

**CORPORATION OF THE MUNICIPALITY
OF DUTTON/DUNWICH**

Financial Statements

December 31, 2015

Corporation of the Municipality of Dutton/Dunwich
Financial Statements
For the Year Ended December 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the
Corporation of the Municipality of Dutton/Dunwich:

We have audited the accompanying financial statements of the **Corporation of the Municipality of Dutton/Dunwich**, which comprise the statement of financial position as at December 31, 2015, and the statements of operations and accumulated surplus, changes in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for public sector entities 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.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the statement of financial position of the **Corporation of the Municipality of Dutton/Dunwich** as at December 31, 2015, and the results of its operations and accumulated surplus, changes in net debt and cash flows for the year then ended in accordance with Canadian accounting standards for public sector entities.

St. Thomas, Ontario

September 14, 2016

Graham Scott Enns LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

Corporation of the Municipality of Dutton/Dunwich

**Statement of Financial Position
As at December 31, 2015**

	2015	2014
	<u>\$</u>	<u>\$</u>
FINANCIAL ASSETS		
Cash	1,095	6,236
Taxes receivable	797,607	762,656
Accounts receivable	<u>726,482</u>	<u>489,992</u>
Total financial assets	<u>1,525,184</u>	<u>1,258,884</u>
LIABILITIES		
Temporary bank advances (Note 2)	185,427	373,300
Accounts payable and accrued liabilities	807,448	630,899
Deferred revenue (Note 5)	118,391	81,420
Landfill closure and post-closure liability (Note 4)	32,278	31,184
Net long-term liabilities (Note 6)	<u>4,168,942</u>	<u>3,325,321</u>
Total liabilities	<u>5,312,486</u>	<u>4,442,124</u>
NET FINANCIAL DEBT	<u>(3,787,302)</u>	<u>(3,183,240)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3)	29,875,851	29,735,244
Inventories	22,796	22,519
Prepaid expenses	<u>26,835</u>	<u>65,428</u>
Total non-financial assets	<u>29,925,482</u>	<u>29,823,191</u>
ACCUMULATED SURPLUS (NOTE 7)	<u>26,138,180</u>	<u>26,639,951</u>

The accompanying notes are an integral part of these financial statements.

Corporation of the Municipality of Dutton/Dunwich

**Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2015**

	Budget (Note 12)	Actual 2015	Actual 2014
	<u>\$</u>	<u>\$</u>	<u>\$</u>
REVENUES			
Property taxation	2,881,805	2,943,994	2,693,508
Taxation from other governments	114,943	97,910	107,049
Local improvement levies	198,275	211,925	360,379
User charges	1,797,964	1,786,413	1,814,846
Government transfers:			
Federal	8,900	156,225	169,101
Provincial	859,000	1,070,064	1,526,909
Other municipalities	672,172	670,409	685,444
Penalties and interest on taxes	81,000	95,495	97,454
Other	7,200	25,222	48,467
(Loss) gain on disposal of tangible capital assets	<u>30,000</u>	<u>4,671</u>	<u>(22,791)</u>
Total revenues	<u>6,651,259</u>	<u>7,062,328</u>	<u>7,480,366</u>
EXPENSES			
General government	1,070,444	1,050,848	1,014,491
Fire and police protection	875,446	793,282	817,276
Other protective services	260,263	259,013	252,276
Transportation services	2,118,742	2,092,629	2,121,155
Waterworks and sewer	1,485,229	1,576,156	1,542,151
Garbage collection and disposal	323,464	325,439	323,122
Health services	298,318	250,752	274,419
Recreation and cultural services	422,159	430,404	562,340
Planning and zoning	38,183	55,592	42,426
Agriculture	<u>127,647</u>	<u>729,984</u>	<u>251,042</u>
Total expenses (Note 13(a))	<u>7,019,895</u>	<u>7,564,099</u>	<u>7,200,698</u>
ANNUAL SURPLUS (DEFICIT)	(368,636)	(501,771)	279,668
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>26,639,951</u>	<u>26,639,951</u>	<u>26,360,283</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 7)	<u><u>26,271,315</u></u>	<u><u>26,138,180</u></u>	<u><u>26,639,951</u></u>

The accompanying notes are an integral part of these financial statements.

Corporation of the Municipality of Dutton/Dunwich

Statement of Change in Net Debt For the Year Ended December 31, 2015

	Budget (Note 12) \$	Actual 2015 \$	Actual 2014 \$
ANNUAL SURPLUS (DEFICIT)	(368,636)	(501,771)	279,668
Acquisition of tangible capital assets	(1,035,485)	(1,035,485)	(1,133,297)
Amortization of tangible capital assets	889,274	889,274	857,275
Proceeds on disposal of tangible capital assets	-	10,274	2,351
Change in inventories and prepaid expenses	-	38,317	(56,632)
Loss (gain) on disposal of tangible capital assets	-	(4,671)	<u>22,791</u>
(INCREASE) DECREASE IN NET FINANCIAL DEBT	(514,847)	(604,062)	(27,844)
NET FINANCIAL DEBT, BEGINNING OF YEAR	<u>(3,183,240)</u>	<u>(3,183,240)</u>	<u>(3,155,396)</u>
NET FINANCIAL DEBT, END OF YEAR	<u>(3,698,087)</u>	<u>(3,787,302)</u>	<u>(3,183,240)</u>

The accompanying notes are an integral part of these financial statements.

Corporation of the Municipality of Dutton/Dunwich

Statement of Cash Flows For the Year Ended December 31, 2015

	2015	2014
	<u>\$</u>	<u>\$</u>
OPERATING ACTIVITIES		
Annual surplus (deficit)	(501,771)	279,668
Add (deduct) items not involving cash:		
Amortization of tangible capital assets	889,274	857,275
Landfill closure and post-closure liability	1,094	891
Loss (gain) on disposal of tangible capital assets	<u>(4,671)</u>	<u>22,791</u>
	383,926	1,160,625
Change in non-cash assets and liabilities related to operations (Note 13 (b))	<u>(19,605)</u>	<u>(426,963)</u>
Cash provided by operating activities	<u>364,321</u>	<u>733,662</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(1,035,485)	(1,133,297)
Proceeds on disposal of tangible capital assets	<u>10,274</u>	<u>2,351</u>
Cash (used in) capital activities	<u>(1,025,211)</u>	<u>(1,130,946)</u>
FINANCING ACTIVITIES		
Proceeds from long-term debt issued	1,263,605	457,280
Long-term debt repayments	<u>(419,983)</u>	<u>(441,895)</u>
Cash provided by financing activities	<u>843,622</u>	<u>15,385</u>
NET (DECREASE) INCREASE IN CASH	182,732	(381,899)
CASH (BANK INDEBTEDNESS), BEGINNING OF YEAR	<u>(367,064)</u>	<u>14,835</u>
(BANK INDEBTEDNESS) CASH, END OF YEAR	<u>(184,332)</u>	<u>(367,064)</u>
(BANK INDEBTEDNESS) CASH REPRESENTED BY:		
Cash	1,095	6,236
Temporary bank advances	<u>(185,427)</u>	<u>(373,300)</u>
	<u>(184,332)</u>	<u>(367,064)</u>

The accompanying notes are an integral part of these financial statements.

Corporation of the Municipality of Dutton/Dunwich

Notes to the Financial Statements For the Year Ended December 31, 2015

The Municipality of Dutton/Dunwich (the "Municipality") is a lower tier municipality in the Province of Ontario. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Municipality are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Municipality are as follows:

Reporting Entity

The financial statements reflect the assets, liabilities, revenues, expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the Municipality.

Consolidated Entities

There are no organizations or local boards that are consolidated in these financial statements.

Proportionate Consolidation

There are no organizations or local boards that are proportionately consolidated in these financial statements.

Trust Funds

Trust funds and their related operations administered by the Municipality are not included in the financial statements. Trust funds administered are reported in note 8.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

Corporation of the Municipality of Dutton/Dunwich

Notes to the Financial Statements For the Year Ended December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting for County and School Board Transactions

Although the Municipality collects taxation on behalf of the County of Elgin and the School Boards, the taxation, other revenues, expenses, assets and liabilities with respect to the operations of the County and the school boards are not reflected in these financial statements.

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 extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Debt for the year.

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 are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 - 60 years
Equipment	5 - 15 years
Vehicles	10 - 15 years
Transportation	15 - 30 years
Bridges	25 - 75 years
Water system infrastructure	100 years
Wastewater infrastructure	80 years

Amortization is recorded on a straight-line basis over the estimated useful lives of the asset commencing the year the asset is available for productive use. Half the normal rate of amortization is recorded in the initial year of productive use.

ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

Corporation of the Municipality of Dutton/Dunwich

Notes to the Financial Statements For the Year Ended December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iii) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

iv) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

Deferred Revenue

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work. In addition, certain user charges and fees which have been collected but for which the related services have yet to be performed. Revenue is recognized in the period when the related expense is incurred and services performed.

Solid Waste Landfill Closure and Post-Closure Liability

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The Municipality discounts these future cash flows for closure and post-closure care activities at the Municipality's average long-term borrowing rate.

Government Transfers

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined. Any amount received but restricted is recorded as deferred revenue in accordance with Section 3100 of the Public Sector Accounting Handbook and recognized as revenue in the period in which the resources are used for the purpose specified.

In addition, the Municipality periodically receives senior government capital funding in the form of infrastructure grants and receives ongoing funding from the federal government as a result of an allocation of the gas tax funds.

Corporation of the Municipality of Dutton/Dunwich

Notes to the Financial Statements For the Year Ended December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee Benefit Plans

The Municipality 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 the employees based on the length of service and pay rates. Employee benefits include post employment benefits. Post employment benefits 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. Any actuarial gains and losses related to past service of employees are amortized over the expected average remaining service period.

Tax Revenues

In 2015 the Municipality received \$3,041,904 (2014 - \$2,800,557) in property tax revenues for municipal purposes. The authority to levy and collect property taxes is established under the Municipal Act 2001, the Assessment Act, the Education Act, and other legislation.

The property tax levy is determined each year through Council's approval of the annual budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council-approved policies, in order to raise the revenue required to meet operating budget requirements. Education tax rates are established by the Province each year in order to fund costs of education on a Province-wide basis.

Taxation revenues are recorded at the time billings are issued. Additional property tax revenue can be added throughout the year, related to new properties that become occupied, or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. The Municipality may receive supplementary assessment rolls over the course of the year from MPAC that identify new or omitted assessments. Property taxes for these supplementary/omitted amounts are then billed according to the approved tax rate for the property class.

Taxation revenues in any year may also be reduced as a result of reductions in assessment value rising from assessment and/or tax appeals. Each year, an amount is identified to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals or other deficiencies in tax revenue (e.g. uncollectible amounts, write-offs, etc.).

Corporation of the Municipality of Dutton/Dunwich

Notes to the Financial Statements For the Year Ended December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, allowances for vacancies, rebates and uncollectible property taxes and in performing actuarial valuations of employee future benefits.

In addition, the Municipality's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical costs and useful lives of tangible capital assets.

Actual results could differ from management's best estimates as additional information becomes available in the future.

Financial Instruments

The Municipality's financial instruments and consist of cash and cash equivalents, accounts receivable, taxes receivable, accounts payable and accrued liabilities and long-term liabilities. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency, or credit risk arising from these financial instruments.

Environmental Provisions and Contaminated Sites

The Municipality's may be exposed to litigation or other costs of remediation due to contaminated properties in it's jurisdiction. A liability for remediation is recognized in the financial statements when an environmental standard exists, contamination exceeds the standard, the government is responsible for the remediation and a reasonable estimate of the liability can be made. As at December 31, 2015 there was one property that the Municipality was responsible to remedy and has accrued any known liabilities and expensed all known costs.

2. BANK INDEBTEDNESS

The Municipality has available a \$2,300,000 overdraft facility. This facility bears interest at the bank prime rate (December 31, 2015 - 2.70%). At year-end the Municipality had drawn \$210,000 on this facility.

Corporation of the Municipality of Dutton/Dunwich

Notes to the Financial Statements For the Year Ended December 31, 2015

3. TANGIBLE CAPITAL ASSETS

December 31, 2015

Cost	Opening	Additions	Disposals	Ending
<u>Infrastructure</u>				
Linear - Roadways	6,173,206	171,084	-	6,344,290
Linear - Water Services	13,646,312	10,672	-	13,656,984
Linear - Waste Water	4,076,129	342,115	-	4,418,244
Utility infrastructure	2,866,709	29,678	-	2,896,387
Infrastructure Total	<u>26,762,356</u>	<u>553,549</u>	<u>-</u>	<u>27,315,905</u>
<u>General</u>				
Land	2,218,008	100,172	-	2,318,180
Building	9,235,996	50,110	-	9,286,106
Machinery and Equipment	1,179,920	41,584	-	1,221,504
Vehicles	3,036,507	290,070	(168,816)	3,157,761
General Total	<u>15,670,431</u>	<u>481,936</u>	<u>(168,816)</u>	<u>15,983,551</u>
Total Cost	<u>42,432,787</u>	<u>1,035,485</u>	<u>(168,816)</u>	<u>43,299,456</u>
Accumulated Amortization				
	Opening	Amortization	Disposal	Ending
<u>Infrastructure</u>				
Linear - Roadways	2,911,757	228,230	-	3,139,987
Linear - Water Services	1,870,680	136,547	-	2,007,227
Linear - Waste Water	926,677	53,200	-	979,877
Utility infrastructure	958,526	35,327	-	993,853
Infrastructure Total	<u>6,667,640</u>	<u>453,304</u>	<u>-</u>	<u>7,120,944</u>
<u>General</u>				
Building	4,087,540	186,589	-	4,274,129
Machinery and Equipment	317,856	58,969	-	376,825
Vehicles	1,624,507	190,412	(163,212)	1,651,707
General Total	<u>6,029,903</u>	<u>435,970</u>	<u>(163,212)</u>	<u>6,302,661</u>
Total Accumulated Amortization	<u>12,697,543</u>	<u>889,274</u>	<u>(163,212)</u>	<u>13,423,605</u>
Net Book Value				
	Opening			Ending
<u>Infrastructure</u>				
Linear - Roadways	3,261,449			3,204,303
Linear - Water Services	11,775,632			11,649,757
Linear - Waste Water	3,149,452			3,438,367
Utility infrastructure	1,908,183			1,902,534
	<u>20,094,716</u>			<u>20,194,961</u>
<u>General</u>				
Land	2,218,008			2,318,180
Building	5,148,456			5,011,977
Machinery and Equipment	862,064			844,679
Vehicles	1,412,000			1,506,054
	<u>9,640,528</u>			<u>9,680,890</u>
Total Net Book Value	<u>29,735,244</u>			<u>29,875,851</u>

Corporation of the Municipality of Dutton/Dunwich

Notes to the Financial Statements For the Year Ended December 31, 2015

3. TANGIBLE CAPITAL ASSETS (CONTINUED)

December 31, 2014

Cost	Opening	Additions	Disposals	Ending
<u>Infrastructure</u>				
Linear - Roadways	5,892,058	281,148	-	6,173,206
Linear - Water Services	13,631,573	14,739	-	13,646,312
Linear - Waste Water	3,586,848	534,281	(45,000)	4,076,129
Bridges	2,865,764	945	-	2,866,709
Infrastructure Total	<u>25,976,243</u>	<u>831,113</u>	<u>(45,000)</u>	<u>26,762,356</u>
<u>General</u>				
Land	2,206,711	11,297	-	2,218,008
Building	9,206,661	29,335	-	9,235,996
Machinery and Equipment	1,029,548	150,372	-	1,179,920
Vehicle	3,048,188	111,180	(122,861)	3,036,507
General Total	<u>15,491,108</u>	<u>302,184</u>	<u>(122,861)</u>	<u>15,670,431</u>
Total Cost	<u>41,467,351</u>	<u>1,133,297</u>	<u>(167,861)</u>	<u>42,432,787</u>
Accumulated Amortization				
	Opening	Amortization	Disposal	Ending
<u>Infrastructure</u>				
Linear - Roadways	2,689,678	222,079	-	2,911,757
Linear - Water Services	1,734,232	136,448	-	1,870,680
Linear - Waste Water	902,682	47,058	(23,063)	926,677
Bridges	923,397	35,129	-	958,526
Infrastructure Total	<u>6,249,989</u>	<u>440,714</u>	<u>(23,063)</u>	<u>6,667,640</u>
<u>General</u>				
Building	3,897,217	190,323	-	4,087,540
Machinery and Equipment	268,257	49,599	-	317,856
Vehicle	1,567,525	176,639	(119,657)	1,624,507
General Total	<u>5,732,999</u>	<u>416,561</u>	<u>(119,657)</u>	<u>6,029,903</u>
Total Accumulated Amortization	<u>11,982,988</u>	<u>857,275</u>	<u>(142,720)</u>	<u>12,697,543</u>
Net Book Value				
	Opening			Ending
<u>Infrastructure</u>				
Linear - Roadways	3,202,380			3,261,449
Linear - Water Services	11,897,341			11,775,632
Linear - Waste Water	2,684,166			3,149,452
Utility infrastructure	1,942,367			1,908,183
	<u>19,726,254</u>			<u>20,094,716</u>
<u>General</u>				
Land	2,206,711			2,218,008
Building	5,309,444			5,148,456
Machinery and Equipment	761,291			862,064
Vehicles	1,480,663			1,412,000
	<u>9,758,109</u>			<u>9,640,528</u>
Total Net Book Value	<u>29,484,363</u>			<u>29,735,244</u>

Corporation of the Municipality of Dutton/Dunwich

Notes to the Financial Statements For the Year Ended December 31, 2015

4. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The Ontario Environmental and Protection Act sets out regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites.

The total undiscounted closure and post-closure care costs at December 31, 2015 are estimated to be \$15 million.

The estimated liability of \$32,278 (2014 - \$31,184) represents the sum of the discounted future cash flows for closure and post-closure care activities discounted at the Municipality's current long term borrowing rate of 5.0%. The estimated remaining capacity of the Municipality site is approximately 237,614 cubic metres, which will be filled in 118 years. Post-closure care is estimated to continue for a period of 25 years.

The liability is expected to be funded through budget allocation to a landfill reserve over the remaining life of the landfill.

5. DEFERRED REVENUE

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants, is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds of the Municipality are summarized below, in addition to other deferred revenues:

	2015	2014
	<u>\$</u>	<u>\$</u>
Obligatory Reserve Funds		
Recreation land	24,030	22,030
Sewage debt	84,538	-
Federal Gas Tax	<u>5,884</u>	<u>45,010</u>
	114,452	67,040
Other Deferred Revenue	<u>3,939</u>	<u>14,380</u>
	<u>118,391</u>	<u>81,420</u>

Corporation of the Municipality of Dutton/Dunwich

Notes to the Financial Statements For the Year Ended December 31, 2015

6. NET LONG-TERM LIABILITIES

- a) The balance of net long-term liabilities reported on the Statement of Financial Position consists of the following:

	<u>2015</u>	2014
	<u>\$</u>	<u>\$</u>
Total long-term liabilities incurred by the municipality and outstanding at the end of the year	4,294,904	3,482,888
Tile drainage loans assumed by individuals	<u>(125,962)</u>	<u>(157,567)</u>
Total long-term liabilities at the end of the year	<u>4,168,942</u>	<u>3,325,321</u>

- b) Principal repayments are summarized as follows:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Beyond</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Recoverable from:							
General tax revenue	182,470	183,647	132,950	91,189	146,796	944,324	1,681,376
User charges	<u>340,459</u>	<u>379,715</u>	<u>302,046</u>	<u>298,070</u>	<u>267,430</u>	<u>899,846</u>	<u>2,487,566</u>
	<u><u>522,929</u></u>	<u><u>563,362</u></u>	<u><u>434,996</u></u>	<u><u>389,259</u></u>	<u><u>414,226</u></u>	<u><u>1,844,170</u></u>	<u><u>4,168,942</u></u>

- c) All long-term liabilities issued on or before December 31, 1992 have received approval of the Ontario Municipal Board. Long-term liabilities issued after January 31, 1993 have been 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 and Housing
- d) Interest rates range from 2.11% to 8.85%. Interest expense on long-term liabilities in 2015 amounted to \$143,743 (2014 - \$149,643).
- e) The Municipality is contingently liable for municipality debt with respect to tile drainage loans. The total amount outstanding as at December 31, 2015 is \$125,962 (2014 - \$157,567) and is not recorded on the Statement of Financial Position.

Corporation of the Municipality of Dutton/Dunwich

Notes to the Financial Statements For the Year Ended December 31, 2015

7. ACCUMULATED SURPLUS

The accumulated surplus consists of individual fund surplus/(deficit), reserves and amounts invested in tangible capital assets as follows:

	2015	2014
	<u>\$</u>	<u>\$</u>
SURPLUS (DEFICIT)		
General revenue fund	(105,633)	(617,655)
Benefitting land owners	(460,468)	(138,766)
Invested in tangible capital assets	29,875,851	29,735,244
Reserves	<u>997,372</u>	<u>986,449</u>
	30,307,122	29,965,272
AMOUNTS TO BE RECOVERED		
Net long-term liabilities	<u>(4,168,942)</u>	<u>(3,325,321)</u>
ACCUMULATED SURPLUS	<u><u>26,138,180</u></u>	<u><u>26,639,951</u></u>
RESERVES		
Reserves set aside for specific purposes by Council:		
Working capital	264,231	264,231
Fire purposes	5,000	9,750
Roadway purposes	13,325	13,325
Sewage purposes	(55,998)	(15,837)
Waterworks purposes	410,017	356,566
Landfill purposes	10,000	10,000
Recreation purposes	18,154	18,155
Tri-county water system	180,608	180,608
Dutton Hydro Limited	141,815	141,815
Other purposes	<u>10,220</u>	<u>7,836</u>
Total reserves	<u><u>997,372</u></u>	<u><u>986,449</u></u>

8. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$68,591 (2014 - \$69,923) have not been included in the Statement of Financial Position nor have their operations been included in the Statement of Operations.

Corporation of the Municipality of Dutton/Dunwich

Notes to the Financial Statements For the Year Ended December 31, 2015

9. PENSION AGREEMENTS

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf 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. Each year, an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits the members have earned to date. The most recent actuarial valuation of the Plan was conducted December 31, 2015, and the results of this valuation disclosed actuarial liabilities of \$81.9 billion in respect of benefits accrued for service with actuarial assets at that date of \$74.9 billion leaving an actuarial deficit of \$7.0 billion.

Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Municipality does not recognize any share of the OMERS Pension surplus or deficit in these consolidated financial statements.

The amount contributed to OMERS for 2015 was \$144,479 (2014 - \$125,068).

10. OPERATION OF THE COUNTY OF ELGIN AND SCHOOL BOARDS

During 2015, requisitions were made by the County of Elgin and the school boards requiring the Municipality to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	School Boards	County
	\$	\$
Taxation	839,211	2,227,293
Share of payments in lieu of taxes	<u>91,434</u>	<u>87,320</u>
Amounts requisitioned	<u><u>930,645</u></u>	<u><u>2,314,613</u></u>

11. CONTINGENT LIABILITIES

From time to time, the Municipality is subject to claims and other lawsuits that arise in the ordinary course of business. These claims may be covered by the Municipality's insurance up to a maximum amount per occurrence. In the opinion of management, any litigation, if successful would not have a material impact on the financial position of the Municipality.

Corporation of the Municipality of Dutton/Dunwich

Notes to the Financial Statements For the Year Ended December 31, 2015

12. BUDGET FIGURES

The operating budget approved by the council of the Municipality for 2015 is reflected on the consolidated statement of operations. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements. These adjustments include reserve transfers, capital expenditures, amortization and debt financing and repayment.

	Approved Budget <u>\$</u>	Adjustments <u>\$</u>	PSAB Budget <u>\$</u>
REVENUES			
Property taxation	2,881,805	-	2,881,805
Taxation from other governments	114,943	-	114,943
User charges	1,797,964	-	1,797,964
Government transfers:			
Federal	8,900	-	8,900
Provincial	859,000	-	859,000
Other municipalities	672,172	-	672,172
Gain on sale of tangible capital assets	30,000	-	30,000
Penalties and interest on taxes	81,000	-	81,000
Local improvement levies	198,275	-	198,275
Other	<u>7,200</u>	<u>-</u>	<u>7,200</u>
Total Revenues	<u>6,651,259</u>	<u>-</u>	<u>6,651,259</u>
EXPENSES			
General government	1,046,564	23,880	1,070,444
Fire and police protection	872,943	2,503	875,446
Other protective services	260,263	-	260,263
Transportation services	1,729,843	388,899	2,118,742
Waterworks and sewer	1,507,725	(22,496)	1,485,229
Garbage collection and disposal	323,464	-	323,464
Health services	304,243	(5,925)	298,318
Recreation and cultural services	393,089	29,070	422,159
Planning and zoning	38,183	-	38,183
Agriculture	114,942	12,705	127,647
Transfers	<u>60,000</u>	<u>(60,000)</u>	<u>-</u>
Total Expenses	<u>6,651,259</u>	<u>368,636</u>	<u>7,019,895</u>
BUDGETED ANNUAL SURPLUS (DEFICIT)	<u>-</u>	<u>(368,636)</u>	<u>(368,636)</u>

Corporation of the Municipality of Dutton/Dunwich

**Notes to the Financial Statements
For the Year Ended December 31, 2015**

13. SUPPLEMENTARY INFORMATION:

	2015	2014
	<u>\$</u>	<u>\$</u>
[a] Current fund expenditures by object:		
Salaries, wages and employee benefits	2,285,739	2,292,724
Long-term debt interest expense	143,743	149,643
Materials and supplies	3,129,626	2,738,670
Contracted services	993,813	1,008,717
Rents and financial expenses	25,750	25,646
Amortization	889,274	857,275
Transfer to others	<u>96,154</u>	<u>128,023</u>
	<u>7,564,099</u>	<u>7,200,698</u>
 [b] Change in non-cash assets and liabilities related to operations:		
(Increase) in taxes receivable	(34,951)	(137,981)
(Increase) decrease in accounts receivable	(236,490)	(75,190)
(Increase) in inventories and prepaid expenses	38,316	(56,632)
Increase in accounts payable and accrued liabilities	176,549	124,327
(Decrease) increase in deferred revenue	<u>36,971</u>	<u>(281,487)</u>
	<u>(19,605)</u>	<u>(426,963)</u>

Corporation of the Municipality of Dutton/Dunwich

Notes to the Financial Statements For the Year Ended December 31, 2015

14. SEGMENTED INFORMATION

The Municipality is a diversified municipal government institution that provides a wide range of services to its citizens, including police, fire, transportation, recreation and environmental. For management reporting purposes the Municipality's operations and activities are organized and reported by department. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Municipal services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provided, are as follows:

General government

General government is comprised of municipal council, corporate management and program support.

Protection services

Protection services are comprised of fire protection, policing, conservation authority, building inspection and animal control, and emergency measures.

Transportation services

Transportation services are comprised of roads, bridges, winter control, parking and street lighting.

Environmental services

Environmental services are comprised of the provision of safe drinking water, the collection and treatment of waste water, and waste collection, disposal and recycling.

Health services

Health services include operation of the medical centre and maintenance of municipal cemeteries.

Corporation of the Municipality of Dutton/Dunwich

Notes to the Financial Statements For the Year Ended December 31, 2015

14. SEGMENTED INFORMATION (CONTINUED)

Recreation and cultural services

Recreation and cultural services are comprised of parks, recreation programs and facilities, and cultural services.

Planning and development services

Planning and development services are comprised of planning and zoning, commercial and industrial development, economic development and tourism, and agricultural and drainage services.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. Property taxation and taxation from other governments have been allocated to the general government segment.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. For additional information see the Schedule of Segment Disclosure.

15. CONTRACTUAL OBLIGATIONS - JOINT AREA WATER SERVICE BOARD

Pursuant to by-law 2014-13, dated May 14, 2014, the Municipality of Dutton/Dunwich has entered into an agreement with the Municipal Corporations of West Elgin, Southwest Middlesex, Chatham-Kent, and Newbury (Members) to establish a separate and distinct joint municipal service board (Area Water Board) whose responsibility is the management and control of the existing water recovery and treatment system (System) located in the Municipality of West Elgin, in accordance with the provisions and terms of the agreement. The individual member municipal water distribution systems are not subject to this agreement. The Municipality of West Elgin is the administering municipality for the Area Water Board.

The members have also agreed to terminate the existing Purchase Capacity Agreement and Management Agreements, dated November 1991, to enter into this new agreement.

Included in the Statement of Operations are the charges for the purchase of water of \$481,932 (2014 - \$364,067). The Statement of Financial Position does not reflect any assets or liabilities pertaining to the water system except to the extent of any charges due to the Municipality of West Elgin.

Corporation of the Municipality of Dutton/Dunwich

Schedule of Segment Disclosure For the Year Ended December 31, 2015

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation Services \$	Planning and Development Services \$	Total \$
REVENUES								
Taxation and local improvements	19,982	840,795	1,571,895	263,214	156,428	297,000	104,515	3,253,829
Sales of services and regulatory fees	117,323	66,709	21,084	1,372,066	112,445	84,386	12,398	1,786,411
Government transfers	779,905	179,406	607,598	151,955	-	2,497	175,338	1,896,699
Other	97,320	140	-	6,532	-	16,726	-	120,718
Gain on disposal of capital assets	-	-	-	4,671	-	-	-	4,671
	<u>1,014,530</u>	<u>1,087,050</u>	<u>2,200,577</u>	<u>1,798,438</u>	<u>268,873</u>	<u>400,609</u>	<u>292,251</u>	<u>7,062,328</u>
EXPENSES								
Salaries, wages and employee benefits	652,245	275,582	669,580	314,891	161,978	142,675	68,788	2,285,739
Interest on long-term debt	489	4,418	22,354	99,638	3,520	10,899	2,425	143,743
Materials and supplies	305,754	145,634	950,431	850,568	57,737	118,670	700,832	3,129,626
Contracted services, rents and financial	61,398	543,991	21,921	317,753	20,518	40,451	13,531	1,019,563
External transfers	-	28,981	-	-	-	67,173	-	96,154
Amortization	30,961	53,691	428,342	318,745	6,999	50,536	-	889,274
	<u>1,050,847</u>	<u>1,052,297</u>	<u>2,092,628</u>	<u>1,901,595</u>	<u>250,752</u>	<u>430,404</u>	<u>785,576</u>	<u>7,564,099</u>
ANNUAL SURPLUS (DEFICIT)	<u>(36,317)</u>	<u>34,753</u>	<u>(475,423)</u>	<u>(103,157)</u>	<u>18,121</u>	<u>(29,795)</u>	<u>(493,325)</u>	<u>(501,771)</u>

Corporation of the Municipality of Dutton/Dunwich

Schedule of Segment Disclosure For the Year Ended December 31, 2014

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation Services \$	Planning and Development Services \$	Total \$
REVENUES								
Taxation and local improvements	558,059	667,485	1,034,633	327,562	100,099	233,561	239,537	3,160,936
Sales of services and regulatory fees	132,500	95,888	15,423	1,349,161	146,910	68,164	6,800	1,814,846
Government transfers	972,512	193,910	567,149	555,705	-	10,212	81,966	2,381,454
Other	97,229	5,200	-	-	100	43,392	-	145,921
Gain on disposal of capital assets	-	(854)	-	(21,937)	-	-	-	(22,791)
	<u>1,760,300</u>	<u>961,629</u>	<u>1,617,205</u>	<u>2,210,491</u>	<u>247,109</u>	<u>355,329</u>	<u>328,303</u>	<u>7,480,366</u>
EXPENSES								
Salaries, wages and employee benefits	622,115	302,536	627,959	351,730	148,856	183,141	56,387	2,292,724
Interest on long-term debt	946	5,854	15,456	109,287	4,088	10,832	3,180	149,643
Materials and supplies	283,357	112,151	1,058,288	768,293	95,398	203,335	217,848	2,738,670
Contracted services, rents and financial	58,214	557,782	12,290	327,978	19,078	42,968	16,053	1,034,363
External transfers	19,425	43,151	-	-	-	65,447	-	128,023
Amortization	30,433	48,078	407,162	307,985	6,999	56,618	-	857,275
	<u>1,014,490</u>	<u>1,069,552</u>	<u>2,121,155</u>	<u>1,865,273</u>	<u>274,419</u>	<u>562,341</u>	<u>293,468</u>	<u>7,200,698</u>
ANNUAL SURPLUS (DEFICIT)	<u>745,810</u>	<u>(107,923)</u>	<u>(503,950)</u>	<u>345,218</u>	<u>(27,310)</u>	<u>(207,012)</u>	<u>34,835</u>	<u>279,668</u>