

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWN OF AMHERSTBURG**

Year ended December 31, 2019

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Financial Statements

Year ended December 31, 2019

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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.



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of the Corporation of the Town of Amherstburg (the Town), which comprise:

- the consolidated statement of financial position as at December 31, 2019
- the consolidated statement of financial activities for the year then ended
- the consolidated statement of change in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and the notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”)

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibility of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to the events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Town's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada

July 13, 2020

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Financial assets		
Cash	\$ 24,952,316	\$ 20,436,956
Taxes receivable	996,305	1,212,830
Trade and other receivables	3,554,153	3,988,678
Drainage receivables	936,450	1,317,376
Investment in government business enterprise (note 3)	5,579,346	5,489,101
	<u>\$ 36,018,570</u>	<u>\$ 32,444,941</u>
Financial liabilities		
Bank indebtedness (note 9)	\$ 4,728,381	\$ 6,142,029
Accounts payable and accrued liabilities	5,245,246	7,382,436
Accrued interest on long-term debt	685,809	775,502
Municipal debt (note 5)	34,925,253	35,677,228
Employee future benefit obligations (note 6)	17,621,700	17,359,200
Deferred revenue (Schedule 2)	11,736,031	8,533,024
	<u>74,942,420</u>	<u>75,869,419</u>
Net debt	(38,923,850)	(43,424,478)
Non-financial assets		
Tangible capital assets (Schedule 1)	253,631,274	248,570,613
Prepaid expenses	267,631	862,653
	<u>253,898,905</u>	<u>249,433,266</u>
Commitments and contingencies (notes 11, 12 and 13)		
Subsequent event (note 14)		
Accumulated surplus (Schedule 4)	<u>\$ 214,975,055</u>	<u>\$ 206,008,788</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, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Taxation	\$ 26,157,356	\$ 25,571,018
Water charges	5,099,103	4,931,825
Wastewater charges	6,362,643	6,228,138
Government transfers	9,493,722	5,188,058
Other	3,278,067	1,450,545
Interest	574,096	496,265
Income from government business enterprise	338,307	117,625
Drainage	(380,926)	606,105
Gain on disposal of tangible capital assets	32,207	2,882,965
	<u>50,954,575</u>	<u>47,472,544</u>
Expenses:		
General government	5,397,156	5,148,971
Protection to persons and property	8,703,023	8,757,668
Transportation services	8,401,018	7,711,889
Environmental services	11,885,973	12,338,920
Recreation and cultural services	5,941,647	5,367,398
Planning and development	1,659,491	1,594,477
	<u>41,988,308</u>	<u>40,919,323</u>
Annual surplus	8,966,267	6,553,221
Accumulated surplus, beginning of year	206,008,788	199,455,567
Accumulated surplus, end of year	<u>\$ 214,975,055</u>	<u>\$ 206,008,788</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, 2019, with comparative information for 2018

	2019 Actual		2018 Actual
Annual surplus	\$ 8,966,267	\$	6,553,221
Amortization of tangible capital assets	9,976,032		9,741,780
Acquisition of tangible capital assets	(15,036,693)		(8,970,983)
Gain on sale of tangible capital assets	(32,207)		(2,882,965)
Proceeds on sale of tangible capital assets	32,207		2,882,965
Use of (acquisition) of prepaid expense	595,022		(185,249)
Change in net debt	4,500,628		7,138,769
Net debt, beginning of year	(43,424,478)		(50,563,247)
Net debt, end of year	\$ (38,923,850)	\$	(43,424,478)

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, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 8,966,267	\$ 6,553,221
Items not involving cash:		
Amortization of tangible capital assets	9,976,032	9,741,780
Gain on sale of tangible capital assets	(32,207)	(2,882,965)
Increase (decrease) in employee benefits payable	262,500	(1,772,900)
Income from government business enterprise	(338,307)	(117,625)
Change in non-cash operating working capital:		
Taxes receivable	216,525	639,370
Accounts receivable	434,525	883,449
Drain receivables	380,926	(606,105)
Prepaid expenses	595,022	(185,249)
Accounts payable	(2,137,190)	2,348,091
Deferred revenue	3,203,007	1,421,281
Accrued interest	(89,693)	(177)
Net change in cash from operations	21,437,407	16,022,171
Investing:		
Dividends received from government business enterprise	248,062	-
Net change in cash from investing	248,062	-
Capital:		
Acquisition of tangible capital assets	(15,036,693)	(8,970,983)
Proceeds on sale of tangible capital assets	32,207	2,882,965
Net change in cash from capital	(15,004,486)	(6,088,018)
Financing:		
Decrease in bank indebtedness	(1,413,648)	(2,646,066)
Long-term debt issued	1,843,551	-
Long-term debt repaid	(2,595,526)	(2,663,951)
Net change in cash from financing	(2,165,623)	(5,310,017)
Increase in cash	4,515,360	4,624,136
Cash, beginning of year	20,436,956	15,812,820
Cash, end of year	\$ 24,952,316	\$ 20,436,956

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, 2019

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.

(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

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2019

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

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2019

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

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2019

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, 2019

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, 2019

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

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2019

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, 2021, 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, 2019

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:

	2019	2018
Taxation and user charges		
School Boards	\$ 5,905,362	\$ 5,970,545
County	11,707,840	11,096,588
	<u>\$ 17,613,202</u>	<u>\$ 17,067,133</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:

	2019	2018
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	2,846,821	2,556,576
	<u>\$ 5,579,346</u>	<u>\$ 5,489,101</u>

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

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2019

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)	
	2019	2018
Current assets	\$ 3,979	\$ 3,866
Accounts receivable	8,645	10,286
Unbilled revenue	5,802	5,671
Other current assets	1,876	1,619
Property, plant and equipment	69,789	65,984
Intangible assets	5,462	6,618
Right-of-use assets	2,435	-
Goodwill	1,623	1,623
Deferred assets	406	614
Note receivable	1,665	1,714
Deferred tax assets	953	165
Regulatory balances	13,421	10,920
Total assets and regulatory balances	\$ 116,056	\$ 109,080
Current liabilities	\$ 31,175	\$ 27,098
Long-term liabilities	25,397	25,005
Post-employment benefits	2,915	2,795
Deferred tax liabilities	5,602	3,343
Other non-current liabilities	7,369	5,026
Total liabilities	\$ 72,458	\$ 63,267
Share capital	\$ 19,667	\$ 19,667
Retained earnings	16,931	16,317
Net assets attributable to external Limited Partners	1,599	1,711
Accumulated other comprehensive income	1,370	1,406
Total equity	\$ 39,567	\$ 39,101
Regulatory balances	\$ 4,031	\$ 6,712
Total liabilities, equity and regulatory balances	\$ 116,056	\$ 109,080
Total revenues	\$ 88,898	\$ 84,294
Total expenses	(88,934)	(83,730)
Finance costs	(1,155)	(1,047)
Income tax recovery	(1,476)	(661)
Net movement in regulatory balances, net of tax	5,182	4,125
Other comprehensive income (loss)	(36)	77
Total comprehensive income for the year	\$ 2,479	\$ 3,058

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2019

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 2019 were \$1,975,512 (2018 - \$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 2019 was \$86,397 (2018 - \$50,231).

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2019

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:

	2019	2018
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:	\$ 34,925,253	\$ 35,677,228
Amount to be recovered from benefiting landowners and user rates.	24,617,536	25,084,517
	<u>\$ 10,307,717</u>	<u>\$ 10,592,711</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:

2020	\$ 2,292,092
2021	2,379,017
2022	2,269,894
2023	2,058,566
2024 and thereafter	25,925,684
	<u>\$ 34,925,253</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.

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

	2019	2018
Principal payments	\$ 2,595,526	\$ 2,663,951
Interest	1,404,897	1,505,524
	<u>\$ 4,000,423</u>	<u>\$ 4,169,475</u>

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2019

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 December 31, 2018 and has been projected to December 31, 2019. Information about the Town's defined benefit plans is as follows:

	2019	2018
Accrued benefit liability, January 1	\$ 17,359,200	\$ 19,132,000
Expense for the year:		
Current service cost	284,000	447,500
Interest	571,100	613,400
Curtailment	-	(2,175,900)
Amortization of actuarial gains	(25,600)	(116,100)
Benefits paid	(567,000)	(541,700)
Accrued benefit liability, December 31	17,621,700	17,359,200
Unamortized actuarial losses (gains)	1,208,200	(807,100)
Accrued benefit obligation, December 31	\$ 18,829,900	\$ 16,552,100

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

	2019	2018
Discount rate	2.75%	3.45%
Dental	4.00%	4.00%
Health care:		
initial	5.10%	5.10%
ultimate reached in 2037	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 \$736,080 (2018 - \$1,116,471) 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.

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2019

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.

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, 2019

8. Expenses by object:

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

	2019	2018
Salaries and employee benefits	\$ 12,741,590	\$ 14,433,854
Materials, goods services and utilities	8,703,648	10,521,294
Contracted services	9,194,171	4,605,451
Interest on long-term debt	1,322,347	1,522,009
Rent and financial expenses	14,243	57,154
External transfers	36,277	41,770
Amortization	9,976,032	9,737,791
	\$ 41,988,308	\$ 40,919,323

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 \$732,598 (2018 - \$3,389,267).

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 \$866,179 (2018 - \$783,282).

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 \$8,903 (2018 - \$348,779).

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2019

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 \$3,120,701 (2018 - \$1,620,701).

10. 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.

11. 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.

12. Commitments:

The Town has the following commitment as at December 31, 2019:

	Total contract	Earned to December 31, 2019	Future commitment
Waste Water Treatment Plant	\$ 30,986,740	\$ 30,352,321	\$ 634,419

Effective January 1, 2019, the Corporation contracted out its Police Services to the Corporation of the City of Windsor, for a five year term, renewal every five years. Fees for contracted services for the five year period are as follows:

	Operating Costs	Capital Costs	Total commitment
2020	\$ 4,807,766	\$ 206,136	\$ 5,013,902
2021	4,912,445	206,136	5,118,581
2022	5,047,950	206,136	5,254,086
2023	5,144,321	206,136	5,350,457

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2019

13. 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.

14. Subsequent event:

Subsequent to December 31, 2019, an outbreak of a novel coronavirus (COVID-19), that surfaced in Wuhan, China in late 2019, expanded worldwide. Our proactive actions taken to contain the virus in our work places has caused some disruption to our operations and employees. As of the date of these financial statements, it is too early to determine the impact on revenues and incremental costs but these are being actively monitored and managed. The duration and intensity of the impact of the coronavirus and resulting disruption to the Town's consolidated operations is uncertain.

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Tangible Capital Assets

Schedule 1

Year ended December 31, 2019

	General						Infrastructure				Totals		
	Land	Land improvements	Buildings and improvements	Information Technology	Vehicles	Machinery and Equipment	Water	Wastewater	Storm Sewers	Transportation	Construction in progress	2019	2018
Cost:													
Balance, beginning of year	\$ 7,113,255	\$ 7,867,677	\$ 33,619,889	\$ 1,149,718	\$ 5,455,713	\$ 2,475,419	\$ 110,927,410	\$ 94,458,993	\$ 54,260,569	\$ 110,157,685	\$ 3,746,684	\$ 431,233,012	\$ 423,185,419
Add: Additions during the year	59,167	208,654	20,902	52,025	72,637	340,021	244,362	8,933,675	-	6,653,374	2,198,560	18,783,377	11,516,600
Less: Disposals during the year	-	-	-	22,935	319,610	48,800	-	-	-	-	3,746,684	4,138,029	3,469,007
Balance, end of year	7,172,422	8,076,331	33,640,791	1,178,808	5,208,740	2,766,640	111,171,772	103,392,668	54,260,569	116,811,059	2,198,560	445,878,360	431,233,012
Accumulated amortization:													
Balance, beginning of year	-	4,111,400	11,178,887	564,877	3,331,984	1,371,776	32,143,705	22,930,984	28,943,879	78,084,907	-	182,662,399	173,847,999
Add: amortization during the year	-	378,167	1,512,009	187,201	349,773	175,175	1,285,971	1,767,762	1,057,556	3,262,418	-	9,976,032	9,737,789
Less: accumulated amortization on disposals	-	-	-	22,935	319,610	48,800	-	-	-	-	-	391,345	923,389
Balance, end of year	-	4,489,567	12,690,896	729,143	3,362,147	1,498,151	33,429,676	24,698,746	30,001,435	81,347,325	-	192,247,086	182,662,399
Tangible capital assets	\$ 7,172,422	\$ 3,586,764	\$ 20,949,895	\$ 449,665	\$ 1,846,593	\$ 1,268,489	\$ 77,742,096	\$ 78,693,922	\$ 24,259,134	\$ 35,463,734	\$ 2,198,560	\$ 253,631,274	\$ 248,570,613

	General government	Protection to persons and property	Transportation services	Environmental services	and culture	Planning and development	Total 2019
Cost:							
Balance, beginning of year	\$ 6,031,315	\$ 8,458,466	\$ 116,144,208	\$ 262,680,406	\$ 37,825,928	\$ 92,691	\$ 431,233,014
Add: Additions during the year	1,462,736	75,751	7,182,186	9,394,245	668,457	-	18,783,375
Less: Disposals during the year	65,263	296,159	1,411,284	2,291,900	73,423	-	4,138,029
Balance, end of year	7,428,788	8,238,058	121,915,110	269,782,751	38,420,962	92,691	445,878,360
Accumulated amortization:							
Balance, beginning of year	736,859	4,526,096	80,675,123	84,466,665	12,196,054	61,604	182,662,401
Add: amortization during the year	230,731	380,484	3,517,455	4,159,775	1,680,737	6,850	9,976,032
Less: accumulated amortization on disposals	20,401	296,160	1,363	-	73,423	-	391,347
Balance, end of year	947,189	4,610,420	84,191,215	88,626,440	13,803,368	68,454	192,247,086
Net book value of tangible capital assets	\$ 6,481,599	\$ 3,627,638	\$ 37,723,895	\$ 181,156,311	\$ 24,617,594	\$ 24,237	\$ 253,631,274

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Deferred Revenue

Schedule 2

Year ended December 31, 2019

	Balance December 31, 2018	Interest earned	Contributions received	Revenue earned- capital	Balance December 31, 2019
Development charges	\$ 5,871,595	\$ 196,516	\$ 2,309,362	\$ (45,771)	\$ 8,331,702
Federal gas tax	225,426	29,372	2,183,714	(1,091,913)	1,346,599
Grants	1,516,019	71,712	1,758,706	(2,034,637)	1,311,800
Other	919,984	-	-	(174,054)	745,930
	\$ 8,533,024	\$ 297,600	\$ 6,251,782	\$ (3,346,375)	\$ 11,736,031

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Reserves and Reserve Funds

Schedule 3

Year ended December 31, 2019, with comparative information for 2018

	Balance December 31, 2018	Interest earned	Transfer from (to) operations	Transfer from (to) capital	Transfer from Accum Surplus	Balance December 31, 2019
Reserve funds:						
General	\$ 1,713,896	\$ 40,335	\$ 1,394,516	\$ (681,983)	\$ -	\$ 2,466,764
Watermain	441,631	13,205	-	-	-	454,836
	<u>2,155,527</u>	<u>53,540</u>	<u>1,394,516</u>	<u>(681,983)</u>	<u>-</u>	<u>2,921,600</u>
General rated reserves:						
AODA Compliance	55,689	-	50,000	(6,983)	-	98,706
Building service capital	100,000	-	-	-	-	100,000
Building service operations	(791,399)	-	2,388	-	-	(789,011)
Contingency	-	-	72,300	50,000	-	122,300
Community Improvement Plan	95,492	-	85,131	-	-	180,623
Economic Development	15,000	-	-	(15,000)	-	-
Elections	27,505	-	33,600	-	-	61,105
Events	32,345	-	-	-	-	32,345
Fire	100,853	-	44,567	-	-	145,420
Fleet	38,025	-	148,666	(25,698)	-	160,993
Information technology	253,214	-	123,000	(52,024)	-	324,190
Insurance	373,265	-	7,999	-	-	381,264
Libro	55,000	-	40,083	(99,392)	-	(4,309)
Litigation	50,000	-	25,000	-	-	75,000
Municipal Drain	132,383	-	99,000	-	-	231,383
Plans & Studies	-	-	344,111	-	-	344,111
Parkland	2,124,087	-	(567,767)	-	-	1,556,320
Tree Planting	-	-	2,500	-	-	2,500
Police	344,779	-	-	-	-	344,779
Risk Management	50,000	-	-	-	-	50,000
Street Lights	-	-	12,000	-	-	12,000
Tax stabilization	-	-	209,768	-	-	209,768
Working capital	1,046,842	105,455	(118,094)	(144,397)	-	889,806
	<u>4,103,080</u>	<u>105,455</u>	<u>614,252</u>	<u>(293,494)</u>	<u>-</u>	<u>4,529,293</u>
Water and wastewater reserves:						
Wastewater capital	2,890,952	63,780	348,552	(208,382)	-	3,094,902
Water capital	1,559,577	36,708	522,230	656,236	-	2,774,751
	<u>4,450,529</u>	<u>100,488</u>	<u>870,782</u>	<u>447,854</u>	<u>-</u>	<u>5,869,653</u>
Donation reserves:						
Donations	-	-	7,900	-	-	7,900
Brick fund	-	54	14,952	-	-	15,006
	<u>-</u>	<u>54</u>	<u>22,852</u>	<u>-</u>	<u>-</u>	<u>22,906</u>
	<u>8,553,609</u>	<u>205,997</u>	<u>1,507,886</u>	<u>154,360</u>	<u>-</u>	<u>10,421,852</u>
	<u>\$ 10,709,136.01</u>	<u>\$ 259,537</u>	<u>\$ 2,902,402</u>	<u>\$ (527,623)</u>	<u>\$ -</u>	<u>\$ 13,343,452</u>

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Accumulated Surplus

Schedule 4

December 31, 2019, with comparative information for 2018

	2019	2018
Reserve and reserve funds:		
Reserve funds (Schedule 3)	\$ 2,921,600	\$ 2,155,527
Reserves (Schedule 3)	10,421,852	8,553,609
	<u>13,343,452</u>	<u>10,709,136</u>
Surpluses:		
Tangible capital assets	253,631,274	248,570,613
General revenue fund surplus	593,061	(136,668)
Marina deficit	(50,725)	(105,525)
Co-An surplus	4,946	7,660
Unfunded:		
Employee future benefit obligations	(17,621,700)	(17,359,200)
Long-term debt	(34,925,253)	(35,677,228)
	<u>201,631,603</u>	<u>195,299,652</u>
Accumulated surplus	\$ 214,975,055	\$ 206,008,788

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Segment Disclosures

Schedule 5

Year ended December 31, 2019

	General Government	Protection to persons and property	Transportation services	Environmental services	Recreation and cultural services	Planning and development	Consolidated
Revenues:							
Taxation	\$ 24,190,255	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,190,255
User charges	1,110,060	23,542	79,802	11,053,401	803,119	85,441	13,155,365
Government transfers	5,711,162	755,870	-	2,958,362	68,328	-	9,493,722
Other	605,631	97,612	2,209,802	338,307	385,676	478,205	4,115,233
	<u>31,617,108</u>	<u>877,024</u>	<u>2,289,604</u>	<u>14,350,070</u>	<u>1,257,123</u>	<u>563,646</u>	<u>50,954,575</u>
Expenditures:							
Salaries, wages and employee benefits	3,359,002	2,874,148	1,719,168	981,118	2,399,284	1,408,870	12,741,590
Materials, goods, services, utilities	2,508,798	560,601	2,129,511	1,804,561	1,626,052	74,125	8,703,648
Contracted services	161,393	4,886,314	23,353	3,992,363	-	130,748	9,194,171
Interest on long-term debt	1,335	1,477	135,523	948,445	235,567	-	1,322,347
Rents and financial expenses	14,243	-	-	-	-	-	14,243
External transfers	36,277	-	-	-	-	-	36,277
Amortization	230,731	380,484	3,517,455	4,159,775	1,680,737	6,850	9,976,032
	<u>6,311,779</u>	<u>8,703,024</u>	<u>7,525,010</u>	<u>11,886,262</u>	<u>5,941,640</u>	<u>1,620,593</u>	<u>41,988,308</u>
	<u>\$ 25,305,329</u>	<u>\$ (7,826,000)</u>	<u>\$ (5,235,406)</u>	<u>\$ 2,463,808</u>	<u>\$ (4,684,517)</u>	<u>\$ (1,056,947)</u>	<u>\$ 8,966,267</u>