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**CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS**

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**FINANCIAL STATEMENTS**

**December 31, 2013**

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

December 31, 2013

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Corporation of the Municipality of South Dundas, which comprise the statement of financial position as at December 31, 2013, 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 auditors' 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 auditors consider 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 Municipality of South Dundas as at December 31, 2013, 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, 2014

Craig Keen Despatie Markell LLP

Chartered Professional Accountants  
Licensed Public Accountants

**CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS**  
**STATEMENT OF FINANCIAL POSITION**

As at December 31, 2013

	2013	2012
<b>NET FINANCIAL ASSETS</b>		
<b>Assets</b>		
Cash	\$ 5,268,569	\$ 10,419,713
Taxes receivable	1,258,854	1,087,772
Accounts receivable	5,304,569	4,015,720
Long-term investments (Note 2)	2,457,147	2,505,436
Investment in Rideau St. Lawrence Holdings Inc. (Note 3)	1,726,303	1,632,125
	<b>16,015,442</b>	<b>19,660,766</b>
<b>Liabilities</b>		
Temporary borrowings (Note 4)	2,609,239	-
Accounts payable	4,485,163	2,540,807
Accrued interest on municipal debt	72,016	63,046
Deferred revenue (Note 5)	2,503,383	6,747,187
Deferred revenue, obligatory reserve funds (Note 6)	308,929	185,000
Future employment benefits payable (Note 7)	26,911	30,994
Municipal debt (Note 8)	4,310,765	3,563,052
Accrued landfill closure and post closure costs (Note 9)	904,350	869,275
	<b>15,220,756</b>	<b>13,999,361</b>
<b>Net Financial Assets</b>	<b>794,686</b>	<b>5,661,405</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets	87,325,613	70,717,014
Inventory	156,126	163,717
	<b>87,481,739</b>	<b>70,880,731</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 88,276,425</b>	<b>\$ 76,542,136</b>

See Accompanying Notes



**CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS**  
**STATEMENT OF FINANCIAL ACTIVITIES**

For the year ended December 31, 2013

	(Unaudited) BUDGET 2013	ACTUAL 2013	ACTUAL 2012
<b>REVENUE</b>			
Taxation (Note 1(a)(iii))	\$ 5,376,372	\$ 5,407,078	\$ 5,644,725
Fees and service charges	2,933,794	3,004,937	2,700,121
Grants	1,108,388	1,421,055	1,538,023
Investment income	230,000	430,199	369,355
Permits and licenses	106,700	151,218	130,384
Donations and other	-	7,213	64,735
Equity income from Rideau St. Lawrence Holdings Inc.	-	94,178	21,627
	9,755,254	10,515,878	10,468,970
<b>EXPENSES</b>			
General government	1,154,340	1,345,496	1,055,007
Protection to persons and property	1,177,774	1,103,988	1,091,221
Transportation services	2,532,053	2,172,581	2,408,159
Environmental services	2,998,542	3,110,425	2,998,069
Health services	15,000	-	78,958
Recreation and cultural services	1,418,490	1,477,931	1,338,684
Planning and development	327,306	668,787	544,088
	9,623,505	9,879,208	9,514,186
<b>OTHER REVENUE FOR CAPITAL PURPOSES</b>			
Deferred revenue earned	323,161	4,517,863	2,706,731
Grants	251,935	6,837,728	4,498,048
(Loss) gain on disposal of tangible capital assets	-	(257,972)	64,289
	575,096	11,097,619	7,269,068
<b>SURPLUS FOR THE YEAR</b>	706,845	11,734,289	8,223,852
<b>ACCUMULATED SURPLUS, beginning of year</b>	76,542,136	76,542,136	68,318,284
<b>ACCUMULATED SURPLUS, end of year</b>	\$ 77,248,981	\$ 88,276,425	\$ 76,542,136

See Accompanying Notes

**CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS**  
**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**

For the year ended December 31, 2013

	(Unaudited) BUDGET 2013	ACTUAL 2013	ACTUAL 2012
Surplus for the year	\$ 706,845	\$ 11,734,289	\$ 8,223,852
Amortization of tangible capital assets	1,572,693	1,707,706	1,536,064
Acquisition of tangible capital assets	(1,838,860)	(18,604,789)	(9,346,659)
Loss (gain) on disposal of tangible capital assets	-	257,972	(64,289)
Proceeds on disposal of tangible capital assets	-	30,511	198,330
Change in inventory	-	7,592	18,373
(Decrease) increase in net financial assets	440,678	(4,866,719)	565,671
Net financial assets, beginning of year	5,661,405	5,661,405	5,095,734
Net financial assets, end of year	\$ 6,102,083	\$ 794,686	\$ 5,661,405

See Accompanying Notes



# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## STATEMENT OF CASH FLOWS

For the year ended December 31, 2013

	2013	2012
<b>CASH FROM OPERATING ACTIVITIES</b>		
Surplus for the year	\$ 11,734,289	\$ 8,223,852
Items not affecting cash or equivalent		
Amortization expense	1,707,706	1,536,064
Loss (gain) on disposal of tangible capital assets	257,972	(64,289)
Changes in non-cash working capital balances		
Taxes receivable	(171,082)	302,219
Accounts receivable	(1,288,849)	(1,597,121)
Accounts payable	1,944,357	1,525,087
Accrued interest on municipal debt	8,970	(5,400)
Deferred revenue	(4,243,804)	(2,722,676)
Deferred revenue - obligatory reserve funds	123,929	(22,911)
Future employment benefits payable	(4,083)	1,390
Landfill closure and post closure costs	35,075	36,196
Inventory	7,591	18,375
	10,112,071	7,230,786
<b>CASH USED IN FINANCING ACTIVITIES</b>		
Repayment of municipal debt	(285,941)	(598,374)
<b>CASH (USED IN) FROM INVESTING ACTIVITIES</b>		
Decrease in long term investments	48,289	38,701
Increase in investment in Rideau St. Lawrence Holdings Inc.	(94,178)	(21,627)
	(45,889)	17,074
<b>CASH USED IN CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(18,604,789)	(9,346,659)
Loan proceeds used to finance capital projects	1,033,654	-
Proceeds on sale of tangible capital assets	30,511	198,330
	(17,540,624)	(9,148,329)
<b>DECREASE IN CASH AND EQUIVALENT</b>	<b>(7,760,383)</b>	<b>(2,498,843)</b>
<b>CASH AND EQUIVALENT, beginning of year</b>	<b>10,419,713</b>	<b>12,918,556</b>
<b>CASH AND EQUIVALENT, end of year</b>	<b>\$ 2,659,330</b>	<b>\$ 10,419,713</b>
<b>REPRESENTED BY :</b>		
Cash	\$ 5,268,569	\$ 10,419,713
Temporary borrowings	(2,609,239)	-
	<b>\$ 2,659,330</b>	<b>\$ 10,419,713</b>

See Accompanying Notes



**CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS**  
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

For the year ended December 31, 2013

Cost	Land and land improvements	Buildings	Vehicles	Equipment	Plants and facilities	Roads	Water and sewer	Bridges	Assets under construction	2013	2012
										\$	\$
Balance, beginning of year	\$ 1,716,764	\$ 4,833,878	\$ 5,217,449	\$ 1,254,267	\$ 38,724,126	\$ 15,665,694	\$ 6,781,531	\$ 5,382,593	\$ 8,381,904	\$ 87,958,206	\$ 79,063,529
Additions during the year	-	5,400,534	536,523	139,182	-	707,533	526,105	55,196	11,239,716	18,604,789	9,346,659
Disposals during the year	5,875	-	79,808	-	-	498,352	-	21,886	-	605,921	451,982
Transfers	-	745,249	-	-	-	-	-	-	(745,249)	-	-
<b>Balance, end of year</b>	<b>1,710,889</b>	<b>10,979,661</b>	<b>5,674,164</b>	<b>1,393,449</b>	<b>38,724,126</b>	<b>15,874,875</b>	<b>7,307,636</b>	<b>5,415,903</b>	<b>18,876,371</b>	<b>105,957,074</b>	<b>87,958,206</b>
<b>Accumulated Amortization</b>											
Balance, beginning 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	16,023,068
Amortization during the year	1,742	275,586	262,654	72,797	521,614	406,028	89,347	77,938	-	1,707,706	1,536,065
Amortization on disposals	-	-	79,808	-	-	215,743	-	21,886	-	317,437	317,941
<b>Balance, end of year</b>	<b>168,124</b>	<b>2,317,997</b>	<b>3,219,269</b>	<b>839,376</b>	<b>4,086,762</b>	<b>4,293,701</b>	<b>2,161,901</b>	<b>1,544,331</b>	<b>-</b>	<b>18,631,461</b>	<b>17,241,192</b>
<b>Net book value</b>	<b>\$ 1,542,765</b>	<b>\$ 8,661,664</b>	<b>\$ 2,454,895</b>	<b>\$ 554,073</b>	<b>\$ 34,637,364</b>	<b>\$ 11,581,174</b>	<b>\$ 5,145,735</b>	<b>\$ 3,871,572</b>	<b>\$ 18,876,371</b>	<b>\$ 87,325,613</b>	<b>\$ 70,717,014</b>

See Accompanying Notes





**CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS**  
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

For the year ended December 31, 2013

Cost	2013						2012
	General Government	Protection Services	Transportation Services	Environmental Services	Health and Recreation	Planning and Development	
Balance, beginning of year	\$ 920,684	\$ 3,509,377	\$ 25,962,476	\$ 45,969,975	\$ 3,191,451	\$ 22,339	\$ 78,079,658
Additions during the year	5,880,037	511,899	762,729	614,526	315,589	25,542	1,948,626
Disposals during the year	36,780	48,903	520,238	-	-	-	451,982
Assets in service, end of year	6,763,941	3,972,373	26,204,967	46,584,501	3,507,040	47,881	79,576,302
Assets under construction	-	-	-	18,876,371	-	-	8,381,904
Balance, end of year	6,763,941	3,972,373	26,204,967	65,460,872	3,507,040	47,881	105,957,074
<b>Accumulated Amortization</b>							
Balance, beginning of year	194,754	2,200,312	8,076,326	5,705,122	1,057,232	7,446	16,023,068
Amortization during the year	135,958	123,046	669,095	636,918	134,709	7,980	1,536,065
Amortization on disposals	30,905	48,903	237,629	-	-	-	317,941
Balance, end of year	299,807	2,274,455	8,507,792	6,342,040	1,191,941	15,426	17,241,192
Net book value	\$ 6,464,134	\$ 1,697,918	\$ 17,697,175	\$ 59,118,832	\$ 2,315,099	\$ 32,455	\$ 87,325,613
							\$ 70,717,014

See Accompanying Notes



**CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS**  
**SCHEDULE OF ACCUMULATED SURPLUS**

For the year ended December 31, 2013

	2013	2012
<b>Operating (deficits) surpluses</b>		
Operating surplus (Note 17)	\$ -	\$ -
Water and sewer surplus (Note 17)	-	-
Local board surplus, Morrisburg Business Improvement Area	32,324	22,566
Unfunded capital projects	(4,088,935)	(750,455)
Surplus for future capital asset acquisitions	588,322	415,786
Investment in Rideau St. Lawrence Holdings Inc.	1,726,303	1,632,125
Liabilities to be recovered from future revenues		
Accrued interest on municipal debt	(72,016)	(63,046)
Future employment benefits payable	(26,911)	(30,994)
Accrued landfill closure and post closure	(904,350)	(869,275)
<b>Total operating (deficit) surplus</b>	<b>(2,745,263)</b>	<b>356,707</b>
<b>Reserves and reserve funds</b>		
<b>Reserves set aside for specific purposes by Council:</b>		
. for working capital	2,229,071	3,070,893
. for doctor recruitment	60,000	60,000
. for sick leave	26,911	31,096
. for planning	62,558	225,323
. for water and sewer	1,204,000	1,035,170
. for recreation	193,841	44,935
. for other	86,338	100,705
. for social housing	6,521	6,491
. for winter control	36,513	56,450
. for landfill	100,000	-
<b>Total reserves</b>	<b>4,005,753</b>	<b>4,631,063</b>
<b>Reserve funds set aside for specific purpose by legislation, regulation or agreement:</b>		
. for equipment replacement	543,539	690,105
. for water and sewer	699,275	1,074,786
. for infrastructure	1,841,632	1,712,100
. for fire	346,151	389,742
. for other	323,879	266,043
<b>Total reserve funds</b>	<b>3,754,476</b>	<b>4,132,776</b>
<b>Total reserves and reserve funds</b>	<b>7,760,229</b>	<b>8,763,839</b>
<b>Invested in tangible capital assets</b>		
Tangible capital assets	87,325,613	70,717,014
Less: related municipal debt	(4,064,154)	(3,295,424)
<b>Total invested in tangible capital assets</b>	<b>83,261,459</b>	<b>67,421,590</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 88,276,425</b>	<b>\$ 76,542,136</b>

See Accompanying Notes

**CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS**  
**SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS**

For the year ended December 31, 2013

	Operating (Deficits) and Surpluses	Reserves and Reserve Funds	Invested in Tangible Capital Assets	2013	2012
<b>Balance, beginning of year</b>	<b>\$ 356,707</b>	<b>\$ 8,763,839</b>	<b>\$ 67,421,590</b>	<b>\$ 76,542,136</b>	<b>\$ 68,318,284</b>
Surplus for the year	13,276,810	165,185	(1,707,706)	11,734,289	8,223,852
Reserve funds used for operations	2,069,168	(2,069,168)	-	-	-
Funds transferred to reserves and reserve funds	(900,373)	900,373	-	-	-
Current year funds used for tangible capital assets	(18,604,789)	-	18,604,789	-	-
Disposal of tangible capital assets	288,484	-	(288,484)	-	-
Repayment of municipal debt related to capital	768,730	-	(768,730)	-	-
<b>Change in accumulated surplus</b>	<b>(3,101,970)</b>	<b>(1,003,610)</b>	<b>15,839,869</b>	<b>11,734,289</b>	<b>8,223,852</b>
<b>Balance, end of year</b>	<b>\$ (2,745,263)</b>	<b>\$ 7,760,229</b>	<b>\$ 83,261,459</b>	<b>\$ 88,276,425</b>	<b>\$ 76,542,136</b>



**CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS**  
**SCHEDULE OF SEGMENTED DISCLOSURE**

For the year ended December 31, 2013

	General Government	Protection Services	Transportation Services	Environmental Services	Water and Sewer Services	Health Services	Recreation and Cultural Services	Planning and Development	2013	2012
<b>REVENUE</b>										
Taxation	\$ 829,889	\$ 668,788	\$ 2,105,166	\$ 687,723	\$ -	\$ 12,320	\$ 797,785	\$ 305,407	\$ 5,407,078	\$ 5,644,725
Fees and service charges	213,350	77,529	35,234	159,509	1,804,084	-	482,440	232,791	3,004,937	2,700,121
Grants	174,344	124,217	371,779	197,394	177,012	1,638	224,601	150,070	1,421,055	1,538,023
Investment income	430,199	-	-	-	-	-	-	-	430,199	369,355
Permits and licenses	24,015	-	2,750	-	-	-	-	124,453	151,218	130,384
Donations and other	-	3,600	-	-	-	-	3,613	-	7,213	64,735
Equity income	94,178	-	-	-	-	-	-	-	94,178	21,627
	<b>1,765,975</b>	<b>874,134</b>	<b>2,514,929</b>	<b>1,044,626</b>	<b>1,981,096</b>	<b>13,958</b>	<b>1,508,439</b>	<b>812,721</b>	<b>10,515,878</b>	<b>10,468,970</b>
<b>EXPENSES</b>										
Wages and benefits	649,828	491,957	910,537	103,407	264,667	-	575,047	173,370	3,168,813	2,771,002
Interest on municipal debt	13,254	-	-	-	160,192	-	-	21,766	195,212	185,550
Materials and services	383,105	325,725	232,028	140,898	745,594	-	670,042	434,356	2,931,748	2,880,917
Contracted services	25,552	48,225	324,644	607,545	320,742	-	64,088	-	1,390,796	1,595,145
Insurance and financial costs	137,799	47,412	36,277	-	130,462	-	34,045	31,315	417,310	415,490
Third party transfers	-	67,623	-	-	-	-	-	-	67,623	130,018
Amortization	135,958	123,046	669,095	-	636,918	-	134,709	7,980	1,707,706	1,536,064
	<b>1,345,496</b>	<b>1,103,988</b>	<b>2,172,581</b>	<b>851,850</b>	<b>2,258,575</b>	<b>-</b>	<b>1,477,931</b>	<b>668,787</b>	<b>9,879,208</b>	<b>9,514,186</b>
<b>OTHER REVENUE FOR CAPITAL PURPOSES</b>										
Deferred revenue earned	-	-	222,601	-	4,286,246	-	9,016	-	4,517,863	2,706,731
Grants	-	-	126,634	-	6,711,094	-	-	-	6,837,728	4,498,048
(Loss) gain on disposal of tangible capital assets	-	-	(257,972)	-	-	-	-	-	(257,972)	64,289
	<b>-</b>	<b>-</b>	<b>91,263</b>	<b>-</b>	<b>10,997,340</b>	<b>-</b>	<b>9,016</b>	<b>-</b>	<b>11,097,619</b>	<b>7,269,068</b>
<b>SURPLUS (DEFICIT)</b>	<b>\$ 420,479</b>	<b>\$ (229,854)</b>	<b>\$ 433,611</b>	<b>\$ 192,776</b>	<b>\$ (277,479)</b>	<b>\$ 13,958</b>	<b>\$ 39,524</b>	<b>\$ 143,934</b>	<b>\$ 11,734,289</b>	<b>\$ 8,223,852</b>

See Accompanying Notes  
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# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

### 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 Municipality and intergovernmental transactions and balances are not eliminated. The following government business enterprise is consolidated based on the Municipality'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.

#### (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.

**CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2013

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(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) Cash and cash equivalents**

Cash and cash equivalents is defined as cash on hand, cash on deposit and temporary borrowings.

**(e) 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.

**(f) 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.

**(g) Deferred revenue**

Deferred revenue represents government transfers that have been received for specific purposes, but the respective expenditure has not been incurred to date. These amounts will be recognized as revenues in the year the expenditures are incurred.

**(h) 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.

**(i) Employee benefits**

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

**CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2013

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(j) 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 Municipality and is reported on the statement of financial position.

**(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.

**(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 Municipality 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 pooled assets are desktop computer systems, vehicles, utility poles and defibrillators.

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (k) 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.

#### (l) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires administration 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 current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. Significant items subject to such estimates and assumptions include the estimated useful life of tangible capital assets, the valuation of allowances for doubtful taxes and accounts receivable, the valuation of inventories, and the estimated landfill closure and post closure costs. Actual results could differ from these estimates.

### 2. LONG-TERM INVESTMENTS

	2013	2012
Promissory note, Rideau St. Lawrence Holdings Inc., 4.49% interest no specific terms of repayment, unsecured	\$ 938,352	\$ 938,352
South Dundas Water Plant debentures, 5.5% interest, repayable in annual payments of \$23,889, due 2026, unsecured	217,795	229,084
South Dundas Water Plant, long-term growth receivable, 5% interest no specific terms of repayment, unsecured	1,301,000	1,338,000
	<b>\$ 2,457,147</b>	<b>\$ 2,505,436</b>



# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

### 3. INVESTMENT IN RIDEAU ST. LAWRENCE HOLDINGS INC.

	2013	2012
Investment, beginning of year	\$ 1,632,125	\$ 1,610,498
Share of net income for the year	137,898	65,347
Dividends received	(43,720)	(43,720)
<b>Investment, end of year</b>	<b>\$ 1,726,303</b>	<b>\$ 1,632,125</b>

The Municipality 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

	2013	2012
<b>Current assets</b>	<b>\$ 4,281,411</b>	<b>\$ 4,472,808</b>
Regulatory assets	819,572	-
Capital	5,783,113	5,741,077
<b>Total Assets</b>	<b>10,884,096</b>	<b>10,213,885</b>
<b>Current liabilities</b>	<b>3,845,811</b>	<b>3,309,329</b>
Long-term portion of customer deposits	114,177	118,845
Regulatory liabilities	459,754	566,165
Long-term debt	1,331,120	1,366,359
<b>Total Liabilities</b>	<b>5,750,862</b>	<b>5,360,698</b>
<b>Shareholders' Equity</b>	<b>\$ 5,133,234</b>	<b>\$ 4,853,187</b>

#### Financial Activities

	2013	2012
<b>Total revenue</b>	<b>\$ 14,425,433</b>	<b>\$ 13,131,506</b>
<b>Total expenses</b>	<b>14,015,388</b>	<b>12,937,195</b>
<b>Net Income</b>	<b>\$ 410,045</b>	<b>\$ 194,311</b>
<b>Municipality share of net income (33.63%)</b>	<b>\$ 137,898</b>	<b>\$ 65,347</b>

### 4. TEMPORARY BORROWINGS

Temporary borrowings bear interest at 1.61% based on a finance agreement dated July 29, 2013. Temporary borrowings are being used to finance capital expenditures of the South Dundas Municipal Centre until the capital project is completed and long-term financing is obtained.

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

### 5. 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	2013	2012
Balance, beginning of year	\$ 511,702	\$ 6,235,485	\$ 6,747,187	\$ 9,469,863
Interest earned	6,388	36,054	42,442	103,217
Transfer to operations	(177,012)	-	(177,012)	(180,433)
Transfer to capital acquisitions	-	(4,109,234)	(4,109,234)	(2,645,460)
<b>Balance, end of year</b>	<b>\$ 341,078</b>	<b>\$ 2,162,305</b>	<b>\$ 2,503,383</b>	<b>\$ 6,747,187</b>

### 6. 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 gas tax and parkland reserve fund. The balance and transactions are summarized as follows:

	Gas Tax	Parkland	2013	2012
Balance, beginning of year	\$ -	\$ 185,000	\$ 185,000	\$ 207,911
Grants received	323,161	-	323,161	323,161
Prepaid special charges	-	28,993	28,993	35,750
Interest earned	-	3,392	3,392	2,610
Transfer to capital acquisitions	(222,601)	(9,016)	(231,617)	(384,432)
<b>Balance, end of year</b>	<b>\$ 100,560</b>	<b>\$ 208,369</b>	<b>\$ 308,929</b>	<b>\$ 185,000</b>

### 7. FUTURE EMPLOYMENT BENEFITS PAYABLE

The Municipality 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 Municipality's employment. With respect to responsibilities under the Workplace Safety and Insurance Board Act the Municipality 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 Municipality has established a Reserve for Sick Leave to mitigate the future impact of these obligations in the amount of \$26,911 (2012 - \$31,096).

**CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2013

**8. MUNICIPAL DEBT**

	2013	2012
Bank loan, 4.85% interest, repayable in monthly payments of \$28,206 plus interest, due 2013	\$ -	\$ 55,924
Loan payable, 3.9% interest, repayable in semi-annual payments of \$25,841 plus interest, due November 2033	1,033,654	-
Loan payable, 4.75% interest, repayable in semi-annual payments of \$104,500 plus interest, due 2028	3,030,500	3,239,500
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	246,611	267,628
	<b>\$ 4,310,765</b>	<b>\$ 3,563,052</b>

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

2014	\$ 573,736
2015	304,853
2016	249,145
2017	251,553
2018	254,106
Thereafter	2,677,372
	<b>\$ 4,310,765</b>

Principal payments are payable from the following sources as follows:

	2014 to 2018	2019 to 2023
General municipal revenues	\$ -	\$ -
User charges	1,303,414	2,760,740
Tile drain loans receivable	164,848	81,763
	<b>\$ 1,468,262</b>	<b>\$ 2,842,503</b>

**9. ACCRUED LANDFILL CLOSURE AND POST CLOSURE LIABILITY**

The Municipality operates two solid waste landfill sites. The estimated remaining useful lives range between one and three 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 five years. The total estimated closure and post closure costs for both sites is \$974,500 with \$904,350 (2012 - \$869,275) being accrued at the end of the current fiscal year. These costs are to be recovered from future taxation revenue and reserves.

**CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2013

**10. AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES**

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

	2013	2012
Net municipal debt	\$ 4,310,765	\$ 3,563,052
Accrued interest on municipal debt	72,016	63,046
Future employment benefits payable	26,911	30,994
Accrued landfill closure and post-closure	904,350	869,275
	<b>\$ 5,314,042</b>	<b>\$ 4,526,367</b>

Amounts are to be recovered from the following sources:

Reserves and reserve funds	\$ 26,911	\$ 30,994
General municipal revenues	904,350	869,275
User charges	4,136,170	3,358,470
Tile drain loans receivable	246,611	267,628
	<b>\$ 5,314,042</b>	<b>\$ 4,526,367</b>

**11. WATER AND SEWER OPERATIONS**

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

	(Unaudited) BUDGET 2013	ACTUAL 2013	ACTUAL 2012
<b>Revenues</b>			
Taxation and local improvement charges	\$ 40,089	\$ 28,469	\$ 370,646
Fees and service charges	2,091,644	1,804,084	1,729,101
Grants	-	177,012	205,433
	2,131,733	2,009,565	2,305,180
<b>Expenditures, net of amortization</b>	1,524,635	1,547,420	1,516,081
<b>Surplus for the year</b>	607,098	462,145	789,099
<b>Financing and transfers</b>			
Transfers to reserve and reserve funds	(233,898)	263,208	(151,884)
Net funds used for capital asset acquisitions and expenditures	(178,200)	(569,849)	(95,710)
Net change in municipal debt	(209,000)	(264,924)	(536,105)
Change in accrued interest on municipal debt	-	4,283	(5,400)
Transfers from capital surplus	14,000	105,137	-
	(607,098)	(462,145)	(789,099)
<b>Change in fund balance</b>	\$ -	\$ -	\$ -

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

### 12. EXPENDITURES BY OBJECT

	(Unaudited) BUDGET 2013	ACTUAL 2013	ACTUAL 2012
Wages and benefits	\$ 2,997,880	\$ 3,168,813	\$ 2,771,002
Interest on municipal debt	175,657	195,212	185,550
Materials and services	2,990,514	2,931,748	2,880,917
Contracted services	1,359,362	1,390,796	1,595,145
Insurance and other financial costs	459,776	417,310	415,490
Third party transfers	67,623	67,623	130,018
Amortization	1,572,693	1,707,706	1,536,064
	<b>\$ 9,623,505</b>	<b>\$ 9,879,208</b>	<b>\$ 9,514,186</b>

### 13. PENSION AGREEMENTS

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

The employer amount contributed to OMERS for 2013 in the amount of \$147,094 (2012 - \$120,816) for current service and is included as an expenditure on the statement of financial activities

### 14. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$59,264 (2012 - \$113,070) have not been included in the Statement of Financial Activities.

### 15. 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.

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

### 16. SEGMENTED INFORMATION

The Municipality is responsible for providing a range of services to its citizens. For management reporting purposes the Municipality's operations and activities are organized and reported by department. These departments are reported by functional area in the body of the financial statements similar to reporting reflected in the Ontario Financial Information Return. These functional areas represent segments for the Municipality and expended disclosure by object has been reflected in the schedule of segmented disclosure.

For each segment separately reported, the segment revenue 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.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

A brief description of each segment follows:

(a) General government

General government includes corporate services and governance of the Municipality. Administration as a segment includes operating and maintaining municipal owned buildings, human resource management, legal, communications, information systems and technology, support to Council for policy development, by-law development in compliance with the Municipal Act, tax billing and collection responsibilities, financial management reporting, monitoring and overall budget status as well as frontline reception and customer service.

(b) Protection services

Protection services includes fire protection, conservation authority, protective inspection and control, and emergency measures. Fire protection includes inspection, extinguishing and suppression services, emergency medical first response, and prevention education and training programs. Inspection and control includes building inspection, by-law enforcement and dog control services.

(c) Transportation services

Transportation services includes administration and operation of traffic and parking services for the Municipality. In addition, services are provided for the winter and summer road maintenance along with the repair and construction of the municipal roads system including bridges and culverts, as well as operation and maintenance of a fleet of vehicles and equipment for use in providing services to the Municipality.

(d) Environmental services

Environmental services includes waste collection, disposal and recycling services, the operation of water and waste water facilities and infrastructure for the collection and distribution of both water and sewer services within the Municipality.

(e) Health and recreation

Health and recreation provides services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure programs and facilities including community halls, libraries, parks, recreation fields, and arenas.

(f) Planning and development

Planning and development manages development for business interests, environmental concerns, heritage matters, local neighbourhoods and community development. It also facilitates economic development by providing services for the approval of all land development plans and the application and enforcement of the zoning by-law and official plan.

**CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2013

**17. OPERATING SURPLUS**

The operating deficit for the fiscal year ending December 31, 2013 was \$63,277 (2012 - \$623,515 surplus) of which \$19,937 was recovered from the winter control reserve, \$91,247 was recovered from the working capital reserve and \$47,907 surplus was transferred to the fire reserve.

The water and sewer operations are made up of four local areas, the respective (deficits) surpluses for the fiscal year ended December 31, 2013 are listed below. Any surpluses are transferred to and deficits are funded by the respective local area reserve or reserve fund.

	2013	2012
South Dundas municipal water	\$ (5,016)	\$ (7,792)
Iroquois sewer	50,919	(83,274)
Morrisburg sewer	1,927	70,669
Williamsburg sewer	11,285	(28,062)
<b>Total water and sewer surplus (deficit)</b>	<b>\$ 59,115</b>	<b>\$ (48,459)</b>

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2013

### FINANCIAL ACTIVITIES (000's)

	2013	2012	2011	2010	2009
<b>Revenues</b>					
Taxation	\$ 5,407	\$ 5,645	\$ 5,393	\$ 5,145	\$ 5,109
Fees and service charges	3,005	2,700	3,041	2,886	2,784
Grants	1,421	1,538	1,369	1,216	1,429
Investment income	430	369	485	478	549
Permits and licenses	151	130	98	117	112
Donations and other revenue	7	65	20	12	-
Equity income	94	22	33	45	51
	<u>10,515</u>	<u>10,469</u>	<u>10,439</u>	<u>9,899</u>	<u>10,034</u>
<b>Expenses</b>					
General government	1,345	1,055	995	987	953
Protection to persons and property	1,104	1,091	1,105	696	776
Transportation services	2,173	2,408	2,222	2,161	2,335
Environmental	3,110	2,998	3,254	2,637	2,449
Health services	-	79	105	122	103
Recreation and cultural services	1,478	1,339	1,481	1,510	1,474
Planning and development	669	544	792	391	456
	<u>9,879</u>	<u>9,514</u>	<u>9,770</u>	<u>8,504</u>	<u>8,546</u>
<b>Other Revenue for Capital Purposes</b>					
Deferred revenue earned	4,518	2,707	463	324	230
Grants	6,838	4,498	912	1,356	1,841
Disposal of tangible capital assets	(258)	64	(74)	(317)	(18)
	<u>11,098</u>	<u>7,269</u>	<u>1,301</u>	<u>1,363</u>	<u>2,053</u>
<b>Surplus for the year</b>	<b>\$ 11,734</b>	<b>\$ 8,224</b>	<b>\$ 1,970</b>	<b>\$ 2,758</b>	<b>\$ 3,541</b>

### PROPERTY TAXES BILLED (000's)

	2013	2012	2011	2010	2009
Own purposes	\$ 5,407	\$ 5,645	\$ 5,393	\$ 5,145	\$ 5,109
Upper-Tier Municipality	6,932	6,761	6,390	5,767	5,521
School Boards	5,701	5,628	5,700	5,714	5,589
	<u>\$ 18,040</u>	<u>\$ 18,034</u>	<u>\$ 17,483</u>	<u>\$ 16,626</u>	<u>\$ 16,219</u>



# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2013

### TAXABLE ASSESSMENT (000's)

	2013	2012	2011	2010	2009
<b>Residential and farm</b>	\$ 973,115	\$ 893,829	\$ 833,650	\$ 781,065	\$ 726,063
<b>Commercial and industrial</b>	152,761	144,384	136,782	132,719	126,662
	1,125,876	1,038,213	970,432	913,784	852,725
<b>Exempt</b>	33,830	33,290	33,288	32,297	29,938
	\$ 1,159,706	\$ 1,071,503	\$ 1,003,720	\$ 946,081	\$ 882,663
<b>Commercial and industrial</b>	13.57%	13.91%	14.09%	14.52%	14.85%

### FINANCIAL INDICATORS

	2013	2012	2011	2010	2009
<b>Tax arrears</b>					
Percentage of own levy	23 %	20 %	27 %	29 %	29 %
Percentage of total levy	7 %	6 %	8 %	8 %	8 %
<b>Municipal debt</b>	\$ 4,310,765	\$ 3,563,051	\$ 4,161,425	\$ 4,724,496	\$ 5,190,274
<b>Long-term debt charges</b>	\$ 425,115	\$ 703,402	\$ 712,917	\$ 722,864	\$ 724,820
<b>Sustainability</b>					
Financial assets to liabilities	1.05	1.40	3.07	2.86	1.19
Financial assets to liabilities excluding long-term debt	2.49	4.95	9.14	9.80	4.29
Long-term debt to tangible capital assets	4.94 %	5.04 %	6.60 %	7.59 %	8.39 %
<b>Flexibility</b>					
Debt charges to total operating revenue	4.04 %	6.72 %	6.83 %	7.30 %	7.22 %
Total operating revenue to taxable assessment	9.07 %	9.77 %	11.47 %	11.84 %	13.37 %
<b>Vulnerability</b>					
Operating grants to operating revenue	13.51 %	14.69 %	23.84 %	25.85 %	29.65 %
Total grants to total revenues	38.21 %	13.81 %	19.43 %	22.84 %	27.05 %
<b>Reserve coverage</b>					
Reserves	\$ 4,005,753	\$ 4,631,063	\$ 3,986,731	\$ 4,103,632	\$ 4,034,801
Reserves to operating expenses	41 %	49 %	41 %	48 %	47 %
Reserves to working capital	0.84	1.44	0.79	1.04	1.39

## CORPORATION OF THE MUNICIPALITY 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 2013	ACTUAL 2013	ACTUAL 2012
<b>Annual Surplus</b>	\$ 706,845	\$ 11,734,289	\$ 8,223,851
Change in local board surpluses for the year	-	(9,758)	(11,977)
Proceeds from the issue of municipal debt	-	1,033,654	-
Net transfers from reserves and reserve funds	175,534	990,131	(65,605)
Acquisition of tangible capital assets	(1,838,860)	(18,604,789)	(9,326,865)
Amortization of tangible capital assets	1,572,693	1,707,706	1,536,064
Municipal debt principal repayments	(244,758)	(264,924)	(536,105)
Change in surplus for future capital acquisitions	(371,454)	3,165,943	630,887
Less equity change of Rideau St. Lawrence Holdings Inc.	-	(94,178)	(21,627)
Accrued landfill closure and post closure costs	-	35,076	36,196
Retirement benefits and accrued interest	-	4,887	(4,010)
Disposal of tangible capital assets	-	288,484	114,247
<b>Operating fund surplus</b>	-	(13,479)	575,056
Transfer of reserves and reserve funds to water and sewer operations	-	(49,798)	48,459
Transfer of operating deficit (surplus) to reserves and reserve funds	-	63,277	(623,515)
<b>Operating fund surplus for the year</b>	\$ -	\$ -	\$ -