

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWN OF AMHERSTBURG**

Year ended December 31, 2016

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Financial Statements

Year ended December 31, 2016

Management's Responsibility for the Consolidated Financial Statements	1
Independent Auditor's Report	2 – 3
Consolidated Statement of Financial Position	4
Consolidated Statement of Financial Activities	5
Consolidated Statement of Change in Net Financial Debt	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8 – 25
Consolidated Schedule of Tangible Capital Assets	26
Consolidated Schedule of Deferred Revenue	27
Consolidated Schedule of Reserves and Reserve Funds	28
Consolidated Schedule of Accumulated Surplus	29
Consolidated Schedule of Segment Disclosures	30


Management's Responsibility for the Consolidated Financial Statements

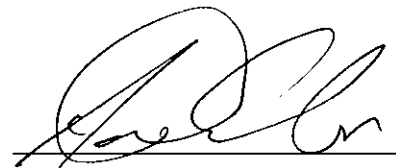
The accompanying consolidated financial statements of The Corporation of the Town of Amherstburg (the "Town") are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant 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.







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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, 2016 and the consolidated statements of financial activities, change in net 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, 2016, and the results of its financial activities, change in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single, horizontal, slightly curved line.

Chartered Professional Accountants, Licensed Public Accountants

June 12, 2017
Windsor, Canada

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Financial assets		
Cash	\$ 15,485,116	\$ 11,644,662
Taxes receivable	2,324,234	2,388,528
Trade and other receivables	3,097,806	3,296,680
Drainage receivables	1,285,993	1,282,967
Investment in government business enterprise (note 3)	5,183,508	4,980,852
	<u>\$ 27,376,657</u>	<u>\$ 23,593,689</u>
Financial liabilities		
Bank indebtedness (note 9)	\$ 9,277,318	\$ 5,552,568
Accounts payable and accrued liabilities	3,849,796	5,668,217
Accrued interest on long-term debt	818,664	861,828
Municipal debt (note 5)	39,509,269	41,630,321
Employee future benefit obligations (note 6)	18,186,100	17,232,000
Deferred revenue (Schedule 2)	6,559,432	6,829,476
	<u>78,200,579</u>	<u>77,774,410</u>
Net debt	(50,823,922)	(54,180,721)
Non-financial assets		
Tangible capital assets (Schedule 1)	249,018,630	248,677,411
Prepaid expenses	612,323	606,768
	<u>249,630,953</u>	<u>249,284,179</u>
Commitments and contingencies (notes 12, 13 and 14)		
Accumulated surplus (Schedule 4)	<u>\$ 198,807,031</u>	<u>\$ 195,103,458</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, 2016, with comparative information for 2015

	2016 Actual	2015 Actual
Revenue:		
Taxation	\$ 23,471,309	\$ 21,217,582
Water charges	4,621,637	4,276,247
Wastewater charges	6,139,310	5,780,454
Government transfers	5,931,084	2,475,553
Other	1,394,030	1,279,538
Interest	435,896	411,643
Income from government business enterprise	436,378	430,531
Drainage	3,026	382,802
Gain (loss) on disposal of tangible capital assets	58,692	20,095
	<u>42,491,362</u>	<u>36,274,444</u>
Expenses:		
General government	5,532,910	5,479,838
Protection to persons and property	7,882,987	7,766,394
Transportation services	8,796,935	7,161,330
Environmental services	9,626,428	11,827,582
Recreation and cultural services	5,730,120	5,043,515
Planning and development	1,218,409	1,047,881
	<u>38,787,789</u>	<u>38,326,540</u>
Annual surplus (deficit)	3,703,573	(2,052,096)
Accumulated surplus, beginning of year	195,103,458	197,065,645
Adjustment for GBE accounting standard change (note 3)	-	89,909
Accumulated surplus, end of year	<u>\$ 198,807,031</u>	<u>\$ 195,103,458</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 Debt

Year ended December 31, 2016, with comparative information for 2015

	2016 Actual	2015 Actual
Annual surplus (deficit)	\$ 3,703,573	\$ (2,052,096)
Amortization of tangible capital assets	9,812,754	10,775,255
Acquisition of tangible capital assets	(10,153,973)	(6,350,034)
Gain on sale of tangible capital assets	(58,692)	(20,095)
Proceeds on sale of tangible capital assets	58,692	20,095
Use of (acquisition) of prepaid expense	(5,555)	68,672
Adjustment for GBE accounting standard changes	-	89,909
Change in net debt	3,356,799	2,531,706
Net debt, beginning of year	(54,180,721)	(56,712,427)
Net debt, end of year	\$ (50,823,922)	\$ (54,180,721)

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, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Annual surplus (deficit)	\$ 3,703,573	\$ (2,052,096)
Items not involving cash:		
Amortization of tangible capital assets	9,812,754	10,775,255
Gain on sale of tangible capital assets	(58,692)	(20,095)
Increase in employee benefits payable	954,100	1,116,200
Income from government business enterprise	(436,378)	(430,531)
Change in non-cash operating working capital:		
Taxes receivable	64,294	617
Accounts receivable	198,874	231,990
Drain receivables	(3,026)	(382,802)
Prepaid expenses	(5,555)	68,672
Accounts payable	(1,818,421)	1,907,977
Deferred revenue	(270,044)	1,918,632
Accrued interest	(43,164)	(29,086)
Net change in cash from operations	12,098,315	13,104,734
Investing:		
Dividends received from government business enterprise	233,722	226,877
Net change in cash from investing	233,722	226,877
Capital:		
Acquisition of tangible capital assets	(10,153,973)	(6,350,034)
Proceeds on sale of tangible capital assets	58,692	20,095
Net change in cash from capital	(10,095,281)	(6,329,939)
Financing:		
Increase in bank indebtedness	3,724,750	1,021,754
Long-term debt issued	1,000,000	
Long-term debt repaid	(3,121,052)	(3,062,791)
Net change in cash from financing	1,603,698	(2,041,037)
Increase in cash	3,840,454	4,960,635
Cash, beginning of year	11,644,662	6,684,027
Cash, end of year	\$ 15,485,116	\$ 11,644,662

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, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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, 2016

1. Significant accounting policies (continued):

(c) Basis of accounting (continued):

(viii) Liability for Contaminated Sites:

The Municipality recognizes a liability associated with the remediation of contaminated sites when a contamination exceeds an environmental standard, the Municipality has direct or has accepted responsibility for the remediation and a reasonable estimate can be made for the costs to remediate.

(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, 2016

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:

	2016	2015
Taxation and user charges		
School Boards	\$ 5,883,880	\$ 6,033,185
County	9,990,111	9,565,904
	<u>\$ 15,873,991</u>	<u>\$ 15,599,089</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:

	2016	2015
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	2,250,983	2,048,327
	<u>\$ 5,183,508</u>	<u>\$ 4,980,852</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 in 2015.

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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)	
	2016	2015
Current assets	\$ 3,359	\$ 5,646
Accounts receivable	9,920	8,705
Unbilled revenue	6,631	6,626
Other current assets	1,560	865
Property, plant and equipment	58,159	55,662
Intangible assets	6,265	5,942
Goodwill	1,769	1,623
Deferred assets	708	1,041
Deferred tax assets	1,069	1,062
Regulatory balances	39,824	42,323
Total assets and regulatory balances	\$ 129,264	\$ 129,495
Current liabilities	\$ 29,573	\$ 26,360
Long-term liabilities	18,265	16,896
Post-employment benefits	3,417	3,289
Deferred tax liabilities	2,975	2,832
Other non-current liabilities	353	397
Total liabilities	54,583	49,774
Share capital	19,667	19,667
Retained earnings	15,609	13,604
Accumulated other comprehensive income	823	823
Total equity	36,099	34,094
Regulatory balances	38,582	45,627
Total liabilities, equity and regulatory balances	\$ 129,264	\$ 129,495
Total revenues	\$ 93,743	\$ 84,151
Total expenses	(92,802)	(80,741)
Finance costs	(922)	(918)
Income tax recovery	(1,159)	(90)
Net movement in regulatory balances, net of tax	4,325	969
Other comprehensive income (loss)	-	(227)
Total comprehensive income for the year	\$ 3,185	\$ 3,144

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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 2016 were \$152,240 (2015 - \$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 2016 was \$36,672 (2015 - \$nil).

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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:

	2016	2015
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:	\$ 39,509,269	\$ 41,630,321
Amount to be recovered from benefiting landowners and user rates.	27,660,235	29,374,284
	<u>\$ 11,849,034</u>	<u>\$ 12,256,037</u>

- (b) Of the long-term debt reported in (a), the interest rates range from 0% to 7.99%.

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

2016	\$ 2,668,849
2017	2,609,765
2018	2,539,554
2019	2,163,096
2020	2,246,238
2021 and thereafter	27,281,767
	<u>\$ 39,509,269</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, 2016

5. Municipal debt (continued):

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

	2016	2015
Principal payments	\$ 3,121,052	\$ 3,062,791
Interest	1,680,320	1,814,867
	<u>\$ 4,801,372</u>	<u>\$ 4,877,658</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, 2016. Information about the Town's defined benefit plans is as follows:

	2016	2015
Accrued benefit liability, January 1	\$ 17,232,000	\$ 16,115,800
Expense for the year:		
Current service cost	590,400	654,000
Interest	641,500	582,700
Amortization of actuarial losses	197,100	325,100
Benefits paid	(474,900)	(445,000)
Accrued benefit liability, December 31	18,186,100	17,232,000
Unamortized actuarial losses	1,768,100	2,154,500
Accrued benefit obligation, December 31	<u>\$ 19,954,200</u>	<u>\$ 19,386,500</u>

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

6. Employee future benefits (continued):

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

	2016	2015
Discount rate	3.25%	3.25%
Dental	4.00%	4.00%
Health care:		
initial	5.20%	5.30%
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 \$944,680 (2015 - \$957,438) 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, 2016

7. Segmented Information (continued):

Protection to Persons and Property

Protection to persons and property includes fire and police services.

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 includes planning, building, by-law enforcement and animal control.

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

8. Expenses by object:

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

	2016	2015
Salaries and employee benefits	\$ 14,420,249	\$ 14,501,620
Materials, goods services and utilities	8,505,021	6,858,100
Contracted services	4,312,793	4,288,876
Interest on long-term debt	1,668,007	1,827,610
Rent and financial expenses	37,465	47,831
External transfers	31,500	27,250
Amortization	9,812,754	10,775,253
	\$ 38,787,789	\$ 38,326,540

9. Bank indebtedness:

Demand Operating Line:

The Town has a demand operating line of credit with its banker WFCU. Credit is available to a maximum of \$7,000,000 and bears interest at prime less 0.875%. All amounts under this facility are repayable immediately on demand by WFCU, and this facility may be terminated in whole or in part by WFCU at any time. The balance at year end is \$4,157,813 (2015 - \$3,093,368).

The line is offered on an unsecured basis.

Drainage Line of Credit:

The Town has a drainage line of credit with WFCU to a maximum of \$2,000,000 and bears interest at prime less 0.875%. The balance at year end is \$1,002,096 (2015 - \$1,000,000).

Demand Loan:

The Town has a demand loan to a maximum of \$1,393,662 and bears interest at prime less 0.5%. The balance at year end is \$1,096,514 (2015 - \$1,459,200).

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

9. Bank indebtedness (continued):

Demand Loan – Edgewater Project:

The Town has a demand loan to a maximum of \$5,166,000 to be repaid from project funding and bears interest at prime less 0.5%. The balance at year end is \$3,020,895 (2015 - \$nil).

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.

There were \$215,000 in transactions with the Foundation in 2016 (2015 - \$238,000) recorded as revenue. All amounts have been measured at the exchange amount.

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

	2016	2015
Financial position:		
Total assets	\$ 27,002	\$ 23,559
Total liabilities	\$ -	\$ -
Net assets	\$ 27,002	\$ 23,559

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

10. Related entity (continued):

Results of operations:		
Total revenue	\$ 218,675	\$ 246,044
Total expenses	215,232	248,000
Net income (loss) for the year	\$ 3,443	\$ (1,956)
Cash flows:		
Operating	\$ 18,675	\$ 236,044
Distributions	(17,421)	(238,000)
Accounts payable	-	(5,745)
	\$ 1,254	\$ (7,701)

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.

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

13. Commitments:

The Town has the following commitment as at December 31, 2016:

	Total contract	Earned to December 31, 2016	Future commitment
Waste Water Treatment Plant	\$ 30,986,740	\$ 29,162,725	\$ 1,824,015

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

Year ended December 31, 2016

Schedule 1

	General										Totals		
	Land	Land improvements	Buildings and improvements	Information technology	Vehicles	Machinery and equipment	Water	Wastewater	Storm sewers	Transportation	Construction in progress	2016	2015
Cost													
Balance, beginning of year	\$ 4,362,219	\$ 7,233,871	\$ 33,979,294	\$ 1,357,622	\$ 4,543,009	\$ 2,159,926	\$ 109,430,181	\$ 92,500,555	\$ 51,066,941	\$ 99,813,361	\$ 3,370,443	\$ 408,817,611	\$ 402,851,126
Add: Additions during the year	1,095,187	-	263,298	383,958	102,639	116,078	755,373	4,165,632	2,063,690	4,207,679	886,209	14,070,263	6,530,669
Less: Disposals during the year	120,657	2,557	1,407,064	856,102	63,164	276,537	-	3,540,492	-	-	3,163,520	9,470,093	864,413
Balance, end of year	5,336,749	7,231,314	33,985,488	845,478	4,582,483	1,996,467	109,165,554	93,125,995	53,130,801	104,021,040	1,093,132	413,417,801	408,817,612
Accumulated amortization													
Balance, beginning of year	-	-	8,003,221	1,148,636	3,294,176	1,391,955	28,405,219	20,993,586	25,813,665	68,126,580	-	160,140,202	149,748,489
Add: Amortization during the year	-	-	363,896	102,266	310,294	133,421	1,225,676	1,722,051	1,021,524	3,455,353	-	9,812,754	10,715,255
Less: accumulated amortization on disposals	-	-	1,235,669	864,844	63,164	276,537	-	3,089,584	-	-	-	5,553,785	363,543
Balance, end of year	-	-	8,245,508	355,958	3,541,306	1,248,839	29,630,895	19,993,043	26,835,169	71,581,933	-	164,398,171	160,140,201
Tangible capital assets	\$ 5,336,749	\$ 3,865,811	\$ 24,619,483	\$ 489,720	\$ 1,041,177	\$ 750,628	\$ 79,534,659	\$ 73,530,952	\$ 26,305,712	\$ 32,439,107	\$ 1,093,132	\$ 249,018,630	\$ 248,677,411

	Production to						Total
	General governance	Environmental services	Recreation culture	Planning and development	2016	2015	
Cost							
Balance, beginning of year	\$ 3,963,687	\$ 105,781,155	\$ 253,101,169	\$ 36,873,425	\$ 88,664	\$ 408,817,611	
Add: Additions during the year	2,016,614	4,581,510	7,306,936	-	-	14,070,262	
Less: Disposals during the year	381,601	697,497	3,928,754	1,275,116	26,671	9,470,093	
Balance, end of year	5,598,699	8,145,936	107,550,211	35,598,309	61,993	413,417,600	
Accumulated amortization							
Balance, beginning of year	603,968	5,270,249	75,508,812	8,392,640	67,840	160,140,201	
Add: Amortization during the year	104,623	390,585	3,606,637	1,694,839	7,130	9,812,754	
Less: accumulated amortization on disposals	330,024	696,379	87,910	1,192,207	36,671	5,553,785	
Balance, end of year	378,567	4,835,455	73,835,539	8,895,272	48,299	164,398,170	
Net book value of tangible capital assets	\$ 5,220,132	\$ 3,310,481	\$ 33,724,812	\$ 26,713,037	\$ 13,694	\$ 249,018,630	

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Deferred Revenue

Schedule 2

Year ended December 31, 2016

	Balance December 31, 2015	Interest earned	Contributions received	Revenue earned- capital	Balance December 31, 2016
Development charges	\$ 5,153,425	\$ 42,430	\$ 1,304,828	\$ (1,363,195)	\$ 5,137,488
Federal gas tax	346,278	2,375	1,048,594	(1,057,000)	340,247
Grants	1,105,452	7,160	1,680,459	(1,711,374)	1,081,697
Other	224,321	-	-	(224,321)	-
	<u>\$ 6,829,476</u>	<u>\$ 51,965</u>	<u>\$ 4,033,881</u>	<u>\$ (4,355,890)</u>	<u>\$ 6,559,432</u>

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Reserves and Reserve Funds

Schedule 3

Year ended December 31, 2016, with comparative information for 2015

	Balance December 31, 2015	Interest earned	Transfer from/to operations	Transfer to capital	Balance December 31, 2016
Reserve funds:					
General	1,660,215	15,970	831,845	(694,486)	1,813,544
Watermain	445,101	3,983	-	(26,927)	422,157
	<u>2,105,316</u>	<u>19,953</u>	<u>831,845</u>	<u>(721,413)</u>	<u>2,235,701</u>
General rated reserves:					
Tax stabilization	1,639,288	-	(102,140)	(6,687)	1,530,461
Working capital	1,684,442	15,130	793,977	(133,598)	2,359,951
Information technology	367,389	-	111,000	(286,026)	192,363
Police	161,177	-	445,259	(85,222)	521,214
Insurance	229,014	-	51,763	-	280,777
Building department	-	-	100,000	-	100,000
Libro	-	-	100,000	-	100,000
Economic Development	-	-	15,000	-	15,000
Elections	22,428	-	29,264	-	51,692
	<u>4,103,738</u>	<u>15,130</u>	<u>1,544,123</u>	<u>(511,533)</u>	<u>5,151,458</u>
Water and wastewater reserves:					
Wastewater capital	1,700,559	13,361	253,505	603,537	2,570,962
Wastewater	365,464	-	223,819	-	589,283
Water capital	211,013	1,632	479,290	23,252	715,187
Water	-	-	182,744	-	182,744
	<u>2,277,036</u>	<u>14,993</u>	<u>1,139,358</u>	<u>626,789</u>	<u>4,058,176</u>
	<u>6,380,774</u>	<u>30,123</u>	<u>2,683,481</u>	<u>115,256</u>	<u>9,209,634</u>
	<u>\$ 8,486,090</u>	<u>\$ 50,076</u>	<u>\$ 3,515,326</u>	<u>\$ (606,157)</u>	<u>\$ 11,445,335</u>

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Accumulated Surplus

Schedule 4

December 31, 2016, with comparative information for 2015

	2016	2015
Reserve and reserve funds:		
Reserve funds (Schedule 3)	\$ 2,235,701	\$ 2,105,316
Reserves (Schedule 3)	9,209,634	6,380,774
	11,445,335	8,486,090
Surpluses:		
Tangible capital assets	233,434,558	234,107,777
General revenue fund surplus	1,626,874	1,172,600
Benefitting landowners related to special charges and special areas	(27,660,236)	(29,374,284)
Water fund deficit	-	(28,150)
Building deficit	(833,420)	(916,267)
Marina deficit	(215,125)	(269,925)
Co-An surplus	13,809	19,445
Unfunded:		
Employee future benefit obligations	(18,186,100)	(17,232,000)
Accrued interest on long-term debt	(818,664)	(861,828)
	187,361,696	186,617,368
Accumulated surplus	\$ 198,807,031	\$ 195,103,458

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Segment Disclosures

Schedule 5

Year ended December 31, 2016

	General Government	Protection to persons and property	Transportation services	Environmental services	Recreation and cultural services	Planning and development	Consolidated
Revenues:							
Taxation	\$ 20,648,134	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,648,134
User charges	324,167	183,180	6,160	11,265,141	810,685	96,466	12,685,799
Government transfers	1,248,980	270,701	-	4,367,461	43,942	-	5,931,084
Other	2,350,909	28,149	2,064	3,026	372,471	469,726	3,226,345
	<u>24,572,190</u>	<u>482,029</u>	<u>8,224</u>	<u>15,635,628</u>	<u>1,227,098</u>	<u>566,192</u>	<u>42,491,382</u>
Expenditures:							
Salaries, wages and employee benefits	3,367,592	6,041,099	1,323,334	787,670	1,849,523	1,051,031	14,420,249
Materials, goods, services, utilities	1,803,798	1,030,772	3,601,425	128,231	1,910,508	30,287	8,505,021
Contracted services	183,271	408,661	71,172	3,519,728	-	129,961	4,312,793
Interest on long-term debt	4,661	2,870	194,367	1,190,859	275,250	-	1,668,007
Rents and financial expenses	37,465	-	-	-	-	-	37,465
External transfers	31,500	-	-	-	-	-	31,500
Amortization	104,623	399,585	3,606,637	3,999,940	1,694,839	7,130	9,812,754
	<u>5,532,910</u>	<u>7,882,987</u>	<u>8,796,935</u>	<u>9,626,428</u>	<u>5,730,120</u>	<u>1,218,409</u>	<u>38,787,789</u>
	<u>\$ 19,039,280</u>	<u>\$ (7,400,958)</u>	<u>\$ (8,788,711)</u>	<u>\$ 6,009,200</u>	<u>\$ (4,503,022)</u>	<u>\$ (652,217)</u>	<u>\$ 3,703,573</u>