

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

Financial Statements

December 31, 2014

Corporation of the Municipality of Dutton/Dunwich
Financial Statements
For the Year Ended December 31, 2014

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



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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, 2014, 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, 2014, 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

August 19, 2015

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, 2014

	2014	2013
	<u>\$</u>	<u>\$</u>
FINANCIAL ASSETS		
Cash	6,236	14,836
Taxes receivable	762,655	624,674
Accounts receivable	<u>489,992</u>	<u>414,802</u>
Total financial assets	<u>1,258,883</u>	<u>1,054,312</u>
LIABILITIES		
Temporary bank advances	373,300	-
Accounts payable and accrued liabilities	630,899	506,572
Deferred revenue (Note 4)	81,420	362,907
Landfill closure and post-closure liability (Note 3)	31,184	30,293
Net long-term liabilities (Note 5)	<u>3,325,321</u>	<u>3,309,936</u>
Total liabilities	<u>4,442,124</u>	<u>4,209,708</u>
NET FINANCIAL DEBT	<u>(3,183,241)</u>	<u>(3,155,396)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 2)	29,735,244	29,484,363
Inventories	22,519	-
Prepaid expenses	<u>65,429</u>	<u>31,316</u>
Total non-financial assets	<u>29,823,192</u>	<u>29,515,679</u>
ACCUMULATED SURPLUS (NOTE 6)	<u>26,639,951</u>	<u>26,360,283</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, 2014

	Budget (Note 12) <u>\$</u>	Actual 2014 <u>\$</u>	Actual 2013 <u>\$</u>
REVENUES			
Property taxation	2,622,933	2,693,508	2,448,392
Taxation from other governments	106,630	107,049	98,433
Local improvement levies	213,347	360,379	280,325
User charges	1,693,669	1,814,846	1,751,753
Government transfers:			
Federal	203,931	169,101	96,002
Provincial	1,536,332	1,526,909	1,232,384
Other municipalities	622,756	685,444	676,134
Penalties and interest on taxes	79,000	97,454	82,268
Other	48,571	48,692	24,814
(Loss) gain on disposal of tangible capital assets	<u>-</u>	<u>(22,791)</u>	<u>8,000</u>
Total revenues	<u>7,127,169</u>	<u>7,480,591</u>	<u>6,698,505</u>
EXPENSES			
General government	1,017,389	1,014,716	1,090,460
Fire and police protection	797,375	817,276	747,035
Other protective services	281,595	252,276	248,297
Transportation services	1,566,590	2,121,155	2,057,442
Waterworks and sewer	1,199,730	1,542,151	1,369,511
Garbage collection and disposal	311,291	323,122	306,087
Health services	278,346	274,419	308,216
Recreation and cultural services	409,680	562,340	482,218
Planning and zoning	45,782	42,426	43,504
Agriculture	<u>51,282</u>	<u>251,042</u>	<u>179,562</u>
Total expenses (Note 13{a})	<u>5,959,060</u>	<u>7,200,923</u>	<u>6,832,332</u>
ANNUAL SURPLUS (DEFICIT)	1,168,109	279,668	(133,827)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>26,360,283</u>	<u>26,360,283</u>	<u>26,494,110</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 6)	<u>27,528,392</u>	<u>26,639,951</u>	<u>26,360,283</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, 2014**

	Budget (Note 12) <u>\$</u>	Actual 2014 <u>\$</u>	Actual 2013 <u>\$</u>
ANNUAL SURPLUS (DEFICIT)	1,168,109	279,668	(133,827)
Acquisition of tangible capital assets	(1,768,764)	(1,133,297)	(625,972)
Amortization of tangible capital assets	-	857,275	834,140
Proceeds on disposal of tangible capital assets	-	2,350	8,000
Change in inventories and prepaid expenses	-	(56,632)	(11,406)
Loss (gain) on disposal of tangible capital assets	<u>-</u>	<u>22,791</u>	<u>(8,000)</u>
(INCREASE) DECREASE IN NET FINANCIAL DEBT	(600,655)	(27,845)	62,935
NET FINANCIAL DEBT, BEGINNING OF YEAR	<u>(3,155,396)</u>	<u>(3,155,396)</u>	<u>(3,218,331)</u>
NET FINANCIAL DEBT, END OF YEAR	<u>(3,756,051)</u>	<u>(3,183,241)</u>	<u>(3,155,396)</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, 2014

	2014	2013
	<u>\$</u>	<u>\$</u>
OPERATING ACTIVITIES		
Annual surplus (deficit)	279,668	(133,827)
Add (deduct) items not involving cash:		
Amortization of tangible capital assets	857,275	834,140
Landfill closure and post-closure liability	891	1,029
Loss (gain) on disposal of tangible capital assets	<u>22,791</u>	<u>(8,000)</u>
	1,160,625	693,342
Change in non-cash assets and liabilities related to operations (Note 13 [b])	<u>(426,963)</u>	<u>621,094</u>
Cash provided by operating activities	<u>733,662</u>	<u>1,314,436</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(1,133,297)	(625,972)
Proceeds on disposal of tangible capital assets	<u>2,350</u>	<u>8,000</u>
Cash (used in) capital activities	<u>(1,130,947)</u>	<u>(617,972)</u>
FINANCING ACTIVITIES		
Proceeds from long-term debt issued	457,280	1,384,707
Long-term debt repayments	<u>(441,895)</u>	<u>(441,734)</u>
Cash provided by financing activities	<u>15,385</u>	<u>942,973</u>
NET (DECREASE) INCREASE IN CASH	(381,900)	1,639,437
CASH (BANK INDEBTEDNESS), BEGINNING OF YEAR	<u>14,836</u>	<u>(1,624,601)</u>
(BANK INDEBTEDNESS) CASH, END OF YEAR	<u>(367,064)</u>	<u>14,836</u>
(BANK INDEBTEDNESS) CASH REPRESENTED BY:		
Cash	6,236	14,835
Temporary bank advances	<u>(373,300)</u>	<u>-</u>
	<u>(367,064)</u>	<u>14,835</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, 2014

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 7.

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, 2014

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	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.

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, 2014

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, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Revenues

In 2014 the Municipality received \$2,800,557 (2013 - \$2,546,825) 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 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.

Corporation of the Municipality of Dutton/Dunwich

Notes to the Financial Statements For the Year Ended December 31, 2014

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	
	2014	2013
	<u>\$</u>	<u>\$</u>
General		
Land	2,218,008	2,206,711
Buildings	5,148,456	5,309,444
Machinery and equipment	862,064	761,291
Vehicles	1,412,001	1,480,664
Infrastructure		
Bridges	1,908,183	1,942,367
Roads and related transportation assets	3,261,448	3,202,379
Water system infrastructure	11,775,632	11,897,341
Wastewater infrastructure	<u>3,149,452</u>	<u>2,684,166</u>
	29,735,244	29,484,363
Assets under construction	<u>-</u>	<u>-</u>
	<u>29,735,244</u>	<u>29,484,363</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, 2014

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, 2014 are estimated to be \$15 million.

The estimated liability of \$31,184 (2013 - \$30,293) 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

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:

	2014	2013
	<u>\$</u>	<u>\$</u>
Obligatory Reserve Funds		
Recreation land	22,030	21,530
Federal Gas Tax	<u>45,010</u>	<u>80,000</u>
	67,040	101,530
Other Deferred Revenue	<u>14,380</u>	<u>261,377</u>
	<u>81,420</u>	<u>362,907</u>

Corporation of the Municipality of Dutton/Dunwich

Notes to the Financial Statements For the Year Ended December 31, 2014

5. NET LONG-TERM LIABILITIES

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

	2014	2013
	<u>\$</u>	<u>\$</u>
Total long-term liabilities incurred by the municipality and outstanding at the end of the year	3,482,888	3,509,104
Tile drainage loans assumed by individuals	<u>(157,567)</u>	<u>(199,168)</u>
Total long-term liabilities at the end of the year	<u>3,325,321</u>	<u>3,309,936</u>

- b) Principal repayments are summarized as follows:

	2015	2016	2017	2018	2019	Beyond	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Recoverable from:							
General tax revenue	135,562	119,359	123,562	412,768	294,051	-	1,085,302
User charges	<u>271,394</u>	<u>281,635</u>	<u>370,136</u>	<u>942,500</u>	<u>230,435</u>	<u>143,919</u>	<u>2,240,019</u>
	<u>406,956</u>	<u>400,994</u>	<u>493,698</u>	<u>1,355,268</u>	<u>524,486</u>	<u>143,919</u>	<u>3,325,321</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 2014 amounted to \$149,643 (2013 - \$149,211).
- e) The Municipality is contingently liable for municipality debt with respect to tile drainage loans. The total amount outstanding as at December 31, 2014 is \$157,567 (2013 - \$199,168) 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, 2014**

6. ACCUMULATED SURPLUS

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

	2014	2013
	<u>\$</u>	<u>\$</u>
SURPLUS (DEFICIT)		
General revenue fund	(617,655)	(717,815)
Benefitting land owners	(138,766)	(61,674)
Invested in tangible capital assets	29,735,244	29,484,363
Reserves	<u>986,449</u>	<u>965,345</u>
	29,965,272	29,670,219
AMOUNTS TO BE RECOVERED		
Net long-term liabilities	<u>(3,325,321)</u>	<u>(3,309,936)</u>
ACCUMULATED SURPLUS	<u>26,639,951</u>	<u>26,360,283</u>
RESERVES		
Reserves set aside for specific purposes by Council:		
Working capital	264,231	264,231
Fire purposes	9,750	9,342
Roadway purposes	13,325	24,175
Sewage purposes	(15,837)	5,455
Waterworks purposes	356,566	307,299
Landfill purposes	10,000	10,000
Recreation purposes	18,155	13,155
Tri-county water system	180,608	180,608
Dutton Hydro Limited	141,815	141,815
Other purposes	<u>7,836</u>	<u>9,265</u>
Total reserves	<u>986,449</u>	<u>965,345</u>

7. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$69,923 (2013 - \$67,827) 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, 2014

8. 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, 2014, and the results of this valuation disclosed actuarial liabilities of \$76.9 billion in respect of benefits accrued for service with actuarial assets at that date of \$69.8 billion leaving an actuarial deficit of \$7.1 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 2014 was \$125,068 (2013 - \$123,407).

9. OPERATION OF THE COUNTY OF ELGIN AND SCHOOL BOARDS

During 2014, 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	820,807	2,055,799
Share of payments in lieu of taxes	<u>89,116</u>	<u>81,736</u>
Amounts requisitioned	<u>909,923</u>	<u>2,137,535</u>

10. PUBLIC SECTOR SALARY DISCLOSURE

In 2014, no employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more by Municipality.

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, 2014

12. BUDGET FIGURES

The operating budget approved by Council for 2014 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 April 9, 2014 with adjustments as follows:

	2014
	<u>\$</u>
Budget by-law surplus for the year	-
Add: Capital expenditures	1,749,764
Budget transfers to accumulated surplus	-
Principal payments on debt	462,550
Less: New debenture debt	1,024,175
Budget transfers from accumulated surplus	20,030
Amortization	<u>-</u>
Budget surplus per Statement of Operations and Accumulated Surplus	<u>1,168,109</u>

13. SUPPLEMENTARY INFORMATION:

	2014	2013
	<u>\$</u>	<u>\$</u>
[a] Current fund expenditures by object:		
Salaries, wages and employee benefits	2,292,723	2,347,196
Long-term debt interest expense	149,643	149,211
Materials and supplies	2,738,895	2,149,718
Contracted services	1,008,717	1,176,896
Rents and financial expenses	25,646	38,152
Amortization	857,276	834,140
Transfer to others	<u>128,023</u>	<u>137,019</u>
	<u>7,200,923</u>	<u>6,832,332</u>
[b] Change in non-cash assets and liabilities related to operations:		
(Increase) in taxes receivable	(137,981)	(30,469)
(Increase) decrease in accounts receivable	(75,190)	141,886
(Increase) in inventories and prepaid expenses	(56,632)	(11,406)
Increase in accounts payable and accrued liabilities	124,327	227,754
(Decrease) increase in deferred revenue	<u>(281,487)</u>	<u>293,329</u>
	<u>(426,963)</u>	<u>621,094</u>

Corporation of the Municipality of Dutton/Dunwich

Notes to the Financial Statements For the Year Ended December 31, 2014

14. SEGMENTED INFORMATION

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

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

General government

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

Protection services

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

Transportation services

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

Environmental services

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

Health services

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

Corporation of the Municipality of Dutton/Dunwich

Notes to the Financial Statements For the Year Ended December 31, 2014

14. SEGMENTED INFORMATION (CONTINUED)

Recreation and cultural services

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

Planning and development services

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

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

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

15. CONTRACTUAL OBLIGATIONS - JOINT AREA WATER SERVICE BOARD

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

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

Included in the Statement of Operations are the charges for the purchase of water of \$364,067 (2013 - \$279,142). 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, 2014

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation Services \$	Planning and Development Services \$	Total \$
REVENUES								
Taxation and local improvements	558,059	667,485	1,034,633	327,562	100,099	233,561	239,537	3,160,936
Sales of services and regulatory fees	132,500	95,888	15,423	1,349,161	146,910	68,164	6,800	1,814,846
Government transfers	972,512	193,910	567,149	555,705	-	10,212	81,966	2,381,454
Other	97,454	5,200	-	-	100	43,392	-	146,146
(Loss) on disposal of capital assets	-	(854)	-	(21,937)	-	-	-	(22,791)
	<u>1,760,525</u>	<u>961,629</u>	<u>1,617,205</u>	<u>2,210,491</u>	<u>247,109</u>	<u>355,329</u>	<u>328,303</u>	<u>7,480,591</u>
EXPENSES								
Salaries, wages and employee benefits	622,115	302,536	627,959	351,730	148,856	183,140	56,387	2,292,723
Interest on long-term debt	946	5,854	15,456	109,287	4,088	10,832	3,180	149,643
Materials and supplies	283,583	112,151	1,058,288	768,293	95,397	203,335	217,848	2,738,895
Contracted services, rents and financial	58,214	557,782	12,290	327,978	19,078	42,968	16,053	1,034,363
External transfers	19,425	43,151	-	-	-	65,447	-	128,023
Amortization	30,433	48,078	407,162	307,985	7,000	56,618	-	857,276
	<u>1,014,716</u>	<u>1,069,552</u>	<u>2,121,155</u>	<u>1,865,273</u>	<u>274,419</u>	<u>562,340</u>	<u>293,468</u>	<u>7,200,923</u>
ANNUAL SURPLUS (DEFICIT)	<u>745,809</u>	<u>(107,923)</u>	<u>(503,950)</u>	<u>345,218</u>	<u>(27,310)</u>	<u>(207,011)</u>	<u>34,835</u>	<u>279,668</u>

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 and supplies	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	-	350,607	94,146	29,601	34,992	1,113,000
External transfers	20,700	25,608	102,048	-	-	90,711	-	239,067
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 Tangible Capital Assets
For the Year Ended December 31, 2014**

ASSET TYPE	Opening Historical Cost Balance Jan 1/2014	2014 Acquisitions	2014 Disposals	2014 Write-Offs	Ending Historical Cost Balance Dec 31/2014	Opening Accumulated Amortization Balance Jan 1/2014	2014 Disposals	2014 Amortization	2014 Write-Offs	Ending Accumulated Amortization Balance Dec 31/2014	Ending Net Book Value Dec 31/2014
<u>Infrastructure Related</u>											
Linear - Roadways	5,892,058	281,148	-	-	6,173,206	2,689,679	-	222,079	-	2,911,758	3,261,448
Linear - Water Services	13,631,573	14,739	-	-	13,646,312	1,734,232	-	136,448	-	1,870,680	11,775,632
Linear - Waste Water	3,586,848	534,281	45,000	-	4,076,129	902,682	23,063	47,058	-	926,677	3,149,452
Bridges	<u>2,865,764</u>	<u>945</u>	<u>-</u>	<u>-</u>	<u>2,866,709</u>	<u>923,397</u>	<u>-</u>	<u>35,129</u>	<u>-</u>	<u>958,526</u>	<u>1,908,183</u>
Infrastructure Related Total	<u>25,976,243</u>	<u>831,113</u>	<u>45,000</u>	<u>-</u>	<u>26,762,356</u>	<u>6,249,990</u>	<u>23,063</u>	<u>440,714</u>	<u>-</u>	<u>6,667,641</u>	<u>20,094,715</u>
<u>General</u>											
Land	2,206,711	11,297	-	-	2,218,008	-	-	-	-	-	2,218,008
Buildings	9,206,661	29,335	-	-	9,235,996	3,897,217	-	190,323	-	4,087,540	5,148,456
Machinery and equipment	1,029,548	150,372	-	-	1,179,920	268,257	-	49,599	-	317,856	862,064
Vehicles	<u>3,048,188</u>	<u>111,180</u>	<u>122,861</u>	<u>-</u>	<u>3,036,507</u>	<u>1,567,524</u>	<u>119,657</u>	<u>176,639</u>	<u>-</u>	<u>1,624,506</u>	<u>1,412,001</u>
General Total	<u>15,491,108</u>	<u>302,184</u>	<u>122,861</u>	<u>-</u>	<u>15,670,431</u>	<u>5,732,998</u>	<u>119,657</u>	<u>416,561</u>	<u>-</u>	<u>6,029,902</u>	<u>9,640,529</u>
Total Tangible Capital Assets	<u>41,467,351</u>	<u>1,133,297</u>	<u>167,861</u>	<u>-</u>	<u>42,432,787</u>	<u>11,982,988</u>	<u>142,720</u>	<u>857,275</u>	<u>-</u>	<u>12,697,543</u>	<u>29,735,244</u>

Corporation of the Municipality of Dutton/Dunwich

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

ASSET TYPE	Opening Historical Cost Balance Jan 1/2013	2013 Acquisitions	2013 Disposals	2013 Write-Offs	Ending Historical Cost Balance Dec 31/2013	Opening Accumulated Amortization Balance Jan 1/2013	2013 Disposals	2013 Amortization	2013 Write-Offs	Ending Accumulated Amortization Balance Dec 31/2013	Ending Net Book Value Dec 31/2013
<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	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	<u>25,808,058</u>	<u>168,185</u>	<u>-</u>	<u>-</u>	<u>25,976,243</u>	<u>5,817,508</u>	<u>-</u>	<u>432,482</u>	<u>-</u>	<u>6,249,990</u>	<u>19,726,253</u>
<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
Vehicles	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	<u>15,163,321</u>	<u>457,787</u>	<u>130,000</u>	<u>-</u>	<u>15,491,108</u>	<u>5,461,340</u>	<u>130,000</u>	<u>401,658</u>	<u>-</u>	<u>5,732,998</u>	<u>9,758,110</u>
Total Tangible Capital Assets	<u>40,971,379</u>	<u>625,972</u>	<u>130,000</u>	<u>-</u>	<u>41,467,351</u>	<u>11,278,848</u>	<u>130,000</u>	<u>834,140</u>	<u>-</u>	<u>11,982,988</u>	<u>29,484,363</u>