

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

Financial Statements

December 31, 2017

Corporation of the Municipality of Dutton/Dunwich
Financial Statements
For the Year Ended December 31, 2017

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 Financial Debt	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 22
Schedule of Segment Disclosure	23 - 24



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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, 2017, and the statements of operations and accumulated surplus, changes in net financial 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, 2017, and the results of its operations and accumulated surplus, changes in net financial debt and cash flows for the year then ended in accordance with Canadian accounting standards for public sector entities.

St. Thomas, Ontario

June 27, 2018

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, 2017

	2017	2016
	<u>\$</u>	<u>\$</u>
FINANCIAL ASSETS		
Cash	2,090	810
Taxes receivable (Note 2)	883,725	810,403
Accounts receivable (Note 3)	922,694	1,419,020
Loan receivable (Note 4)	<u>158,978</u>	<u>-</u>
Total financial assets	<u>1,967,487</u>	<u>2,230,233</u>
LIABILITIES		
Temporary bank advances (Note 6)	131,531	530,065
Accounts payable and accrued liabilities	1,050,739	740,472
Security deposits	524,927	502,645
Deferred revenue (Note 8)	164,494	112,443
Landfill closure and post-closure liability (Note 7)	40,239	36,240
Net long-term liabilities (Note 9)	<u>3,964,386</u>	<u>4,475,073</u>
Total liabilities	<u>5,876,316</u>	<u>6,396,938</u>
NET FINANCIAL DEBT	<u>(3,908,829)</u>	<u>(4,166,705)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 5)	30,456,654	29,933,773
Inventories	47,728	27,999
Land held for resale	128,708	128,708
Prepaid expenses	<u>31,852</u>	<u>25,957</u>
Total non-financial assets	<u>30,664,942</u>	<u>30,116,437</u>
ACCUMULATED SURPLUS (NOTE 10)	<u>26,756,113</u>	<u>25,949,732</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, 2017

	Budget (Note 15) <u>\$</u>	Actual 2017 <u>\$</u>	Actual 2016 <u>\$</u>
REVENUES			
Property taxation	3,439,803	3,386,908	3,199,805
Taxation from other governments	136,424	167,179	163,364
Local improvement levies	197,845	682,024	591,712
User charges and other	2,098,775	2,196,461	2,025,746
Government transfers:			
Federal	118,000	71,415	152,215
Provincial	1,239,750	1,383,179	1,100,034
Other municipalities	590,293	608,547	579,355
Penalties and interest on taxes	93,000	110,193	102,840
Other	7,700	10,934	-
Gain (loss) on disposal of tangible capital assets	<u>-</u>	<u>108,580</u>	<u>(65,563)</u>
Total revenues	<u>7,921,590</u>	<u>8,725,420</u>	<u>7,849,508</u>
EXPENSES			
General government	1,069,948	990,885	1,171,480
Fire and police protection	947,048	890,087	860,617
Other protective services	267,560	261,476	261,701
Transportation services	2,335,694	2,057,917	2,122,210
Waterworks and sewer	1,549,126	1,708,825	1,618,636
Garbage collection and disposal	401,260	437,311	347,047
Health services	264,194	263,974	260,931
Recreation and cultural services	470,387	476,625	455,833
Planning and zoning	40,145	40,932	38,444
Agriculture	<u>143,585</u>	<u>791,007</u>	<u>901,057</u>
Total expenses (Note 16(a))	<u>7,488,947</u>	<u>7,919,039</u>	<u>8,037,956</u>
ANNUAL SURPLUS (DEFICIT)	432,643	806,381	(188,448)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>25,949,732</u>	<u>25,949,732</u>	<u>26,138,180</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 10)	<u><u>26,382,375</u></u>	<u><u>26,756,113</u></u>	<u><u>25,949,732</u></u>

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

Corporation of the Municipality of Dutton/Dunwich

Statement of Change in Net Financial Debt For the Year Ended December 31, 2017

	Budget (Note 15) \$	Actual 2017 \$	Actual 2016 \$
ANNUAL SURPLUS (DEFICIT)	432,643	806,381	(188,448)
Acquisition of tangible capital assets	(1,532,936)	(1,532,936)	(1,148,110)
Amortization of tangible capital assets	896,596	896,596	916,626
Proceeds on disposal of tangible capital assets	-	222,038	107,998
Change in inventories and prepaid expenses	-	(25,623)	(99,560)
Gain (loss) on disposal of tangible capital assets	-	(108,580)	<u>65,563</u>
DECREASE (INCREASE) IN NET FINANCIAL DEBT	(203,697)	257,876	(345,931)
NET FINANCIAL DEBT, BEGINNING OF YEAR	<u>(4,166,705)</u>	<u>(4,166,705)</u>	<u>(3,820,774)</u>
NET FINANCIAL DEBT, END OF YEAR	<u>(4,370,402)</u>	<u>(3,908,829)</u>	<u>(4,166,705)</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, 2017

	2017	2016
	<u>\$</u>	<u>\$</u>
OPERATING ACTIVITIES		
Annual surplus (deficit)	806,381	(188,448)
Add (deduct) items not involving cash:		
Amortization of tangible capital assets	896,596	916,626
Landfill closure and post-closure liability	3,999	3,962
(Gain) loss on disposal of tangible capital assets	<u>(108,580)</u>	<u>65,563</u>
	1,598,396	797,703
Change in non-cash assets and liabilities related to operations (Note 16 (b))	<u>781,980</u>	<u>(408,644)</u>
	<u>2,380,376</u>	<u>389,059</u>
INVESTING ACTIVITIES		
Advances of loan receivable	<u>(158,978)</u>	<u>-</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(1,532,936)	(1,148,110)
Proceeds on disposal of tangible capital assets	<u>222,038</u>	<u>107,998</u>
	<u>(1,310,898)</u>	<u>(1,040,112)</u>
FINANCING ACTIVITIES		
Proceeds from long-term debt issued	104,448	841,719
Long-term debt repayments	<u>(615,134)</u>	<u>(535,589)</u>
	<u>(510,686)</u>	<u>306,130</u>
NET INCREASE (DECREASE) IN CASH	399,814	(344,923)
BANK INDEBTEDNESS, BEGINNING OF YEAR	<u>(529,255)</u>	<u>(184,332)</u>
BANK INDEBTEDNESS, END OF YEAR	<u>(129,441)</u>	<u>(529,255)</u>
(BANK INDEBTEDNESS) CASH REPRESENTED BY:		
Cash	2,090	810
Temporary bank advances	<u>(131,531)</u>	<u>(530,065)</u>
	<u>(129,441)</u>	<u>(529,255)</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, 2017

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 11.

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, 2017

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, 2017

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 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, 2017

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 2017 the Municipality received \$3,554,087 (2016 - \$3,363,169) 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, 2017

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 Municipality 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, 2017 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 Financial Statements For the Year Ended December 31, 2017

2. TAXES RECEIVABLE

	2017	2016
	<u>\$</u>	<u>\$</u>
Current taxes receivable	569,383	662,929
Arrears taxes receivable	263,872	104,415
Penalties and interest	<u>50,470</u>	<u>43,059</u>
	<u>883,725</u>	<u>810,403</u>

3. ACCOUNTS RECEIVABLE

	2017	2016
	<u>\$</u>	<u>\$</u>
Trade and other	140,286	68,683
Water and sewer receivables	401,918	349,081
HST receivable	146,515	359,509
Other municipalities and school boards	133,399	294,473
Drain grants	<u>100,576</u>	<u>347,274</u>
	<u>922,694</u>	<u>1,419,020</u>

4. 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. This loan will be financed by the issuance of long-term debt.

Corporation of the Municipality of Dutton/Dunwich

Notes to the Financial Statements For the Year Ended December 31, 2017

5. TANGIBLE CAPITAL ASSETS

December 31, 2017

Cost	Opening	Additions	Disposals	Ending
<u>Infrastructure</u>				
Linear - Roadways	6,639,949	488,554	(16,150)	7,112,353
Linear - Water Services	13,656,984	217,701	(6,560)	13,868,125
Linear - Waste Water	4,398,245	254,927	-	4,653,172
Bridges	2,896,387	-	-	2,896,387
Infrastructure Total	<u>27,591,565</u>	<u>961,182</u>	<u>(22,710)</u>	<u>28,530,037</u>
<u>General</u>				
Land	2,344,641	-	(25,000)	2,319,641
Land Improvements	200,985	69,685	-	270,670
Building	9,329,287	66,136	(250,000)	9,145,423
Machinery and Equipment	1,331,688	27,441	-	1,359,129
Vehicles	3,423,117	408,492	(309,705)	3,521,904
General Total	<u>16,629,718</u>	<u>571,754</u>	<u>(584,705)</u>	<u>16,616,767</u>
Total Cost	<u>44,221,283</u>	<u>1,532,936</u>	<u>(607,415)</u>	<u>45,146,804</u>
Accumulated Amortization				
	Opening	Amortization	Disposal	Ending
<u>Infrastructure</u>				
Linear - Roadways	3,376,022	242,245	(6,298)	3,611,969
Linear - Water Services	2,144,187	137,611	(3,346)	2,278,452
Linear - Waste Water	1,005,353	55,710	-	1,061,063
Bridges	1,029,294	35,344	-	1,064,638
Infrastructure Total	<u>7,554,856</u>	<u>470,910</u>	<u>(9,644)</u>	<u>8,016,122</u>
<u>General</u>				
Land Improvements	4,320	10,564	-	14,884
Building	4,464,239	187,362	(180,010)	4,471,591
Machinery and Equipment	440,941	68,876	-	509,817
Vehicles	1,823,154	158,884	(304,302)	1,677,736
General Total	<u>6,732,654</u>	<u>425,686</u>	<u>(484,312)</u>	<u>6,674,028</u>
Total Accumulated Amortization	<u>14,287,510</u>	<u>896,596</u>	<u>(493,956)</u>	<u>14,690,150</u>
Net Book Value				
	Opening			Ending
<u>Infrastructure</u>				
Linear - Roadways	3,263,927			3,500,384
Linear - Water Services	11,512,797			11,589,673
Linear - Waste Water	3,392,892			3,592,109
Utility infrastructure	1,867,093			1,831,749
	<u>20,036,709</u>			<u>20,513,915</u>
<u>General</u>				
Land	2,344,641			2,319,641
Land Improvements	196,665			255,786
Building	4,865,048			4,673,832
Machinery and Equipment	890,747			849,312
Vehicles	1,599,963			1,844,168
	<u>9,897,064</u>			<u>9,942,739</u>
Total Net Book Value	<u>29,933,773</u>			<u>30,456,654</u>

Corporation of the Municipality of Dutton/Dunwich

Notes to the Financial Statements For the Year Ended December 31, 2017

5. TANGIBLE CAPITAL ASSETS (CONTINUED)

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
Vehicle	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
Vehicle	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, 2017

6. 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 \$110,000 (2016 - \$440,000) on this facility.

7. 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, 2017 are estimated to be \$15 million (2016 - \$15 million).

The estimated liability of \$40,239 (2016 - \$36,240) 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 229,000 (2016 - 233,000) cubic metres, which will be filled in 116 years (2016 - 117 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 Financial Statements For the Year Ended December 31, 2017

8. 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:

	2017	2016
	<u>\$</u>	<u>\$</u>
Obligatory Reserve Funds		
Recreation land	3,500	500
Sewage debt	121,939	100,081
Federal Gas Tax	<u>8,077</u>	<u>7,884</u>
	133,516	108,465
Other Deferred Revenue	<u>30,978</u>	<u>3,978</u>
	<u>164,494</u>	<u>112,443</u>

Corporation of the Municipality of Dutton/Dunwich

**Notes to the Financial Statements
For the Year Ended December 31, 2017**

9. NET LONG-TERM LIABILITIES

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

	2017	2016
	<u>\$</u>	<u>\$</u>
Total long-term liabilities incurred by the municipality and outstanding at the end of the year	4,028,018	4,562,519
Tile drainage loans assumed by individuals	<u>(63,632)</u>	<u>(87,446)</u>
Total long-term liabilities at the end of the year	<u>3,964,386</u>	<u>4,475,073</u>

- b) Principal repayments are summarized as follows:

	2018	2019	2020	2021	2022	Beyond	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Recoverable from:							
General tax revenue	175,971	136,312	134,731	131,394	127,929	1,265,185	1,971,522
User charges	<u>294,955</u>	<u>309,021</u>	<u>277,796</u>	<u>120,092</u>	<u>77,892</u>	<u>913,108</u>	<u>1,992,864</u>
	<u>470,926</u>	<u>445,333</u>	<u>412,527</u>	<u>251,486</u>	<u>205,821</u>	<u>2,178,293</u>	<u>3,964,386</u>

- c) The Municipality has an annual debt repayment limit of \$727,974 as of January 1, 2017.
- d) Interest rates range from 2.11% to 8.85%. Interest expense on long-term liabilities in 2017 amounted to \$150,154 (2016 - \$149,392).
- e) The Municipality is contingently liable for municipality debt with respect to tile drainage loans. The total amount outstanding as at December 31, 2017 is \$63,632 (2016 - \$87,446) 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, 2017**

10. ACCUMULATED SURPLUS

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

	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
SURPLUS (DEFICIT)		
General revenue fund	132,028	84,597
Benefiting land owners	(540,846)	(524,667)
Invested in tangible capital assets	30,456,654	29,933,773
Unfunded capital	(408,693)	-
Reserves	<u>1,081,356</u>	<u>931,102</u>
	30,720,499	30,424,805
AMOUNTS TO BE RECOVERED		
Net long-term liabilities	<u>(3,964,386)</u>	<u>(4,475,073)</u>
ACCUMULATED SURPLUS	<u>26,756,113</u>	<u>25,949,732</u>
RESERVES		
Reserves set aside for specific purposes by Council:		
Working capital	264,231	264,231
Election purposes	15,000	10,000
Fire purposes	41,215	5,000
Roadway purposes	168,908	13,325
Sewage purposes	(64,882)	(14,012)
Waterworks purposes	236,120	291,230
Landfill purposes	10,000	10,000
Recreation purposes	42,193	18,154
Tri-county water system	180,608	180,608
Dutton Hydro Limited	141,815	141,815
Other purposes	<u>46,148</u>	<u>10,751</u>
Total reserves	<u>1,081,356</u>	<u>931,102</u>

11. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$72,948 (2016 - \$42,757) 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, 2017

12. 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, 2017, which is required every three years. As at December 31, 2017, the Plan had actuarial liabilities of \$93.6 billion in respect of benefits accrued for service with actuarial assets at that date of \$88.2 billion leaving an actuarial deficit of \$5.4 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 2017 was \$149,323 (2016 - \$146,148).

13. OPERATION OF THE COUNTY OF ELGIN AND SCHOOL BOARDS

During 2017, 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 2017 \$	County 2017 \$	School Boards 2016 \$	County 2016 \$
Taxation	842,169	2,516,840	861,016	2,363,906
Share of payments in lieu of taxes	<u>91,842</u>	<u>104,415</u>	<u>92,429</u>	<u>89,105</u>
Amounts requisitioned	<u>934,011</u>	<u>2,621,255</u>	<u>953,445</u>	<u>2,453,011</u>

14. 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, 2017

15. BUDGET FIGURES

The operating budget approved by the council of the Municipality for 2017 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	3,439,803	-	3,439,803
Taxation from other governments	136,424	-	136,424
User charges and other	2,098,775	-	2,098,775
Government transfers:			
Federal	118,000	-	118,000
Provincial	1,239,750	-	1,239,750
Other municipalities	590,293	-	590,293
Penalties and interest on taxes	93,000	-	93,000
Local improvement levies	197,845	-	197,845
Other	7,700	-	7,700
Debt financing	<u>812,553</u>	<u>(812,553)</u>	<u>-</u>
Total Revenues	<u>8,734,143</u>	<u>(812,553)</u>	<u>7,921,590</u>
EXPENSES			
General government	1,091,739	(21,791)	1,069,948
Fire and police protection	948,133	(1,085)	947,048
Other protective services	267,560	-	267,560
Transportation services	2,741,443	(405,749)	2,335,694
Waterworks and sewer	2,202,682	(653,556)	1,549,126
Garbage collection and disposal	403,260	(2,000)	401,260
Health services	257,029	7,165	264,194
Recreation and cultural services	608,567	(138,180)	470,387
Planning and zoning	40,145	-	40,145
Agriculture	143,585	-	143,585
Reserve transfers	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>
Total Expenses	<u>8,734,143</u>	<u>(1,245,196)</u>	<u>7,488,947</u>
BUDGETED ANNUAL SURPLUS	<u>-</u>	<u>432,643</u>	<u>432,643</u>

Corporation of the Municipality of Dutton/Dunwich

**Notes to the Financial Statements
For the Year Ended December 31, 2017**

16. SUPPLEMENTARY INFORMATION:

	2017	2016
	<u>\$</u>	<u>\$</u>
[a] Current fund expenditures by object:		
Salaries, wages and employee benefits	2,465,834	2,457,461
Long-term debt interest expense	150,154	149,789
Materials and supplies	3,241,218	3,416,855
Contracted services	1,096,860	987,359
Rents and financial expenses	10,203	25,646
Amortization	896,596	916,626
Transfer to others	<u>58,174</u>	<u>84,220</u>
	<u>7,919,039</u>	<u>8,037,956</u>
 [b] Change in non-cash assets and liabilities related to operations:		
(Increase) in taxes receivable	(73,322)	(12,796)
(Increase) in accounts receivable	496,326	(726,009)
(Increase) decrease in inventories and prepaid expenses	(25,624)	(99,562)
Increase (decrease) in accounts payable and accrued liabilities	310,267	(36,271)
Increase (decrease) in deposits	22,282	471,940
Increase (decrease) in deferred revenue	<u>52,051</u>	<u>(5,946)</u>
	<u>781,980</u>	<u>(408,644)</u>

Corporation of the Municipality of Dutton/Dunwich

Notes to the Financial Statements For the Year Ended December 31, 2017

17. 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, 2017

17. 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.

18. 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.

Included in the Statement of Operations are the charges for the purchase of water of \$513,198 (2016 - \$487,876). 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.

19. COMPARATIVE FINANCIAL STATEMENTS

The Municipality restated its statement of financial position and reclassified its land held for resale from accounts receivable. There was no impact on the statement of operations.

Corporation of the Municipality of Dutton/Dunwich

**Schedule of Segment Disclosure
For the Year Ended December 31, 2017**

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation Services \$	Planning and Development Services \$	Total \$
REVENUES								
Taxation and local improvements	666,508	1,108,832	1,528,590	292,452	153,237	397,549	88,943	4,236,111
Sales of services and regulatory fees	175,253	101,086	19,442	1,586,028	130,147	86,110	20,018	2,118,084
Government transfers	1,114,930	204,911	507,595	101,187	-	3,572	130,946	2,063,141
Other	110,193	-	-	78,377	200	10,734	-	199,504
Gain on disposal of capital assets	-	-	-	108,580	-	-	-	108,580
	<u>2,066,884</u>	<u>1,414,829</u>	<u>2,055,627</u>	<u>2,166,624</u>	<u>283,584</u>	<u>497,965</u>	<u>239,907</u>	<u>8,725,420</u>
EXPENSES								
Salaries, wages and employee benefits	660,826	333,253	710,809	373,441	165,316	144,042	78,147	2,465,834
Interest on long-term debt	1,874	2,234	41,857	88,637	2,634	10,623	2,295	150,154
Materials and supplies	277,368	154,446	881,438	919,068	64,289	193,437	751,172	3,241,218
Contracted services, rents and financial	22,131	606,714	9,562	433,583	24,570	10,178	325	1,107,063
External transfers	-	-	-	-	-	58,174	-	58,174
Amortization	28,687	54,915	414,250	331,406	7,165	60,173	-	896,596
	<u>990,886</u>	<u>1,151,562</u>	<u>2,057,916</u>	<u>2,146,135</u>	<u>263,974</u>	<u>476,627</u>	<u>831,939</u>	<u>7,919,039</u>
ANNUAL SURPLUS (DEFICIT)	<u>1,075,998</u>	<u>263,267</u>	<u>(2,289)</u>	<u>20,489</u>	<u>19,610</u>	<u>21,338</u>	<u>(592,032)</u>	<u>806,381</u>

Corporation of the Municipality of Dutton/Dunwich

**Schedule of Segment Disclosure
For the Year Ended December 31, 2016**

	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	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	397	2,988	33,416	98,095	2,759	10,310	1,824	149,789
Materials and supplies	410,860	141,802	943,122	844,708	56,285	160,459	859,619	3,416,855
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	32,442	54,452	440,906	326,772	7,184	54,870	-	916,626
	<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>