale of tangible capital assets	20,095	5,415
Net change in cash from capital	(6,329,939)	(2,270,506)
Financing:		
Increase (decrease) in bank indebtedness	1,021,754	(10,636,594)
Long-term debt issued	-	11,109,169
Long-term debt repaid	(3,062,791)	(2,610,397)
Net change in cash from financing	(2,041,037)	(2,137,822)
Increase in cash	4,960,635	4,480,260
Cash, beginning of year	6,684,027	2,203,767
Cash, end of year	\$ 11,644,662	\$ 6,684,027

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements

Year ended December 31, 2015

The Corporation of the Town of Amherstburg (the "Town") is a municipality in the Province of Ontario incorporated in 1998 and operates under the provisions of the Municipal Act.

1. Significant accounting policies:

(a) Management responsibility:

The consolidated financial statements of the Town are prepared by management in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the Town are as follows:

(b) Basis of consolidation:

(i) The consolidated financial statements reflect the assets, liabilities, operating revenues and expenses, reserves, reserve funds, and changes in investment in tangible capital assets of the Town.

(ii) Investment in Government Business Enterprises:

Essex Power Corporation ("Essex Power"), a government business enterprise, is accounted for using the modified equity basis of accounting, consistent with Canadian generally accepted accounting principles as recommended by PSAB for investments in Government Business Enterprises. Under this method, Essex Power's accounting policies are not adjusted to conform with those of the Town and inter-organizational transactions and balances are not eliminated. The Town recognizes its equity interest in the annual income or loss of Essex Power in its consolidated statement of financial activities with the corresponding increase or decrease in its investment asset account. Any dividends the Town may receive from Essex Power will be reflected as reductions in the investment account.

Essex Power prepared its financial statements in accordance with IFRS for the first time in 2015. Additional information on the transition can be found in note 3.

(iii) Accounting for County and School Board transactions:

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards, and the County of Essex are not reflected in the municipal fund balances of these financial statements.

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

1. Significant accounting policies (continued):

(b) Basis of consolidation (continued):

(iv) Trust funds:

There are no trust funds administered by the Town.

(c) Basis of accounting:

- (i) Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures 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.

The focus of PSAB financial statements is on the financial position of the Town and changes thereto. The Consolidated Statement of Financial Position reports financial assets and liabilities. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Net debt represents the financial position of the Town and is the difference between financial assets and liabilities. This information explains the Town's overall future revenue requirements and its ability to finance activities and meet its obligations.

- (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 generally extending beyond the current year, and are not intended for sale in the ordinary course of operations.

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

1. Significant accounting policies (continued):

(c) Basis of accounting (continued):

(ii) Non-financial assets (continued):

(a) 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 is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life
Land	not amortized
Land improvements	5 – 20 years
Buildings and improvements	20 – 40 years
Information technology	5 – 10 years
Vehicles	3 – 15 years
Machinery and equipment	10 – 30 years
Water infrastructure:	
Water mains	100 years
Water valves and hydrants	75 – 100 years
Water treatment plant	15 – 50 years
Water meters	20 years
Wastewater infrastructure:	
Sewer mains	50 years
Sanitary and storm pump stations	20 – 50 years
Wastewater Treatment Plant	20 – 50 years
Sanitary sewage lagoons	30 years
Transportation infrastructure:	
Roads and bridges	5 – 40 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 - \$10,000 depending on the asset, so that individual TCAs 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 pools are desktop computers and computer laptops.

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

1. Significant accounting policies (continued):

(c) Basis of accounting (continued):

(ii) Non-financial assets (continued):

(b) Contribution of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are 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.

(c) Leases:

Leases are classified as capital or operating leases. Leases which transfer substantially the entire 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.

(iii) Deferred revenue:

Revenue restricted by legislation, regulation or agreement and 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 financial activities in the year in which it is used for the specific purpose.

(iv) Employee future benefits and other employee benefit plans:

The Town accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

1. Significant accounting policies (continued):

(c) Basis of accounting (continued):

(iv) Employee future benefits and other employee benefit plans (continued):

Employee benefits include vacation entitlement, sick leave benefits and certain post-employment benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave benefits and other post-employment benefits that accumulate over the period of service provided by the employees are subject to actuarial valuations and are accrued in accordance with the projected benefit method, prorated on service and management's best estimate of salary escalation and retirement ages of employees, inflation rates, investment returns, health care cost trends and discount rates. Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the employee group.

(v) Use of estimates:

The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the valuation of taxes and other accounts receivable, the carrying value of tangible capital assets, accruals and employee benefits payable. Actual results could differ from management's best estimates as additional information becomes available in the future.

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

1. Significant accounting policies (continued):

(c) Basis of accounting (continued):

(vi) Taxation 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 expense for allowance for doubtful accounts.

(vii) Revenue recognition:

- a) Tax levies are recognized as revenue when amounts are levied on the municipality's ratepayers.
- b) Fines and donations are recognized when collected.
- c) Other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.
- d) Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, and stipulations have been met and reasonable estimates of the amounts can be made.

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

1. Significant accounting policies (continued):

(c) Basis of accounting (continued):

(viii) Adoption of new accounting policy:

The Municipality adopted Public Sector Accounting Board Standard PS 3260 Liability for Contaminated Sites effective January 1, 2015. Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination. The Municipality adopted this standard on a retroactive basis and there were no adjustments as a result of the adoption of this standard

(vix) Future accounting changes:

Effective for fiscal periods beginning on or after April 1, 2019, all governments will be required to adopt PSAB Section 3450, Financial Instruments and Section 2601, Foreign Currency Translation. Section 3450, provides guidance on how to account for financial instruments including derivatives. Section 2601, provides guidance on how to account for and report transactions that are denominated in foreign currency in government financial statements.

The Town is currently in the process of evaluating the potential impact of adopting these standards.

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

2. Operation of School Boards and County of Essex:

The taxation, other revenues and, expenditures of the school boards and the County of Essex are comprised of the following:

	2015	2014
Taxation and user charges		
School Boards	\$ 6,033,185	\$ 5,956,428
County	9,565,904	9,163,439
	<u>\$ 15,599,089</u>	<u>\$ 15,119,867</u>

3. Investment in government business enterprise:

(a) Long-term investments – Essex Power Corporation:

The Town has an investment in Essex Power Corporation (“Essex Power”).

The investment is comprised of the following:

	2015	2014
2,678,179 Class A voting common shares	\$ 2,678,179	\$ 2,678,179
254,346 Special Shares, Class A non-voting	254,346	254,346
Share of accumulated earnings	2,048,327	1,754,765
	<u>\$ 4,980,852</u>	<u>\$ 4,687,290</u>

The Town of Amherstburg is a 14.258% shareholder in Essex Power.

As stated in note 1 (b)(ii) the 2015 financial statements were the first prepared by Essex Power in accordance with IFRS. As a result, the Town’s investment increased by \$89,909.

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

3. Investment in government business enterprise (continued):

(a) Long-term investments – Essex Power Corporation (continued):

Supplementary information:

The following table provides condensed supplementary information for Essex Power as at December 31:

	(in thousands of dollars)	
	2015	2014
Current assets	\$ 5,646	\$ 2,568
Accounts receivable	8,705	11,125
Unbilled revenue	6,626	5,514
Other current assets	865	1,023
Property, plant and equipment	55,662	50,253
Intangible assets	5,942	6,524
Goodwill	1,623	1,623
Deferred assets	1,041	1,932
Deferred tax assets	1,062	91
Regulatory balances	42,323	39,925
Total assets and regulatory balances	\$ 129,495	\$ 120,578
Intangible assets	\$ 5,942	\$ 6,524
Long-term liabilities	16,896	18,235
Post-employment benefits	3,289	2,887
Deferred tax liabilities	2,832	2,485
Other non-current liabilities	397	529
Total liabilities	49,774	43,777
Share capital	19,667	19,667
Retained earnings	13,604	11,886
Accumulated other comprehensive income	823	1,050
Total equity	34,094	32,603
Regulatory balances	45,627	44,198
Total liabilities, equity and regulatory balances	\$ 129,495	\$ 120,578
Total revenues	\$ 84,151	\$ 80,870
Total expenses	(80,741)	(77,007)
Finance costs	(918)	(877)
Income tax recovery	(90)	(1,565)
Net movement in regulatory balances, net of tax	969	1,796
Other comprehensive income (loss)	(227)	854
Total comprehensive income for the year	\$ 3,144	\$ 4,071

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

4. Tangible capital assets:

(a) Contributed tangible capital assets:

The Town records all tangible capital assets contributed by an external party at fair value on the earlier of the date received or of the transfer of risk and responsibility. Typical examples are roadways and, water and sewer lines installed by a developer as part of a subdivision agreement. The total value of transfers in 2015 were \$nil (2014 - \$nil).

(b) Tangible capital assets recognized at nominal value:

Where an estimate of fair value could not be made, the tangible capital asset is recognized at a nominal value.

(c) Capitalization of interest:

The Town has a policy of capitalizing borrowing costs incurred when financing the acquisition of a tangible capital asset, for those interest costs incurred up to the date the asset goes into use. Total interest capitalized in 2015 was \$nil (2014 - \$nil).

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

5. Municipal debt:

- (a) Total long-term debt incurred by the Town and those incurred on behalf of municipal enterprises and benefiting landowners and outstanding at the end of the year amount to:

	2015	2014
Total long-term liabilities incurred by the Town and those incurred on behalf of municipal enterprises and benefiting landowners and outstanding at the end of the year amount to:	\$ 41,630,321	\$ 44,693,112
Amount to be recovered from benefiting landowners and user rates.	29,374,284	31,253,084
	<u>\$ 12,256,037</u>	<u>\$ 13,440,028</u>

- (b) Of the long-term debt reported in (a), the interest rates range from 2.02% to 7.99%.

- (c) Of the long-term debt reported in (a), the following are the years of repayment:

2016	\$ 3,121,052
2017	2,468,849
2018	2,409,765
2019	2,339,554
2020	1,963,096
2021 and thereafter	29,328,005
	<u>\$ 41,630,321</u>

- (d) The long-term liabilities in (a) issued in the name of the Town 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.

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

5. Municipal debt (continued):

Total charges for the year for net long-term debt are as follows:

	2015	2014
Principal payments	\$ 3,062,791	\$ 2,610,397
Interest	1,814,867	1,837,758
	<u>\$ 4,877,658</u>	<u>\$ 4,448,155</u>

6. Employee future benefits obligations:

The Town pays certain benefits on behalf of its retired employees. The most recent actuarial valuation was prepared as at July 1, 2014 and has been projected to December 31, 2015. Information about the Town's defined benefit plans is as follows:

	2015	2014
Accrued benefit liability, January 1	\$ 16,115,800	\$ 15,265,600
Expense for the year:		
Current service cost	654,000	515,100
Interest	582,700	635,800
Amortization of actuarial losses	325,100	142,300
Benefits paid	(445,000)	(443,000)
Accrued benefit liability, December 31	17,232,000	16,115,800
Unamortized actuarial losses	2,154,500	4,264,500
Accrued benefit obligation, December 31	<u>\$ 19,386,500</u>	<u>\$ 20,380,300</u>

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

6. Employee future benefits (continued):

The main actuarial assumptions employed for the valuations are as follows:

	2015	2014
Discount rate	3.25%	2.80%
Dental	4.00%	4.00%
Health care:		
initial	5.30%	5.40%
ultimate reached in 2034	3.80%	3.80%

OMERS:

The Town belongs to the Ontario Municipal Employee Retirement Fund (OMERS) which is a multi-employer plan on behalf of 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 the length of service and rates of pay.

The Town contributed \$957,438 (2014 - \$906,493) during the year and this amount is included in the Consolidated Statement of Financial Activities. No pension liability for this type of plan is included in the Town's Consolidated Statement of Financial Position.

7. 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.

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

7. **Segmented Information (continued):**

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.

Transportation

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

Environmental

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

Recreation & Culture

Recreation & culture services refer to the operations of municipally owned recreational facilities, parks, arena 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.

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

8. Expenses by object:

Total operating expenditures on the consolidated statement of financial activities are as follows:

	2015	2014
Salaries and employee benefits	\$ 14,501,620	\$ 13,673,166
Materials, goods services and utilities	6,858,100	6,438,434
Contracted services	4,288,876	4,259,604
Interest on long-term debt	1,827,610	1,837,343
Rent and financial expenses	47,831	624,878
External transfers	27,250	30,000
Amortization	10,775,253	9,711,213
	<u>\$ 38,326,540</u>	<u>\$ 36,574,638</u>

9. Bank indebtedness:

Demand Operating Line:

The Town has a demand operating line of credit with its banker CIBC. Credit is available to a maximum of \$7,000,000 and bears interest at prime less 0.60%. All amounts under this facility are repayable immediately on demand by CIBC, and this facility may be terminated in whole or in part by CIBC at any time.

The line is offered on an unsecured basis.

10. Related entity:

The Amherstburg Community Foundation:

The Town has an economic interest in the Amherstburg Community Foundation (the "Foundation"). The Foundation was established in August 2009 for the purpose of fundraising for various projects in the Town.

The Foundation was incorporated under the laws of Ontario without share capital or benefit for its members and is therefore exempt from income taxes. The income generated by the Foundation is distributed to the Town as the funds are requested and approved.

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

10. Related entity (continued):

There were \$238,000 in transactions with the Foundation in 2015 (2014 - \$6,775) recorded as revenue. All amounts have been measured at the exchange amount.

The assets, liabilities, results of operations and cash flows for the Foundation for the years ended December 31 are as follows:

	2015	2014
Financial position:		
Total assets	\$ 23,559	\$ 31,260
Total liabilities	\$ -	\$ 5,745
Net assets	\$ 23,559	\$ 25,515
Results of operations:		
Total revenue	\$ 246,044	\$ 29,381
Total expenses	248,000	6,775
Net income for the year	\$ (1,956)	\$ 22,606
Cash flows:		
Operating	\$ 236,044	\$ 29,381
Distributions	(238,000)	(6,775)
Accounts payable	(5,745)	5,745
	\$ (7,701)	\$ 28,351

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

11. Budgeted figures:

Budgeted figures have been excluded on the consolidated statement of financial activities as they may not be directly comparable to the actual figures due to the requirement to accrue certain expenses in accordance with PSAB reporting requirements. The Town does not, in many cases, include these amounts in the annual budget as they do not require immediate funding. Additionally, budgets relating to tangible capital asset purchases have been excluded on the consolidated statement of financial activities, as they may not be comparable to actual results.

12. Contractual obligation - Ontario Clean Water Agency:

In accordance with a service agreement entered into by the Town with the Ontario Clean Water Agency (the "Agency"), the primary sewage system is operated by the Agency. The Town is obligated to meet all operating costs and repay the long term liabilities related to these projects.

13. Commitments:

The Town has the following commitment as at December 31, 2015:

	Total contract	Earned to December 31, 2015	Future commitment
Waste Water Treatment Plant	\$ 30,986,740	\$ 28,454,190	\$ 2,532,550

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

14. Contingent liabilities:

From time to time, the Town is subject to claims and other lawsuits that arise in the ordinary course of business, some of which may seek damages in substantial amounts. Liability for any claims and lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable.

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Tangible Capital Assets

Schedule 1

Year ended December 31, 2015

	General											Infrastructure		Totals	
	Land	Land improvements	Buildings and improvements	Information Technology	Vehicles	Machinery and equipment	Water	Wastewater	Storm Sewers	Transportation	Construction in progress	2015	2014		
Cost:															
Balance, beginning of year	\$ 4,373,661	\$ 6,944,131	\$ 33,908,318	\$ 1,567,364	\$ 4,479,145	\$ 2,125,625	\$ 107,916,287	\$ 91,110,086	\$ 51,066,941	\$ 98,384,108	\$ 975,460	\$ 402,851,126	\$ 400,689,488		
Add: Additions during the year	7,195	278,524	10,329	58,191	170,941	135,880	513,894	1,380,719		1,429,253	2,845,973	6,830,899	2,712,917		
Less: Disposals during the year	18,637	-	-	267,733	107,078	19,975	-	-	-	-	450,990	864,413	482,005		
Balance, end of year	4,362,219	7,222,655	33,918,647	1,357,822	4,543,008	2,241,530	108,430,181	92,490,805	51,066,941	99,813,361	3,370,443	408,817,612	402,920,400		
Accumulated amortization:															
Balance, beginning of year	-	2,676,937	6,491,015	1,326,530	3,055,677	1,285,641	27,198,992	18,426,315	24,812,780	64,474,602	-	149,748,489	140,151,564		
Add: amortization during the year	-	354,860	1,466,399	89,839	334,334	144,681	1,206,227	2,526,052	1,000,885	3,651,978	-	10,775,255	9,711,213		
Less: accumulated amortization on disposals	-	-	-	267,733	95,835	19,975	-	-	-	-	-	383,543	45,009		
Balance, end of year	-	3,031,797	7,957,414	1,148,636	3,294,176	1,410,347	28,405,219	20,952,367	25,813,665	68,126,580	-	160,140,201	149,817,768		
Tangible capital assets	\$ 4,362,219	\$ 4,190,858	\$ 25,961,233	\$ 209,186	\$ 1,248,832	\$ 831,183	\$ 80,024,962	\$ 71,538,438	\$ 25,253,276	\$ 31,686,781	\$ 3,370,443	\$ 248,677,411	\$ 253,102,632		

	General governance	Protection to persons and property	Transportation services	Environmental services	Recreation and culture	Planning and development	Total 2015
Cost:							
Balance, beginning of year	\$ 3,993,076	\$ 9,076,398	\$ 101,914,561	\$ 251,198,060	\$ 36,579,377	\$ 89,654	\$ 402,851,126
Add: Additions during the year	66,214	132,712	4,059,876	2,190,283	381,814	-	6,830,899
Less: Disposals during the year	95,304	199,899	193,282	287,173	87,765	990	864,413
Balance, end of year	3,963,986	9,009,211	105,781,155	253,101,170	36,873,426	88,664	408,817,612
Accumulated amortization:							
Balance, beginning of year	608,398	5,053,394	66,509,769	70,743,812	6,772,489	60,627	149,748,489
Add: amortization during the year	72,256	405,511	3,824,555	4,766,814	1,697,916	8,203	10,775,255
Less: accumulated amortization on disposals	76,666	188,656	27,652	1,814	87,765	990	383,543
Balance, end of year	603,988	5,270,249	70,306,672	75,508,812	8,382,640	67,840	160,140,201
Net book value of tangible capital assets	\$ 3,359,998	\$ 3,738,962	\$ 35,474,483	\$ 177,592,358	\$ 28,490,786	\$ 20,824	\$ 248,677,411

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Deferred Revenue

Schedule 2

Year ended December 31, 2015, with comparative information for 2014

	Balance December 31, 2014	Interest earned	Contributions received	Revenue earned- capital	Balance December 31, 2015
Development charges	\$ 4,788,667	\$ 38,179	\$ 830,774	\$ (504,195)	\$ 5,153,425
Federal gas tax	122,177	1,320	998,661	(775,880)	346,278
Grants	-	3,825	1,578,627	(477,000)	1,105,452
Other	-	-	224,321	-	224,321
	<u>\$ 4,910,844</u>	<u>\$ 43,324</u>	<u>\$ 3,632,382</u>	<u>\$ (1,757,075)</u>	<u>\$ 6,829,476</u>

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Reserves and Reserve Funds

Schedule 3

Year ended December 31, 2015, with comparative information for 2014

	Balance December 31, 2014	Interest earned	Transfer from/to operations	Transfer to capital	Balance December 31, 2015
Reserve funds:					
General	\$ 700,471	\$ 5,873	\$ 746,349	\$ 207,522	\$ 1,660,215
Watermain	454,991	2,969	-	(12,859)	445,101
	<u>1,155,462</u>	<u>8,842</u>	<u>746,349</u>	<u>194,663</u>	<u>2,105,316</u>
General rated reserves:					
Tax stabilization	1,322,297	-	500,547	(183,556)	1,639,288
Working capital	168,324	2,922	49,827	1,463,369	1,684,442
Information technology	314,580	-	111,000	(58,191)	367,389
Police	135,574	-	149,630	(124,027)	161,177
Insurance	212,871	-	16,143	-	229,014
Elections	-	-	22,428	-	22,428
	<u>2,153,646</u>	<u>2,922</u>	<u>849,575</u>	<u>1,097,595</u>	<u>4,103,738</u>
Water and wastewater reserves:					
Wastewater capital	1,922,895	5,648	-	(227,984)	1,700,559
Wastewater	750,749	-	(230,203)	(155,082)	365,464
Water capital	-	-	-	211,013	211,013
Water	84,561	-	(84,561)	-	-
	<u>2,758,205</u>	<u>5,648</u>	<u>(314,764)</u>	<u>(172,053)</u>	<u>2,277,036</u>
	<u>4,911,851</u>	<u>8,570</u>	<u>534,811</u>	<u>925,542</u>	<u>6,380,774</u>
	<u>\$ 6,067,313</u>	<u>\$ 17,412</u>	<u>\$ 1,281,160</u>	<u>\$ 1,120,205</u>	<u>\$ 8,486,090</u>

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Accumulated Surplus

Schedule 4

December 31, 2015, with comparative information for 2014

	2015	2014
Reserve and reserve funds:		
Reserve funds (Schedule 3)	\$ 2,105,316	\$ 1,155,462
Reserves (Schedule 3)	6,380,774	4,911,851
	<u>8,486,090</u>	<u>6,067,313</u>
Surpluses:		
Tangible capital assets	234,107,777	239,541,344
General revenue fund surplus	1,172,600	1,455,269
Benefitting landowners related to special charges and special areas	(29,374,284)	(31,253,084)
Water fund deficit	(28,150)	(332,132)
Wastewater fund deficit	-	(141,964)
Building deficit	(916,267)	(949,121)
Marina deficit	(269,925)	(324,725)
Co-An surplus	19,445	9,459
Unfunded:		
Employee future benefit obligations	(17,232,000)	(16,115,800)
Accrued interest on long-term debt	(861,828)	(890,914)
	<u>186,617,368</u>	<u>190,998,332</u>
Accumulated surplus	<u>\$ 195,103,458</u>	<u>\$ 197,065,645</u>

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Segment Disclosures

Schedule 5

Year ended December 31, 2015

	General Government	Protection to persons and property	Transportation services	Environmental services	Recreation and cultural services	Planning and development	Consolidated
Revenues:							
Taxation	\$ 19,454,577	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,454,577
User charges	173,505	221,275	(10,913)	10,560,896	802,185	52,663	11,799,611
Government transfers	1,172,285	237,992	1,065,275	-	-	-	2,475,552
Other	957,439	3,347	41,653	382,802	823,082	336,380	2,544,704
	<u>21,757,806</u>	<u>462,614</u>	<u>1,096,015</u>	<u>10,943,698</u>	<u>1,625,267</u>	<u>389,044</u>	<u>36,274,444</u>
Expenditures:							
Salaries, wages and employee benefits	3,672,618	6,163,904	1,363,912	804,367	1,624,710	872,109	14,501,620
Materials, goods, services, utilities	1,510,386	724,694	1,720,383	1,468,489	1,398,232	35,916	6,858,100
Contracted services	172,020	469,031	13,752	3,494,217	-	139,856	4,288,876
Interest on long-term debt	4,727	3,254	238,730	1,293,695	287,204	-	1,827,610
Rents and financial expenses	47,831	-	-	-	-	-	47,831
External transfers	-	-	-	-	27,250	-	27,250
Amortization	72,256	405,511	3,824,553	4,766,814	1,706,119	-	10,775,253
	<u>5,479,838</u>	<u>7,766,394</u>	<u>7,161,330</u>	<u>11,827,582</u>	<u>5,043,515</u>	<u>1,047,881</u>	<u>38,326,540</u>
	<u>\$ 16,277,968</u>	<u>\$ (7,303,780)</u>	<u>\$ (6,065,315)</u>	<u>\$ (883,884)</u>	<u>\$ (3,418,248)</u>	<u>\$ (658,837)</u>	<u>\$ (2,052,096)</u>