

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

Financial Statements

December 31, 2013

CORPORATION OF THE MUNICIPALITY OF DUTTON/DUNWICH

Financial Statements

For the Year Ended December 31, 2013

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GRAHAM SCOTT ENNS LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

P. 519-633-0700 · F. 519-633-7009
450 Sunset Drive, St. Thomas, ON N5R 5V1

P. 519-773-9265 · F. 519-773-9683
25 John Street South, Aylmer, ON N5H 2C1

www.grahamscottenns.com

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the
CORPORATION OF THE MUNICIPALITY OF DUTTON/DUNWICH:

Report on the Financial Statements

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, 2013, 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, 2013, and the statements of 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

July 9, 2014

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, 2013

	2013	2012
	<u>\$</u>	<u>\$</u>
FINANCIAL ASSETS		
Cash	14,836	6,371
Taxes receivable	624,674	594,205
Accounts receivable	<u>414,802</u>	<u>556,688</u>
Total financial assets	<u>1,054,312</u>	<u>1,157,264</u>
LIABILITIES		
Temporary bank advances	-	1,630,972
Deferred revenue - obligatory reserve funds (Note 4)	362,907	69,578
Accounts payable and accrued liabilities	506,572	278,818
Landfill closure and post-closure liability (Note 3)	30,293	29,264
Net long-term liabilities (Note 5)	<u>3,309,936</u>	<u>2,366,963</u>
Total liabilities	<u>4,209,708</u>	<u>4,375,595</u>
NET FINANCIAL DEBT	<u>(3,155,396)</u>	<u>(3,218,331)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 2)	29,484,363	29,692,531
Prepaid expenses	<u>31,316</u>	<u>19,910</u>
Total non-financial assets	<u>29,515,679</u>	<u>29,712,441</u>
ACCUMULATED SURPLUS (NOTE 6)	<u>26,360,283</u>	<u>26,494,110</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, 2013**

	(Note 12) Budget 2013 <u>\$</u>	Actual 2013 <u>\$</u>	Actual 2012 <u>\$</u>
REVENUES			
Property taxation	2,418,171	2,448,392	2,270,975
Taxation from other governments	105,472	98,433	168,066
User charges	1,830,181	1,751,753	1,718,757
Local improvement levies	294,529	280,325	433,310
Government transfers:			
Federal	233,340	96,002	226,150
Provincial	1,610,500	1,232,384	1,330,139
Other municipalities	591,889	676,134	677,448
Penalties and interest on taxes	79,000	82,268	79,893
Other	36,500	24,814	93,043
Gain on disposal of tangible capital assets	-	8,000	603
Total revenues	<u>7,199,582</u>	<u>6,698,505</u>	<u>6,998,384</u>
EXPENSES			
General government	1,094,191	1,090,460	1,013,123
Fire and police protection	728,447	747,035	697,845
Other protective services	266,257	248,297	270,933
Transportation services	1,476,725	2,057,442	2,049,740
Waterworks and sewer	1,138,646	1,369,511	1,385,423
Garbage collection and disposal	307,131	306,087	310,701
Health services	292,849	308,216	239,754
Recreation and cultural services	427,812	482,218	419,889
Planning and zoning	43,130	43,504	64,680
Agriculture	85,598	179,562	281,117
Total expenses (Note 13)	<u>5,860,786</u>	<u>6,832,332</u>	<u>6,733,205</u>
ANNUAL SURPLUS (DEFICIT)	1,338,796	(133,827)	265,179
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>26,494,110</u>	<u>26,494,110</u>	<u>26,228,931</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 6)	<u>27,832,906</u>	<u>26,360,283</u>	<u>26,494,110</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, 2013**

	2013	2012
	<u>\$</u>	<u>\$</u>
ANNUAL SURPLUS (DEFICIT)	(133,827)	265,179
Acquisition of tangible capital assets	(625,972)	(645,447)
Amortization of tangible capital assets	834,140	791,359
Proceeds on disposal of tangible capital assets	8,000	2,500
Change in prepaid expenses	(11,406)	(7,645)
(Gain) on disposal of tangible capital assets	<u>(8,000)</u>	<u>(603)</u>
DECREASE IN NET FINANCIAL DEBT	62,935	405,343
NET FINANCIAL DEBT, BEGINNING OF YEAR	<u>(3,218,331)</u>	<u>(3,623,674)</u>
NET FINANCIAL DEBT, END OF YEAR	<u>(3,155,396)</u>	<u>(3,218,331)</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, 2013

	2013	2012
	<u>\$</u>	<u>\$</u>
OPERATING ACTIVITIES		
Annual surplus (deficit)	(133,827)	265,179
Add (deduct) items not involving cash:		
Amortization of tangible capital assets	834,140	791,359
Landfill closure and post-closure liability	1,029	994
Gain on disposal of tangible capital assets	<u>(8,000)</u>	<u>(603)</u>
	693,342	1,056,929
Change in non-cash assets and liabilities related to operations (Note 13 [b])	<u>621,094</u>	<u>256,749</u>
Cash provided by operating activities	<u>1,314,436</u>	<u>1,313,678</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(625,972)	(645,447)
Proceeds on disposal of tangible capital assets	<u>8,000</u>	<u>2,500</u>
Cash (used in) capital activities	<u>(617,972)</u>	<u>(642,947)</u>
FINANCING ACTIVITIES		
Proceeds from long-term debt issued	1,384,707	344,494
Long-term debt repayments	<u>(441,734)</u>	<u>(362,287)</u>
Cash provided by (used in) financing activities	<u>942,973</u>	<u>(17,793)</u>
NET CHANGE IN CASH	1,639,437	652,938
BANK INDEBTEDNESS, BEGINNING OF YEAR	<u>(1,624,601)</u>	<u>(2,277,539)</u>
CASH (BANK INDEBTEDNESS), END OF YEAR	<u>14,836</u>	<u>(1,624,601)</u>
CASH (BANK INDEBTEDNESS) REPRESENTED BY:		
Cash	14,836	6,371
Temporary bank advances	<u>-</u>	<u>(1,630,972)</u>
	<u>14,836</u>	<u>(1,624,601)</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, 2013

The Corporation of 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 10.

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.

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.

CORPORATION OF THE MUNICIPALITY OF DUTTON/DUNWICH

Notes to the Financial Statements For the Year Ended December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	20 - 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.

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.

CORPORATION OF THE MUNICIPALITY OF DUTTON/DUNWICH

Notes to the Financial Statements For the Year Ended December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

CORPORATION OF THE MUNICIPALITY OF DUTTON/DUNWICH

Notes to the Financial Statements For the Year Ended December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Revenues

In 2013 the Municipality received \$2,546,825 (2012 - \$2,439,041) 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.).

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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.

CORPORATION OF THE MUNICIPALITY OF DUTTON/DUNWICH

Notes to the Financial Statements For the Year Ended December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2. TANGIBLE CAPITAL ASSETS

	Net Book Value	
	2013	2012
	<u>\$</u>	<u>\$</u>
General		
Land	2,206,711	2,206,711
Buildings	5,309,444	5,412,294
Machinery and equipment	761,291	726,326
Vehicles	1,480,664	1,356,650
Infrastructure		
Bridges	1,942,367	1,944,931
Roads and related transportation assets	3,202,379	3,291,852
Water system infrastructure	11,897,341	12,033,814
Wastewater infrastructure	<u>2,684,166</u>	<u>2,719,953</u>
	29,484,363	29,692,531
Assets under construction	<u>-</u>	<u>-</u>
	<u>29,484,363</u>	<u>29,692,531</u>

For additional information, see the Consolidated Schedule of Tangible Capital Assets.

CORPORATION OF THE MUNICIPALITY OF DUTTON/DUNWICH

Notes to the Financial Statements For the Year Ended December 31, 2013

3. 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, 2013 are estimated to be \$15 million.

The estimated liability of \$30,293 (2012 - \$29,264) 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 241,000 cubic metres, which will be filled in 121 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.

4. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

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:

	2013	2012
	<u>\$</u>	<u>\$</u>
Recreation land	21,530	19,030
Federal Gas Tax	80,000	46,571
Other	<u>261,377</u>	<u>3,977</u>
	<u>362,907</u>	<u>69,578</u>

CORPORATION OF THE MUNICIPALITY OF DUTTON/DUNWICH

**Notes to the Financial Statements
For the Year Ended December 31, 2013**

5. NET LONG-TERM LIABILITIES

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

	2013	2012
	<u>\$</u>	<u>\$</u>
Total long-term liabilities incurred by the municipality and outstanding at the end of the year	3,509,104	2,635,305
Tile drainage loans assumed by individuals	<u>(199,168)</u>	<u>(268,342)</u>
Total long-term liabilities at the end of the year	<u>3,309,936</u>	<u>2,366,963</u>

b) Principal repayments are summarized as follows:

	2014	2015	2016	2017	2018	Beyond	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Recoverable from:							
General tax revenue	161,248	122,238	105,720	109,480	398,329	1,773	898,788
User charges	<u>281,023</u>	<u>267,198</u>	<u>277,341</u>	<u>365,703</u>	<u>937,541</u>	<u>282,342</u>	<u>2,411,148</u>
	<u>442,271</u>	<u>389,436</u>	<u>383,061</u>	<u>475,183</u>	<u>1,335,870</u>	<u>284,115</u>	<u>3,309,936</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 2013 amounted to \$149,211 (2012 - \$135,372).

e) The Municipality is contingently liable for municipality debt with respect to tile drainage loans. The total amount outstanding as at December 31, 2013 is \$199,168 (2012 - 268,342) 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, 2013

6. ACCUMULATED SURPLUS

The accumulated surplus consists of individual fund surplus/(deficit) and reserves as follows:

	2013	2012
	<u>\$</u>	<u>\$</u>
SURPLUS		
General revenue fund	(717,815)	(1,839,517)
Benefitting land owners	(61,674)	(73,346)
Invested in tangible capital assets	29,484,363	29,692,531
Reserves	<u>965,345</u>	<u>1,081,405</u>
	29,670,219	28,861,073
AMOUNTS TO BE RECOVERED		
Net long-term debt	<u>(3,309,936)</u>	<u>(2,366,963)</u>
ACCUMULATED SURPLUS	<u>26,360,283</u>	<u>26,494,110</u>
RESERVES		
Reserves set aside for specific purposes by council:		
Working capital	264,231	264,231
Utility truck replacement	-	14,087
Fire purposes	9,342	3,150
Roadway purposes	24,175	236,369
Sewage purposes	5,455	4,155
Waterworks purposes	307,299	173,299
Landfill purposes	10,000	10,000
Recreation purposes	13,155	39,774
Tri-county water system	180,608	180,608
Dutton Hydro Limited	141,815	141,815
Other purposes	<u>9,265</u>	<u>13,917</u>
Total reserves	<u>965,345</u>	<u>1,081,405</u>

CORPORATION OF THE MUNICIPALITY OF DUTTON/DUNWICH

Notes to the Financial Statements For the Year Ended December 31, 2013

7. PENSION AGREEMENTS

The Municipality makes contributions to the Ontario Municipal Employees 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 amount contributed to OMERS for 2013 was \$123,407 (2012 - \$109,526).

8. OPERATION OF THE COUNTY OF ELGIN AND SCHOOL BOARDS

During 2013, 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	802,108	1,942,780
Share of payments in lieu of taxes	<u>87,264</u>	<u>80,360</u>
Amounts requisitioned	<u>889,372</u>	<u>2,023,140</u>

9. PUBLIC SECTOR SALARY DISCLOSURE

In 2013 no employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more by Municipality.

10. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$67,827 (2012 - \$64,172) have not been included in the Statement of Financial Position nor have their operations been included in the Statement of Operations.

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, 2013**

12. BUDGET FIGURES

The operating budget approved by Council for 2013 is not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis to be used. As a result, the budget figures presented in the Statement of Operations and Accumulated Surplus represent the budget adopted by Council on June 14, 2012 with adjustments as follows:

	2013
	<u>\$</u>
Budget by-law surplus for the year	
Add: Capital expenditures	1,896,462
Budget transfers to accumulated surplus	-
Principal payments on debt	492,788
Less: New debenture debt	1,012,005
Budget transfers from accumulated surplus	38,449
Amortization	<u>-</u>
Budget surplus per Statement of Operations and Accumulated Surplus	<u>1,338,796</u>

13. SUPPLEMENTARY INFORMATION:

	2013	2012
	<u>\$</u>	<u>\$</u>
[a] Current fund expenditures by object:		
Salaries, wages and employee benefits	2,347,196	2,163,768
Long-term debt interest expense	149,211	135,372
Materials and supplies	2,149,718	2,504,420
Contracted services	1,176,896	981,895
Rents and financial expenses	38,152	67,479
Amortization	834,140	791,359
Transfer to others	<u>137,019</u>	<u>88,912</u>
	<u>6,832,332</u>	<u>6,733,205</u>
[b] Change in non-cash assets and liabilities related to operations:		
(Increase) decrease in taxes receivable	(30,469)	38,741
(Increase) decrease in accounts receivable	141,886	424,981
(Increase) decrease in inventories and prepaid expenses	(11,406)	(7,645)
Increase (decrease) in accounts payable and accrued liabilities	227,754	(97,559)
Increase (decrease) in deferred revenue - obligatory reserve funds	<u>293,329</u>	<u>(101,769)</u>
	<u>621,094</u>	<u>256,749</u>

CORPORATION OF THE MUNICIPALITY OF DUTTON/DUNWICH

Notes to the Financial Statements For the Year Ended December 31, 2013

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the 2013 financial statement presentation.

15. 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, 2013

15. 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

Planning and development is 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.

16. CONTRACTUAL OBLIGATIONS - WEST ELGIN PRIMARY WATER SUPPLY SYSTEM

Pursuant to by-laws 90-48 and 90-49, the former Village of Dutton, now the Municipality of Dutton/Dunwich and the Village of West Lorne, now the Municipality of West Elgin, entered into a purchase capacity and management agreement for the expansion and operations of the West Lorne Primary Water Supply System.

Subsequently in 2002, a Tri-County Management Committee was established and a management agreement created between the participating municipalities of West Elgin, Dutton/Dunwich, Chatham Kent, Southwest Middlesex, and the Village of Newbury for the continued operation of the West Lorne Primary Water Supply System and the allocated capacity between the participating municipalities. The Municipality of West Elgin is the administrating municipality for the Committee.

Included in the Statement of Operations are the charges for the purchase of water of \$279,142 (2012 - \$287,696). 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.

Information received from the West Elgin Primary Water Supply System as at December 31, 2013 indicates that amount owing to Dutton/Dunwich is \$nil (2012 - \$33,076).

CORPORATION OF THE MUNICIPALITY OF DUTTON/DUNWICH

**Schedule of Segment Disclosure
For the Year Ended December 31, 2013**

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation Services \$	Planning and Development Services \$	Total \$
REVENUES								
Taxation and local improvements	598,248	436,151	670,997	670,514	92,820	226,678	131,742	2,827,150
Sales of services and regulatory fees	139,677	84,076	14,360	1,284,271	130,349	82,620	16,400	1,751,753
Government transfers	1,094,351	191,379	491,919	104,964	-	76,100	45,807	2,004,520
Other	82,268	6,500	-	-	100	18,214	-	107,082
Gain on disposal of capital assets	-	-	-	8,000	-	-	-	8,000
	<u>1,914,544</u>	<u>718,106</u>	<u>1,177,276</u>	<u>2,067,749</u>	<u>223,269</u>	<u>403,612</u>	<u>193,949</u>	<u>6,698,505</u>
EXPENSES								
Salaries, wages and employee benefits	638,632	283,877	668,234	369,145	158,929	188,860	39,519	2,347,196
Interest on long-term debt	1,373	7,277	16,931	108,510	3,288	8,111	3,721	149,211
Materials	325,032	107,440	872,746	542,088	45,403	112,175	144,834	2,149,718
Contracted services, rents and financial	74,796	528,858	102,048	350,607	94,146	29,601	34,992	1,215,048
External transfers	20,700	25,608	-	-	-	90,711	-	137,019
Amortization	29,927	42,272	397,483	305,248	6,450	52,760	-	834,140
	<u>1,090,460</u>	<u>995,332</u>	<u>2,057,442</u>	<u>1,675,598</u>	<u>308,216</u>	<u>482,218</u>	<u>223,066</u>	<u>6,832,332</u>
ANNUAL SURPLUS (DEFICIT)	<u>824,084</u>	<u>(277,226)</u>	<u>(880,166)</u>	<u>392,151</u>	<u>(84,947)</u>	<u>(78,606)</u>	<u>(29,117)</u>	<u>(133,827)</u>

CORPORATION OF THE MUNICIPALITY OF DUTTON/DUNWICH

**Schedule of Segment Disclosure
For the Year Ended December 31, 2012**

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation Services	Planning and Development Services	Total
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES								
Taxation and local improvements	525,269	502,820	990,006	316,019	82,502	195,420	260,315	2,872,351
Sales of services and regulatory fees	101,763	68,573	21,715	1,284,529	140,340	89,317	12,520	1,718,757
Government transfers	1,137,543	207,812	624,910	145,487	-	-	117,985	2,233,737
Other	79,893	3,094	901	40,862	5,432	32,754	10,000	172,936
Gain on disposal of capital assets	-	-	603	-	-	-	-	603
	<u>1,844,468</u>	<u>782,299</u>	<u>1,638,135</u>	<u>1,786,897</u>	<u>228,274</u>	<u>317,491</u>	<u>400,820</u>	<u>6,998,384</u>
EXPENSES								
Salaries, wages and employee benefits	596,714	252,954	601,560	351,981	165,444	159,578	35,537	2,163,768
Interest on long-term debt	1,773	3,510	18,108	100,941	2,366	5,130	3,544	135,372
Materials	271,085	134,315	1,057,689	600,244	37,334	117,055	286,698	2,504,420
Contracted services, rents and financial	94,840	520,263	-	343,929	28,698	41,626	20,018	1,049,374
External transfers	19,000	22,835	-	-	-	47,077	-	88,912
Amortization	29,711	34,901	372,383	299,029	5,912	49,423	-	791,359
	<u>1,013,123</u>	<u>968,778</u>	<u>2,049,740</u>	<u>1,696,124</u>	<u>239,754</u>	<u>419,889</u>	<u>345,797</u>	<u>6,733,205</u>
ANNUAL SURPLUS (DEFICIT)	<u>831,345</u>	<u>(186,479)</u>	<u>(411,605)</u>	<u>90,773</u>	<u>(11,480)</u>	<u>(102,398)</u>	<u>55,023</u>	<u>265,179</u>

CORPORATION OF THE MUNICIPALITY OF DUTTON/DUNWICH

**Schedule of Tangible Capital Assets
For the Year Ended December 31, 2013**

ASSET TYPE	Opening	2013			Ending	Opening	2013			Ending	Ending
	Historical Cost Balance Jan 1/2012	Acquisitions	Disposals	Write-Offs	Historical Cost Balance Dec 31/2012	Accumulated Amortization Balance Jan 1/2012	Disposals	Amortization	Write-Offs	Accumulated Amortization Balance Dec 31/2012	Net Book Value Dec 31/2012
<u>Infrastructure Related</u>											
Linear - Roadways	5,765,099	126,959	-	-	5,892,058	2,473,247	-	216,432	-	2,689,679	3,202,379
Linear - Water Services	13,631,573	-	-	-	13,631,573	1,597,759	-	136,473	-	1,734,232	11,897,341
Linear - Waste Water	3,577,986	8,862	-	-	3,586,848	858,033	-	44,649	-	902,682	2,684,166
Bridges	2,833,400	32,364	-	-	2,865,764	888,469	-	34,928	-	923,397	1,942,367
Infrastructure Related Total	25,808,058	168,185	-	-	25,976,243	5,817,508	-	432,482	-	6,249,990	19,726,253
<u>General</u>											
Land	2,206,711	-	-	-	2,206,711	-	-	-	-	-	2,206,711
Buildings	9,122,034	84,627	-	-	9,206,661	3,709,740	-	187,477	-	3,897,217	5,309,444
Machinery and Equipment	955,141	74,407	-	-	1,029,548	228,815	-	39,442	-	268,257	761,291
Vehicle	2,879,435	298,753	130,000	-	3,048,188	1,522,785	130,000	174,739	-	1,567,524	1,480,664
General Total	15,163,321	457,787	130,000	-	15,491,108	5,461,340	130,000	401,658	-	5,732,998	9,758,110
Total Tangible Capital Assets	40,971,379	625,972	130,000	-	41,467,351	11,278,848	130,000	834,140	-	11,982,988	29,484,363

CORPORATION OF THE MUNICIPALITY OF DUTTON/DUNWICH

**Schedule of Tangible Capital Assets
For the Year Ended December 31, 2012**

ASSET TYPE	Opening				Ending	Opening				Ending	Ending
	Historical Cost Balance Jan 1/2012	2012 Acquisitions	2012 Disposals	2012 Write-Offs	Historical Cost Balance Dec 31/2012	Accumulated Amortization Balance Jan 1/2012	2012 Disposals	2012 Amortization	2012 Write-Offs	Accumulated Amortization Balance Dec 31/2012	Net Book Value Dec 31/2012
<u>Infrastructure Related</u>											
Linear - Roadways	5,543,621	221,478	-	-	5,765,099	2,265,962	-	207,285	-	2,473,247	3,291,852
Linear - Water	13,631,573	-	-	-	13,631,573	1,460,872	-	136,887	-	1,597,759	12,033,814
Linear - Waste Water	3,567,201	10,785	-	-	3,577,986	816,294	-	41,739	-	858,033	2,719,953
Bridges	2,765,616	67,784	-	-	2,833,400	854,073	-	34,396	-	888,469	1,944,931
Infrastructure Related Total	25,508,011	300,047	-	-	25,808,058	5,397,201	-	420,307	-	5,817,508	19,990,550
<u>General</u>											
Land	2,206,711	-	-	-	2,206,711	-	-	-	-	-	2,206,711
Buildings	9,104,699	17,335	-	-	9,122,034	3,524,045	-	185,695	-	3,709,740	5,412,294
Machinery and Equipment	955,141	-	-	-	955,141	191,545	-	37,270	-	228,815	726,326
Vehicle	2,577,037	328,065	25,667	-	2,879,435	1,398,468	23,770	148,087	-	1,522,785	1,356,650
General Total	14,843,588	345,400	25,667	-	15,163,321	5,114,058	23,770	371,052	-	5,461,340	9,701,981
Total Tangible Capital Assets	40,351,599	645,447	25,667	-	40,971,379	10,511,259	23,770	791,359	-	11,278,848	29,692,531