
CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

FINANCIAL STATEMENTS

December 31, 2012

CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

December 31, 2012

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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, 2012, 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 public sector accounting standards 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, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Cornwall, Ontario
May 21, 2013

Craig Keen Despatie Markell LLP

CHARTERED ACCOUNTANTS

Licensed Public Accountants

CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

STATEMENT OF FINANCIAL POSITION

As at December 31, 2012

	2012	2011
NET FINANCIAL ASSETS		
Assets		
Cash	\$ 10,419,713	\$ 12,918,556
Taxes receivable	1,087,772	1,389,991
Accounts receivable	4,036,801	2,418,599
Long-term investments (Note 2)	2,505,436	2,544,137
Investment in Rideau St. Lawrence Holdings Inc. (Note 3)	1,632,125	1,610,498
	19,681,847	20,881,781
Liabilities		
Accounts payable	2,561,889	1,015,724
Accrued interest on municipal debt	63,046	68,446
Deferred revenue (Note 4)	6,747,187	9,469,863
Deferred revenue, obligatory reserve funds (Note 5)	185,000	207,911
Retirement benefits payable (Note 6)	30,994	29,604
Municipal debt (Note 7)	3,563,052	4,161,425
Accrued landfill closure and post closure costs (Note 8)	869,275	833,079
	14,020,443	15,786,052
Net Financial Assets	5,661,404	5,095,729
NON-FINANCIAL ASSETS		
Tangible capital assets	70,717,013	63,040,462
Inventory	163,717	182,092
	70,880,730	63,222,554
ACCUMULATED SURPLUS	\$ 76,542,134	\$ 68,318,283

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2012

	(Unaudited) BUDGET 2012	ACTUAL 2012	ACTUAL 2011
REVENUE			
Taxation (Note 1(a)(iii))	\$ 5,419,389	\$ 5,644,725	\$ 5,392,792
Fees and service charges	2,689,924	2,593,730	3,041,465
Grants	1,262,508	1,411,988	1,369,100
Investment income	245,000	369,353	485,097
Permits and licenses	94,200	130,384	98,172
Donations and other	1,000	64,735	87,033
Equity income from Rideau St. Lawrence Holdings Inc.	-	21,627	33,283
	9,712,021	10,236,542	10,506,942
EXPENSES			
General government	1,085,773	1,055,007	994,765
Protection to persons and property	1,116,357	1,091,220	1,104,825
Transportation services	2,376,967	2,408,160	2,222,257
Environmental services	2,968,360	2,998,070	3,254,153
Health services	80,000	78,958	105,231
Recreation and cultural services	1,457,429	1,338,683	1,480,596
Planning and development	429,870	311,661	791,880
	9,514,756	9,281,759	9,953,707
OTHER REVENUE FOR CAPITAL PURPOSES			
Deferred revenue earned	-	2,706,731	463,468
Grants	333,161	4,498,048	671,936
Direct billings, donations and other	-	-	239,460
Gain (loss) on disposal of tangible capital assets	-	64,289	(141,259)
	333,161	7,269,068	1,233,605
SURPLUS FOR THE YEAR	530,426	8,223,851	1,786,840
ACCUMULATED SURPLUS, beginning of year	68,318,283	68,318,283	66,531,443
ACCUMULATED SURPLUS, end of year	\$ 68,848,709	\$ 76,542,134	\$ 68,318,283

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31, 2012

	(Unaudited) BUDGET 2012	ACTUAL 2012	ACTUAL 2011
Surplus for the year	\$ 530,426	\$ 8,223,851	\$ 1,786,840
Amortization of tangible capital assets	1,553,964	1,536,066	1,492,681
Acquisition of tangible capital assets	(1,914,724)	(9,346,658)	(2,395,793)
(Gain) loss on disposal of tangible capital assets	-	(64,289)	141,259
Proceeds on disposal of tangible capital assets	-	198,330	-
Change in inventory	-	18,375	67,920
Increase in net financial assets	169,666	565,675	1,092,907
Net financial assets, beginning of year	5,095,729	5,095,729	4,002,822
Net financial assets, end of year	\$ 5,265,395	\$ 5,661,404	\$ 5,095,729

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

STATEMENT OF CASH FLOWS

For the year ended December 31, 2012

	2012	2011
CASH FROM OPERATING ACTIVITIES		
Surplus for the year	\$ 8,223,851	\$ 1,786,840
Items not affecting cash or equivalent		
Amortization expense	1,536,066	1,492,681
Disposal of tangible capital assets	(64,289)	141,259
Changes in non-cash working capital balances		
Taxes receivable	302,219	14,026
Accounts receivable	(1,618,201)	965,451
Other current assets	18,375	67,919
Accounts payable	1,546,167	222,149
Accrued interest on municipal debt	(5,400)	(5,336)
Deferred revenue	(2,722,677)	(475,613)
Deferred revenue - obligatory reserve funds	(22,911)	(79,400)
Future employment benefits payable	1,390	102
Landfill closure and post closure costs	36,195	22,400
	7,230,785	4,152,478
CASH USED IN FINANCING ACTIVITIES		
Repayment of municipal debt	(598,374)	(563,071)
CASH USED IN INVESTING ACTIVITIES		
Acquisition of tangible capital assets	(9,346,658)	(2,395,793)
Decrease in long term receivable	38,701	36,143
Increase in investment in Rideau St. Lawrence Holdings Inc.	(21,627)	(33,283)
Proceeds on sale of tangible capital assets	198,330	-
	(9,131,254)	(2,392,933)
(DECREASE) INCREASE IN CASH AND EQUIVALENT	(2,498,843)	1,196,474
CASH AND EQUIVALENT, beginning of year	12,918,556	11,722,082
CASH AND EQUIVALENT, end of year	\$ 10,419,713	\$ 12,918,556
REPRESENTED BY :		
Cash	\$ 10,419,713	\$ 12,918,556

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2012

	Land and land improvements	Buildings	Vehicles	Equipment	Plants and facilities	Roads	Water and sewer	Bridges	Assets under construction	2012	2011
Cost											
Balance, beginning of year	\$ 1,701,856	\$ 4,732,607	\$ 4,968,257	\$ 976,911	\$ 38,724,126	\$ 14,811,776	\$ 6,781,531	\$ 5,382,593	\$ 983,872	\$ 79,063,529	\$ 77,120,559
Additions during the year	14,908	252,622	507,160	277,356	-	896,580	-	-	7,398,032	9,346,658	2,395,793
Disposals during the year	-	151,351	257,968	-	-	42,663	-	-	-	451,982	452,823
Balance, end of year	1,716,764	4,833,878	5,217,449	1,254,267	38,724,126	15,665,693	6,781,531	5,382,593	8,381,904	87,958,205	79,063,529
Accumulated Amortization											
Balance, beginning of year	164,641	1,964,665	3,039,717	690,189	3,043,533	3,719,670	1,990,312	1,410,340	-	16,023,067	14,841,948
Amortization during the year	1,741	130,719	235,845	76,390	521,615	409,575	82,242	77,939	-	1,536,066	1,492,682
Amortization on disposals	-	52,973	239,139	-	-	25,829	-	-	-	317,941	311,563
Balance, end of year	166,382	2,042,411	3,036,423	766,579	3,565,148	4,103,416	2,072,554	1,488,279	-	17,241,192	16,023,067
Net book value	\$ 1,550,382	\$ 2,791,467	\$ 2,181,026	\$ 487,688	\$ 35,158,978	\$ 11,562,277	\$ 4,708,977	\$ 3,894,314	\$ 8,381,904	\$ 70,717,013	\$ 63,040,462

See Accompanying Notes



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

For the year ended December 31, 2012

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Recreation	Planning and Development	2012	2011
Cost								
Balance, beginning of year	\$ 911,892	\$ 3,223,366	\$ 25,033,837	\$ 45,828,329	\$ 3,059,894	\$ 22,339	\$ 78,079,657	\$ 77,120,559
Additions during the year	8,792	301,242	1,214,037	141,646	282,909	-	1,948,626	1,411,921
Disposals during the year	-	15,231	285,400	-	151,352	-	451,983	452,823
Assets in service, end of year	920,684	3,509,377	25,962,474	45,969,975	3,191,451	22,339	79,576,300	78,079,657
Assets under construction	557,892	-	-	7,636,655	187,357	-	8,381,904	983,872
Balance, end of year	1,478,576	3,509,377	25,962,474	53,606,630	3,378,808	22,339	87,958,204	79,063,529
Accumulated Amortization								
Balance, beginning of year	189,320	2,090,177	7,647,114	5,088,136	1,004,597	3,723	16,023,067	14,841,948
Amortization during the year	5,434	125,366	678,948	616,986	105,609	3,723	1,536,066	1,492,682
Amortization on disposals	-	15,231	249,737	52,973	-	-	317,941	311,563
Balance, end of year	194,754	2,200,312	8,076,325	5,652,149	1,110,206	7,446	17,241,192	16,023,067
Net book value	\$ 1,283,822	\$ 1,309,065	\$ 17,886,149	\$ 47,954,481	\$ 2,268,602	\$ 14,893	\$ 70,717,012	\$ 63,040,462

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2012

	2012	2011
Surpluses		
Operating surplus	\$ -	\$ -
Water and sewer surplus	-	-
Local board surplus, Morrisburg Business Improvement Area	22,566	10,589
Surplus for future capital asset acquisitions	(334,670)	296,215
Investment in Rideau St. Lawrence Holdings Inc.	1,632,125	1,610,498
Liabilities to be recovered from future revenues		
Accrued interest on municipal debt	(63,046)	(68,446)
Retirement benefits payable	(30,994)	(29,604)
Accrued landfill closure and post closure	(869,275)	(833,079)
Total surplus	356,706	986,173
Reserves and reserve funds		
Reserves set aside for specific purposes by Council:		
. for working capital	3,070,893	2,813,638
. for doctor recruitment	60,000	20,000
. for sick leave	31,096	29,604
. for planning	225,323	42,675
. for water and sewer	1,035,170	872,740
. for recreation	44,935	31,971
. for other	100,705	16,141
. for social housing	6,491	3,560
. for winter control	56,450	156,401
Total reserves	4,631,063	3,986,730
Reserve funds set aside for specific purpose by legislation, regulation or agreement		
. for equipment replacement	690,105	703,117
. for water and sewer	1,074,786	1,125,881
. for infrastructure	1,712,100	1,613,359
. for fire	389,742	478,542
. for other	266,043	215,548
Total reserve funds	4,132,776	4,136,447
Total reserves and reserve funds	8,763,839	8,123,177
Equity in tangible capital assets		
Invested in tangible capital assets	70,717,013	63,040,462
Less: related net municipal debt	(3,295,424)	(3,831,529)
Total equity in tangible capital assets	67,421,589	59,208,933
ACCUMULATED SURPLUS	\$ 76,542,134	\$ 68,318,283

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS

For the year ended December 31, 2012

	Operating Surpluses	Reserves and Reserve Funds	Equity in Tangible Capital Assets	2012	2011
Balance, beginning of year	\$ 986,173	\$ 8,123,177	\$ 59,208,933	\$ 68,318,283	\$ 66,531,443
Surplus for the year	8,135,580	88,271	-	8,223,851	1,786,840
Reserve funds used for operations	429,765	(429,765)	-	-	-
Funds transferred to reserves and reserve funds	(982,156)	982,156	-	-	-
Current year funds used for tangible capital assets	(9,346,658)	-	9,346,658	-	-
Disposal of tangible capital assets	134,041	-	(134,041)	-	-
Annual amortization expense	1,536,066	-	(1,536,066)	-	-
Long term debt repaid	(536,105)	-	536,105	-	-
Change in accumulated surplus	(629,467)	640,662	8,212,656	8,223,851	1,786,840
Balance, end of year	\$ 356,706	\$ 8,763,839	\$ 67,421,589	\$ 76,542,134	\$ 68,318,283



CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2012

	General Government	Protection Services	Transportation Services	Environmental Services	Water and Sewer Services	Health Services	Recreation and Cultural Services	Planning and Development	2012	2011
REVENUE										
Taxation	\$ 51,143	\$ 796,479	\$ 2,851,635	\$ 558,602	\$ 370,646	\$ 120,000	\$ 784,474	\$ 111,746	\$ 5,644,725	\$ 5,392,792
Fees and service charges	125,334	103,556	36,945	154,013	1,729,101	-	435,555	9,226	2,593,730	3,041,465
Grants	1,057,346	18,728	-	76,489	205,433	-	41,952	12,040	1,411,988	1,369,100
Investment income	369,353	-	-	-	-	-	-	-	369,353	485,097
Permits and licenses	30,210	-	3,150	-	-	-	-	97,024	130,384	98,172
Sale of land and equipment	-	-	-	-	-	-	-	-	-	-
Donations and other	-	32,500	-	-	-	-	32,235	-	64,735	87,033
Equity income	21,627	-	-	-	-	-	-	-	21,627	33,283
	1,655,013	951,263	2,891,730	789,104	2,305,180	120,000	1,294,216	230,036	10,236,542	10,506,942
EXPENSES										
Wages and benefits	630,871	468,556	838,819	125,506	-	-	556,461	150,788	2,771,001	2,649,753
Interest on municipal debt	-	-	-	-	167,297	-	-	18,254	185,551	227,704
Materials and services	262,853	308,731	540,425	146,861	663,714	8,958	578,788	138,161	2,648,491	3,540,719
Contracted services	23,056	45,580	313,117	592,635	555,946	-	64,810	-	1,595,144	1,430,565
Insurance and financial costs	132,793	82,969	36,851	-	129,125	-	33,016	735	415,489	453,399
Third party transfers	-	60,018	-	-	-	70,000	-	-	130,018	158,886
Amortization	5,434	125,366	678,948	-	616,986	-	105,608	3,723	1,536,065	1,492,681
	1,055,007	1,091,220	2,408,160	865,002	2,133,068	78,958	1,338,683	311,661	9,281,759	9,953,707
OTHER REVENUE FOR CAPITAL PURPOSES										
Deferred revenue earned	-	-	-	2,645,460	-	-	61,271	-	2,706,731	463,468
Grants	-	-	323,161	4,174,887	-	-	-	-	4,498,048	671,936
Donations and other	-	-	-	-	-	-	-	-	-	239,460
Gain (loss) on disposal of tangible capital assets	-	-	64,289	-	-	-	-	-	64,289	(141,259)
	-	-	387,450	6,820,347	-	-	61,271	-	7,269,068	1,233,605
ANNUAL SURPLUS (DEFICIT)	\$ 600,006	\$ (139,957)	\$ 871,020	\$ 6,744,449	\$ 172,112	\$ 41,042	\$ 16,804	\$ (81,625)	\$ 8,223,851	\$ 1,786,840

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, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

(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, 2012

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, 2012

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) 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.

(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.

CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Non-financial assets (Continued)

(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.

(k) 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:

	2012	2011
Promissory note, Rideau St. Lawrence Holdings Inc., interest at 4.49%	\$ 938,352	\$ 938,352
South Dundas Water Plant debentures	229,084	239,785
South Dundas Water Plant, long-term growth receivable	1,338,000	1,366,000
	\$ 2,505,436	\$ 2,544,137

The total of long-term investments reported on the statement of financial position at cost, has a market value of \$2,505,436 at year end (2011 - \$2,544,137).

CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

3. INVESTMENT IN RIDEAU ST. LAWRENCE HOLDINGS INC.

	2012	2011
Investment, beginning of year	\$ 1,610,498	\$ 1,577,215
Share of net income for the year	65,347	77,003
Dividends received	(43,720)	(43,720)
Investment, end of year	\$ 1,632,125	\$ 1,610,498

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

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

Financial Position

	2012	2011
Current assets	\$ 4,472,808	\$ 4,161,731
Capital	5,741,077	4,759,871
Regulatory assets	-	695,869
Total Assets	10,213,885	9,617,471
Current liabilities	3,309,329	3,354,802
Long-term portion of customer deposits	118,845	72,114
Net regulatory liabilities	566,165	-
Long-term debt	1,366,359	1,401,679
Total Liabilities	5,360,698	4,828,595
Shareholders' Equity	\$ 4,853,187	\$ 4,788,876

Financial Activities

	2012	2011
Total revenue	\$ 13,131,506	\$ 12,821,676
Total expenses	12,937,195	12,592,708
Net Income	\$ 194,311	\$ 228,968
Township share of net income (33.63%)	\$ 65,347	\$ 77,003

CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

4. DEFERRED REVENUE

Deferred revenue represents funds received from the Province of Ontario that were allocated to its separate bank accounts as directed by Council. Deferred revenue consists of the Ontario Small Town and Rural Development Infrastructure Initiative ("OSTAR") that were deferred to finance the future long-term debt payments resulting from the financing of the South Dundas Water Treatment Plant in 2008. Deferred revenue also consists of the Green Infrastructure Fund ("GIF") to finance the provincial portion of construction costs of the Iroquois Waste Water Treatment Plant. The balances and transactions are summarized as follows:

	OSTAR	GIF	2012	2011
Balance, beginning of year	\$ 687,541	\$ 8,782,322	\$ 9,469,863	\$ 9,905,819
Interest earned	4,594	98,623	103,217	112,515
Transfer to operations	(180,433)	-	(180,433)	(183,266)
Transfer to capital acquisitions	-	(2,645,460)	(2,645,460)	(365,205)
Balance, end of year	\$ 511,702	\$ 6,235,485	\$ 6,747,187	\$ 9,469,863

5. DEFERRED REVENUE, OBLIGATORY RESERVE FUNDS

A requirement of Canadian public sector accounting standards 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 obligatory reserve funds consist of the parkland reserve fund. The balance and transactions are summarized as follows:

	2012	2011
Balance, beginning of year	\$ 207,911	287,311
Prepaid special charges	35,750	16,350
Interest earned	2,610	2,516
Transfer to capital acquisitions	(61,271)	(98,266)
Balance, end of year	\$ 185,000	\$ 207,911

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 \$31,096 (2011 - \$29,604).

CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

7. MUNICIPAL DEBT

	2012	2011
Bank loan, 4.85% interest, repayable in monthly payments of \$28,206 plus interest, due 2013	\$ 55,924	\$ 383,029
Loan payable, 4.75% interest, repayable in semi-annual payments of \$104,500 plus interest, due 2028	3,239,500	3,448,500
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	267,628	329,896
	\$ 3,563,052	\$ 4,161,425

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

	2013	\$	573,736
	2014		304,853
	2015		249,145
	2016		251,553
	2017		254,106
	Thereafter		1,929,659
		\$	3,563,052

Principal payments are payable from the following sources as follows:

	2013 to 2017	2018 to 2022
General municipal revenues	\$ -	\$ -
User charges	891,924	2,403,500
Tile drain loans receivable	143,096	124,532
	\$ 1,035,020	\$ 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, 2012

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 \$869,275 (2011 - \$833,079) 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:

	2012	2011
Net municipal debt	\$ 3,563,052	\$ 4,161,425
Accrued interest on municipal debt	63,046	68,446
Retirement benefits payable	30,994	29,604
Accrued landfill closure and post-closure	869,275	833,079
	\$ 4,526,367	\$ 5,092,554

Amounts are to be recovered from the following sources:

Reserves and reserve funds	\$ 30,994	\$ 29,604
General revenues	869,275	833,079
User charges	3,358,470	3,899,975
Tile drain loans receivable	267,628	329,896
	\$ 4,526,367	\$ 5,092,554

CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

10. WATER AND SEWER OPERATIONS

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

	(Unaudited) BUDGET 2012	ACTUAL 2012	ACTUAL 2011
Revenues			
Taxation and local improvement charges	\$ 383,547	\$ 370,646	\$ 374,724
Fees and service charges	1,913,514	1,729,101	1,770,363
Grants	138,817	205,433	203,989
	2,435,878	2,305,180	2,349,076
Expenditures, net of amortization	1,530,406	1,516,081	1,830,405
Surplus for the year	905,472	789,099	518,671
Financing and transfers			
Transfers to reserve and reserve funds	(200,342)	(151,884)	(113,278)
Net funds used for capital asset acquisitions and expenditures	(169,027)	(95,710)	120,591
Debt principal repayments	(536,103)	(536,105)	(520,648)
Change in accrued interest on municipal debt	-	(5,400)	(5,336)
	(905,472)	(789,099)	(518,671)
Water and sewer, beginning of the year	-	-	-
Water and sewer, end of year	\$ -	\$ -	\$ -

11. EXPENDITURES BY OBJECT

	(Unaudited) BUDGET 2012	ACTUAL 2012	ACTUAL 2011
Wages and benefits	\$ 2,628,725	\$ 2,771,001	\$ 2,649,753
Interest on municipal debt	238,929	185,551	227,704
Materials and services	2,964,172	2,648,491	3,540,719
Contracted services	1,546,159	1,595,144	1,430,565
Insurance and other financial costs	452,789	415,489	453,399
Third party transfers	130,018	130,018	158,886
Amortization	1,553,964	1,536,065	1,492,681
	\$ 9,514,756	\$ 9,281,759	\$ 9,953,707

CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

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 2012 in the amount of \$147,094 (2011 - \$120,816) for current service and is included as an expenditure on the statement of financial activities

13. 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.

14. 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.

15. FINANCIAL INSTRUMENTS

The Township's financial instruments consist of cash, taxes receivable, accounts receivable, accounts payable and municipal debt. It is administration's opinion that the Township is not exposed to significant interest or currency risks arising from these financial instruments.

The Township is subject to credit risk with respect to taxes and accounts receivable. Credit risk arises from the possibility that taxpayers and entities to which the Township provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

16. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to current year's financial statement presentation.

CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2012

FINANCIAL ACTIVITIES (000's)

	2012	2011	2010	2009	2008
Revenues					
Taxation	\$ 5,645	\$ 5,393	\$ 4,872	\$ 5,109	\$ 5,754
Fees and service charges	2,594	3,042	2,886	2,784	1,995
Grants	1,412	1,369	1,216	1,429	2,383
Investment income	369	485	297	435	497
Permits and licenses	130	98	117	112	108
Donations and other revenue	65	87	12	-	57
Equity income	22	33	178	141	277
	10,237	10,507	9,578	10,010	11,071
Expenses					
General government	1,055	995	987	953	1,206
Protection to persons and property	1,091	1,105	696	776	705
Transportation services	2,408	2,222	2,161	2,335	2,534
Environmental	2,998	3,254	2,637	2,449	2,202
Health services	79	105	122	103	111
Recreation and cultural services	1,339	1,481	1,510	1,474	1,123
Planning and development	312	792	391	456	513
	9,282	9,954	9,337	8,546	8,394
Other Revenue for Capital Purposes					
Deferred revenue earned	2,707	463	-	230	267
Grants	4,498	672	1,680	1,823	10,075
Donations and other	-	239	1	17	5,776
Disposal of tangible capital assets	64	(141)	(328)	-	(27)
	7,269	1,233	1,353	2,070	16,091
Annual Surplus	\$ 8,224	\$ 1,786	\$ 1,594	\$ 3,534	\$ 18,768

PROPERTY TAXES BILLED (000's)

	2012	2011	2010	2009	2008
Own purposes	\$ 5,645	\$ 5,393	\$ 5,145	\$ 5,145	\$ 5,145
Upper-Tier Municipality	6,761	6,390	5,767	5,521	5,454
School Boards	5,628	5,700	5,714	5,589	5,767
	\$ 18,034	\$ 17,483	\$ 16,626	\$ 16,255	\$ 16,366

CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2012

TAXABLE ASSESSMENT (000's)

	2012	2011	2010	2009	2008
Residential and farm	\$ 893,829	\$ 833,650	\$ 781,065	\$ 726,063	\$ 662,218
Commercial and industrial	144,384	136,782	132,719	126,662	126,009
	1,038,213	970,432	913,784	852,725	788,227
Exempt	33,290	33,288	32,297	29,938	29,785
	\$ 1,071,503	\$ 1,003,720	\$ 946,081	\$ 882,663	\$ 818,012
Commercial and industrial	13.91%	14.09%	14.52%	14.85%	15.99%

FINANCIAL INDICATORS

	2012	2011	2010	2009	2008
Tax arrears					
Percentage of own levy	19 %	27 %	29 %	29 %	38 %
Percentage of total levy	6 %	8 %	8 %	8 %	13 %
Municipal debt	\$ 3,563,051	\$ 4,161,425	\$ 4,724,496	\$ 5,190,274	\$ 5,349,969
Long-term debt charges	\$ 167,297	\$ 712,917	\$ 722,864	\$ 724,820	\$ 579,963
Sustainability					
Financial assets to liabilities	1.40	1.32	2.86	1.19	1.22
Financial assets to liabilities excluding long-term debt	4.93	9.14	9.80	4.29	3.06
Long-term debt to tangible capital assets	5.04 %	6.60 %	7.59 %	8.39 %	9.24 %
Flexibility					
Debt charges to total operating revenue	1.63 %	6.79 %	7.55 %	7.24 %	5.24 %
Total operating revenue to taxable assessment	9.55 %	10.47 %	9.92 %	10.84 %	12.79 %
Vulnerability					
Operating grants to operating revenue	13.79 %	13.03 %	12.96 %	14.94 %	22.77 %
Total grants to total revenues	0.14 %	0.13 %	0.13 %	0.14 %	0.22 %
Reserve coverage					
Reserves	\$ 4,631,063	\$ 3,986,730	\$ 4,103,632	\$ 4,034,801	\$ 3,508,443
Reserves to operating expenses	50 %	40 %	44 %	47 %	42 %
Reserves to working capital	1.44	0.79	1.04	1.39	1.06

CORPORATION OF THE TOWNSHIP OF SOUTH DUNDAS

ALLOCATION OF BUDGET AND SURPLUS

The allocation of the corporation's budget and operating surplus is as follows for Ontario Regulation 284/09:

	(Unaudited) BUDGET 2012	ACTUAL 2012	ACTUAL 2011
Annual Surplus	\$ 530,426	\$ 8,223,851	\$ 1,786,839
Change in local board surpluses for the year	-	(11,977)	(5,878)
Net transfers from reserves and reserve funds for capital acquisitions	701,674	1,113,846	1,980,280
Net transfer to reserves and reserve funds from operating	(594,487)	(1,091,180)	(369,761)
Acquisition of tangible capital assets	(1,914,724)	(9,326,865)	(2,395,794)
Amortization of tangible capital assets	1,553,964	1,536,064	1,492,681
Municipal debt principal repayments	(536,103)	(536,105)	(520,648)
Change in surplus for future capital acquisitions	259,250	630,887	(1,400,921)
Less revenue earned in reserves and reserve funds	-	(88,271)	(161,895)
Less equity change of Rideau St. Lawrence Holdings Inc.	-	(21,627)	(33,283)
Accrued landfill closure and post closure costs	-	36,196	22,400
Retirement benefits and accrued interest	-	(4,010)	(5,234)
Disposal of tangible capital assets	-	-	(135)
Disposal of tangible capital assets	-	114,247	141,259
Operating fund surplus	-	575,056	529,910
Transfer of reserves and reserve funds to water and sewer operations	-	48,459	112,593
Transfer of operating surplus to reserves and reserve funds	-	(623,515)	(642,503)
Operating fund surplus for the year	\$ -	\$ -	\$ -