

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

Consolidated Financial Statements

December 31, 2019

Corporation of the Municipality of Dutton/Dunwich
Consolidated Financial Statements
For The Year Ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of **Corporation of the Municipality of Dutton/Dunwich**, which comprise the statement of financial position as at December 31, 2019, and the statement of earnings, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the Municipality's consolidated financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for public sector entities.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

St. Thomas, Ontario

August 19, 2020

Graham Scott Enns LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

Corporation of the Municipality of Dutton/Dunwich

Consolidated Statement of Financial Position As At December 31, 2019

	2019	2018
	<u>\$</u>	<u>\$</u>
FINANCIAL ASSETS		
Cash	-	160,122
Taxes receivable (Note 3)	867,718	869,471
Accounts receivable (Note 4)	1,301,094	1,173,477
Loan receivable (Note 5)	<u>98,191</u>	<u>129,034</u>
Total financial assets	<u>2,267,003</u>	<u>2,332,104</u>
LIABILITIES		
Temporary bank advances (Note 7)	380,232	-
Accounts payable and accrued liabilities	1,061,155	876,604
Security deposits	329,576	456,576
Deferred revenue (Note 9)	490,974	482,284
Landfill closure and post-closure liability (Note 8)	166,562	162,561
Net long-term liabilities (Note 11)	<u>4,121,865</u>	<u>4,734,677</u>
Total liabilities	<u>6,550,364</u>	<u>6,712,702</u>
NET FINANCIAL DEBT	<u>(4,283,361)</u>	<u>(4,380,598)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	35,254,196	34,745,054
Inventories	46,231	32,676
Land inventory	128,708	128,708
Prepaid expenses	<u>53,485</u>	<u>16,495</u>
Total non-financial assets	<u>35,482,620</u>	<u>34,922,933</u>
ACCUMULATED SURPLUS (NOTE 12)	<u>31,199,259</u>	<u>30,542,335</u>

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

Corporation of the Municipality of Dutton/Dunwich

Consolidated Statement of Operations and Accumulated Surplus For The Year Ended December 31, 2019

	Budget (Note 16) <u>\$</u>	Actual 2019 <u>\$</u>	Actual 2018 <u>\$</u>
REVENUES			
Property taxation	3,717,799	3,738,919	3,550,542
Taxation from other governments	159,166	155,709	155,703
Local improvement levies	82,767	442,774	148,190
User charges and other	2,683,920	2,753,046	2,678,735
Government transfers:			
Federal	253,032	248,861	143,950
Provincial	1,316,519	1,344,542	1,034,386
Other municipalities	520,369	519,377	520,204
Penalties and interest on taxes	120,000	121,345	134,552
Other	6,100	50,088	86,696
Gain (loss) on disposal of tangible capital assets	<u>-</u>	<u>(170,191)</u>	<u>(14,527)</u>
Total revenues	<u>8,859,672</u>	<u>9,204,470</u>	<u>8,438,431</u>
EXPENSES			
General government	1,059,189	1,068,469	1,059,188
Fire and police protection	903,862	891,163	851,124
Other protective services	163,873	156,449	159,637
Transportation services	2,354,731	2,406,111	2,394,860
Waterworks and sewer	2,281,390	2,293,150	2,561,052
Garbage collection and disposal	434,442	490,458	533,625
Health services	273,909	321,212	291,276
Recreation and cultural services	534,108	545,564	558,730
Planning and zoning	67,576	68,032	62,577
Agriculture	<u>168,121</u>	<u>306,938</u>	<u>412,867</u>
Total expenses (Note 17(a))	<u>8,241,201</u>	<u>8,547,546</u>	<u>8,884,936</u>
ANNUAL SURPLUS (DEFICIT)	618,471	656,924	(446,505)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	30,542,335	30,542,335	30,334,134
ACQUISITION OF INVESTMENT IN ELGIN AREA PRIMARY WATER SUPPLY SYSTEM (NOTE 2)	<u>-</u>	<u>-</u>	<u>654,706</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 12)	<u>31,160,806</u>	<u>31,199,259</u>	<u>30,542,335</u>

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

Corporation of the Municipality of Dutton/Dunwich
Consolidated Statement of Change in Net Financial Debt
For The Year Ended December 31, 2019

	Budget (Note 16) \$	Actual 2019 \$	Actual 2018 \$
ANNUAL SURPLUS (DEFICIT)	618,471	656,924	(446,505)
Acquisition of tangible capital assets	(2,087,312)	(2,087,312)	(1,279,059)
Amortization of tangible capital assets	1,248,305	1,248,305	1,198,872
Proceeds on disposal of tangible capital assets	-	159,675	15,426
Change in inventories and prepaid expenses	-	(50,546)	30,405
Gain (loss) on disposal of tangible capital assets	-	170,191	14,527
Acquisition of investment in Elgin Area Primary Water Supply System (Note 2)	<u>-</u>	<u>-</u>	<u>(102,912)</u>
CHANGE IN NET FINANCIAL DEBT	(220,536)	97,237	(569,246)
NET FINANCIAL DEBT, BEGINNING OF YEAR	<u>(4,380,598)</u>	<u>(4,380,598)</u>	<u>(3,811,352)</u>
NET FINANCIAL DEBT, END OF YEAR	<u>(4,601,134)</u>	<u>(4,283,361)</u>	<u>(4,380,598)</u>

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

Corporation of the Municipality of Dutton/Dunwich

**Consolidated Statement of Cash Flows
For The Year Ended December 31, 2019**

	2019	2018
	<u>\$</u>	<u>\$</u>
OPERATING ACTIVITIES		
Annual surplus (deficit)	656,924	(446,505)
Add (deduct) items not involving cash:		
Amortization of tangible capital assets	1,248,305	1,198,872
Landfill closure and post-closure liability	4,001	122,322
(Gain) loss on disposal of tangible capital assets	<u>170,191</u>	<u>14,527</u>
	2,079,421	889,216
Change in non-cash assets and liabilities related to operations (Note 17 (b))	<u>(110,169)</u>	<u>51,938</u>
	<u>1,969,252</u>	<u>941,154</u>
INVESTING ACTIVITIES		
Proceeds from loan receivable	<u>30,843</u>	<u>29,945</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,087,312)	(1,279,059)
Proceeds on disposal of tangible capital assets	<u>159,675</u>	<u>15,426</u>
	<u>(1,927,637)</u>	<u>(1,263,633)</u>
FINANCING ACTIVITIES		
Proceeds from long-term debt issued	-	1,203,233
Long-term debt repayments	<u>(612,812)</u>	<u>(621,136)</u>
	<u>(612,812)</u>	<u>582,097</u>
NET INCREASE (DECREASE) IN CASH	(540,354)	289,563
CASH (BANK INDEBTEDNESS), BEGINNING OF YEAR	<u>160,122</u>	<u>(129,441)</u>
CASH(BANK INDEBTEDNESS), END OF YEAR	<u><u>(380,232)</u></u>	<u><u>160,122</u></u>
(BANK INDEBTEDNESS) CASH REPRESENTED BY:		
Cash	46,841	160,122
Temporary bank advances	<u>(427,073)</u>	<u>-</u>
	<u><u>(380,232)</u></u>	<u><u>160,122</u></u>

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

Corporation of the Municipality of Dutton/Dunwich

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2019

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 consolidated 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 consolidated 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 consolidated financial statements.

Proportionate Consolidation

The Elgin Area Primary Water Supply System and the Tri-County Water Board have been consolidated on a proportionate basis. They are proportionately consolidated based upon the water flow used by the Municipality in proportion to the entire flows provided by the joint boards. This amounts to 1% and 26% respectively. The Elgin Area Primary Water Supply System was invested in 2018 for \$250,000 (note 2).

Trust Funds

Trust funds and their related operations administered by the Municipality are not included in the consolidated financial statements. Trust funds administered are reported in note 10.

Basis of Accounting

The consolidated 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 Consolidated Financial Statements For The Year Ended December 31, 2019

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 consolidated 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 after the asset is available for 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 Consolidated Financial Statements For The Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Financial Assets (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 consolidated 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 Consolidated Financial Statements For The Year Ended December 31, 2019

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 2019 the Municipality received \$3,894,628 (2018 - \$3,706,245) 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 Consolidated Financial Statements For The Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of consolidated 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.

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 Municipality is not exposed to significant interest, currency, or credit risk arising from these consolidated 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, 2019 there were no properties that the Municipality was responsible to remedy and has accrued any known liabilities and expensed all known costs (if any).

Corporation of the Municipality of Dutton/Dunwich

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2019

2. INVESTMENT IN ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

On January 1, 2018, the Municipality acquired approximately 1% of the Elgin Area Primary Water Supply System for \$252,000. The result of this acquisition increased the assets, liabilities and surplus of the Municipality. The 2018 increases in the financial position were as follows:

Accounts receivable	114,149
Prepays	1,010
Accounts payable	(29,876)
Long-term debt	<u>(188,195)</u>
Increase in net financial debt	(102,912)
Tangible capital assets, water infrastructure, cost	991,570
Tangible capital assets, water infrastructure, accumulated amortization	<u>(233,952)</u>
Increase in tangible capital assets	<u>757,618</u>
Accumulated surplus	<u><u>654,706</u></u>

Corporation of the Municipality of Dutton/Dunwich

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2019

3. TAXES RECEIVABLE

	2019	2018
	<u>\$</u>	<u>\$</u>
Current taxes receivable	518,052	585,724
Arrears taxes receivable	292,865	244,061
Penalties and interest	<u>56,801</u>	<u>39,686</u>
	<u>867,718</u>	<u>869,471</u>

4. ACCOUNTS RECEIVABLE

	2019	2018
	<u>\$</u>	<u>\$</u>
Trade and other	381,121	387,603
Water and sewer receivables	399,557	424,132
HST receivable	154,920	112,209
Other municipalities and school boards	130,371	116,721
Provincial funding	<u>235,125</u>	<u>132,812</u>
	<u>1,301,094</u>	<u>1,173,477</u>

5. LOAN RECEIVABLE

The Municipality has issued a loan in the amount of \$158,978, at 3% per annum, due in annual blended instalments of principal and interest of \$34,714 due August 2022.

Corporation of the Municipality of Dutton/Dunwich

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2019

6. TANGIBLE CAPITAL ASSETS

December 31, 2019				
Cost	Opening	Additions	Disposals	Ending
<u>Infrastructure</u>				
Linear - Roadways	7,499,048	387,947	(21,846)	7,865,149
Linear - Water Services	20,433,363	308,817	(21,540)	20,720,640
Linear - Waste Water	4,653,172	-	-	4,653,172
Bridges	2,950,997	641,615	(362,700)	3,229,912
Infrastructure Total	<u>35,536,580</u>	<u>1,338,379</u>	<u>(406,086)</u>	<u>36,468,873</u>
<u>General</u>				
Land	2,429,143	-	(100,172)	2,328,971
Land Improvements	270,670	157,011	-	427,681
Building	9,224,784	38,810	-	9,263,594
Machinery and Equipment	1,452,342	171,887	-	1,624,229
Vehicles	3,588,890	381,225	(310,182)	3,659,933
General Total	<u>16,965,829</u>	<u>748,933</u>	<u>(410,354)</u>	<u>17,304,408</u>
Total Cost	<u>52,502,409</u>	<u>2,087,312</u>	<u>(816,440)</u>	<u>53,773,281</u>
Accumulated Amortization				
	Opening	Amortization	Disposals	Ending
<u>Infrastructure</u>				
Linear - Roadways	3,823,031	280,336	(21,846)	4,081,521
Linear - Water Services	4,557,531	354,306	(20,726)	4,891,111
Linear - Waste Water	1,117,841	56,778	-	1,174,619
Bridges	1,099,982	35,788	(172,286)	963,484
Infrastructure Total	<u>10,598,385</u>	<u>727,208</u>	<u>(214,858)</u>	<u>11,110,735</u>
<u>General</u>				
Land Improvements	28,146	18,483	-	46,629
Building	4,662,876	197,987	-	4,860,863
Machinery and Equipment	597,183	92,156	-	689,339
Vehicles	1,870,765	212,471	(271,717)	1,811,519
General Total	<u>7,158,970</u>	<u>521,097</u>	<u>(271,717)</u>	<u>7,408,350</u>
Total Accumulated Amortization	<u>17,757,355</u>	<u>1,248,305</u>	<u>(486,575)</u>	<u>18,519,085</u>
Net Book Value				
	Opening			Ending
<u>Infrastructure</u>				
Linear - Roadways	3,676,017			3,783,628
Linear - Water Services	15,875,832			15,829,529
Linear - Waste Water	3,535,331			3,478,553
Utility infrastructure	1,851,015			2,266,428
	<u>24,938,195</u>			<u>25,358,138</u>
<u>General</u>				
Land	2,429,143			2,328,971
Land Improvements	242,524			381,052
Building	4,561,908			4,402,731
Machinery and Equipment	855,159			934,890
Vehicles	1,718,125			1,848,414
	<u>9,806,859</u>			<u>9,896,058</u>
Total Net Book Value	<u>34,745,054</u>			<u>35,254,196</u>

Corporation of the Municipality of Dutton/Dunwich

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2019

6. TANGIBLE CAPITAL ASSETS (CONTINUED)

December 31, 2018

Cost	Opening	Additions	Disposals	Ending
<u>Infrastructure</u>				
Linear - Roadways	7,112,353	453,607	(66,912)	7,499,048
Linear - Water Services	19,060,192	399,827	973,344	20,433,363
Linear - Waste Water	4,653,172	-	-	4,653,172
Bridges	2,896,387	54,610	-	2,950,997
Infrastructure Total	<u>33,722,104</u>	<u>908,044</u>	<u>906,432</u>	<u>35,536,580</u>
<u>General</u>				
Land	2,319,641	109,502	-	2,429,143
Land Improvements	270,670	-	-	270,670
Building	9,145,423	79,361	-	9,224,784
Machinery and Equipment	1,359,129	93,213	-	1,452,342
Vehicle	3,521,904	88,939	(21,953)	3,588,890
General Total	<u>16,616,767</u>	<u>371,015</u>	<u>(21,953)</u>	<u>16,965,829</u>
Total Cost	<u>50,338,871</u>	<u>1,279,059</u>	<u>884,479</u>	<u>52,502,409</u>
Accumulated Amortization				
	Opening	Amortization	Disposals	Ending
<u>Infrastructure</u>				
Linear - Roadways	3,611,969	255,699	(44,637)	3,823,031
Linear - Water Services	3,989,974	351,835	215,722	4,557,531
Linear - Waste Water	1,061,063	56,778	-	1,117,841
Bridges	1,064,638	35,344	-	1,099,982
Infrastructure Total	<u>9,727,644</u>	<u>699,656</u>	<u>171,085</u>	<u>10,598,385</u>
<u>General</u>				
Land Improvements	14,884	13,262	-	28,146
Building	4,471,591	191,285	-	4,662,876
Machinery and Equipment	509,817	87,366	-	597,183
Vehicle	1,677,736	207,303	(14,274)	1,870,765
General Total	<u>6,674,028</u>	<u>499,216</u>	<u>(14,274)</u>	<u>7,158,970</u>
Total Accumulated Amortization	<u>16,401,672</u>	<u>1,198,872</u>	<u>156,811</u>	<u>17,757,355</u>
Net Book Value				
	Opening			Ending
<u>Infrastructure</u>				
Linear - Roadways	3,500,384			3,676,017
Linear - Water Services	15,070,218			15,875,832
Linear - Waste Water	3,592,109			3,535,331
Utility infrastructure	1,831,749			1,851,015
	<u>23,994,460</u>			<u>24,938,195</u>
<u>General</u>				
Land	2,319,641			2,429,143
Land improvements	255,786			242,524
Building	4,673,832			4,561,908
Machinery and Equipment	849,312			855,159
Vehicles	1,844,168			1,718,125
	<u>9,942,739</u>			<u>9,806,859</u>
Total Net Book Value	<u>33,937,199</u>			<u>34,745,054</u>

Corporation of the Municipality of Dutton/Dunwich

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2019

7. BANK INDEBTEDNESS

The Municipality has available a \$2,300,000 overdraft facility. This facility bears interest at the bank prime rate (December 31, 2019 - 2.45%). At year-end the Municipality had drawn \$nil (2018 - \$nil) on this facility.

8. 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, 2019 are estimated to be \$2 million (2018 - \$2 million).

The estimated liability of \$166,562 (2018 - \$162,561) 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 4.0%. The estimated remaining capacity of the Municipality site is approximately 230,000 (2018 - 230,000) cubic metres, which will be filled in 60 years (2018 - 61 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.

Corporation of the Municipality of Dutton/Dunwich

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2019

9. 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:

	2019	2018
	<u>\$</u>	<u>\$</u>
Obligatory Reserve Funds		
Recreation land	6,500	3,500
Sewage debt	76,887	113,220
Federal Gas Tax	<u>5,689</u>	<u>8,077</u>
	89,076	124,797
Other Deferred Revenue	<u>401,898</u>	<u>357,487</u>
	<u>490,974</u>	<u>482,284</u>

10. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$43,737 (2018 - \$42,756) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

Corporation of the Municipality of Dutton/Dunwich

**Notes to the Consolidated Financial Statements
For The Year Ended December 31, 2019**

11. NET LONG-TERM LIABILITIES

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

	2019	2018
	<u>\$</u>	<u>\$</u>
Long-term liabilities incurred by the Municipality and outstanding at the end of the year	4,059,187	4,617,526
Long-term liabilities assumed through consolidation by the Municipality	131,970	155,539
Tile drainage loans assumed by individuals	<u>(69,292)</u>	<u>(38,388)</u>
Total long-term liabilities at the end of the year	<u>4,121,865</u>	<u>4,734,677</u>

- b) Principal repayments are summarized as follows:

	2020	2021	2022	2023	2024	Beyond	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Recoverable from:							
General tax revenue	209,442	208,841	192,039	197,947	185,646	1,192,798	2,186,713
User charges	<u>370,017</u>	<u>215,028</u>	<u>175,642</u>	<u>167,917</u>	<u>128,403</u>	<u>878,145</u>	<u>1,935,152</u>
	<u>579,459</u>	<u>423,869</u>	<u>367,681</u>	<u>365,864</u>	<u>314,049</u>	<u>2,070,943</u>	<u>4,121,865</u>

- c) The Municipality has an annual debt repayment limit of \$890,265 as of January 1, 2019;
- d) Interest rates range from 2.11% to 8.85%. Interest expense on long-term liabilities in 2019 amounted to \$145,514 (2018 - \$151,926);
- e) The Municipality is contingently liable for municipality debt with respect to tile drainage loans. The total amount outstanding as at December 31, 2019 is \$69,292 (2018 - \$38,388) and is not recorded on the Consolidated Statement of Financial Position;
- f) Subsequent to the year end, the Municipality obtained \$605,567 in long-term debt to fund capital asset additions in 2019. This new debt will consist of \$281,565 to be repaid over 10 years and \$324,002 to be repaid over 15 years.

Corporation of the Municipality of Dutton/Dunwich

**Notes to the Consolidated Financial Statements
For The Year Ended December 31, 2019**

12. ACCUMULATED SURPLUS

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

	2019	2018
	<u>\$</u>	<u>\$</u>
SURPLUS (DEFICIT)		
General revenue fund	(10,949)	(34,673)
Benefiting land owners	(430,927)	(671,441)
Invested in tangible capital assets	35,254,197	34,745,054
Unfunded capital	(777,137)	(130,491)
Reserves	<u>1,452,502</u>	<u>1,531,124</u>
	35,487,686	35,439,573
AMOUNTS TO BE RECOVERED		
Landfill costs	(166,562)	(162,561)
Net long-term liabilities	<u>(4,121,865)</u>	<u>(4,734,677)</u>
	<u>(4,288,427)</u>	<u>(4,897,238)</u>
ACCUMULATED SURPLUS	<u>31,199,259</u>	<u>30,542,335</u>
RESERVES		
Reserves set aside for specific purposes by Council:		
Working capital	264,232	264,231
Election purposes	5,774	-
Fire purposes	176,988	146,988
Roadway purposes	168,908	168,908
Sewage purposes	(30,890)	(63,447)
Waterworks purposes	146,273	203,178
Landfill purposes	10,000	10,000
Recreation purposes	130,771	277,105
Tri-county water system	180,608	180,608
Other purposes	25,412	25,513
Consolidated water reserves	<u>374,426</u>	<u>318,040</u>
Total reserves	<u>1,452,502</u>	<u>1,531,124</u>

Corporation of the Municipality of Dutton/Dunwich

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2019

13. 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, 2019, and the results of this valuation disclosed actuarial liabilities of \$106.4 billion in respect of benefits accrued for service with actuarial assets at that date of \$103 billion leaving an actuarial deficit of \$3.4 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 2019 was \$154,486 (2018 - \$144,101).

14. OPERATION OF THE COUNTY OF ELGIN AND SCHOOL BOARDS

During 2019, 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 2019 \$	County 2019 \$	School Boards 2018 \$	County 2018 \$
Taxation	884,272	2,815,585	862,268	2,639,955
Share of payments in lieu of taxes	<u>90,586</u>	<u>106,054</u>	<u>94,390</u>	<u>102,584</u>
Amounts requisitioned	<u>974,858</u>	<u>2,921,639</u>	<u>956,658</u>	<u>2,742,539</u>

15. 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 Consolidated Financial Statements For The Year Ended December 31, 2019

16. BUDGET FIGURES

The operating budget approved by the council of the Municipality for 2019 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	3,717,799	-	3,717,799
Taxation from other governments	159,166	-	159,166
User charges and other	2,216,723	467,197	2,683,920
Government transfers:			
Federal	10,000	243,032	253,032
Provincial	542,163	774,356	1,316,519
Other municipalities	520,369	-	520,369
Penalties and interest on taxes	120,000	-	120,000
Local improvement levies	82,767	-	82,767
Other	<u>6,100</u>	<u>-</u>	<u>6,100</u>
Total Revenues	<u>7,375,087</u>	<u>1,484,585</u>	<u>8,859,672</u>
EXPENSES			
General government	1,037,704	21,485	1,059,189
Fire and police protection	853,922	49,940	903,862
Other protective services	163,873	-	163,873
Transportation services	2,041,637	313,094	2,354,731
Waterworks and sewer	1,675,042	606,348	2,281,390
Garbage collection and disposal	436,474	(2,032)	434,442
Health services	267,309	6,600	273,909
Recreation and cultural services	466,768	67,340	534,108
Planning and zoning	67,576	-	67,576
Agriculture	168,121	-	168,121
Reserve transfers	<u>196,661</u>	<u>(196,661)</u>	<u>-</u>
Total Expenses	<u>7,375,087</u>	<u>866,114</u>	<u>8,241,201</u>
BUDGETED ANNUAL SURPLUS	<u>-</u>	<u>618,471</u>	<u>618,471</u>

Corporation of the Municipality of Dutton/Dunwich

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2019

17. SUPPLEMENTARY INFORMATION:

	2019	2018
	<u>\$</u>	<u>\$</u>
[a] Current fund expenditures by object:		
Salaries, wages and employee benefits	2,612,815	2,511,994
Long-term debt interest expense	145,514	151,926
Materials and supplies	3,377,394	3,865,366
Contracted services	1,089,477	1,012,293
Rents and financial expenses	6,498	25,646
Amortization	1,248,305	1,198,872
Transfer to others	<u>67,543</u>	<u>118,839</u>
	<u>8,547,546</u>	<u>8,884,936</u>
[b] Change in non-cash assets and liabilities related to operations:		
Decrease (increase) in taxes receivable	1,753	14,254
Decrease (increase) in accounts receivable	(127,617)	(33,391)
Decrease (increase) in inventories and prepaid expenses	(50,546)	31,414
Increase (decrease) in accounts payable and accrued liabilities	184,551	(209,779)
Increase (decrease) in deposits	(127,000)	(68,350)
Increase (decrease) in deferred revenue	<u>8,690</u>	<u>317,790</u>
	<u>(110,169)</u>	<u>51,938</u>

18. SUBSEQUENT EVENT

Subsequent to year end, the Municipality was exposed to economic risks associated with the coronavirus pandemic. These risks are beyond the Municipality's control. The overall impact of these risks cannot be identified at this time but could impact the Municipality's operations, future net surplus, cash flows and financial condition. The Municipality has experienced the following impacts:

- The Municipality suspended some of its operations in March 2020 and the Municipality staff are working from alternate locations;
- The Municipality has waived interest and penalty charges on tax and utility payments due from its residents. The Municipality is unsure of the resulting overall impact on future cash flows or on the valuation of the year end receivable balances.

Corporation of the Municipality of Dutton/Dunwich

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2019

19. 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 Consolidated Financial Statements For The Year Ended December 31, 2019

19. 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.

Corporation of the Municipality of Dutton/Dunwich

**Schedule of Segment Disclosure
For The Year Ended December 31, 2019**

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation Services \$	Planning and Development Services \$	Total \$
REVENUES								
Taxation and local improvements	834,350	860,460	1,566,503	368,974	128,983	401,148	176,984	4,337,402
Sales of services and regulatory fees	161,714	78,201	34,427	2,240,070	160,792	92,506	23,450	2,791,160
Government transfers	403,200	89,150	1,328,536	130,784	-	6,076	116,919	2,074,665
Other	129,632	-	-	6,624	100	35,078	-	171,434
Gain on disposal of capital assets	-	3,572	(173,763)	-	-	-	-	(170,191)
	<u>1,528,896</u>	<u>1,031,383</u>	<u>2,755,703</u>	<u>2,746,452</u>	<u>289,875</u>	<u>534,808</u>	<u>317,353</u>	<u>9,204,470</u>
EXPENSES								
Salaries, wages and employee benefits	709,847	254,910	775,880	363,369	221,852	208,222	78,735	2,612,815
Interest on long-term debt	3,052	716	52,245	75,146	2,504	9,339	2,512	145,514
Materials and supplies	292,273	126,020	1,063,693	1,369,794	68,808	163,083	293,723	3,377,394
Contracted services, rents and financial	24,884	612,238	3,858	413,470	20,883	20,642	-	1,095,975
External transfers	-	-	-	-	-	67,543	-	67,543
Amortization	38,413	53,728	510,435	561,829	7,165	76,735	-	1,248,305
	<u>1,068,469</u>	<u>1,047,612</u>	<u>2,406,111</u>	<u>2,783,608</u>	<u>321,212</u>	<u>545,564</u>	<u>374,970</u>	<u>8,547,546</u>
ANNUAL SURPLUS (DEFICIT)	<u>460,427</u>	<u>(16,229)</u>	<u>349,592</u>	<u>(37,156)</u>	<u>(31,337)</u>	<u>(10,756)</u>	<u>(57,617)</u>	<u>656,924</u>

Corporation of the Municipality of Dutton/Dunwich

**Schedule of Segment Disclosure
For The Year Ended December 31, 2018**

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation Services	Planning and Development Services	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
REVENUES								
Taxation and local improvements	681,484	903,277	1,486,755	349,753	82,822	232,132	118,211	3,854,434
Sales of services and regulatory fees	174,843	58,701	21,635	2,218,309	116,620	70,627	18,000	2,678,735
Government transfers	447,500	129,096	566,999	394,566	-	20,496	139,883	1,698,540
Other	134,570	-	-	3,792	100	82,787	-	221,249
Gain on disposal of capital assets	-	-	-	(14,527)	-	-	-	(14,527)
	<u>1,438,397</u>	<u>1,091,074</u>	<u>2,075,389</u>	<u>2,951,893</u>	<u>199,542</u>	<u>406,042</u>	<u>276,094</u>	<u>8,438,431</u>
EXPENSES								
Salaries, wages and employee benefits	670,893	240,098	745,319	384,320	183,922	198,718	88,724	2,511,994
Interest on long-term debt	1,960	793	47,448	86,080	2,502	9,562	3,581	151,926
Materials and supplies	329,795	125,510	1,124,725	1,666,767	77,595	157,836	383,138	3,865,366
Contracted services, rents and financial	24,301	590,037	3,358	389,980	20,093	10,170	-	1,037,939
External transfers	-	-	-	-	-	118,839	-	118,839
Amortization	<u>32,238</u>	<u>54,323</u>	<u>474,010</u>	<u>567,530</u>	<u>7,165</u>	<u>63,606</u>	<u>-</u>	<u>1,198,872</u>
	<u>1,059,187</u>	<u>1,010,761</u>	<u>2,394,860</u>	<u>3,094,677</u>	<u>291,277</u>	<u>558,731</u>	<u>475,443</u>	<u>8,884,936</u>
ANNUAL SURPLUS (DEFICIT)	<u><u>379,210</u></u>	<u><u>80,313</u></u>	<u><u>(319,471)</u></u>	<u><u>(142,784)</u></u>	<u><u>(91,735)</u></u>	<u><u>(152,689)</u></u>	<u><u>(199,349)</u></u>	<u><u>(446,505)</u></u>