

**GRAHAM, SETTERINGTON, McINTOSH,  
DRIEDGER & HICKS LLP**

CHARTERED ACCOUNTANTS



AL W. McINTOSH, CA

PAUL H. DRIEDGER, BSc, CA

R. TYLER HICKS, BBA, CA

HEATHER L. MacPHERSON, BAcc, CA

LINDSAY L. ROUNDING, BAcc, CA

P.O. BOX 189, 49 ERIE ST. N.,  
LEAMINGTON, ONTARIO N8H 3W2

TELEPHONE (519) 326-2681

FAX (519) 326-8044

**AUDITORS' REPORT**

**To The Town of Amherstburg**

We have audited the consolidated statement of financial position of the Town of Amherstburg as at December 31, 2008 and the consolidated statement of financial activities, changes in financial position, schedule of capital fund operations, schedule of current fund operations, and schedule of reserves for the year then ended. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Town of Amherstburg as at December 31, 2008 and the results of its operations and changes in cash flow for the year then ended in accordance with accounting principles as explained in note 1.

**GRAHAM, SETTERINGTON, McINTOSH,  
DRIEDGER & HICKS LLP**

*Graham, Setterington, McIntosh,  
Driedger & Hicks LLP*

Leamington, Ontario  
July 23, 2009

Chartered Accountants  
Licensed Public Accountants

**TOWN OF AMHERSTBURG**

**Consolidated Statement of Financial Position  
as at December 31**

	<u>2008</u>	<u>2007</u>
<b>Financial Assets</b>		
Cash	\$ 628,036	\$ 5,573,658
Taxes and grants-in-lieu	4,006,230	3,054,220
Trade and other receivables	3,376,064	2,757,388
Other	18,631	-
Long term investment - Hydro System (Note 3 (i))	<u>2,847,054</u>	<u>2,814,627</u>
<b>Total Assets</b>	<u>\$ 10,876,015</u>	<u>\$ 14,199,893</u>
<b>Liabilities</b>		
Bank indebtedness	\$ 5,869,639	\$ 4,219,227
Accounts payable and accrued liabilities	3,387,461	4,747,709
Interest on debt	52,256	62,121
Municipal debt (Note 4)	13,424,514	12,923,618
Employee benefits payable (Note 6)	11,107,000	10,016,500
Deferred revenue	<u>4,661,421</u>	<u>4,879,426</u>
	<u>38,502,291</u>	<u>36,848,601</u>
<b>Municipal Position (Note 7)</b>		
Current fund (Schedule 1)	(1,590,822)	(1,851,250)
Capital fund (Schedule 2)	(10,898,296)	(6,192,485)
Reserves (Schedule 3)	<u>9,446,606</u>	<u>8,397,259</u>
Fund balances	(3,042,512)	353,524
Amounts to be recovered (Note 7)	(18,451,698)	(16,889,673)
Amounts to be recovered from benefiting landowners and user rates (Note 4)	<u>(6,132,066)</u>	<u>(6,112,559)</u>
	<u>(27,626,276)</u>	<u>(22,648,708)</u>
<b>Total Liabilities and Municipal Position</b>	<u>\$ 10,876,015</u>	<u>\$ 14,199,893</u>

**TOWN OF AMHERSTBURG**

**Consolidated Statement of Financial Activities  
for the years ended December 31**

	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Net taxation/user charges	\$ 21,143,009	\$ 19,880,522
Government transfers	5,499,502	4,053,030
Other	1,634,763	4,202,481
Interest	628,179	423,071
Share of hydro income for the year	146,491	181,451
	<u>29,051,944</u>	<u>28,740,555</u>
<b>Expenditures</b>		
<b>Current</b>		
General government	2,033,982	2,217,090
Protection to persons and property	5,855,636	5,836,368
Transportation services	3,666,549	3,083,899
Environmental services	6,061,007	6,224,958
Recreation and culture	1,887,715	1,718,519
Planning and development	792,724	346,335
<b>Total current</b>	<u>20,297,613</u>	<u>19,427,169</u>
<b>Capital</b>		
General government	87,447	106,316
Protection to persons and property	808,928	152,016
Transportation services	3,000,208	3,162,773
Environmental services	7,553,964	4,250,640
Recreation and culture	1,162,393	104,340
Planning and development	38,323	334,115
<b>Total capital</b>	<u>12,651,263</u>	<u>8,110,200</u>
<b>Total Expenditures</b>	<u>32,948,876</u>	<u>27,537,369</u>
<b>Net Revenues (Expenditures)</b>	<u>(3,896,932)</u>	<u>1,203,186</u>
Add: New debt issued	2,660,984	-
Less: Debt principal repayments	<u>(2,160,088)</u>	<u>(1,957,201)</u>
	<u>500,896</u>	<u>(1,957,201)</u>
<b>Changes in Fund Balances</b>	<u>\$ (3,396,036)</u>	<u>\$ (754,015)</u>

**TOWN OF AMHERSTBURG**

**Consolidated Statement of Changes in Financial Position  
for the years ended December 31**

	<u>2008</u>	<u>2007</u>
<b>Cash provided by (used in)</b>		
<b>Operating Activities</b>		
Change in operating fund balances for the year	\$ (3,396,036)	\$ (754,015)
Changes in non-cash working capital balances		
Taxes receivable	(952,010)	(900,165)
Accounts receivable	(618,676)	(248,128)
Other assets	(18,631)	-
Accounts payable	(1,360,248)	572,871
Amounts to be recovered	(1,581,531)	51,928
Deferred revenue	(218,005)	564,460
Accrued interest	(9,865)	(9,965)
Debt recoverable from others	(1)	612,698
Increase in employee benefits payable	1,090,500	1,303,400
	<u>(7,064,503)</u>	<u>1,193,084</u>
<b>Investing Activities</b>		
Increase in investments	<u>(32,427)</u>	<u>77,648</u>
<b>Financing Activities</b>		
Bank indebtedness	1,650,412	2,175,322
Long term debt issued	2,660,984	-
Long term debt repaid	(2,160,088)	(1,957,195)
Transfer to tile and shoreline	-	-
	<u>2,151,308</u>	<u>218,127</u>
<b>Net Increase in Cash and Cash Equivalents</b>	(4,945,623)	1,488,859
<b>Opening Cash and Cash Equivalents</b>	<u>5,573,658</u>	<u>4,084,799</u>
<b>Closing Cash and Cash Equivalents</b>	<u>\$ 628,035</u>	<u>\$ 5,573,658</u>

## **TOWN OF AMHERSTBURG**

### **Notes to Financial Statements for the years ended December 31**

#### **1. Significant Accounting Policies**

The consolidated financial statements of the Corporation of the Town of Amherstburg are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipality Affairs. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. They have been made using careful judgements.

##### **(a) (i) Basis of Consolidation**

These consolidated statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund, reserves and deferred revenue fund and include the activities of all committees of council which are under the control of Council.

##### **(ii) Other Entities**

Essex Power Corporation, a government business enterprise, and an investment of the Town, is accounted for using the modified equity method. This represents the Town's Proportionate share of Essex Power's net assets at acquisition plus its share of undistributed earnings. The basis is consistent with the generally accepted accounting treatment of government business enterprises.

##### **(iii) Accounting for Region (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.

##### **(iv) Trust Funds**

There are no trust funds administered by the municipality.

##### **(b) Basis of Accounting**

The accrual basis of accounting recognized revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

The consolidated statement of financial position reflects all of the financial assets and liabilities of the municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or financial future operations.

**TOWN OF AMHERSTBURG**

**Notes to Financial Statements  
for the year ended December 31**

**1. Accounting Policies (Cont'd)**

**(b) Basis of Accounting (Cont'd)**

**Capital Assets**

The historical cost and accumulated amortization for capital assets is not recorded for Municipal purposes. Property, plant and equipment is reported as an expenditure on the " Consolidated Statement of Financial Activities" in the year of acquisition. For capital assets financed or to be financed by the issue of long-term indebtedness, they are reported on the "Consolidated Statement of Financial Activities" as they are incurred.

**Deferred Revenue**

Revenue restricted by legislating, regulation or agreement and is not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position.

**Employee Future Benefits**

The Town has adapted the method for employee future benefits as required by the Canadian Institute of Chartered Accountants. The cost of future benefits earned by employee is actuarially determined using the projected benefit method prorated on service and assumptions with respect to mortality and termination costs, retirement age and expected inflation costs with respect to employee benefit costs.

**2. Operation of School Boards and the County of Essex**

Further to the note 1 (a)(iii), the taxation, other revenues, expenditures, of the school boards and the County of Essex are comprised of the following:

<b>Taxation and User Charges</b>	<b><u>2008</u></b>	<b><u>2007</u></b>
School Boards	\$ 7,002,154	\$ 6,770,736
County	<u>7,395,873</u>	<u>7,191,869</u>
	<u>\$ 14,398,027</u>	<u>\$ 13,962,605</u>

**TOWN OF AMHERSTBURG**

**Notes to Financial Statements  
for the years ended December 31**

**3. Long Term Receivables**

**(i) Investment in Essex Power Corporation**

The municipality has an investment in the Hydro System known as Essex Power Corporation. Essex Power Corporation is a government business enterprise and is accounted for in the records of the Town of Amherstburg using the modified equity basis.

The investment is comprised of the following:

	<u><b>2008</b></u>	<u><b>2007</b></u>
Common Shares - 2,678,179, adjusted for share of accumulated operating surplus.	\$ <u>2,847,054</u>	\$ <u>2,814,627</u>

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

**(ii) Supplementary Information**

The following table provides condensed supplementary information for Essex Power Corporation as at December 31.

	<u><b>2008</b></u>	<u><b>2007</b></u>
<b>Financial Position</b>		
Current Assets	\$ 16,935,364	\$ 14,233,865
Capital Assets	29,952,058	29,857,463
Other	<u>2,824,945</u>	<u>3,046,918</u>
<b>Total Assets</b>	<u>49,712,367</u>	<u>47,138,246</u>
Current Liabilities	15,030,409	16,077,086
Long Term Liabilities	<u>14,711,780</u>	<u>11,318,410</u>
<b>Total Liabilities</b>	<u>29,742,189</u>	<u>27,395,496</u>
<b>Net Assets</b>	<u>\$ 19,970,178</u>	<u>\$ 19,742,750</u>
<b>Result from Operations</b>		
Gross Margin on Service Revenue	\$ 9,680,270	\$ 9,778,301
Other Revenue	1,354,963	4,409,434
Operation Expenses	<u>(9,150,608)</u>	<u>(12,112,277)</u>
Income from Operations	1,884,625	2,075,458
Other Income (Expenses)	<u>(670,323)</u>	<u>(1,058,831)</u>
<b>Net Income</b>	<u>\$ 1,214,302</u>	<u>\$ 1,016,627</u>

**TOWN OF AMHERSTBURG**

**Notes to the Financial Statements  
for the years ended December 31**

<b>4. Net Long Term Liabilities</b>	<b><u>2008</u></b>	<b><u>2007</u></b>
<p>(a) The balance of net long-term liabilities reported on the "Consolidated Balance Sheet" is made up of the following:</p>		
<p>Total long term liabilities incurred by the Municipality and those incurred on behalf of municipal enterprises and benefiting landowners and outstanding at the end of the year amount to:</p>		
	\$ 13,424,514	\$ 12,923,618
<p>Amount to be recovered from benefiting landowners and user rates.</p>		
	<u>6,132,066</u>	<u>6,112,559</u>
	<u>\$ 7,292,448</u>	<u>\$ 6,811,059</u>

(b) Of the long term debt reported in (a), the interest rates range from 2.20% to 7.79%.

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

2009	\$ 1,873,419
2010	1,765,054
2011	1,561,935
2012	1,379,100
2013	1,198,065
2014 onward	<u>5,646,941</u>
	<u>\$ 13,424,514</u>

(d) The long term liabilities in (a) issued in the name of the Municipality 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.

<b>5. Charges for Net Long-Term Liabilities</b>	<b><u>2008</u></b>	<b><u>2007</u></b>
<p>Total charges for the year for net long-term liabilities which are reported on the "Consolidated Statement of Financial Activities" are as follows:</p>		
Principal payments	\$ 2,160,088	\$ 1,957,201
Interest	<u>758,625</u>	<u>798,737</u>
	<u>\$ 2,918,713</u>	<u>\$ 2,755,938</u>

**TOWN OF AMHERSTBURG**

**Notes to the Financial Statements  
for the years ended December 31**

**6. Employee Future Benefits**

The municipality pays certain benefits on behalf of its retired employees. Information about Amherstburg's defined benefit plans is as follows:

Accrued benefit as at December 31, 2007	\$	10,016,500
Benefit (cost)/income for the period		1,406,700
Employer contributions for the period		<u>(316,200)</u>
Projected accrued benefit obligation at December 31, 2008 as determined by actuarial valuations.	\$	<u><u>11,107,000</u></u>

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

Discount rate		5.00%
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**7. Municipal Fund Balances at the End of the Year**

**2008**

**2007**

(a) The balances on the "Consolidated Statement of Operations" of the municipal position of \$27,626,276 (2007 - \$ 22,648,708) at the end of the year is comprised of the following

(i) Operating Fund

For General Reduction of Taxation	\$	(1,498,953)	\$	(912,764)
For General Reduction of User Charges-Water		(610,645)		(491,591)
For General Reduction of User Charges-Sewers		<u>518,776</u>		<u>(446,895)</u>
		<u>(1,590,822)</u>		<u>(1,851,250)</u>

(ii) Capital Fund

(Capital Operations not yet permanently financed for acquisition of capital assets to be recovered through taxation user charges or pending issue of long-term liabilities).

	<u>(10,898,296)</u>	<u>(6,192,485)</u>
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(iii) Reserves

	<u>9,446,606</u>	<u>8,397,259</u>
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**TOWN OF AMHERSTBURG**

**Notes to the Financial Statements  
for the years ended December 31**

<b>7. Municipal Fund Balances at the End of the Year (Cont'd)</b>	<u><b>2008</b></u>	<u><b>2007</b></u>
(iv) Amounts to be Recovered		
- Taxation		
Accrued interest on long-term debt	\$ (52,256)	\$ (62,121)
Portion of long-term debt due from future revenue	(7,292,442)	(6,811,052)
Employee future benefits and interest	<u>(11,107,000)</u>	<u>(10,016,500)</u>
	<u>(18,451,698)</u>	<u>(16,889,673)</u>
- User Charges		
Amount to be recovered from benefiting landowners and user rates	<u>(6,132,066)</u>	<u>(6,112,559)</u>
<b>TOTAL</b>	<u><b>\$ (27,626,276)</b></u>	<u><b>\$ (22,648,708)</b></u>

**8. OMERS**

The Municipality 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.

During the year \$472,468 was contributed by the Municipality.

**9. Tangible Capital Assets**

The Town of Amherstburg will be adopting PSAB 3150, accounting for tangible capital assets as of January 1, 2009. Management has commenced the process of inventorying the tangible capital assets.

**TOWN OF AMHERSTBURG**

**Notes to the Financial Statements  
for the year ended December 31**

**10. Expenditures by Object**

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

	<u>2008</u>	<u>2007</u>
Salaries and employee benefits	\$ 9,540,458	\$ 8,767,712
Materials, good, services, utilities	5,569,933	5,820,813
Contracted services	4,328,580	3,637,054
Interest on long term debt	758,625	798,737
Rent and financial expenses	78,217	338,810
External transfers	21,800	64,014
	20,297,613	19,427,140
Capital	12,651,263	8,110,200
	\$ 32,948,876	\$ 27,537,340

**11. Bank Indebtedness**

Excess cheques over funds on deposit to the CIBC with interest charged at prime less 1/4% to a maximum of \$ 5,000,000.

**12. Public Sector Salary Disclosure Act**

The Public Sector Salary Disclosure Act, 1996, requires the Municipality to disclose and make available to the public, the names, positions, and salaries of the employees or officers who received remuneration totalling more than \$100,000 during the calendar year.

The following represents the required information under the Act:

<u>Employee</u>	<u>Office or Position</u>	<u>Salary</u>	<u>Benefits</u>
Tim Berthiaume	Staff Sergeant	\$ 104,818	\$ 1,230
Donald Brown	Sergeant	\$ 102,257	\$ 1,133
Bart Dipasquale	Deputy Police Chief	\$ 115,325	\$ 1,023
Roger Hollingworth	Police Chief	\$ 126,000	\$ 1,133
Pamela Malott	Chief Administrative Officer	\$ 103,307	\$ 662
Pat Palumbo	Staff Sergeant	\$ 104,407	\$ 1,226
Steve Ross	Detective Constable	\$ 104,818	\$ 1,060

TOWN OF AMHERSTBURG

Schedule 1

Consolidated Schedule of Current Fund Operations  
for the year ended December 31

	Budget 2008 <u>(Unaudited)</u>	Actual <u>2008</u>	Actual <u>2007</u>
<b>Revenues</b>			
Net taxation/user charges	\$ 21,272,597	\$ 21,143,009	\$ 19,880,522
Government transfers	1,310,731	3,070,665	1,307,393
Other	574,090	1,115,885	2,027,952
Interest	555,000	628,179	423,071
Share of hydro income for the year	1,000	146,491	181,451
	<u>23,713,418</u>	<u>26,104,229</u>	<u>23,820,389</u>
<b>Expenditures</b>			
<b>Current</b>			
General government	1,914,439	2,033,982	2,217,090
Protection to persons and property	5,876,465	5,855,636	5,836,368
Transportation services	3,373,310	3,666,549	3,083,899
Environmental services	5,963,558	6,061,007	6,224,958
Recreation and culture	1,724,216	1,887,715	1,718,519
Planning and development	836,167	792,724	346,335
<b>Total current</b>	<u>19,688,155</u>	<u>20,297,613</u>	<u>19,427,169</u>
<b>Net Revenues</b>	<u>4,025,263</u>	<u>5,806,616</u>	<u>4,393,220</u>
<b>Financing and transfers</b>			
Debt principal repayments	(2,160,088)	(2,160,088)	(1,957,201)
Transfers to reserves	(519,891)	(3,086,263)	(874,724)
Transfers from reserves	319,880	705,721	352,293
Net transfer to capital operations	<u>(1,300,440)</u>	<u>(1,005,558)</u>	<u>4,070</u>
	<u>(3,660,539)</u>	<u>(5,546,188)</u>	<u>(2,475,562)</u>
<b>Change in Current Fund</b>	364,724	260,428	1,917,658
Opening Current Fund Balance	<u>(1,851,250)</u>	<u>(1,851,250)</u>	<u>(3,768,908)</u>
<b>Ending Current Fund Balance</b>	<u>\$ (1,486,526)</u>	<u>\$ (1,590,822)</u>	<u>\$ (1,851,250)</u>
<b>Analyzed as follows:</b>			
General purpose tax levies	\$ (1,176,475)	\$ (1,498,953)	\$ (912,764)
Water service user rates	(775,382)	(610,645)	(491,591)
Sewer service user rates	<u>465,331</u>	<u>518,776</u>	<u>(446,895)</u>
	<u>\$ (1,486,526)</u>	<u>\$ (1,590,822)</u>	<u>\$ (1,851,250)</u>

TOWN OF AMHERSTBURG

Schedule 2

Consolidated Schedule of Capital Fund Operations  
for the year ended December 31

	Budget 2008 <u>(Unaudited)</u>	Actual <u>2008</u>	Actual <u>2007</u>
<b>Revenues</b>			
Government transfers	\$ 5,117,471	\$ 2,428,837	\$ 2,745,637
Other	<u>798,000</u>	<u>507,553</u>	<u>487,093</u>
<b>Total Revenues</b>	<u>5,915,471</u>	<u>2,936,390</u>	<u>3,232,730</u>
<b>Expenditures</b>			
General government	58,000	87,447	106,316
Protection to persons and property	840,500	808,928	152,016
Transportation services	1,819,640	3,000,208	3,162,773
Environmental services	14,358,607	7,553,964	4,250,640
Recreation and culture	637,300	1,162,393	104,340
Planning and development	-	38,323	334,115
<b>Total current</b>	<u>17,714,047</u>	<u>12,651,263</u>	<u>8,110,200</u>
<b>Net Expenditures</b>	<u>(11,798,576)</u>	<u>(9,714,873)</u>	<u>(4,877,470)</u>
<b>Financing and Transfers</b>			
Proceeds of long term debt	6,831,436	2,660,984	-
Transfer from operating fund	1,300,440	1,005,558	-
Transfer to reserves	-	(529,440)	-
Transfer from reserves	<u>3,666,700</u>	<u>1,871,960</u>	<u>(4,070)</u>
<b>Net Financing and Transfers</b>	<u>11,798,576</u>	<u>5,009,062</u>	<u>(4,070)</u>
<b>Change in Capital Fund</b>	-	(4,705,811)	(4,881,540)
Opening Capital Fund Balance	<u>(6,192,485)</u>	<u>(6,192,485)</u>	<u>(1,310,945)</u>
<b>Ending Capital Fund Balance</b>	<u>\$ (6,192,485)</u>	<u>\$ (10,898,296)</u>	<u>\$ (6,192,485)</u>

**TOWN OF AMHERSTBURG**

Schedule 3

**Consolidated Schedule of Reserves  
for the year ended December 31**

	<b>Budget 2008 <u>(Unaudited)</u></b>	<b>Actual 2008</b>	<b>Actual 2007</b>
<b>Net Transfers From (To) Other Funds</b>			
Ontario grant - water	\$ -	\$ -	\$ 1,629,700
Contributions - net	-	11,325	57,736
Transfer from capital fund	-	529,440	
Transfer to capital fund	(3,666,700)	(1,871,960)	
Transfer from operating fund	519,891	3,086,263	874,724
Transfer to operating fund	<u>(319,880)</u>	<u>(705,721)</u>	<u>(352,293)</u>
<b>Total Net Transfers</b>	<b>(3,466,689)</b>	<b>1,049,347</b>	<b>2,209,867</b>
<b>Opening Reserve Balance</b>	<u>8,397,259</u>	<u>8,397,259</u>	<u>6,187,392</u>
<b>Ending Reserve Balance</b>	<b>\$ <u>4,930,570</u></b>	<b>\$ <u>9,446,606</u></b>	<b>\$ <u>8,397,259</u></b>