

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWN OF AMHERSTBURG**

Year ended December 31, 2014

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Financial Statements

Year ended December 31, 2014

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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, 2014 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, 2014, 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.

Other Matter

The consolidated financial statements of the Corporation of the Town of Amherstburg as at and for the year ended December 31, 2013 were audited by another auditor who expressed an unmodified opinion on those statements on June 9, 2014.

Chartered Professional Accountants, Licensed Public Accountants

July 13, 2015
Windsor, Canada

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THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
		(restated - note 15)
Financial assets		
Cash	\$ 6,684,027	\$ 2,203,767
Taxes receivable	2,389,145	2,312,592
Trade and other receivables	3,528,670	4,934,824
Drainage receivables	900,165	849,124
Investment in government business enterprise (note 3)	4,687,290	4,500,110
	<u>\$ 18,189,297</u>	<u>\$ 14,800,417</u>
Financial liabilities		
Bank indebtedness (note 9)	\$ 4,530,814	\$ 15,167,408
Accounts payable and accrued liabilities	3,760,240	5,102,597
Accrued interest on long-term debt	890,914	813,044
Municipal debt (note 5)	44,693,112	36,194,340
Employee future benefit obligations (note 6)	16,115,800	15,265,600
Deferred revenue (Schedule 2)	4,910,844	4,009,292
	<u>74,901,724</u>	<u>76,552,281</u>
Net debt	(56,712,427)	(61,751,864)
Non-financial assets		
Tangible capital assets (Schedule 1)	253,102,632	260,537,924
Prepaid expenses	675,440	388,365
	<u>253,778,072</u>	<u>260,926,289</u>
Commitments and contingencies (notes 12, 13 and 14)		
Accumulated surplus (Schedule 4)	<u>\$ 197,065,645</u>	<u>\$ 199,174,425</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, 2014, with comparative information for 2013

	2014 Actual	2013 Actual
		(restated - note 15)
Revenue:		
Taxation	\$ 18,671,471	\$ 18,191,867
Water charges	4,142,300	4,294,750
Wastewater charges	5,568,493	5,328,123
Government transfers	3,635,073	4,261,627
Other	1,579,789	1,638,073
Interest	404,780	323,375
Income from government business enterprise	407,497	509,422
Drainage	51,040	120,280
Gain (loss) on disposal of tangible capital assets	5,415	(57,671)
	<u>34,465,858</u>	<u>34,609,846</u>
Expenses:		
General government	6,143,471	3,812,256
Protection to persons and property	7,054,226	7,203,766
Transportation services	7,551,361	9,112,497
Environmental services	9,871,948	9,566,108
Recreation and cultural services	5,085,283	5,043,411
Planning and development	868,349	887,146
	<u>36,574,638</u>	<u>35,625,184</u>
Annual deficit	(2,108,780)	(1,015,338)
Accumulated surplus, beginning of year	199,174,425	185,395,987
Prior period adjustment (note 15)	-	14,793,776
Accumulated surplus, beginning of year, restated	199,174,425	200,189,763
<u>Accumulated surplus, end of year</u>	<u>\$ 197,065,645</u>	<u>\$ 199,174,425</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, 2014, with comparative information for 2013

	2014 Actual	2013 Actual (restated - note 15)
Annual deficit	\$ (2,108,780)	\$ (1,015,338)
Amortization of tangible capital assets	9,711,213	9,462,551
Acquisition of tangible capital assets	(2,275,921)	(5,942,770)
Gain on sale of tangible capital assets	(5,415)	57,671
Proceeds on sale of tangible capital assets	5,415	2,248
Use of (acquisition) of prepaid expense	(287,075)	(388,365)
Change in net debt	5,039,437	2,175,997
Net debt, beginning of year	(61,751,864)	(63,927,861)
Net debt, end of year	\$ (56,712,427)	\$ (61,751,864)

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, 2014, with comparative information for 2013

	2014	2013
		(restated - note 15)
Cash provided by (used in):		
Operations:		
Annual deficit	\$ (2,108,780)	\$ (1,015,338)
Items not involving cash:		
Amortization of tangible capital assets	9,711,213	9,462,551
Gain on sale of tangible capital assets	(5,415)	57,671
Increase in employee benefits payable	850,200	655,500
Income from government business enterprise	(407,497)	(509,422)
Change in non-cash operating working capital:		
Taxes receivable	(76,553)	334,753
Accounts receivable	1,406,154	1,977,135
Drain receivables	(51,041)	(120,280)
Prepaid expenses	(287,075)	(388,365)
Accounts payable	(1,342,357)	(1,183,597)
Deferred revenue	901,552	(1,092,242)
Accrued interest	77,870	(35,948)
Net change in cash from operations	8,668,271	8,142,418
Investing:		
Increase in investments	-	(254,346)
Dividends received from government business enterprise	220,317	207,734
Net change in cash from investing	220,317	(46,612)
Capital:		
Acquisition of tangible capital assets	(2,275,921)	(5,942,770)
Proceeds on sale of tangible capital assets	5,415	2,248
Net change in cash from capital	(2,270,506)	(5,940,522)
Financing:		
Increase (decrease) in bank indebtedness	(10,636,594)	891,972
Long-term debt issued	11,109,169	37,300
Long-term debt repaid	(2,610,397)	(2,421,140)
Net change in cash from financing	(2,137,822)	(1,491,868)
Increase in cash	4,480,260	663,416
Cash, beginning of year	2,203,767	1,540,351
Cash, end of year	\$ 6,684,027	\$ 2,203,767

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, 2014

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 method, consistent with Canadian generally accepted accounting principles as recommended by PSAB for investments in Government Business Enterprises. Under the modified equity basis, 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 asset account.

(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, 2014

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, 2014

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, 2014

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 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.

(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, 2014

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, 2014

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, 2014

1. Significant accounting policies (continued):

(viii) Future accounting changes:

Effective for fiscal periods beginning on or after April 1, 2014, all governments will be required to adopt PSAB 3260, Liability for Contaminated Sites. This standard provides guidance on how to account for and report a liability associated with the remediation of contaminated sites, defines which activities would be included in the liability for remediation, establishes when to recognize and how to measure a liability for remediation and provides guidance on financial statement presentation and disclosure.

Effective for fiscal periods beginning on or after April 1, 2016, 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, 2014

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:

	2014	2013
Taxation and user charges		
School Boards	\$ 5,956,428	\$ 6,115,545
County	9,163,439	8,859,750
	<u>\$ 15,119,867</u>	<u>\$ 14,975,295</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:

	2014	2013
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	1,754,765	1,567,585
	<u>\$ 4,687,290</u>	<u>\$ 4,500,110</u>

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

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

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:

	2014	2013
Financial position:		
Current assets	\$ 20,229,479	\$ 21,476,475
Capital assets	47,154,385	43,786,654
Other	10,985,948	10,725,727
Total assets	78,369,812	75,988,856
Current liabilities	20,114,796	21,764,847
Long-term liabilities	26,196,343	23,586,626
Total liabilities	46,311,139	45,351,473
Net assets	\$ 32,058,673	\$ 30,637,383
Results from operations:		
Gross margin on service revenue	\$ 11,091,071	\$ 11,202,185
Other revenue	11,034,329	7,922,486
Operation expenses	(17,041,686)	(14,368,459)
Income from operations	5,083,714	4,756,212
Other income	(968,821)	(367,428)
Income before income taxes	4,114,893	4,388,784
Provision for income taxes	(1,132,416)	(801,008)
Net income for the year	\$ 2,982,477	\$ 3,587,776

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

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 2014 were \$nil (2013 - \$5,368).

(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 2014 was \$nil (2013 - \$647,487).

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

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:

	2014	2013
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:	\$ 44,693,112	\$ 36,194,340
Amount to be recovered from benefiting landowners and user rates.	31,253,084	25,991,068
	<u>\$ 13,440,028</u>	<u>\$ 10,203,272</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:

2015	\$ 3,062,791
2016	3,121,052
2017	2,468,849
2018	2,409,765
2019	2,339,554
2020 and thereafter	31,291,101
	<u>\$ 44,693,112</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, 2014

5. Municipal debt (continued):

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

	2014	2013
Principal payments	\$ 2,610,397	\$ 2,421,140
Interest	1,837,758	1,687,971
	\$ 4,448,155	\$ 4,109,111

6. Employee future benefit 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, 2014. Information about the Town's defined benefit plans is as follows:

	2014	2013
Accrued benefit, January 1	\$ 15,265,600	\$ 14,610,100
Expense for the year:		
Current service cost	515,100	490,100
Interest	635,800	512,700
Amortization of actuarial losses	142,300	60,000
Benefits paid	(443,000)	(407,300)
	\$ 16,115,800	\$ 15,265,600

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

6. Employee future benefits (continued):

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

	2014	2013
Discount rate	2.80%	3.65%
Dental	4.00%	4.00%
Health care:		
Initial	5.40%	6.20%
Ultimate reached in 2034	3.80%	3.00%

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 \$906,493 (2013 - \$810,814) 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, 2014

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 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.

Recreation & Culture

Recreation & culture services refers 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, 2014

8. Expenses by object:

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

	2014	2013
		(restated – note 15)
Salaries and employee benefits	\$ 13,673,166	\$ 12,758,379
Materials, goods services and utilities	6,438,434	7,095,614
Contracted services	4,259,604	4,470,457
Interest on long-term debt	1,837,343	1,687,971
Rent and financial expenses	624,878	121,062
External transfers	30,000	29,150
Amortization	9,711,213	9,462,551
	\$ 36,574,638	\$ 35,625,184

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 \$8,000,000 and bears interest at prime less 0.25%. 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, 2014

10. Related entity (continued):

There were \$6,775 in transactions with the Foundation in 2014 (2013 - \$nil) 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:

	2014	2013
Financial position:		
Total assets	\$ 31,260	\$ 2,909
Total liabilities	\$ 5,745	\$ -
Net assets	\$ 25,515	\$ 2,909
Results of operations:		
Total revenue	\$ 29,381	\$ 1,442
Total expenses	6,775	358
Net income for the year	\$ 22,606	\$ 1,084
Cash flows:		
Operating	\$ 29,381	\$ 1,434
Distributions	(6,775)	(350)
Accounts payable	5,745	-
	\$ 28,351	\$ 1,084

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

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, 2014:

	Total contract	Earned to December 31, 2014	Future commitment
Waste Water Treatment Plant	\$ 30,986,740	\$ 28,179,516	\$ 2,807,224

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

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.

15. Prior period adjustment:

Tangible capital assets have been restated to correct an error. In prior years, the Town did not capitalize portions of the storm sewer system. This change has been recorded retroactively and accordingly, the comparative financial statements have been restated as follows:

	Increase (decrease)
<hr/>	
Consolidated Statement of Financial Position:	
Tangible Capital Assets	\$ 15,436,418
Accumulated surplus	15,436,418
Consolidated Statement of Financial Activities:	
Amortization expense	(642,642)
Annual deficit	(642,642)

16. Comparative information:

Certain comparative information has been reclassified to conform to the current year's presentation.

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Tangible Capital Assets

Schedule 1

Year ended December 31, 2014

	General											Infrastructure		Totals	
	Land	Land improvements	Buildings and improvements	Information Technology	Vehicles	Machinery and equipment	Water	Wastewater	Storm Sewers	Transportation	Construction in progress	2014	2013		
Cost:															
Balance, beginning of year	\$ 4,348,510	\$ 6,944,131	\$ 33,269,503	\$ 1,532,447	\$ 4,453,623	\$ 2,041,252	\$ 107,559,710	\$ 90,975,071	\$ 51,066,939	\$ 97,408,264	\$ 1,090,038	\$ 400,689,488	\$ 394,985,558		
Add: Additions during the year	25,151	-	159,931	79,927	94,797	84,373	356,577	135,015	-	1,454,727	322,419	2,712,917	66,129,901		
Less: Disposals during the year	-	-	-	45,009	-	-	-	-	-	-	436,996	482,005	60,425,971		
Balance, end of year	4,373,661	6,944,131	33,429,434	1,567,365	4,548,420	2,125,625	107,916,287	91,110,086	51,066,939	98,862,991	975,461	402,920,400	400,689,488		
Accumulated amortization:															
Balance, beginning of year	-	2,335,618	4,968,948	1,241,006	2,759,940	1,103,263	26,000,823	17,630,340	23,811,895	60,299,731	-	140,151,564	130,867,929		
Add: amortization during the year	-	341,319	1,438,263	130,534	365,012	182,378	1,198,169	795,976	1,000,885	4,258,677	-	9,711,213	9,462,551		
Less: accumulated amortization on disposals	-	-	-	45,009	-	-	-	-	-	-	-	45,009	178,916		
Balance, end of year	-	2,676,937	6,407,211	1,326,531	3,124,952	1,285,641	27,198,992	18,426,316	24,812,780	64,558,408	-	149,817,768	140,151,564		
Tangible capital assets	\$ 4,373,661	\$ 4,267,194	27,022,223	\$ 240,834	\$ 1,423,468	\$ 839,984	\$ 80,717,295	\$ 72,683,770	\$ 26,254,159	\$ 34,304,583	\$ 975,461	\$ 253,102,632	\$ 260,537,924		

	General governance	Protection to persons and property	Transportation services	Environmental services	Recreation culture	Planning and development	Total 2014
Cost:							
Balance, beginning of year	\$ 3,823,496	\$ 8,976,494	\$ 101,061,216	\$ 250,677,531	\$ 36,059,678	\$ 91,073	\$ 400,689,488
Add: Additions during the year	179,033	169,787	1,476,494	813,696	73,907	-	2,712,917
Less: Disposals during the year	8,776	608	144,942	293,168	33,092	1,419	482,005
Balance, end of year	3,993,753	9,145,673	102,392,768	251,198,059	36,100,493	89,654	402,920,400
Accumulated amortization:							
Balance, beginning of year	540,551	4,675,570	62,139,746	67,715,102	5,026,875	53,720	140,151,564
Add: amortization during the year	76,623	447,707	4,476,711	3,028,710	1,673,136	8,326	9,711,213
Less: accumulated amortization on disposals	8,776	608	22,881	-	11,325	1,419	45,009
Balance, end of year	608,398	5,122,669	66,593,576	70,743,812	6,688,686	60,627	149,817,768
Net book value of tangible capital assets	\$ 3,385,355	\$ 4,023,004	\$ 35,799,192	\$ 180,454,247	\$ 29,411,807	\$ 29,027	\$ 253,102,632

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Deferred Revenue

Schedule 2

Year ended December 31, 2014, with comparative information for 2013

	Balance December 31, 2013	Interest earned	Contributions received	Revenue earned- capital	Balance December 31, 2014
Development charges	\$ 3,991,467	\$ 495,737	\$ 617,630	\$ (316,167)	\$ 4,788,667
Federal gas tax	-	1,487	120,690		122,177
Other	17,825	-	-	(17,825)	-
	<u>\$ 4,009,292</u>	<u>\$ 497,224</u>	<u>\$ 738,320</u>	<u>\$ (333,992)</u>	<u>\$ 4,910,844</u>

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Reserves and Reserve Funds

Schedule 3

Year ended December 31, 2014, with comparative information for 2013

	Balance December 31, 2013	Interest earned	Transfer between reserve accounts	Transfer from/to operations	Transfer to capital	Balance December 31, 2014
Reserve funds:						
Land	\$ 19,145	\$ -	\$ (19,145)	\$ -	\$ -	\$ -
General		1,049	19,145	680,277	-	700,471
Watermain	446,026	965	-	8,000	-	454,991
	465,171	2,014	-	688,277	-	1,155,462
General rated reserves:						
Tax stabilization	553,454	-	-	768,843	-	1,322,297
Working capital	692,636	-	1,431,359	(28,425)	(1,927,246)	168,324
Computer reserve	283,507	-	-	111,000	(79,927)	314,580
Vehicle replacement	542,968	-	(542,968)	-	-	-
Building	31,786	-	(31,786)	-	-	-
Police	44,304	-	72,237	174,630	(155,597)	135,574
Fire Station	77,777	-	(77,777)	-	-	-
Insurance	96,116	-	-	116,755	-	212,871
Lifecycle Replacement	156,368	-	(156,368)	-	-	-
Business system upgrade	50,000	-	(50,000)	-	-	-
Elections	36,195	-	-	(36,195)	-	-
Amherstburg Library	22,500	-	(22,500)	-	-	-
McGregor Library	25,000	-	(25,000)	-	-	-
Street lights	18,000	-	(18,000)	-	-	-
Nay Yard Park	25,000	-	(25,000)	-	-	-
General capital	554,197	-	(554,197)	-	-	-
	3,209,808	-	-	1,106,608	(2,162,770)	2,153,646
Water and wastewater reserves:						
Reserve - capital						
Wastewater capital	1,882,749	-	(750,749)	1,922,895	(1,132,000)	1,922,895
Wastewater	-	-	750,749	-	-	750,749
Water capital	162,971	-	(47,971)	-	(115,000)	-
Water	(153,266)	-	47,971	189,856	-	84,561
	1,892,454	-	-	2,112,751	(1,247,000)	2,758,205
	5,102,262	-	-	3,219,359	(3,409,770)	4,911,851
	\$ 5,567,433	\$ 2,014	\$ -	\$ 3,907,636	\$ (3,409,770)	\$ 6,067,313

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Accumulated Surplus

Schedule 4

December 31, 2014, with comparative information for 2013

	2014	2013
		(restated - note 15)
Reserve and reserve funds:		
Reserve funds (Schedule 3)	\$ 1,155,462	\$ 465,170
Reserves (Schedule 3)	4,911,851	5,102,263
	<u>6,067,313</u>	<u>5,567,433</u>
Surpluses:		
Tangible capital assets	239,541,344	235,874,835
General revenue fund surplus	1,455,269	1,602,648
Benefitting landowners related to special charges and special areas	(31,253,084)	(25,991,068)
Water fund deficit	(332,132)	(332,132)
Wastewater fund deficit	(141,964)	(141,964)
Building deficit	(949,121)	(956,310)
Marina deficit	(324,725)	(379,525)
Co-An surplus	9,459	9,152
Unfunded:		
Employee future benefit obligations	(16,115,800)	(15,265,600)
Accrued interest on long-term debt	(890,914)	(813,044)
	<u>190,998,332</u>	<u>193,606,992</u>
Accumulated surplus	\$ 197,065,645	\$ 199,174,425

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Segment Disclosures

Schedule 5

Year ended December 31, 2014

	General Government	Protection to persons and property	Transportation services	Environmental services	Recreation and cultural services	Planning and development	Consolidated
Revenues:							
Taxation	\$ 18,304,028	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,304,028
User charges	286,123	206,189	9,439	9,906,270	834,562	146,404	11,388,987
Government transfers	-	-	-	-	-	-	-
Other	1,047,802	243,927	1,469,506	400,000	-	-	3,161,235
	927,030	5,415	6,188	51,040	334,342	287,593	1,611,608
	<u>20,564,983</u>	<u>455,531</u>	<u>1,485,133</u>	<u>10,357,310</u>	<u>1,168,904</u>	<u>433,997</u>	<u>34,465,858</u>
Expenditures:							
Salaries, wages and employee benefits	3,514,316	5,592,345	1,413,359	783,164	1,652,981	717,001	13,673,166
Materials, goods, services, utilities	1,619,321	590,763	1,454,338	1,289,305	1,424,857	59,850	6,438,434
Contracted services	301,567	421,539	6,928	3,446,398	-	83,172	4,259,604
Interest on long-term debt	6,766	1,872	200,025	1,324,371	304,309	-	1,837,343
Rents and financial expenses	624,878	-	-	-	-	-	624,878
External transfers	-	-	-	-	30,000	-	30,000
Amortization	76,623	447,707	4,476,711	3,028,710	1,673,136	8,326	9,711,213
	<u>6,143,471</u>	<u>7,054,226</u>	<u>7,551,361</u>	<u>9,871,948</u>	<u>5,085,283</u>	<u>868,349</u>	<u>36,574,638</u>
	<u>\$ 14,421,512</u>	<u>\$ (6,598,695)</u>	<u>\$ (6,066,228)</u>	<u>\$ 485,362</u>	<u>\$ (3,916,379)</u>	<u>\$ (434,352)</u>	<u>\$ (2,108,780)</u>