

Consolidated Financial Statements of

**THE CORPORATION OF THE  
TOWN OF AMHERSTBURG**

Year ended December 31, 2018

# THE CORPORATION OF THE TOWN OF AMHERSTBURG

## Consolidated Financial Statements

Year ended December 31, 2018

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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, 2018
- 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, 2018, 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*

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Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada

July 15, 2019

# THE CORPORATION OF THE TOWN OF AMHERSTBURG

## Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
<b>Financial assets</b>		
Cash	\$ 20,436,956	\$ 15,812,820
Taxes receivable	1,212,830	1,852,200
Trade and other receivables	3,988,678	4,872,127
Drainage receivables	1,317,376	711,271
Investment in government business enterprise (note 3)	5,489,101	5,371,476
	<u>\$ 32,444,941</u>	<u>\$ 28,619,894</u>
<b>Financial liabilities</b>		
Bank indebtedness (note 9)	\$ 6,142,029	\$ 8,788,095
Accounts payable and accrued liabilities	7,382,436	5,034,345
Accrued interest on long-term debt	775,502	775,679
Municipal debt (note 5)	35,677,228	38,341,179
Employee future benefit obligations (note 6)	17,359,200	19,132,100
Deferred revenue (Schedule 2)	8,533,024	7,111,743
	<u>75,869,419</u>	<u>79,183,141</u>
Net debt	(43,424,478)	(50,563,247)
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 1)	248,570,613	249,341,410
Prepaid expenses	862,653	677,404
	<u>249,433,266</u>	<u>250,018,814</u>
Commitments and contingencies (notes 11, 12 and 13)		
Accumulated surplus (Schedule 4)	<u>\$ 206,008,788</u>	<u>\$ 199,455,567</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, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Taxation	\$ 25,571,018	\$ 22,965,625
Water charges	4,931,825	4,650,139
Wastewater charges	6,228,138	6,204,964
Government transfers	5,188,058	4,957,683
Other	1,450,545	1,049,422
Interest	496,265	493,694
Income from government business enterprise	117,625	428,819
Drainage	606,105	(574,722)
Gain on disposal of tangible capital assets	2,882,965	155,035
	<u>47,472,544</u>	<u>40,330,659</u>
Expenses:		
General government	5,148,971	7,065,427
Protection to persons and property	8,757,668	8,418,941
Transportation services	7,711,889	7,529,134
Environmental services	12,338,920	10,076,883
Recreation and cultural services	5,367,398	5,202,563
Planning and development	1,594,477	1,389,175
	<u>40,919,323</u>	<u>39,682,123</u>
Annual surplus	6,553,221	648,536
Accumulated surplus, beginning of year	199,455,567	198,807,031
Accumulated surplus, end of year	<u>\$ 206,008,788</u>	<u>\$ 199,455,567</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, 2018, with comparative information for 2017

	2018 Actual	2017 Actual
Annual surplus	\$ 6,553,221	\$ 648,536
Amortization of tangible capital assets	9,741,780	9,736,923
Acquisition of tangible capital assets	(8,970,983)	(10,059,704)
Gain on sale of tangible capital assets	(2,882,965)	(155,035)
Proceeds on sale of tangible capital assets	2,882,965	155,035
Acquisition of prepaid expense	(185,249)	(65,081)
Change in net debt	7,138,769	260,674
Net debt, beginning of year	(50,563,247)	(50,823,922)
<b>Net debt, end of year</b>	<b>\$ (43,424,478)</b>	<b>\$ (50,563,248)</b>

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, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 6,553,221	\$ 648,536
Items not involving cash:		
Amortization of tangible capital assets	9,741,780	9,736,923
Gain on sale of tangible capital assets	(2,882,965)	(155,035)
Decrease in employee benefits payable	(1,772,900)	946,000
Income from government business enterprise	(117,625)	(428,819)
Change in non-cash operating working capital:		
Taxes receivable	639,370	472,034
Accounts receivable	883,449	(1,774,321)
Drain receivables	(606,105)	574,722
Prepaid expenses	(185,249)	(65,081)
Accounts payable	2,348,091	1,184,549
Deferred revenue	1,421,281	552,311
Accrued interest	(177)	(42,985)
Net change in cash from operations	16,022,171	11,648,834
Investing:		
Dividends received from government business enterprise	-	240,851
Net change in cash from investing	-	240,851
Capital:		
Acquisition of tangible capital assets	(8,970,983)	(10,059,703)
Proceeds on sale of tangible capital assets	2,882,965	155,035
Net change in cash from capital	(6,088,018)	(9,904,668)
Financing:		
Decrease in bank indebtedness	(2,646,066)	(489,223)
Long-term debt issued	-	1,500,759
Long-term debt repaid	(2,663,951)	(2,668,849)
Net change in cash from financing	(5,310,017)	(1,657,313)
Increase in cash	4,624,136	327,704
Cash, beginning of year	15,812,820	15,485,116
Cash, end of year	\$ 20,436,956	\$ 15,812,820

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, 2018

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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, 2018

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### 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, 2018

### 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, 2018

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### 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, 2018

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## 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, 2018

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## 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, 2018

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### 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, 2018

## 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:

	2018	2017
Taxation and user charges		
School Boards	\$ 5,970,545	\$ 5,676,946
County	11,096,588	10,259,125
	<u>\$ 17,067,133</u>	<u>\$ 15,936,071</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:

	2018	2017
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	2,556,576	2,438,951
	<u>\$ 5,489,101</u>	<u>\$ 5,371,476</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, 2018

### 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)	
	2018	2017
Current assets	\$ 3,866	\$ 3,477
Accounts receivable	10,286	8,968
Unbilled revenue	5,671	5,502
Other current assets	1,619	1,710
Property, plant and equipment	65,984	61,410
Intangible assets	6,618	6,595
Goodwill	1,623	1,623
Deferred assets	614	1,157
Note receivable	1,714	-
Deferred tax assets	165	136
Regulatory balances	10,920	40,155
<b>Total assets and regulatory balances</b>	<b>\$ 109,080</b>	<b>\$ 130,733</b>
Current liabilities	\$ 27,098	\$ 24,231
Long-term liabilities	25,005	19,970
Post-employment benefits	2,795	2,838
Deferred tax liabilities	3,343	3,344
Other non-current liabilities	5,026	4,046
<b>Total liabilities</b>	<b>63,267</b>	<b>54,429</b>
Share capital	19,667	19,667
Retained earnings	16,317	15,217
Net assets attributable to external Limited Partners	1,711	-
Accumulated other comprehensive income	1,406	1,329
<b>Total equity</b>	<b>39,101</b>	<b>36,213</b>
Regulatory balances	6,712	40,091
<b>Total liabilities, equity and regulatory balances</b>	<b>\$ 109,080</b>	<b>\$ 130,733</b>
Total revenues	\$ 84,294	\$ 87,886
Total expenses	(83,730)	(83,485)
Finance costs	(1,047)	(1,013)
Income tax recovery	(661)	(977)
Net movement in regulatory balances, net of tax	4,125	(153)
Other comprehensive income	77	506
<b>Total comprehensive income for the year</b>	<b>\$ 3,058</b>	<b>\$ 2,764</b>

# THE CORPORATION OF THE TOWN OF AMHERSTBURG

## Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2018

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#### 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 2018 were \$Nil (2017 - \$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 2018 was \$50,231 (2017 - \$54,259).

# THE CORPORATION OF THE TOWN OF AMHERSTBURG

## Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2018

### 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:

	2018	2017
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:	\$ 35,677,228	\$ 38,341,179
Amount to be recovered from benefiting landowners and user rates.	25,084,517	26,671,808
	<u>\$ 10,592,711</u>	<u>\$ 11,669,371</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:

2019	\$ 2,595,526
2020	2,220,914
2021	2,305,962
2022	2,194,912
2022 and thereafter	26,359,914
	<u>\$ 35,677,228</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:

	2018	2017
Principal payments	\$ 2,663,951	\$ 2,668,849
Interest	1,505,524	1,561,761
	<u>\$ 4,169,475</u>	<u>\$ 4,230,610</u>

# THE CORPORATION OF THE TOWN OF AMHERSTBURG

## Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2018

### 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, 2017 and has been projected to December 31, 2018. Information about the Town's defined benefit plans is as follows:

	2018	2017
Accrued benefit liability, January 1	\$ 19,132,000	\$ 18,186,000
Expense for the year:		
Current service cost	447,500	601,300
Interest	613,400	669,900
Curtailment	(2,175,900)	-
Amortization of actuarial losses (gains)	(116,100)	183,500
Benefits paid	(541,700)	(508,700)
Accrued benefit liability, December 31	17,359,200	19,132,000
Unamortized actuarial gains	(807,100)	(720,200)
Accrued benefit obligation, December 31	\$ 16,552,100	\$ 18,411,800

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

	2018	2017
Discount rate	3.45%	3.30%
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 \$1,116,471 (2017 - \$1,003,279) 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, 2018

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### 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, 2018

## 8. Expenses by object:

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

	2018	2017
Salaries and employee benefits	\$ 14,433,854	\$ 15,675,757
Materials, goods services and utilities	10,521,294	8,100,563
Contracted services	4,605,451	4,568,518
Interest on long-term debt	1,522,009	1,540,829
Rent and financial expenses	57,154	25,283
External transfers	41,770	34,250
Amortization	9,737,791	9,736,923
	<b>\$ 40,919,323</b>	<b>\$ 39,682,123</b>

## 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 \$3,389,267 (2017 - \$5,098,893).

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 \$783,282 (2017 - \$1,358,909).

### 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 \$348,779 (2017 - \$709,592).

# THE CORPORATION OF THE TOWN OF AMHERSTBURG

## Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2018

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### 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 \$1,620,701 (2017 - \$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, 2018:

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	Total contract	Earned to December 31, 2018	Future commitment
Waste Water Treatment Plant	\$ 30,986,740	\$ 29,757,083	\$ 1,229,657

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### 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.

# THE CORPORATION OF THE TOWN OF AMHERSTBURG

## Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2018

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### 14. Subsequent event:

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:

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	Operating Costs	Capital Costs	Total commitment
2019	\$ 4,666,691	\$ 206,136	\$ 4,872,827
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

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**THE CORPORATION OF THE TOWN OF AMHERSTBURG**

Consolidated Schedule of Tangible Capital Assets

Schedule 1

Year ended December 31, 2018

	General							Infrastructure					Totals	
	Land	Land improvements	Buildings and improvements	Information Technology	Vehicles	Machinery and Equipment	Water	Wastewater	Storm Sewers	Transportation	Construction in progress	2018	2017	
Cost:														
Balance, beginning of year	\$ 6,424,841	\$ 7,839,082	\$ 32,865,489	\$ 1,175,645	\$ 4,910,329	\$ 2,278,046	\$ 109,711,900	\$ 94,001,548	\$ 54,260,569	\$ 107,710,173	\$ 2,007,797	\$ 423,185,419	\$ 413,417,801	
Add: Additions during the year	945,372	28,595	754,400	38,197	1,508,217	374,668	1,215,510	457,445	-	2,447,512	3,746,684	11,516,600	11,391,908	
Less: Disposals during the year	256,958	-	-	64,124	962,833	177,295	-	-	-	-	2,007,797	3,469,007	1,624,287	
<b>Balance, end of year</b>	<b>7,113,255</b>	<b>7,867,677</b>	<b>33,619,889</b>	<b>1,149,718</b>	<b>5,455,713</b>	<b>2,475,419</b>	<b>110,927,410</b>	<b>94,458,993</b>	<b>54,260,569</b>	<b>110,157,685</b>	<b>3,746,684</b>	<b>431,233,012</b>	<b>423,185,422</b>	
Accumulated amortization:														
Balance, beginning of year	-	3,744,635	9,696,181	428,131	3,813,348	1,295,124	30,877,556	21,257,455	27,885,843	74,849,726	-	173,847,999	164,399,171	
Add: amortization during the year	-	366,765	1,482,706	194,490	291,360	169,573	1,266,149	1,673,529	1,058,036	3,235,181	-	9,737,789	9,736,923	
Less: accumulated amortization on disposals	-	-	-	57,744	772,724	92,921	-	-	-	-	-	923,389	292,082	
<b>Balance, end of year</b>	<b>-</b>	<b>4,111,400</b>	<b>11,178,887</b>	<b>564,877</b>	<b>3,331,984</b>	<b>1,371,776</b>	<b>32,143,705</b>	<b>22,930,984</b>	<b>28,943,879</b>	<b>78,084,907</b>	<b>-</b>	<b>182,662,399</b>	<b>173,844,012</b>	
<b>Tangible capital assets</b>	<b>\$ 7,113,255</b>	<b>\$ 3,756,277</b>	<b>22,441,002</b>	<b>\$ 584,841</b>	<b>\$ 2,123,729</b>	<b>\$ 1,103,643</b>	<b>\$ 78,783,705</b>	<b>\$ 71,528,009</b>	<b>\$ 25,316,690</b>	<b>\$ 32,072,778</b>	<b>\$ 3,746,684</b>	<b>\$ 248,570,613</b>	<b>\$ 249,341,410</b>	

	General governance	Protection to persons and property	Transportation services	Environmental services	Recreation and culture	Planning and development	Total 2018
Cost:							
Balance, beginning of year	\$ 5,711,110	\$ 8,511,304	\$ 112,121,169	\$ 259,644,190	\$ 37,104,958	\$ 92,691	\$ 423,185,422
Add: Additions during the year	1,141,085	1,120,469	4,537,498	3,996,577	720,970	-	11,516,599
Less: Disposals during the year	820,880	1,173,307	514,459	960,361	-	-	3,469,007
<b>Balance, end of year</b>	<b>6,031,315</b>	<b>8,458,466</b>	<b>116,144,208</b>	<b>262,680,406</b>	<b>37,825,928</b>	<b>92,691</b>	<b>431,233,014</b>
Accumulated amortization:							
Balance, beginning of year	563,657	5,053,551	77,206,849	80,423,637	10,545,551	54,754	173,847,999
Add: amortization during the year	200,077	364,989	3,472,344	4,043,028	1,650,503	6,850	9,737,791
Less: accumulated amortization on disposals	26,875	892,444	4,070	-	-	-	923,389
<b>Balance, end of year</b>	<b>736,859</b>	<b>4,526,096</b>	<b>80,675,123</b>	<b>84,466,665</b>	<b>12,196,054</b>	<b>61,604</b>	<b>182,662,401</b>
<b>Net book value of tangible capital assets</b>	<b>\$ 5,294,456</b>	<b>\$ 3,932,370</b>	<b>\$ 35,469,085</b>	<b>\$ 178,213,741</b>	<b>\$ 25,629,874</b>	<b>\$ 31,087</b>	<b>\$ 248,570,613</b>

# THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Deferred Revenue

Schedule 2

Year ended December 31, 2018

	Balance December 31, 2017	Interest earned	Contributions received	Revenue earned- capital	Balance December 31, 2018
Development charges	\$ 5,734,026	\$ 159,137	\$ 1,581,034	\$ (1,602,602)	\$ 5,871,595
Federal gas tax	776,302	21,382	1,098,528	(1,670,786)	225,426
Grants	601,415	34,874	1,751,065	(871,335)	1,516,019
Other	-	-	919,984	-	919,984
	\$ 7,111,743	\$ 215,393	\$ 5,350,611	\$ (4,144,723)	\$ 8,533,024

# THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Reserves and Reserve Funds

Schedule 3

Year ended December 31, 2018, with comparative information for 2017

	Balance December 31, 2017	Interest earned	Transfer from (to) operations	Transfer from (to) capital	Transfer from Accum Surplus	Balance December 31, 2018
<b>Reserve funds:</b>						
General	\$ 1,574,763	\$ 48,328	\$ 1,183,951	\$ (1,093,146)	\$ -	\$ 1,713,896
Watermain	430,304	11,327	-	-	-	441,631
	<u>2,005,067</u>	<u>59,655</u>	<u>1,183,951</u>	<u>(1,093,146)</u>	<u>-</u>	<u>2,155,527</u>
<b>General rated reserves:</b>						
AODA Compliance	50,000	-	40,689	(35,000)	-	55,689
Building service capital	100,000	-	-	-	-	100,000
Building service operations	-	-	22,964	-	(814,363)	(791,399)
Community Improvement Plan	-	-	-	95,492	-	95,492
Economic Development	15,000	-	-	-	-	15,000
Elections	85,038	-	(57,533)	-	-	27,505
Events	-	-	32,345	-	-	32,345
Fire	172,332	-	91,205	(162,684)	-	100,853
Fleet	3,070	-	75,000	(40,045)	-	38,025
Information technology	268,342	-	-	(15,128)	-	253,214
Insurance	325,971	-	47,294	-	-	373,265
Libro	-	-	55,000	-	-	55,000
Litigation	25,000	-	25,000	-	-	50,000
Municipal Drain	-	-	-	132,383	-	132,383
Parkland	-	-	2,710,854	(586,767)	-	2,124,087
Police	296,787	-	134,363	(86,371)	-	344,779
Risk Management	25,000	-	25,000	-	-	50,000
Tax stabilization	1,471,027	-	(1,471,027)	-	-	-
Working capital	1,700,525	52,180	(272,282)	(433,581)	-	1,046,842
	<u>4,538,092</u>	<u>52,180</u>	<u>1,458,872</u>	<u>(1,131,701)</u>	<u>(814,363)</u>	<u>4,103,080</u>
<b>Water and wastewater reserves:</b>						
Wastewater capital	3,657,768	53,812	(402,450)	(418,178)	-	2,890,952
Wastewater	790,493	-	(790,493)	-	-	-
Water capital	1,449,898	19,065	727,058	(636,444)	-	1,559,577
Water	165,376	-	(165,376)	-	-	-
	<u>6,063,535</u>	<u>72,877</u>	<u>(631,261)</u>	<u>(1,054,622)</u>	<u>-</u>	<u>4,450,529</u>
	<u>10,601,627</u>	<u>125,057</u>	<u>827,611</u>	<u>(2,186,323)</u>	<u>(814,363)</u>	<u>8,553,609</u>
	<u>\$ 12,606,694</u>	<u>\$ 184,712</u>	<u>\$ 2,011,562</u>	<u>\$ (3,279,469)</u>	<u>\$ (814,363)</u>	<u>\$ 10,709,136</u>

# THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Accumulated Surplus

Schedule 4

December 31, 2018, with comparative information for 2017

	2018	2017
Reserve and reserve funds:		
Reserve funds (Schedule 3)	\$ 2,155,527	\$ 2,005,067
Reserves (Schedule 3)	8,553,609	10,601,627
	<u>10,709,136</u>	<u>12,606,694</u>
Surpluses:		
Tangible capital assets	248,570,613	249,341,410
General revenue fund surplus	(136,668)	(4,134,874)
Building deficit	-	(734,830)
Marina deficit	(105,525)	(160,325)
Co-An surplus	7,660	10,771
Unfunded:		
Employee future benefit obligations	(17,359,200)	(19,132,100)
Long-term debt	(35,677,228)	(38,341,179)
	<u>195,299,652</u>	<u>186,848,873</u>
Accumulated surplus	<u>\$ 206,008,788</u>	<u>\$ 199,455,567</u>

# THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Segment Disclosures

Schedule 5

Year ended December 31, 2018

	General Government	Protection to persons and property	Transportation services	Environmental services	Recreation and cultural services	Planning and development	Consolidated
<b>Revenues:</b>							
Taxation	\$ 22,914,037	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,914,037
User charges	230,726	189,221	67,276	11,159,963	791,655	82,673	12,521,514
Government transfers	1,555,802	262,011	-	3,244,296	125,949	-	5,188,058
Other	4,745,552	211,187	680,914	404,194	407,494	399,594	6,848,935
	<u>29,446,117</u>	<u>662,419</u>	<u>748,190</u>	<u>14,808,453</u>	<u>1,325,098</u>	<u>482,267</u>	<u>47,472,544</u>
<b>Expenditures:</b>							
Salaries, wages and employee benefits	1,250,088	6,963,079	1,582,208	1,028,120	2,194,485	1,415,874	14,433,854
Materials, goods, services, utilities	3,388,903	1,097,979	2,395,027	2,305,513	1,268,427	65,445	10,521,294
Contracted services	208,216	329,371	89,994	3,871,562	-	106,308	4,605,451
Interest on long-term debt	2,763	2,250	172,316	1,090,697	253,983	-	1,522,009
Rents and financial expenses	57,154	-	-	-	-	-	57,154
External transfers	41,770	-	-	-	-	-	41,770
Amortization	200,077	364,989	3,472,344	4,043,028	1,650,503	6,850	9,737,791
	<u>5,148,971</u>	<u>8,757,668</u>	<u>7,711,889</u>	<u>12,338,920</u>	<u>5,367,398</u>	<u>1,594,477</u>	<u>40,919,323</u>
	<u>\$ 24,297,146</u>	<u>\$ (8,095,249)</u>	<u>\$ (6,963,699)</u>	<u>\$ 2,469,533</u>	<u>\$ (4,042,300)</u>	<u>\$ (1,112,210)</u>	<u>\$ 6,553,221</u>