
CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

FINANCIAL STATEMENTS

December 31, 2011

CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

December 31, 2011

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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
the Corporation of the Township of South Dundas

We have audited the accompanying financial statements of the Corporation of the Township of South Dundas, which comprise the statement of financial position as at December 31, 2011, and the statements of financial activities, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Administration's Responsibility for the Financial Statements

Administration is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants for local municipalities and its local boards, and for such internal control as administration 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 the 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 about whether the financial statements are free from 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 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 circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by administration, 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 financial position of the Corporation of the Township of South Dundas as at December 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Craig Keen Despatie Markell LLP

CHARTERED ACCOUNTANTS

Licensed Public Accountants

Cornwall, Ontario

May 15, 2012

CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

STATEMENT OF FINANCIAL POSITION

As at December 31, 2011

	2011	2010
NET FINANCIAL ASSETS		
Assets		
Cash	\$ 12,918,556	\$ 11,722,082
Taxes receivable	1,389,991	1,404,018
Accounts receivable	2,418,599	3,384,050
Long-term investments (Note 2)	2,544,137	2,580,279
Investment in Rideau St. Lawrence Holdings Inc. (Note 3)	1,610,498	1,577,215
	20,881,781	20,667,644
Liabilities		
Accounts payable	1,015,724	793,576
Accrued interest on municipal debt	68,446	73,782
Deferred revenue (Note 4)	687,541	891,476
Deferred revenue, obligatory reserve funds (Note 5)	8,990,232	9,341,311
Retirement benefits payable (Note 6)	29,604	29,502
Municipal debt (Note 7)	4,161,425	4,724,496
Accrued landfill closure and post closure costs (Note 8)	833,079	810,679
	15,786,051	16,664,822
Net Financial Assets	5,095,730	4,002,822
NON-FINANCIAL ASSETS		
Tangible capital assets	63,040,461	62,278,610
Inventory	182,092	250,011
	63,222,553	62,528,621
ACCUMULATED SURPLUS	\$ 68,318,283	\$ 66,531,443

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2011

	(Unaudited) BUDGET 2011	ACTUAL 2011	ACTUAL 2010
REVENUE			
Taxation (Note 1(a)(iii))	\$ 5,255,430	\$ 5,392,792	\$ 5,144,807
Fees and service charges	2,590,875	3,041,465	2,885,679
Grants	1,255,488	1,369,100	1,216,187
Investment income	185,000	485,097	384,062
Permits and licenses	90,900	98,172	116,857
Sale of land and equipment	-	66,878	10,907
Donations and other revenue	5,100	20,155	15,075
Equity income from Rideau St. Lawrence Holdings Inc.	-	33,283	45,460
	9,382,793	10,506,942	9,819,034
EXPENSES			
General government	1,041,657	994,765	987,012
Protection to persons and property	993,845	1,104,825	696,339
Transportation services	1,738,392	2,222,256	2,161,125
Environmental services	2,596,326	3,254,154	2,637,471
Health services	84,000	105,231	121,950
Recreation and cultural services	1,225,433	1,480,596	1,509,977
Planning and development	426,420	791,880	390,554
	8,106,073	9,953,707	8,504,428
OTHER REVENUE FOR CAPITAL PURPOSES			
Grants	427,761	1,135,404	1,679,590
Direct billings, donations and other	-	239,460	506
Disposal of tangible capital assets	-	(141,259)	(328,038)
	427,761	1,233,605	1,352,058
SURPLUS FOR THE YEAR	1,276,720	1,786,840	2,666,664
ACCUMULATED SURPLUS, beginning of year	66,531,443	66,531,443	63,864,779
ACCUMULATED SURPLUS, end of year	\$ 67,808,163	\$ 68,318,283	\$ 66,531,443

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31, 2011

	(Unaudited) BUDGET 2011	ACTUAL 2011	ACTUAL 2010
Surplus for the year	\$ 1,276,720	\$ 1,786,840	\$ 2,666,664
Amortization of tangible capital assets	-	1,492,682	1,168,568
Acquisition of tangible capital assets	(1,406,304)	(2,395,793)	(1,899,910)
Disposal of tangible capital assets	-	141,259	328,038
Change in inventory	-	67,920	(96,695)
Increase in net financial assets	(129,584)	1,092,908	2,166,665
Net financial assets, beginning of year	4,002,822	4,002,822	1,836,157
Net financial assets, end of year	\$ 3,873,238	\$ 5,095,730	\$ 4,002,822

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

STATEMENT OF CASH FLOWS

For the year ended December 31, 2011

	2011	2010
CASH FROM OPERATING ACTIVITIES		
Surplus for the year	\$ 1,786,840	\$ 2,666,664
Items not affecting cash or equivalent		
Amortization expense	1,492,682	1,168,568
Disposal of tangible capital assets	141,259	328,038
Changes in non-cash working capital balances		
Taxes receivable	14,026	(26,920)
Accounts receivable	965,452	(1,996,814)
Other current assets	67,919	(96,693)
Accounts payable	222,150	(117,446)
Accrued interest on municipal debt	(5,336)	(5,276)
Deferred revenue	(203,936)	(133,029)
Deferred revenue - obligatory reserve funds	(351,079)	9,080,909
Future employment benefits payable	102	2,278
Landfill closure and post closure costs	22,399	50,192
	4,152,478	10,920,471
CASH USED IN FINANCING ACTIVITIES		
Repayment of municipal debt	(563,071)	(465,777)
CASH USED IN INVESTING ACTIVITIES		
Acquisition of tangible capital assets	(2,395,793)	(1,899,910)
Decrease in long term receivable	36,143	41,614
Increase in investment in Rideau St. Lawrence Holdings Inc.	(33,283)	(45,460)
	(2,392,933)	(1,903,756)
INCREASE IN CASH AND EQUIVALENT	1,196,474	8,550,938
CASH AND EQUIVALENT, beginning of year	11,722,082	3,171,144
CASH AND EQUIVALENT, end of year	\$ 12,918,556	\$ 11,722,082
REPRESENTED BY :		
Cash	\$ 12,918,556	\$ 11,722,082

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS
SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2011

Cost	Land and land improvements		Buildings		Vehicles		Equipment		Plants and facilities		Roads		Water and sewer		Bridges		Assets under construction		2011		2010		
Balance, beginning of year	\$ 1,745,483	\$ 4,680,940	\$ 4,695,427	\$ 870,394	\$ 38,724,126	\$ 14,248,811	\$ 6,772,785	\$ 5,382,593	\$ 77,120,559	\$ 76,172,730													
Additions during the year	25,000	51,666	557,828	106,517	-	662,164	8,746	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals during the year	68,627	-	284,998	-	-	99,198	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance, end of year	1,701,856	4,732,606	4,968,257	976,911	38,724,126	14,811,777	6,781,531	5,382,593	983,872	79,063,529	77,120,559												
Accumulated Amortization																							
Balance, beginning of year	158,336	1,853,414	3,115,185	597,410	2,521,919	3,355,226	1,908,057	1,332,402	-	14,841,949	14,297,424												
Amortization during the year	6,305	111,251	212,530	92,779	521,614	388,010	82,255	77,938	-	1,492,682	1,168,568												
Amortization on disposals	-	-	287,998	-	-	23,565	-	-	-	311,563	624,043												
Balance, end of year	164,641	1,964,665	3,039,717	690,189	3,043,533	3,719,671	1,990,312	1,410,340	-	16,023,068	14,841,949												
Net book value	\$ 1,537,215	\$ 2,767,941	\$ 1,928,540	\$ 286,722	\$ 35,680,593	\$ 11,092,106	\$ 4,791,219	\$ 3,972,253	\$ 983,872	\$ 63,040,461	\$ 62,278,610												

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS
SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2011

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Recreation	Planning and Development	2011	2010
Cost								
Balance, beginning of year	\$ 886,892	\$ 2,990,151	\$ 24,410,184	\$ 45,783,050	\$ 3,050,282	\$ -	\$ 77,120,559	\$ 61,849,047
Additions during the year	25,000	233,215	983,115	45,279	102,973	22,339	1,411,921	1,899,910
Disposals during the year	-	-	359,463	-	93,360	-	452,823	952,081
Other - donations and transfers	-	-	-	-	-	-	-	14,323,683
Assets in service, end of year	911,892	3,223,366	25,033,836	45,828,329	3,059,895	22,339	78,079,657	77,120,559
Assets under construction	-	-	-	816,308	167,564	-	983,872	-
Balance, end of year	911,892	3,223,366	25,033,836	46,644,637	3,227,459	22,339	79,063,529	77,120,559
Accumulated Amortization								
Balance, beginning of year	183,887	1,977,348	7,295,404	4,479,586	905,724	-	14,841,949	14,297,424
Amortization during the year	5,434	112,829	635,541	608,550	126,605	3,723	1,492,682	1,168,568
Amortization on disposals	-	-	283,831	-	27,732	-	311,563	624,043
Balance, end of year	189,321	2,090,177	7,647,114	5,088,136	1,004,597	3,723	16,023,068	14,841,949
Net book value	\$ 722,571	\$ 1,133,189	\$ 17,386,722	\$ 41,556,501	\$ 2,222,862	\$ 18,616	\$ 63,040,461	\$ 62,278,610

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2011

	2011	2010
Surpluses		
Operating surplus	\$ -	\$ -
Water and sewer surplus	-	-
Local board surplus, Morrisburg Business Improvement Area	10,589	4,706
Surplus for future capital asset acquisitions	296,216	(1,104,835)
Investment in Rideau St. Lawrence Holdings Inc.	1,610,498	1,577,215
Liabilities to be recovered from future revenues		
Accrued interest on municipal debt	(68,446)	(73,782)
Retirement benefits payable	(29,604)	(29,502)
Accrued landfill closure and post closure	(833,079)	(810,679)
Total surplus	986,174	(436,877)
Reserves and reserve funds		
Reserves set aside for specific purposes by Council:		
. for working capital	2,813,638	2,328,338
. for doctor recruitment	20,000	10,000
. for sick leave	29,604	29,502
. for planning	42,675	48,873
. for water and sewer	872,740	1,443,316
. for recreation	31,971	60,656
. for other	16,141	13,788
. for social housing	3,560	12,759
. for winter control	156,401	156,401
Total reserves	3,986,730	4,103,633
Reserve funds set aside for specific purpose by legislation, regulation or agreement		
. for equipment replacement	703,117	737,706
. for water and sewer	1,125,881	1,918,891
. for infrastructure	1,613,359	1,514,764
. for fire	478,542	620,794
. for other	215,548	146,099
Total reserve funds	4,136,447	4,938,254
Total reserves and reserve funds	8,123,177	9,041,887
Equity in tangible capital assets		
Invested in tangible capital assets	63,040,461	62,278,610
Less: related net municipal debt	(3,831,529)	(4,352,177)
Total equity in tangible capital assets	59,208,932	57,926,433
ACCUMULATED SURPLUS	\$ 68,318,283	\$ 66,531,443

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS
SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS

For the year ended December 31, 2011

	Operating Surpluses	Reserves and Reserve Funds	Equity in Tangible Capital Assets	2011	2010
Balance, beginning of year	\$ (436,877)	\$ 9,041,887	\$ 57,926,433	\$ 66,531,443	\$ 63,864,779
Surplus for the year	1,624,942	161,898	-	1,786,840	2,666,664
Funds transferred between reserves and reserve funds	(899,672)	899,672	-	-	-
Reserve funds used for tangible capital assets	-	(1,980,280)	1,980,280	-	-
Current year funds used for tangible capital assets	(415,513)	-	415,513	-	-
Disposal of tangible capital assets	141,260	-	(141,260)	-	-
Annual amortization expense	1,492,682	-	(1,492,682)	-	-
Long term debt repaid	(520,648)	-	520,648	-	-
Change in accumulated surplus	1,423,051	(918,710)	1,282,499	1,786,840	2,666,664
Balance, end of year	\$ 986,174	\$ 8,123,177	\$ 59,208,932	\$ 68,318,283	\$ 66,531,443

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2011

	General Government	Protection Services	Transportation Services	Environmental Services	Water and Sewer Services	Health Services	Recreation and Cultural Services	Planning and Development	2011	2010
REVENUE										
Taxation	\$ 89,353	\$ 500,816	\$ 2,659,371	\$ 525,391	\$ 374,724	\$ 124,000	\$ 769,791	\$ 349,346	\$ 5,392,792	\$ 5,144,807
Fees and service charges	142,675	55,734	30,765	167,472	1,770,363	-	409,701	464,755	3,041,465	2,885,679
Grants	1,025,420	1,268	-	64,335	203,989	-	25,334	48,754	1,369,100	1,216,187
Investment income	485,097	-	-	-	-	-	-	-	485,097	384,062
Permits and licenses	30,940	-	3,300	-	-	-	-	63,932	98,172	116,857
Sale of land and equipment	-	-	-	-	-	-	66,878	-	66,878	10,907
Donations and other	20,155	-	-	-	-	-	-	-	20,155	15,075
Equity income	33,283	-	-	-	-	-	-	-	33,283	45,460
	1,826,923	557,818	2,693,436	757,198	2,349,076	124,000	1,271,704	926,787	10,506,942	9,819,034
EXPENSES										
Wages and benefits	613,688	433,331	827,567	113,116	-	-	531,854	130,197	2,649,753	2,597,129
Interest on municipal debt	65,714	-	-	-	206,015	-	-	21,690	293,419	285,137
Materials and services	239,069	421,175	451,979	121,009	903,824	5,231	732,386	633,458	3,508,131	2,474,773
Contracted services	20,633	36,128	270,140	581,074	457,923	-	63,093	1,574	1,430,565	1,537,984
Insurance and financial costs	50,227	43,378	37,029	-	262,643	-	25,757	1,238	420,272	284,471
Third party transfers	-	57,985	-	-	-	100,000	901	-	158,886	156,360
Amortization	5,434	112,828	635,541	-	608,550	-	126,605	3,723	1,492,681	1,168,568
	994,765	1,104,825	2,222,256	815,199	2,438,955	105,231	1,480,596	791,880	9,953,707	8,504,422
OTHER REVENUE FOR CAPITAL PURPOSES										
Grants	-	1,000	323,161	-	811,243	-	-	-	1,135,404	1,679,590
Donations and other	-	48,000	-	-	-	-	165,280	26,180	239,460	506
Disposal of tangible capital assets	-	-	(75,632)	-	-	-	(65,627)	-	(141,259)	(328,038)
	-	49,000	247,529	-	811,243	-	99,653	26,180	1,233,605	1,352,058
ANNUAL SURPLUS (DEFICIT)	\$ 832,158	\$ (498,007)	\$ 718,709	\$ (58,001)	\$ (89,879)	\$ 18,769	\$ (109,239)	\$ 161,087	\$ 1,786,840	\$ 2,666,670

See Accompanying Notes
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CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with accounting principles for local governments prescribed by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and the Ministry of Municipal Affairs and Housing.

(a) Basis of consolidation

(i) Consolidated entities

These financial statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund and reserves and include the activities of all committees of Council and the following local boards:

Iroquois Golf Course Municipal Service Board

Morrisburg Business Improvement Area

Galop Canal Iroquois Landing Marina

All interfund assets and liabilities and sources of financing and expenditures have been eliminated.

These financial statements reflect the investment in any government business enterprises and are consolidated using the modified equity method. Under the modified equity basis, the enterprises accounting principles are not adjusted to conform with those of the Township and intergovernmental transactions and balances are not eliminated. The following government business enterprise is consolidated based on the Township's share of ownership.

Rideau St. Lawrence Holdings Inc.

(ii) Non-consolidated entities

There are no non-consolidated entities.

(iii) Accounting for United Counties and school board transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards, and the United Counties of Stormont, Dundas and Glengarry are not reflected in the municipal fund balances of these financial statements.

(iv) Trust funds

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the trust funds balance sheet and statement of continuity.

CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of accounting

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(c) Fund accounting

Funds within the consolidated financial statements consists of the operating fund, capital fund and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

(d) Reserve funds

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and from reserves and reserve funds are an adjustment to the respective fund when approved.

(e) 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, and reasonable estimates of the amounts can be made.

(f) Deferred revenue

Deferred revenue represents user charges and fees that have been collected but the services have yet to be performed. These amounts will be recognized as revenues in the year the services are performed.

(g) Landfill closure costs

The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to expense as the landfill site's capacity is used.

(h) Employee benefits

Employee benefits include vacation entitlement and sick leave benefits. Vacation and sick leave benefits are accrued in accordance with the Township's policy. The Township accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), as a defined contribution plan.

CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Amounts to be recovered from future revenues

Amounts to be recovered from future revenues represents the outstanding principal portion of unmatured long-term liabilities for expenditures, accrued interest on long-term liabilities and future employment benefits payable that will be financed through future revenues of the Township and is reported on the statement of financial position.

(j) Financial instruments

(i) Fair value of financial instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Township has classified each financial instrument into one of the following categories: held-for-trading, loans and receivables, held to maturity and other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

(i) Cash is classified as "held for trading". It is measured at fair value and any gains or losses resulting from the re-measurement at the end of each period are recognized in net income.

(ii) Taxes receivable and accounts receivable are classified as "loans and receivables". They are recorded at cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest method.

(iii) Accounts payable, accrued interest on municipal debt, deferred revenue, and net municipal debt are classified as "financial liabilities". They are recorded at their cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest method.

The carrying amounts, of the aforementioned assets and liabilities in (i), (ii), and (iii), approximate fair values due to the immediate and short-term maturities of these financial instruments. The carrying value of long-term debt is based on the quoted market prices for the same and similar debt instruments.

(ii) Concentration of credit risk

The corporation does not believe it is subject to any significant concentration of credit risk. Cash is held in credit-worthy financial institutions. Taxes and accounts receivable are the result of taxation or services to corporations, public sector organizations and individuals geographically concentrated within Eastern Ontario.

(k) 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 financial assets for the year.

CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Non-financial assets (Continued)

(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:

Land improvements	25 to 40 years
Buildings	20 to 40 years
Machinery and equipment	15 years
Vehicles	5 to 20 years
Water and waste plants and networks	
underground networks	75 to 100 years
sewage treatment plants	75 years
water pumping stations and reservoirs	75 years
flood stations and other infrastructure	75 years
Transportation	
roads	10 to 40 years
bridges and structures	25 to 75 years

One half of the annual amortization is charged in the year of acquisition and the year of disposal. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

Active landfills are amortized annually based on the remaining estimated useful life. The estimated costs to close and maintain currently active landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to expense as the landfill sites capacity is used.

The Township has a capitalization threshold of \$25,000 so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons. Examples of pool of assets are desktop computer systems, vehicles, utility poles and defibrillators.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of the transfer.

(iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(iv) Inventory

Inventory held for consumption are recorded at the lower of cost or replacement cost.

CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

2. LONG-TERM INVESTMENTS

Long-term investments consist of the following:

	2011	2010
Promissory note, Rideau St. Lawrence Holdings Inc., interest at 4.99%	\$ 938,352	\$ 938,352
South Dundas Water Plant debentures	239,785	249,927
South Dundas Water Plant, long-term growth receivable	1,366,000	1,392,000
	\$ 2,544,137	\$ 2,580,279

The total of long-term investments reported on the statement of financial position at cost, has a market value of \$2,544,137 at year end (2010 - \$2,580,279).

3. INVESTMENT IN RIDEAU ST. LAWRENCE HOLDINGS INC.

	2011	2010
Investment, beginning of year	\$ 1,577,215	\$ 1,531,755
Share of net income for the year	77,003	89,180
Dividends received	(43,720)	(43,720)
Investment, end of year	\$ 1,610,498	\$ 1,577,215

The Township of South Dundas owns 33.63 % of the outstanding share capital of Rideau St. Lawrence Holdings Inc.

CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2011

The following table provides condensed supplementary financial information for Rideau St. Lawrence Holdings Inc.:

Financial Position

	2011	2010
Current assets	\$ 4,161,731	\$ 3,868,660
Capital	4,759,871	4,592,965
Regulatory assets	741,875	478,190
Total Assets	9,663,477	8,939,815
Current liabilities	3,400,808	3,005,148
Long-term portion of customer deposits	72,114	81,407
Long-term debt	1,401,679	1,163,352
Total Liabilities	4,874,601	4,249,907
Shareholders' Equity	\$ 4,788,876	\$ 4,689,908

Financial Activities

	2011	2010
Total revenue	\$ 12,821,676	\$ 11,642,236
Total expenses	12,592,708	11,377,059
Net Income	\$ 228,968	\$ 265,177
Township share of net income (33.63%)	\$ 77,003	\$ 89,180

CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2011

4. DEFERRED REVENUE

Deferred revenue represents funds set aside to cover future long-term debt payments resulting from the financing of the South Dundas Water Treatment Plant in 2008.

5. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of PSAB 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 are summarized as follows:

	Parkland	Green Infrastructure	2011	2010
Balance, beginning of year	\$ 287,311	\$ 9,054,000	\$ 9,341,311	\$ 260,402
Grants received	-	-	-	9,000,000
Interest and other	18,866	109,293	128,159	80,909
Transfer to capital acquisitions	(98,266)	(365,202)	(463,468)	-
Balance, end of year	\$ 207,911	\$ 8,798,091	\$ 9,006,002	\$ 9,341,311

6. RETIREMENT BENEFITS

The Township provides employee benefits that will require funding in future periods. Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Township's employment. With respect to responsibilities under the Workplace Safety and Insurance Board Act the Township has elected to be a Schedule 2 employer and remits payments to the WSIB as required to fund disability payments. There is no liability recorded in these financial statements with respects to any WSIB liability. The Township has established a Reserve for Sick Leave to mitigate the future impact of these obligations in the amount of \$29,604 (2010 - \$29,502).

CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2011

7. MUNICIPAL DEBT

(a) The balance of municipal debt reported on the statement of financial position is comprised of the following:

	2011	2010
Bank loan, 4.85% interest, repayable in monthly payments of \$28,206 plus interest, due 2013	\$ 383,029	\$ 694,677
Loan payable, 4.75% interest, repayable in semi-annual payments of \$104,500 plus interest, due 2028	3,448,500	3,657,500
Tile drain loans, interest between 6% and 8%, repayable over a ten year period in blended annual payments between \$2,000 and \$4,000, due between one year and ten years	329,896	372,319
	\$ 4,161,425	\$ 4,724,496

Repayment of long-term debt, assuming the loans are renewed under the same terms and conditions, is as follows:

	2012	\$ 573,736
	2013	304,853
	2014	249,145
	2015	251,553
	2016	254,106
	Thereafter	2,528,032
		\$ 4,161,425

(a) Of the net municipal debt reported in (a) of this note, principal payments are payable from the following sources as follows:

	2012 to 2016	2017 to 2021
General municipal revenues	\$ -	\$ -
User charges	1,428,029	2,403,500
Tile drain loans receivable	205,364	124,532
	\$ 1,633,393	\$ 2,528,032

(b) All long-term liabilities issued on or before December 31, 1992 have received approval of the Ontario Municipal Board. Long-term liabilities issued on or after January 1, 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.

CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2011

8. ACCRUED LANDFILL CLOSURE AND POST CLOSURE LIABILITY

The Municipality operates two solid waste landfill sites. The estimated remaining useful lives range between twelve and fifteen years. The estimate associated with closure and post-closure include costs such as clay, topsoil, hydro seed, site preparation, equipment, ditching, drainage, fencing and post closure monitoring estimated for 5 years. The total estimated closure and post closure costs for both sites is \$888,000 with \$833,079 (2010 - \$810,679) being accrued at the end of the current fiscal year. These costs are to be recovered from future taxation revenue and reserves.

9. AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES

Amounts to be recovered from future taxation, local improvement charges and reserves are as follows:

	2011	2010
Net municipal debt	\$ 4,161,425	\$ 4,724,496
Accrued interest on municipal debt	68,446	73,782
Retirement benefits payable	29,604	29,502
Accrued landfill closure and post-closure	833,079	810,679
	\$ 5,092,554	\$ 5,638,459

Amounts are to be recovered from the following sources:

Reserves and reserve funds	\$ 29,604	\$ 29,502
General revenues	833,079	810,679
User charges	3,899,975	4,425,959
Tile drain loans receivable	329,896	372,319
	\$ 5,092,554	\$ 5,638,459

CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2011

10. WATER AND SEWER OPERATIONS

Water and sewer operations included in the schedule of the operating fund is summarized as follows:

	(Unaudited) BUDGET 2011	ACTUAL 2011	ACTUAL 2010
Revenues			
Taxation and local improvement charges	\$ 384,009	\$ 374,724	\$ 380,594
Fees and service charges	1,855,380	1,770,363	1,808,006
Grants	162,213	203,989	162,912
	2,401,602	2,349,076	2,351,512
Expenditures, net of amortization	1,795,765	1,830,405	1,422,309
Surplus for the year	605,837	518,671	929,203
Financing and transfers			
Transfers to reserve and reserve funds	(225,871)	(113,278)	(343,774)
Net funds used for capital asset acquisitions and expenditures	140,682	120,591	(74,254)
Debt principal repayments	(520,648)	(520,648)	(505,899)
Change in accrued interest on municipal debt		(5,336)	(5,276)
	(605,837)	(518,671)	(929,203)
Water and sewer, beginning of the year	-	-	-
Water and sewer, end of year	\$ -	\$ -	\$ -

11. EXPENDITURES BY OBJECT

	(Unaudited) BUDGET 2011	ACTUAL 2011	ACTUAL 2010
Wages and benefits	\$ 2,526,581	\$ 2,649,753	\$ 2,597,129
Interest on municipal debt	323,319	293,419	285,137
Materials and services	3,247,763	3,508,131	2,474,773
Contracted services	1,560,575	1,430,565	1,537,984
Insurance and other financial costs	318,850	420,272	284,471
Third party transfers	128,985	158,886	156,360
Amortization	-	1,492,681	1,168,568
	\$ 8,106,073	\$ 9,953,707	\$ 8,504,422



CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2011

12. PENSION AGREEMENTS

The Township is a member of the Ontario Municipal Employees Retirement System (OMERS) which is a multi-employer retirement plan. The plan is a defined benefit plan that specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay.

The employer amount contributed to OMERS for 2011 in the amount of \$147,094 (2010 - \$120,816) for current service and is included as an expenditure on the statement of financial activities

13. TRUST FUNDS

Trust funds administered by the municipality amounting to \$110,717 have not been included in the Consolidated Statement of Financial Activities.

14. BUDGET FIGURES

Budgets established for capital funds, reserves and reserve funds are based on a project-oriented basis, the costs of which may be carried out over one or more years.

15. COMMITMENTS

In 2002, the Township pledged \$700,000 to the Winchester District Memorial Hospital over a ten year period commencing in 2003 with annual payments of \$70,000. The remaining commitment is \$70,000.

CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2011

FINANCIAL ACTIVITIES (000's)

	2011	2010	2009	2008	2007
Revenues					
Taxation	\$ 5,393	\$ 5,145	\$ 4,808	\$ 5,754	\$ 5,175
Fees and service charges	3,041	2,886	2,784	1,995	1,546
Grants	1,369	1,216	1,429	2,383	1,215
Investment income	485	384	385	468	520
Permits and licenses	98	117	112	108	67
Donations and other revenue	20	15	-	57	2
Equity income	33	45	192	194	128
	10,439	9,808	9,710	10,959	8,653
Expenses					
General government	995	987	953	1,206	1,215
Protection to persons and property	1,105	696	776	705	509
Transportation services	2,222	2,161	2,335	2,534	1,794
Environmental	3,254	2,637	2,449	2,202	1,550
Health services	105	122	103	111	70
Recreation and cultural services	1,481	1,510	1,474	1,123	915
Planning and development	792	391	456	513	258
	9,954	8,504	8,316	8,394	6,311
Other Revenue for Capital Purposes					
Deferred revenue earned	-	-	-	230	267
Grants	1,135	1,680	2,053	10,112	2,905
Donations and other	239	-	17	5,776	2,142
Disposal of tangible capital assets	(141)	(328)	-	(27)	-
	1,233	1,352	2,070	16,091	5,314
Annual Surplus	\$ 1,718	\$ 2,656	\$ 3,464	\$ 18,656	\$ 7,656

PROPERTY TAXES BILLED (000's)

	2011	2010	2009	2008	2007
Own purposes	\$ 5,393	\$ 5,145	\$ 5,109	\$ 5,109	\$ 5,109
Upper-Tier Municipality	6,390	5,767	5,521	5,454	5,254
School Boards	5,700	5,714	5,589	5,767	5,649
	\$ 17,483	\$ 16,626	\$ 16,219	\$ 16,330	\$ 16,012

CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2011

TAXABLE ASSESSMENT (000's)

	2011	2010	2009	2008	2007
Residential and farm	\$ 833,650	\$ 781,065	\$ 726,063	\$ 662,218	\$ 654,305
Commercial and industrial	136,782	132,719	126,662	126,009	123,983
	970,432	913,784	852,725	788,227	778,288
Exempt	33,288	32,297	29,938	29,785	30,262
	\$ 1,003,720	\$ 946,081	\$ 882,663	\$ 818,012	\$ 808,550
Commercial and industrial	14.09%	14.52%	14.85%	15.99%	15.93%

FINANCIAL INDICATORS

	2011	2010	2009	2008	2007
Tax arrears					
Percentage of own levy	26 %	29 %	29 %	38 %	42 %
Percentage of total levy	8 %	8 %	8 %	13 %	13 %
Net long-term debt	\$ 4,161,425	\$ 4,724,496	\$ 5,190,274	\$ 5,349,969	\$ -
Long-term debt charges	\$ 712,917	\$ 722,864	\$ 724,820	\$ 579,963	\$ -
Sustainability					
Financial assets to liabilities	1.32	1.24	1.19	1.22	4.38
Financial assets to liabilities excluding long-term debt	1.77	1.74	4.29	3.06	4.38
Long-term debt to tangible capital assets	6.60 %	7.59 %	8.39 %	9.24 %	- %
Flexibility					
Debt charges to total operating revenue	6.83 %	7.37 %	7.46 %	5.29 %	- %
Total operating revenue to taxable assessment	10.47 %	1.04 %	10.78 %	12.75 %	10.21 %
Vulnerability					
Operating grants to operating revenue	13.03 %	12.39 %	15.02 %	22.84 %	14.72 %
Total grants to total revenues	0.13 %	0.12 %	0.15 %	0.22 %	0.14 %
Reserve coverage					
Reserves	\$ 3,986,730	\$ 4,103,633	\$ 4,034,801	\$ 3,508,443	\$ 4,019,501
Reserves to operating expenses	40 %	48 %	49 %	42 %	64 %
Reserves to working capital	0.79	1.04	1.39	1.06	0.66