

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

Financial Statements

December 31, 2016

Corporation of the Municipality of Dutton/Dunwich
Financial Statements
For the Year Ended December 31, 2016

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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, 2016, 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, 2016, 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

June 14, 2017

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, 2016**

	2016	2015
	<u>\$</u>	<u>\$</u>
FINANCIAL ASSETS		
Cash	810	1,095
Taxes receivable	810,403	797,607
Accounts receivable (Note 2)	<u>1,547,728</u>	<u>726,482</u>
Total financial assets	<u>2,358,941</u>	<u>1,525,184</u>
LIABILITIES		
Temporary bank advances (Note 3)	530,065	185,427
Accounts payable and accrued liabilities	740,472	776,743
Security deposits	502,645	30,705
Deferred revenue (Note 6)	112,443	118,391
Landfill closure and post-closure liability (Note 5)	36,240	32,278
Net long-term liabilities (Note 7)	<u>4,475,073</u>	<u>4,168,942</u>
Total liabilities	<u>6,396,938</u>	<u>5,312,486</u>
NET FINANCIAL DEBT	<u>(4,037,997)</u>	<u>(3,787,302)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 4)	29,933,773	29,875,851
Inventories	27,999	22,796
Prepaid expenses	<u>25,957</u>	<u>26,835</u>
Total non-financial assets	<u>29,987,729</u>	<u>29,925,482</u>
ACCUMULATED SURPLUS (NOTE 8)	<u>25,949,732</u>	<u>26,138,180</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, 2016

	Budget (Note 13) <u>\$</u>	Actual 2016 <u>\$</u>	Actual 2015 <u>\$</u>
REVENUES			
Property taxation	3,155,398	3,199,805	2,932,200
Taxation from other governments	123,432	163,364	109,704
Local improvement levies	193,012	591,712	211,925
User charges and other	2,033,649	2,025,746	1,812,039
Government transfers:			
Federal	120,549	152,215	156,225
Provincial	813,657	1,100,034	1,112,365
Other municipalities	593,792	579,355	627,704
Penalties and interest on taxes	82,000	102,840	95,495
(Loss) gain on disposal of tangible capital assets	<u>-</u>	<u>(65,563)</u>	<u>4,671</u>
Total revenues	<u>7,115,489</u>	<u>7,849,508</u>	<u>7,062,328</u>
EXPENSES			
General government	1,099,587	1,171,480	1,050,848
Fire and police protection	913,112	860,617	793,282
Other protective services	232,358	261,701	230,032
Transportation services	2,147,460	2,122,210	2,092,629
Waterworks and sewer	1,638,033	1,618,636	1,576,156
Garbage collection and disposal	389,394	347,047	354,420
Health services	352,543	260,931	250,752
Recreation and cultural services	420,155	455,833	430,404
Planning and zoning	37,033	38,444	55,592
Agriculture	<u>125,178</u>	<u>901,057</u>	<u>729,984</u>
Total expenses (Note 14(a))	<u>7,354,853</u>	<u>8,037,956</u>	<u>7,564,099</u>
ANNUAL SURPLUS (DEFICIT)	(239,364)	(188,448)	(501,771)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>26,138,180</u>	<u>26,138,180</u>	<u>26,639,951</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 8)	<u>25,898,816</u>	<u>25,949,732</u>	<u>26,138,180</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, 2016**

	Budget (Note 13) <u>\$</u>	Actual 2016 <u>\$</u>	Actual 2015 <u>\$</u>
ANNUAL SURPLUS (DEFICIT)	(239,364)	(188,448)	(501,771)
Acquisition of tangible capital assets	(1,148,110)	(1,148,110)	(1,035,485)
Amortization of tangible capital assets	916,626	916,626	889,274
Proceeds on disposal of tangible capital assets	-	107,998	10,274
Change in inventories and prepaid expenses	-	(4,324)	38,317
Loss (gain) on disposal of tangible capital assets	<u>-</u>	<u>65,563</u>	<u>(4,671)</u>
(INCREASE) DECREASE IN NET FINANCIAL DEBT	(470,848)	(250,695)	(604,062)
NET FINANCIAL DEBT, BEGINNING OF YEAR	<u>(3,787,302)</u>	<u>(3,787,302)</u>	<u>(3,183,240)</u>
NET FINANCIAL DEBT, END OF YEAR	<u><u>(4,258,150)</u></u>	<u><u>(4,037,997)</u></u>	<u><u>(3,787,302)</u></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, 2016

	2016	2015
	<u>\$</u>	<u>\$</u>
OPERATING ACTIVITIES		
Annual surplus (deficit)	(188,448)	(501,771)
Add (deduct) items not involving cash:		
Amortization of tangible capital assets	916,626	889,274
Landfill closure and post-closure liability	3,962	1,094
Loss (gain) on disposal of tangible capital assets	<u>65,563</u>	<u>(4,671)</u>
	797,703	383,926
Change in non-cash assets and liabilities related to operations (Note 14 (b))	<u>(408,644)</u>	<u>(19,605)</u>
	<u>389,059</u>	<u>364,321</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(1,148,110)	(1,035,485)
Proceeds on disposal of tangible capital assets	<u>107,998</u>	<u>10,274</u>
	<u>(1,040,112)</u>	<u>(1,025,211)</u>
FINANCING ACTIVITIES		
Proceeds from long-term debt issued	841,719	1,263,605
Long-term debt repayments	<u>(535,589)</u>	<u>(419,983)</u>
	<u>306,130</u>	<u>843,622</u>
NET (DECREASE) INCREASE IN CASH	(344,923)	182,732
BANK INDEBTEDNESS, BEGINNING OF YEAR	<u>(184,332)</u>	<u>(367,064)</u>
BANK INDEBTEDNESS, END OF YEAR	<u>(529,255)</u>	<u>(184,332)</u>
(BANK INDEBTEDNESS) CASH REPRESENTED BY:		
Cash	810	1,095
Temporary bank advances	<u>(530,065)</u>	<u>(185,427)</u>
	<u>(529,255)</u>	<u>(184,332)</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, 2016

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 9.

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, 2016

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, 2016

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, 2016

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 2016 the Municipality received \$3,363,169 (2015 - \$3,041,904) 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, 2016

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, 2016 there was one property that the Municipality was responsible to remedy and has accrued any known liabilities and expensed all known costs.

Corporation of the Municipality of Dutton/Dunwich

**Notes to the Financial Statements
For the Year Ended December 31, 2016**

2. ACCOUNTS RECEIVABLE

	2016	2015
	<u>\$</u>	<u>\$</u>
Trade and other	68,683	55,023
Water and sewer receivables	349,081	310,600
HST receivable	359,509	125,805
Brownfield clean up costs	128,708	33,471
Other municipalities and school boards	294,473	50,524
Drain grants	<u>347,274</u>	<u>151,059</u>
	<u>1,547,728</u>	<u>726,482</u>

3. BANK INDEBTEDNESS

The Municipality has available a \$2,300,000 overdraft facility. This facility bears interest at the bank prime rate (December 31, 2016 - 2.70%). At year-end the Municipality had drawn \$475,000 on this facility.

Corporation of the Municipality of Dutton/Dunwich

**Notes to the Financial Statements
For the Year Ended December 31, 2016**

4. TANGIBLE CAPITAL ASSETS

December 31, 2016

Cost	Opening	Additions	Disposals	Ending
<u>Infrastructure</u>				
Linear - Roadways	6,344,290	295,659	-	6,639,949
Linear - Water Services	13,656,984	-	-	13,656,984
Linear - Waste Water	4,418,244	104,175	(124,174)	4,398,245
Bridges	2,896,387	-	-	2,896,387
Infrastructure Total	<u>27,315,905</u>	<u>399,834</u>	<u>(124,174)</u>	<u>27,591,565</u>
<u>General</u>				
Land	2,318,180	61,461	(35,000)	2,344,641
Land Improvements	-	200,985	-	200,985
Building	9,286,106	43,181	-	9,329,287
Machinery and Equipment	1,221,504	110,184	-	1,331,688
Vehicles	3,157,761	332,465	(67,109)	3,423,117
General Total	<u>15,983,551</u>	<u>748,276</u>	<u>(102,109)</u>	<u>16,629,718</u>
Total Cost	<u>43,299,456</u>	<u>1,148,110</u>	<u>(226,283)</u>	<u>44,221,283</u>
Accumulated Amortization	Opening	Amortization	Disposal	Ending
<u>Infrastructure</u>				
Linear - Roadways	3,139,987	236,035	-	3,376,022
Linear - Water Services	2,007,227	136,960	-	2,144,187
Linear - Waste Water	979,877	53,577	(28,101)	1,005,353
Bridges	993,853	35,441	-	1,029,294
Infrastructure Total	<u>7,120,944</u>	<u>462,013</u>	<u>(28,101)</u>	<u>7,554,856</u>
<u>General</u>				
Land Improvements	-	4,320	-	4,320
Building	4,274,129	190,110	-	4,464,239
Machinery and Equipment	376,825	64,116	-	440,941
Vehicles	1,651,707	196,067	(24,620)	1,823,154
General Total	<u>6,302,661</u>	<u>454,613</u>	<u>(24,620)</u>	<u>6,732,654</u>
Total Accumulated Amortization	<u>13,423,605</u>	<u>916,626</u>	<u>(52,721)</u>	<u>14,287,510</u>
Net Book Value	Opening			Ending
<u>Infrastructure</u>				
Linear - Roadways	3,204,303			3,263,927
Linear - Water Services	11,649,757			11,512,797
Linear - Waste Water	3,438,367			3,392,892
Utility infrastructure	1,902,534			1,867,093
	<u>20,194,961</u>			<u>20,036,709</u>
<u>General</u>				
Land	2,318,180			2,344,641
Land Improvements	-			196,665
Building	5,011,977			4,865,048
Machinery and Equipment	844,679			890,747
Vehicles	1,506,054			1,599,963
	<u>9,680,890</u>			<u>9,897,064</u>
Total Net Book Value	<u>29,875,851</u>			<u>29,933,773</u>

Corporation of the Municipality of Dutton/Dunwich

Notes to the Financial Statements For the Year Ended December 31, 2016

4. TANGIBLE CAPITAL ASSETS (CONTINUED)

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
Bridges	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
Vehicle	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
Bridges	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
Vehicle	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, 2016

5. 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, 2016 are estimated to be \$15 million (2015 - \$15 million).

The estimated liability of \$36,240 (2015 - \$32,278) 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 233,000 (2015 - 237,000) cubic metres, which will be filled in 117 years (2015 - 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.

6. 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:

	2016	2015
	<u>\$</u>	<u>\$</u>
Obligatory Reserve Funds		
Recreation land	500	24,030
Sewage debt	100,081	84,538
Federal Gas Tax	<u>7,884</u>	<u>5,884</u>
	108,465	114,452
Other Deferred Revenue	<u>3,978</u>	<u>3,939</u>
	<u>112,443</u>	<u>118,391</u>

Corporation of the Municipality of Dutton/Dunwich

**Notes to the Financial Statements
For the Year Ended December 31, 2016**

7. NET LONG-TERM LIABILITIES

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

	2016	2015
	<u>\$</u>	<u>\$</u>
Total long-term liabilities incurred by the municipality and outstanding at the end of the year	4,562,519	4,294,904
Tile drainage loans assumed by individuals	<u>(87,446)</u>	<u>(125,962)</u>
Total long-term liabilities at the end of the year	<u>4,475,073</u>	<u>4,168,942</u>

b) Principal repayments are summarized as follows:

	2017	2018	2019	2020	2021	Beyond	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Recoverable from:							
General tax revenue	233,742	175,971	136,312	134,731	131,394	1,383,975	2,196,125
User charges	<u>379,688</u>	<u>294,955</u>	<u>309,021</u>	<u>277,796</u>	<u>120,092</u>	<u>992,396</u>	<u>2,373,948</u>
	<u>613,430</u>	<u>470,926</u>	<u>445,333</u>	<u>412,527</u>	<u>251,486</u>	<u>2,376,371</u>	<u>4,570,073</u>

c) The Municipality has an annual debt repayment limit of \$688,944 as of January 1, 2016.

d) Interest rates range from 2.11% to 8.85%. Interest expense on long-term liabilities in 2016 amounted to \$149,392 (2015 - \$143,743).

e) The Municipality is contingently liable for municipality debt with respect to tile drainage loans. The total amount outstanding as at December 31, 2016 is \$87,446 (2015 - \$125,962) 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, 2016**

8. ACCUMULATED SURPLUS

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

	2016	2015
	<u>\$</u>	<u>\$</u>
SURPLUS (DEFICIT)		
General revenue fund	84,597	(105,633)
Benefitting land owners	(524,667)	(460,468)
Invested in tangible capital assets	29,933,773	29,875,851
Reserves	<u>931,102</u>	<u>997,372</u>
	30,424,805	30,307,122
AMOUNTS TO BE RECOVERED		
Net long-term liabilities	<u>(4,475,073)</u>	<u>(4,168,942)</u>
ACCUMULATED SURPLUS	<u>25,949,732</u>	<u>26,138,180</u>
RESERVES		
Reserves set aside for specific purposes by Council:		
Working capital	264,231	264,231
Election purposes	10,000	-
Fire purposes	5,000	5,000
Roadway purposes	13,325	13,325
Sewage purposes	(14,012)	(55,998)
Waterworks purposes	291,230	410,017
Landfill purposes	10,000	10,000
Recreation purposes	18,154	18,154
Tri-county water system	180,608	180,608
Dutton Hydro Limited	141,815	141,815
Other purposes	<u>10,751</u>	<u>10,220</u>
Total reserves	<u>931,102</u>	<u>997,372</u>

9. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$42,757 (2015 - \$68,591) 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, 2016

10. 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, 2016, and the results of this valuation disclosed actuarial liabilities of \$87.0 billion in respect of benefits accrued for service with actuarial assets at that date of \$81.3 billion leaving an actuarial deficit of \$5.7 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 2016 was \$146,148 (2015 - \$144,479).

11. OPERATION OF THE COUNTY OF ELGIN AND SCHOOL BOARDS

During 2016, 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 2016 \$	County 2016 \$	School Boards 2015 \$	County 2015 \$
Taxation	861,016	2,363,906	839,211	2,227,293
Share of payments in lieu of taxes	<u>92,429</u>	<u>89,105</u>	<u>91,434</u>	<u>87,230</u>
Amounts requisitioned	<u>953,445</u>	<u>2,453,011</u>	<u>930,645</u>	<u>2,314,523</u>

12. 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, 2016

13. BUDGET FIGURES

The operating budget approved by the council of the Municipality for 2016 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 \$	Adjustments \$	PSAB Budget \$
REVENUES			
Property taxation	3,155,398	-	3,155,398
Taxation from other governments	123,432	-	123,432
User charges and other	1,534,434	499,215	2,033,649
Government transfers:			
Federal	120,549	-	120,549
Provincial	813,657	-	813,657
Other municipalities	593,792	-	593,792
Penalties and interest on taxes	82,000	-	82,000
Local improvement levies	193,012	-	193,012
Other	475,185	(475,185)	-
Parkland	24,030	(24,030)	-
Debt financing	<u>1,941,892</u>	<u>(1,941,892)</u>	<u>-</u>
Total Revenues	<u>9,057,381</u>	<u>(1,941,892)</u>	<u>7,115,489</u>
EXPENSES			
General government	1,067,145	32,442	1,099,587
Fire and police protection	858,660	54,452	913,112
Other protective services	232,358	-	232,358
Transportation services	1,707,010	440,450	2,147,460
Waterworks and sewer	1,311,261	326,772	1,638,033
Garbage collection and disposal	389,394	-	389,394
Health services	345,359	7,184	352,543
Recreation and cultural services	365,285	54,870	420,155
Planning and zoning	37,033	-	37,033
Agriculture	125,178	-	125,178
Debt principal repayment	554,288	(554,288)	-
Capital expenditures	<u>2,064,410</u>	<u>(2,064,410)</u>	<u>-</u>
Total Expenses	<u>9,057,381</u>	<u>(1,702,528)</u>	<u>7,354,853</u>
BUDGETED ANNUAL SURPLUS	<u>-</u>	<u>(239,364)</u>	<u>(239,364)</u>

Corporation of the Municipality of Dutton/Dunwich

**Notes to the Financial Statements
For the Year Ended December 31, 2016**

14. SUPPLEMENTARY INFORMATION:

	2016	2015
	<u>\$</u>	<u>\$</u>
[a] Current fund expenditures by object:		
Salaries, wages and employee benefits	2,457,461	2,285,739
Long-term debt interest expense	149,392	143,743
Materials and supplies	3,417,252	3,129,626
Contracted services	1,001,900	1,022,898
Rents and financial expenses	11,105	25,646
Amortization	916,626	889,274
Transfer to others	84,220	67,173
	<u>8,037,956</u>	<u>7,564,099</u>
 [b] Change in non-cash assets and liabilities related to operations:		
(Increase) in taxes receivable	(12,796)	(34,951)
(Increase) in accounts receivable	(821,246)	(236,490)
(Increase) decrease in inventories and prepaid expenses	(4,325)	38,316
Increase (decrease) in accounts payable and accrued liabilities	(36,271)	161,549
Increase (decrease) in deposits	471,940	15,000
Increase (decrease) in deferred revenue	(5,946)	36,971
	<u>(408,644)</u>	<u>(19,605)</u>

Corporation of the Municipality of Dutton/Dunwich

Notes to the Financial Statements For the Year Ended December 31, 2016

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, 2016

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 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.

16. 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 \$487,876 (2015 - \$481,932). 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, 2016**

	Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation Services	Planning and Development Services	Total
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES								
Taxation and local improvements	397,983	909,620	1,232,679	353,094	220,296	216,958	624,251	3,954,881
Sales of services and regulatory fees	169,003	89,135	8,002	1,416,944	126,819	81,292	28,375	1,919,570
Government transfers	664,011	171,152	578,282	47,682	-	152,442	218,188	1,831,757
Other	102,504	-	-	78,377	3,600	24,382	-	208,863
Gain on disposal of capital assets	-	-	-	(65,563)	-	-	-	(65,563)
	<u>1,333,501</u>	<u>1,169,907</u>	<u>1,818,963</u>	<u>1,830,534</u>	<u>350,715</u>	<u>475,074</u>	<u>870,814</u>	<u>7,849,508</u>
EXPENSES								
Salaries, wages and employee benefits	696,712	338,693	699,526	358,683	160,592	130,677	72,578	2,457,461
Interest on long-term debt	-	2,988	33,416	98,095	2,759	10,310	1,824	149,392
Materials and supplies	411,257	141,802	943,122	844,708	56,285	160,459	859,619	3,417,252
Contracted services, rents and financial	31,069	584,383	5,239	337,424	34,111	15,298	5,481	1,013,005
External transfers	-	-	-	-	-	84,220	-	84,220
Amortization	<u>32,442</u>	<u>54,452</u>	<u>440,906</u>	<u>326,772</u>	<u>7,184</u>	<u>54,870</u>	<u>-</u>	<u>916,626</u>
	<u>1,171,480</u>	<u>1,122,318</u>	<u>2,122,209</u>	<u>1,965,682</u>	<u>260,931</u>	<u>455,834</u>	<u>939,502</u>	<u>8,037,956</u>
ANNUAL SURPLUS (DEFICIT)	<u>162,021</u>	<u>47,589</u>	<u>(303,246)</u>	<u>(135,148)</u>	<u>89,784</u>	<u>19,240</u>	<u>(68,688)</u>	<u>(188,448)</u>
General								

Corporation of the Municipality of Dutton/Dunwich

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

	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	346,734	20,518	40,451	13,531	1,048,544
External transfers	-	-	-	-	-	67,173	-	67,173
Amortization	30,961	53,691	428,342	318,745	6,999	50,536	-	889,274
	<u>1,050,847</u>	<u>1,023,316</u>	<u>2,092,628</u>	<u>1,930,576</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>63,734</u>	<u>107,949</u>	<u>(132,138)</u>	<u>18,121</u>	<u>(29,795)</u>	<u>(493,325)</u>	<u>(501,771)</u>
General								