

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWN OF AMHERSTBURG**

Year ended December 31, 2021

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Financial Statements

Year ended December 31, 2021

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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.



KPMG LLP
618 Greenwood Centre
3200 Deziel Drive
Windsor ON N8W 5K8
Canada
Tel 519-251-3500
Fax 519-251-3530

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, 2021
- 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 consolidated financial position of the Town as at December 31, 2021, and its consolidated results of operations and its consolidated 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.

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada

Approval date

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets		
Cash	\$ 48,917,156	\$ 35,184,907
Taxes receivable	1,369,981	1,417,368
Trade and other receivables	3,629,880	4,101,183
Drainage receivables	1,389,450	852,828
Investment in government business enterprise (note 3)	6,053,229	5,737,430
	\$ 61,359,696	\$ 47,293,716
Financial liabilities		
Bank indebtedness (note 9)	\$ 937,703	\$ 937,703
Accounts payable and accrued liabilities	8,368,830	5,741,090
Accrued interest on long-term debt	602,919	646,147
Municipal debt (note 5)	30,254,143	32,633,161
Employee future benefit obligations (note 6)	18,195,600	18,015,600
Deferred revenue (Schedule 2)	17,132,150	13,639,028
	75,491,345	71,612,729
Net debt	(14,131,649)	(24,319,013)
Non-financial assets		
Tangible capital assets (Schedule 1)	261,148,325	254,641,943
Prepaid expenses	233,045	158,735
	261,381,370	254,800,678
Commitments and contingencies (notes 10, 11 and 12)		
Accumulated surplus (Schedule 4)	\$ 247,249,721	\$ 230,481,665

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, 2021, with comparative information for 2020

	Budget	2021	2020
Revenue:			
Taxation	\$ 29,016,849	\$ 28,498,282	\$ 28,316,472
Water charges	5,930,733	5,784,473	5,656,960
Wastewater charges	7,409,347	7,109,360	7,895,499
Government transfers	3,056,579	5,313,704	9,488,747
Other	836,984	11,385,470	3,281,492
Interest	30,000	737,099	466,294
Income from government business enterprise	248,000	581,665	423,950
Gain on disposal of tangible capital assets	-	1,160,051	89,451
	46,528,492	60,570,104	55,618,865
Expenses:			
General government	11,365,724	7,461,057	5,196,888
Protection to persons and property	7,747,991	7,983,669	7,977,694
Transportation services	5,851,580	7,606,628	7,161,033
Environmental services	11,300,248	13,411,111	12,789,942
Recreation and cultural services	6,022,028	5,525,204	5,512,228
Planning and development	1,565,647	1,814,379	1,474,470
	43,853,218	43,802,048	40,112,255
Annual surplus	2,675,274	16,768,056	15,506,610
Accumulated surplus, beginning of year	230,481,665	230,481,665	214,975,055
Accumulated surplus, end of year	\$ 233,156,939	\$ 247,249,721	\$ 230,481,665

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, 2021, with comparative information for 2020

	2021 Actual	2020 Actual
Annual surplus	\$ 16,768,056	\$ 15,506,610
Amortization of tangible capital assets	10,209,041	10,138,673
Acquisition of tangible capital assets	(17,113,832)	(11,138,845)
Gain on sale of tangible capital assets	(1,160,051)	(89,451)
Proceeds on sale of tangible capital assets	1,558,460	78,954
Use of (acquisition) of prepaid expense	(74,310)	108,896
Change in net debt	10,187,364	14,604,837
Net debt, beginning of year	(24,319,013)	(38,923,850)
Net debt, end of year	\$ (14,131,649)	\$ (24,319,013)

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, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 16,768,056	\$ 15,506,610
Items not involving cash:		
Amortization of tangible capital assets	10,209,041	10,138,673
Gain on sale of tangible capital assets	(1,160,051)	(89,451)
Increase in employee benefits payable	180,000	393,900
Income from government business enterprise	(581,665)	(423,950)
Change in non-cash operating working capital:		
Taxes receivable	47,387	(421,063)
Accounts receivable	471,303	(547,030)
Drain receivables	(536,622)	83,622
Prepaid expenses	(74,310)	108,896
Accounts payable	2,627,740	495,844
Deferred revenue	3,493,122	1,902,997
Accrued interest	(43,228)	(39,662)
Net change in cash from operations	31,400,773	27,109,386
Investing:		
Dividends received from government business enterprise	265,866	265,866
Net change in cash from investing	265,866	265,866
Capital:		
Acquisition of tangible capital assets	(17,113,832)	(11,138,845)
Proceeds on sale of tangible capital assets	1,558,460	78,954
Net change in cash from capital	(15,555,372)	(11,059,891)
Financing:		
Decrease in bank indebtedness	-	(3,790,678)
Long-term debt repaid	(2,379,018)	(2,292,092)
Net change in cash from financing	(2,379,018)	(6,082,770)
Increase in cash	13,732,249	10,232,591
Cash, beginning of year	35,184,907	24,952,316
Cash, end of year	\$ 48,917,156	\$ 35,184,907

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, 2021

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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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:

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.

(d) 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, 2021

1. Significant accounting policies (continued):

(d) Non-financial assets (continued):

(i) 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 laptop computers.

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(d) Non-financial assets (continued):

(ii) 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.

(iii) 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.

(e) 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.

(f) 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, 2021

1. Significant accounting policies (continued):

(f) 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.

(g) 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, 2021

1. Significant accounting policies (continued):

(h) 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.

(i) Revenue recognition:

- (i) Tax levies are recognized as revenue when amounts are levied on the municipality's ratepayers.
- (ii) Fines and donations are recognized when collected.
- (iii) Other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.
- (iv) 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, 2021

1. Significant accounting policies (continued):

(j) Liability for contaminated sites:

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

(k) Future accounting changes:

Effective for fiscal periods beginning on or after April 1, 2022, all governments will be required to adopt PSAB Section 3280, Asset Retirement Obligations. The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use.

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, 2021

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:

	2021	2020
Taxation and user charges		
School Boards	\$ 5,407,768	\$ 5,771,373
County	12,701,709	12,270,777
	<u>\$ 18,109,477</u>	<u>\$ 18,042,150</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:

	2021	2020
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	3,120,704	2,804,905
	<u>\$ 6,053,229</u>	<u>\$ 5,737,430</u>

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

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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)	
	2021	2020
Cash and cash equivalents	\$ 4,442	\$ 4,765
Accounts receivable	7,682	8,447
Unbilled revenue	5,711	6,270
Other current assets	1,938	1,579
Property, plant and equipment	76,379	73,472
Intangible assets	5,521	5,423
Right-of-use assets	1,950	2,026
Goodwill	1,623	1,623
Deferred assets	130	61
Note receivable	2,339	2,422
Deferred tax assets	215	872
Regulatory balances	14,119	15,181
Total assets and regulatory balances	\$ 122,049	\$ 122,141
Current liabilities	\$ 21,752	\$ 23,560
Long-term liabilities	36,980	36,628
Post-employment benefits	3,162	3,327
Deferred tax liabilities	4,793	5,289
Other non-current liabilities	8,707	7,600
Total liabilities	\$ 75,394	\$ 76,404
Share capital	\$ 19,667	\$ 19,667
Retained earnings	19,906	17,764
Net assets attributable to external Limited Partners	2,162	2,322
Accumulated other comprehensive income	1,752	1,617
Total equity	\$ 43,487	\$ 41,370
Regulatory balances	\$ 3,168	\$ 4,367
Total liabilities, equity and regulatory balances	\$ 122,049	\$ 122,141
Total revenues	\$ 96,050	\$ 102,543
Total expenses	(90,773)	(99,771)
Finance costs	(1,244)	(1,212)
Income tax expense	(838)	(239)
Net movement in regulatory balances, net of tax	137	1,424
Other comprehensive income (loss)	135	247
Total comprehensive income for the year	\$ 3,467	\$ 2,992

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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 2021 were \$9,037,126 (2020 - \$1,667,319).

(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 2021 was \$nil (2020 - \$64,274).

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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:

	2021	2020
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:	\$ 30,254,143	\$ 32,633,161
Amount to be recovered from benefiting landowners and user rates.	22,977,558	23,808,694
	<u>\$ 7,276,585</u>	<u>\$ 8,824,467</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:

2022	\$ 2,269,894
2023	2,058,566
2024	2,136,551
2025	2,097,985
2026 and thereafter	21,691,147
	<u>\$ 30,254,143</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:

	2021	2020
Principal payments	\$ 2,379,018	\$ 2,292,092
Interest	1,267,976	1,316,539
	<u>\$ 3,646,994</u>	<u>\$ 3,608,631</u>

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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, 2020 and has been projected to December 31, 2021. Information about the Town's defined benefit plans is as follows:

	2021	2020
Accrued benefit liability, January 1	\$ 18,015,600	\$ 17,621,700
Expense for the year:		
Current service cost	298,100	306,500
Interest	441,300	518,000
Amortization of actuarial (gains) losses	(21,900)	170,600
Benefits paid	(537,500)	(601,200)
Accrued benefit liability, December 31	18,195,600	18,015,600
Unamortized actuarial gains	(1,008,400)	(741,000)
Accrued benefit obligation, December 31	\$ 17,187,200	\$ 17,274,600

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

	2021	2020
Discount rate	2.65%	2.55%
Dental	4.00%	4.00%
Health care:		
initial	4.20%	4.00%
ultimate reached in 2040	3.90%	3.90%

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 \$766,681 (2020 - \$777,797) 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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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, 2021

8. Expenses by object:

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

	2021	2020
Salaries and employee benefits	\$ 13,025,342	\$ 11,995,204
Materials, goods services and utilities	10,604,558	8,747,057
Contracted services	8,696,735	7,870,387
Interest on long-term debt	1,224,853	1,316,539
Rent and financial expenses	7,737	13,994
External transfers	33,782	30,400
Amortization	10,209,041	10,138,674
	<u>\$ 43,802,048</u>	<u>\$ 40,112,255</u>

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 \$nil (2020 - \$ nil).

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 \$937,703 (2020 - \$937,703).

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 \$nil (2020 - \$ nil).

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

10. 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.

11. Commitments:

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. Remaining fees for contracted services for the current five-year term are as follows:

	Operating Costs	Capital Costs	Total commitment
2022	\$ 5,047,950	\$ 206,136	\$ 5,254,086
2023	5,144,321	206,136	5,350,457

12. 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.

13. Impact of COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The federal and provincial governments have implemented various government programs to respond to the negative economic impacts of COVID-19.

During 2021, the Town received \$nil (2020 - \$973,400) in funding under the federal-provincial Safe Restart Agreement to support municipal operating pressures as a result of COVID-19. The balance of this funding that was used to offset expenses in 2021 is included in the consolidated statement of financial activities and the remaining unspent funding is including in deferred revenue on the consolidated statement of financial position.

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Tangible Capital Assets

Schedule 1

Year ended December 31, 2021

	General							Infrastructure				Totals	
	Land	Land improvements	Buildings and improvements	Information Technology	Vehicles	Machinery and Equipment	Water	Wastewater	Storm Sewers	Transportation	Construction in progress	2021	2020
Cost:													
Balance, beginning of year	\$ 7,139,628	8,417,138	35,131,951	1,216,627	5,621,292	3,012,243	112,459,851	104,159,629	54,550,594	121,986,987	3,182,153	\$ 456,878,093	\$ 445,878,360
Add: Additions during the year	-	71,403	11,702	66,358	-	1,221,273	1,317,197	1,622,675	2,614,035	4,541,814	5,647,375	17,113,832	13,408,197
Less: Disposals during the year	169,005	-	-	-	77,985	117,739	-	-	-	-	227,145	591,874	2,408,464
Balance, end of year	6,970,623	8,488,541	35,143,653	1,282,985	5,543,307	4,115,777	113,777,048	105,782,304	57,164,629	126,528,801	8,602,383	473,400,051	456,878,093
Accumulated amortization:													
Balance, beginning of year	-	4,830,164	14,241,086	910,840	3,707,351	1,574,082	34,740,708	26,569,406	31,042,927	84,619,586	-	202,236,150	192,247,086
Add: amortization during the year	-	361,208	1,587,326	150,961	427,365	227,364	1,333,988	1,881,085	1,047,292	3,192,452	-	10,209,041	10,138,673
Less: accumulated amortization on disposals	-	-	-	-	77,985	115,480	-	-	-	-	-	193,465	149,609
Balance, end of year	-	5,191,372	15,828,412	1,061,801	4,056,731	1,685,966	36,074,696	28,450,491	32,090,219	87,812,038	-	212,251,726	202,236,150
Tangible capital assets	\$ 6,970,623	\$ 3,297,169	19,315,241	\$ 221,184	\$ 1,486,576	\$ 2,429,811	\$ 77,702,352	\$ 77,331,813	\$ 25,074,410	\$ 38,716,763	\$ 8,602,383	\$ 261,148,325	\$ 254,641,943
	General government	Protection to persons and property	Transportation services	Environmental services	Recreation culture	Planning and development	Total 2021						
Cost:													
Balance, beginning of year	\$ 9,580,528	8,328,104	127,963,135	272,143,807	38,760,013	102,506	\$ 456,878,093						
Add: Additions during the year	400,787	729,587	9,340,973	6,220,910	418,839	2,736	17,113,832						
Less: Disposals during the year	169,005	71,386	120,871	181,458	28,117	21,037	591,874						
Balance, end of year	9,812,310	8,986,305	137,183,237	278,183,259	39,150,735	84,205	473,400,051						
Accumulated amortization:													
Balance, beginning of year	1,216,177	4,972,722	87,649,040	92,869,352	15,453,064	75,795	202,236,150						
Add: amortization during the year	280,077	418,037	3,518,335	4,304,678	1,679,740	8,174	10,209,041						
Less: accumulated amortization on disposals	-	69,127	48,235	26,949	28,117	21,037	193,465						
Balance, end of year	1,496,254	5,321,632	91,119,140	97,147,081	17,104,687	62,932	212,251,726						
Net book value of													
tangible capital assets	\$ 8,316,056	\$ 3,664,673	\$ 46,064,097	\$ 181,036,178	\$ 22,046,048	\$ 21,273	\$ 261,148,325						

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Deferred Revenue

Schedule 2

Year ended December 31, 2021

	Balance December 31, 2020	Interest earned	Contributions received	Revenue earned- capital	Balance December 31, 2021
Development charges	\$ 10,668,644	\$ 200,231	\$ 3,694,266	\$ (1,400,679)	\$ 13,162,462
Federal gas tax	1,846,854	22,792	2,183,205	(1,294,384)	2,758,467
Grants	1,114,964	24,292	2,285,504	(2,222,105)	1,202,655
Other	8,566	-	-	-	8,566
	\$ 13,639,028	\$ 247,315	\$ 8,162,975	\$ (4,917,168)	\$ 17,132,150

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THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Reserves and Reserve Funds

Schedule 3

Year ended December 31, 2021, with comparative information for 2020

	Balance December 31, 2020	Interest earned	Transfer from (to) operations	Transfer to capital	Transfer from Accum Surplus	Balance December 31, 2021
Reserve funds:						
General	\$ 4,677,783	\$ 62,373	\$ 3,219,823	\$ (3,558,842)	\$ 693,893	\$ 5,095,030
Parkland	298,305	-	10,933	-	-	309,238
Post-retirement benefits	570,063	9,886	9,799	-	-	589,748
Renta Memorial Park	173,940	2,373	-	(16,383)	-	159,930
Tree Planting	2,537	-	10,600	-	-	13,137
Watermain	462,966	6,758	-	-	-	469,724
	6,185,594	81,390	3,251,155	(3,575,225)	693,893	6,636,807
General rated reserves:						
AODA Compliance	150,919	-	50,000	(19,800)	-	181,119
Building service capital	91,527	-	-	-	-	91,527
Building service operations	(388,417)	-	-	-	-	(388,417)
Co-An park capital	14,446	-	(5,000)	(11,702)	-	(2,256)
Contingency	244,484	-	118,600	-	-	363,084
Community Improvement Plan	284,798	-	-	-	-	284,798
Developer deposits reserve	17,253	-	-	-	-	17,253
Elections	96,114	-	35,350	-	-	131,464
Employee related	101,488	-	24,076	-	-	125,564
Events	31,677	-	(20,528)	-	-	11,149
Fire	211,940	-	1,066	-	-	213,006
Fleet	179,714	-	308,697	(100,000)	500,000	888,411
Information technology	460,076	-	179,500	(78,909)	-	560,667
Insurance	461,878	-	5,000	-	-	466,878
Libro	17,074	-	31,000	-	-	48,074
Litigation	101,488	-	-	-	-	101,488
Municipal Drain	340,373	-	-	-	-	340,373
Parks	698,331	-	19,688	(313,573)	870,000	1,274,446
Plans & Studies	367,064	-	41,000	-	-	408,064
Police	451,397	-	100,000	-	-	551,397
Risk Management	50,744	-	-	-	-	50,744
Street Lights	21,281	-	12,000	-	-	33,281
Tax stabilization	314,377	-	160,000	-	835,000	1,309,377
Transit	-	-	50,000	-	-	50,000
Winter control	81,190	-	-	-	-	81,190
Working capital	1,067,525	80,983	40,000	-	-	1,188,508
	5,468,741	80,983	1,150,449	(523,984)	2,205,000	8,381,189
Water and wastewater reserves:						
Wastewater capital	4,030,998	47,467	250,000	(288,653)	1,224,501	5,264,313
Water capital	3,581,150	51,032	200,000	(14,084)	-	3,818,098
	7,612,148	98,499	450,000	(302,737)	1,224,501	9,082,411
Donation reserves:						
Donations	32,575	-	(10,000)	(1,796)	-	20,779
Brick fund	15,517	708	-	-	-	16,225
	48,092	708	(10,000)	(1,796)	-	37,004
	13,128,981	180,190	1,590,449	(828,517)	3,429,501	17,500,604
	\$ 19,314,575	\$ 261,580	\$ 4,841,604	\$ (4,403,742)	\$ 4,123,394	\$ 24,137,411

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Accumulated Surplus

Schedule 4

December 31, 2021, with comparative information for 2020

	2021	2020
Reserve and reserve funds:		
Reserve funds (Schedule 3)	\$ 6,636,807	\$ 6,185,594
Reserves (Schedule 3)	17,500,604	13,128,981
	24,137,411	19,314,575
Surpluses:		
Tangible capital assets	261,148,325	254,641,943
General revenue fund surplus	10,413,728	7,173,908
Unfunded:		
Employee future benefit obligations	(18,195,600)	(18,015,600)
Long-term debt	(30,254,143)	(32,633,161)
	223,112,310	211,167,090
Accumulated surplus	\$ 247,249,721	\$ 230,481,665

THE CORPORATION OF THE TOWN OF AMHERSTBURG

Consolidated Schedule of Segment Disclosures

Schedule 5

Year ended December 31, 2021

	General Government	Protection to persons and property	Transportation services	Environmental services	Recreation and cultural services	Planning and development	Consolidated
Revenues:							
Taxation	\$ 26,337,399	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,337,399
User charges	192,002	135,494	103,214	14,245,007	266,044	112,955	15,054,716
Government transfers	5,083,973	28,851	-	83,216	117,664	-	5,313,704
Other	2,735,627	1,132,183	8,817,658	3,500	70,576	1,104,741	13,864,285
	34,349,001	1,296,528	8,920,872	14,331,723	454,284	1,217,696	60,570,104
Expenditures:							
Salaries, wages and employee benefits	4,363,646	1,830,272	1,667,659	1,285,291	2,301,570	1,576,904	13,025,342
Materials, goods, services, utilities	2,269,648	480,805	2,217,103	4,261,576	1,233,355	142,071	10,604,558
Contracted services	506,167	5,253,524	61,543	2,702,442	85,829	87,230	8,696,735
Interest on long-term debt	-	1,031	141,988	857,124	224,710	-	1,224,853
Rents and financial expenses	7,737	-	-	-	-	-	7,737
External transfers	33,782	-	-	-	-	-	33,782
Amortization	280,077	418,037	3,518,335	4,304,678	1,679,740	8,174	10,209,041
	7,461,057	7,983,669	7,606,628	13,411,111	5,525,204	1,814,379	43,802,048
	\$ 26,887,944	\$ (6,687,141)	\$ 1,314,244	\$ 920,612	\$ (5,070,920)	\$ (596,683)	\$ 16,768,056