

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

Financial Statements

December 31, 2012

CORPORATION OF THE MUNICIPALITY OF DUTTON/DUNWICH

Financial Statements

For the Year Ended December 31, 2012

Table of Contents	PAGE
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Operations and Accumulated Surplus	3
Statement of Change in Net Debt	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 17
Schedule of Segment Disclosure	18 - 19
Schedule of Tangible Capital Assets	20 - 21

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of **CORPORATION OF THE MUNICIPALITY OF DUTTON/DUNWICH**, which comprise the statement of financial position as at December 31, 2012, 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 **CORPORATION OF THE MUNICIPALITY OF DUTTON/DUNWICH** as at December 31, 2012, 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 24, 2013

Graham Scott Enns LLP
CHARTERED ACCOUNTANTS
Licensed Public Accountants

CORPORATION OF THE MUNICIPALITY OF DUTTON/DUNWICH

Statement of Financial Position As at December 31, 2012

	2012	2011
	<u>\$</u>	<u>\$</u>
FINANCIAL ASSETS		
Cash	6,371	42,567
Taxes receivable	594,205	632,946
Accounts receivable	<u>556,688</u>	<u>981,669</u>
Total financial assets	<u>1,157,264</u>	<u>1,657,182</u>
LIABILITIES		
Temporary bank advances	1,630,972	2,320,106
Deferred revenue - obligatory reserve funds (Note 4)	69,578	171,347
Accounts payable and accrued liabilities	278,818	376,377
Landfill closure and post-closure liability (Note 3)	29,264	28,270
Net long-term liabilities (Note 5)	<u>2,366,963</u>	<u>2,384,756</u>
Total liabilities	<u>4,375,595</u>	<u>5,280,856</u>
NET DEBT	<u>(3,218,331)</u>	<u>(3,623,674)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 2)	29,692,531	29,840,340
Prepaid expenses	<u>19,910</u>	<u>12,265</u>
Total non-financial assets	<u>29,712,441</u>	<u>29,852,605</u>
ACCUMULATED SURPLUS (NOTE 6)	<u>26,494,110</u>	<u>26,228,931</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, 2012**

	Budget (Unaudited) 2012 <u>\$</u>	Actual 2012 <u>\$</u>	Actual 2011 <u>\$</u>
REVENUES			
Property taxation	2,272,140	2,270,975	2,135,476
Taxation from other governments	165,000	168,066	36,925
User charges	1,600,332	1,718,757	1,651,048
Local improvement levies	166,437	433,310	248,581
Government Transfers:			
Federal	156,400	226,150	451,846
Provincial	1,220,222	1,330,139	1,530,417
Other Municipalities	706,041	677,448	805,481
Penalties and interest on taxes	70,500	79,893	78,099
Other	458,511	93,043	169,540
Gain on disposal of tangible capital assets	-	603	23,292
	<u>6,815,583</u>	<u>6,998,384</u>	<u>7,130,705</u>
EXPENSES			
General government	925,307	1,013,123	883,185
Fire and police protection	696,934	697,845	632,221
Other protective services	246,546	270,933	266,327
Transportation services	1,849,260	2,049,740	1,898,210
Waterworks and sewer	1,316,626	1,385,423	1,346,353
Garbage collection and disposal	258,300	310,701	280,875
Health services	254,192	239,754	296,112
Recreation and cultural services	422,810	419,889	373,742
Planning and zoning	12,000	64,680	21,476
Agriculture	37,108	281,117	129,744
	<u>6,019,083</u>	<u>6,733,205</u>	<u>6,128,245</u>
Total expenditures (Note 13)			
	<u>6,019,083</u>	<u>6,733,205</u>	<u>6,128,245</u>
ANNUAL SURPLUS	796,500	265,179	1,002,460
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>26,228,931</u>	<u>26,228,931</u>	<u>25,226,471</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 6)	<u>27,025,431</u>	<u>26,494,110</u>	<u>26,228,931</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, 2012**

	2012	2011
	<u>\$</u>	<u>\$</u>
ANNUAL SURPLUS	265,179	1,002,460
Acquisition of tangible capital assets	(645,447)	(1,768,056)
Amortization of tangible capital assets	791,359	750,961
Proceeds on disposal of tangible capital assets	2,500	28,000
Change in prepaid expenses	(7,645)	17,628
(Gain) on disposal of tangible capital assets	<u>(603)</u>	<u>(23,292)</u>
DECREASE IN NET DEBT	405,343	7,701
NET DEBT, BEGINNING OF YEAR	<u>(3,623,674)</u>	<u>(3,631,375)</u>
NET DEBT, END OF YEAR	<u>(3,218,331)</u>	<u>(3,623,674)</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, 2012

	2012	2011
	<u>\$</u>	<u>\$</u>
OPERATING ACTIVITIES		
Annual surplus	265,179	1,002,460
Add (deduct) items not involving cash:		
Amortization of tangible capital assets	791,359	750,961
Landfill closure and post-closure liability	994	960
Gain on disposal of tangible capital assets	<u>(603)</u>	<u>(23,292)</u>
	1,056,929	1,731,089
Change in non-cash assets and liabilities related to operations (Note 13 [b])	<u>256,749</u>	<u>31,559</u>
Net change in cash from operating activities	<u>1,313,678</u>	<u>1,762,648</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(645,447)	(1,768,056)
Proceeds on disposal of tangible capital assets	<u>2,500</u>	<u>28,000</u>
Net change in cash from capital activities	<u>(642,947)</u>	<u>(1,740,056)</u>
FINANCING ACTIVITIES		
Proceeds from long-term debt issued	344,494	467,073
Long-term debt repayments	<u>(362,287)</u>	<u>(349,470)</u>
Net change in cash from financing activities	<u>(17,793)</u>	<u>117,603</u>
NET CHANGE IN BANK INDEBTEDNESS	652,938	140,195
BANK INDEBTEDNESS, BEGINNING OF YEAR	<u>(2,277,539)</u>	<u>(2,417,734)</u>
BANK INDEBTEDNESS, END OF YEAR	<u>(1,624,601)</u>	<u>(2,277,539)</u>
BANK INDEBTEDNESS REPRESENTED BY:		
Cash	6,371	42,567
Bank loan	<u>(1,630,972)</u>	<u>(2,320,106)</u>
	<u>(1,624,601)</u>	<u>(2,277,539)</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, 2012

The Corporation of the Municipality of Dutton/Dunwich (the "Municipality") is a 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, 2012

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, 2012

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 are incurred and services preformed.

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, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Revenues

In 2012 the Municipality received \$2,439,041 (2011 - \$2,172,401) 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, 2012

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	
	2012	2011
	<u>\$</u>	<u>\$</u>
General		
Land	2,206,711	2,206,711
Buildings	5,412,294	5,580,654
Machinery and equipment	726,326	763,596
Vehicles	1,356,650	1,178,569
Infrastructure		
Bridges	1,944,931	1,911,543
Roads and related transportation assets	3,291,852	3,277,659
Water system infrastructure	12,033,814	12,170,701
Wastewater infrastructure	<u>2,719,953</u>	<u>2,750,907</u>
	29,692,531	29,840,340
Assets under construction	<u>-</u>	<u>-</u>
	<u>29,692,531</u>	<u>29,840,340</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, 2012

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, 2012 are estimated to be \$15 million.

The estimated liability of \$29,264 (2011 - \$28,270) 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:

	2012	2011
	<u>\$</u>	<u>\$</u>
Recreation land	19,030	16,530
Federal - Gas Tax	46,571	150,840
Other	<u>3,977</u>	<u>3,977</u>
	<u>69,578</u>	<u>171,347</u>

CORPORATION OF THE MUNICIPALITY OF DUTTON/DUNWICH

**Notes to the Financial Statements
For the Year Ended December 31, 2012**

5. NET LONG-TERM LIABILITIES

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

	2012	2011
	<u>\$</u>	<u>\$</u>
Total long-term liabilities incurred by the municipality and outstanding at the end of the year	2,635,305	2,674,049
Tile drainage loans assumed by individuals	<u>(268,342)</u>	<u>(289,293)</u>
Total long-term liabilities at the end of the year	<u>2,366,963</u>	<u>2,384,756</u>

b) Principal repayments are summarized as follows:

	2013	2014	2015	2016	2017	Beyond	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Recoverable from:							
General tax revenue	140,028	145,704	106,166	89,135	92,290	44,292	617,615
User charges	<u>276,885</u>	<u>244,602</u>	<u>229,957</u>	<u>238,907</u>	<u>325,875</u>	<u>433,122</u>	<u>1,749,348</u>
	<u>416,913</u>	<u>390,306</u>	<u>336,123</u>	<u>328,042</u>	<u>418,165</u>	<u>477,414</u>	<u>2,366,963</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 2012 amounted to \$135,372 (2011 - \$141,874).

e) The Municipality is contingently liable for municipality debt with respect to tile drainage loans. The total amount outstanding as at December 31, 2012 is \$268,342 (2011 - 289,293) 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, 2012

6. ACCUMULATED SURPLUS

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

	<u>2012</u>	2011
	<u>\$</u>	<u>\$</u>
SURPLUS		
General revenue fund	(1,839,517)	(1,681,225)
Benefitting land owners	(73,346)	(335,701)
Invested in tangible capital assets	29,692,531	29,840,340
Reserves	<u>1,081,405</u>	<u>790,273</u>
	28,861,073	28,613,687
AMOUNTS TO BE RECOVERED		
Net long-term debt	<u>(2,366,963)</u>	<u>(2,384,756)</u>
ACCUMULATED SURPLUS	<u>26,494,110</u>	<u>26,228,931</u>
RESERVES		
Reserves set aside for specific purposes by council:		
Working capital	264,231	264,231
Utility truck replacement	14,087	14,087
Fire purposes	3,150	2,000
Roadway purposes	236,369	20,000
Sewage purposes	4,155	4,155
Waterworks purposes	173,299	173,299
Landfill purposes	10,000	10,000
Recreation purposes	39,774	13,154
Tri-county water system	180,608	147,532
Dutton Hydro Limited	141,815	141,815
Other purposes	<u>13,917</u>	<u>-</u>
Total reserves	<u>1,081,405</u>	<u>790,273</u>

CORPORATION OF THE MUNICIPALITY OF DUTTON/DUNWICH

Notes to the Financial Statements For the Year Ended December 31, 2012

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 2012 was \$109,526 (2011 - \$93,715).

8. OPERATION OF THE COUNTY OF ELGIN AND SCHOOL BOARDS

During 2012, 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
	<u>\$</u>	<u>\$</u>
Taxation and user charges	812,820	1,844,187
Share of payments in lieu of taxes	<u>162,295</u>	<u>136,560</u>
Amounts requisitioned	<u>975,115</u>	<u>1,980,747</u>

9. PUBLIC SECTOR SALARY DISCLOSURE

In 2012 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 \$64,172 (2011 - \$63,286) 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, 2012

12. BUDGET FIGURES

The operating budget approved by Council for 2012 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:

	2012
	<u>\$</u>
Budget by-law surplus for the year	-
Add: Capital expenditures	1,125,511
Budget transfers to accumulated surplus	88,139
Principal payments on debt	468,850
Less: New debenture debt	-
Budget transfers from accumulated surplus	110,000
Amortization	<u>776,000</u>
Budget surplus per Statement of Operations and Accumulated Surplus	<u><u>796,500</u></u>

13. SUPPLEMENTARY INFORMATION:

	2012	2011
	<u>\$</u>	<u>\$</u>
[a] Current fund expenditures by object:		
Salaries, wages and employee benefits	2,163,768	1,994,904
Long-term debt interest expense	135,372	141,874
Materials and supplies	2,504,420	2,052,032
Contracted services	981,895	1,027,867
Rents and financial expenses	67,479	73,966
Amortization	791,359	750,961
Transfer to others	<u>88,912</u>	<u>86,641</u>
	<u>6,733,205</u>	<u>6,128,245</u>
[b] Change in non-cash assets and liabilities related to operations:		
(Increase) decrease in taxes receivable	38,741	(67,192)
(Increase) decrease in accounts receivable	424,981	400,895
(Increase) decrease in inventories and prepaid expenses	(7,645)	17,628
Increase (decrease) in accounts payable and accrued liabilities	(97,559)	(224,570)
Increase (decrease) in deferred revenue - obligatory reserve funds	<u>(101,769)</u>	<u>(95,202)</u>
	<u>256,749</u>	<u>31,559</u>

CORPORATION OF THE MUNICIPALITY OF DUTTON/DUNWICH

Notes to the Financial Statements For the Year Ended December 31, 2012

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the 2012 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, 2012

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 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 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 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 Financial Position are the charges for the purchase of water of \$287,696 (2011 - \$295,398). 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 Tri-County Management Committee as at December 31, 2012 indicates that the portion of the Capital reserve which relates to Dutton/Dunwich is \$33,076 (2011 - \$31,782).

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	2,439,041	-	-	181,833	-	-	251,477	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	1,504	40,862	5,432	32,754	10,000	173,539
Gain on disposal of capital assets	-	-	603	-	-	-	-	603
	<u>3,758,240</u>	<u>279,479</u>	<u>648,732</u>	<u>1,652,711</u>	<u>145,772</u>	<u>122,071</u>	<u>391,982</u>	<u>6,998,987</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>2,745,117</u>	<u>(689,299)</u>	<u>(1,401,008)</u>	<u>(43,413)</u>	<u>(93,982)</u>	<u>(297,818)</u>	<u>46,185</u>	<u>265,782</u>

CORPORATION OF THE MUNICIPALITY OF DUTTON/DUNWICH

**Schedule of Segment Disclosure
For the Year Ended December 31, 2011**

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation Services	Planning and Development Services	Total
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES								
Taxation and local improvements	2,172,401	-	-	194,757	-	-	53,824	2,420,982
Sales of services and regulatory fees	138,473	54,118	4,771	1,206,019	161,827	73,823	12,017	1,651,048
Government transfers	1,086,363	223,793	464,343	508,017	-	482,379	22,849	2,787,744
Other	78,099	2,000	-	93,007	200	74,333	-	247,639
Gain on disposal of capital assets	-	-	23,292	-	-	-	-	23,292
	<u>3,475,336</u>	<u>279,911</u>	<u>492,406</u>	<u>2,001,800</u>	<u>162,027</u>	<u>630,535</u>	<u>88,690</u>	<u>7,130,705</u>
EXPENSES								
Salaries, wages and employee benefits	526,110	231,546	578,725	344,798	190,409	93,130	30,186	1,994,904
Interest on long-term debt	2,147	3,970	21,191	102,327	3,508	5,763	2,968	141,874
Materials	262,723	83,298	936,625	536,280	75,454	148,562	9,090	2,052,032
Contracted services, rents and financial	62,488	523,826	-	363,356	20,845	26,042	105,276	1,101,833
External transfers	342	22,377	-	-	-	60,222	3,700	86,641
Amortization	29,375	33,531	361,669	280,467	5,896	40,023	-	750,961
	<u>883,185</u>	<u>898,548</u>	<u>1,898,210</u>	<u>1,627,228</u>	<u>296,112</u>	<u>373,742</u>	<u>151,220</u>	<u>6,128,245</u>
ANNUAL SURPLUS (DEFICIT)	<u>2,592,151</u>	<u>(618,637)</u>	<u>(1,405,804)</u>	<u>374,572</u>	<u>(134,085)</u>	<u>256,793</u>	<u>(62,530)</u>	<u>1,002,460</u>

CORPORATION OF THE MUNICIPALITY OF DUTTON/DUNWICH

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

ASSET TYPE	Opening	2012			Ending	Opening	2012			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	5,543,621	221,478	-	-	5,765,099	2,265,962	-	207,285	-	2,473,247	3,291,852
Linear - Water Services	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

CORPORATION OF THE MUNICIPALITY OF DUTTON/DUNWICH

**Schedule of Tangible Capital Assets
For the Year Ended December 31, 2011**

ASSET TYPE	Opening				Ending	Opening				Ending	Ending
	Historical Cost Balance Jan 1/2011	2011 Acquisitions	2011 Disposals	2011 Write-Offs	Historical Cost Balance Dec 31/2011	Accumulated Amortization Balance Jan 1/2011	2011 Disposals	2011 Amortization	2011 Write-Offs	Accumulated Amortization Balance Dec 31/2011	Net Book Value Dec 31/2011
<u>Infrastructure Related</u>											
Linear - Roadways	5,447,912	95,709	-	-	5,543,621	2,067,920	-	198,042	-	2,265,962	3,277,659
Linear - Water	13,619,243	12,330	-	-	13,631,573	1,324,494	-	136,378	-	1,460,872	12,170,701
Linear - Waste Water	3,136,322	430,879	-	-	3,567,201	774,467	-	41,827	-	816,294	2,750,907
Bridges	2,765,616	-	-	-	2,765,616	820,194	-	33,879	-	854,073	1,911,543
Infrastructure Related Total	24,969,093	538,918	-	-	25,508,011	4,987,075	-	410,126	-	5,397,201	20,110,810
<u>General</u>											
Land	2,204,920	1,791	-	-	2,206,711	-	-	-	-	-	2,206,711
Buildings	8,214,244	890,455	-	-	9,104,699	3,353,116	-	170,929	-	3,524,045	5,580,654
Machinery and Equipment	822,812	132,329	-	-	955,141	166,145	-	25,400	-	191,545	763,596
Vehicle	2,381,807	204,563	9,333	-	2,577,037	1,258,587	4,625	144,506	-	1,398,468	1,178,569
General Total	13,623,783	1,229,138	9,333	-	14,843,588	4,777,848	4,625	340,835	-	5,114,058	9,729,530
Total Tangible Capital Assets	38,592,876	1,768,056	9,333	-	40,351,599	9,764,923	4,625	750,961	-	10,511,259	29,840,340