

**CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS**

**CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2019**

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

December 31, 2019

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# Independent Auditor's Report

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

## Opinion

We have audited the consolidated financial statements of the Corporation of the Municipality of South Dundas and its local boards (the "Municipality"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of financial activities, change in net financial assets, cash flows and related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## Basis for Opinion

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

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

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

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

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

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Administration.
- Conclude on the appropriateness of Administration's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality to express an opinion on the consolidated financial statements.

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

*MNP LLP*

Cornwall, Ontario  
July 13, 2020

**Chartered Professional Accountants**  
Licensed Public Accountants

**MNP**  
LLP

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

As at December 31, 2019

	2019	2018
<b>NET FINANCIAL ASSETS</b>		
<b>Assets</b>		
Cash	\$ 7,960,019	\$ 5,574,046
Taxes receivable	1,370,124	1,327,404
Accounts receivable	2,237,797	3,188,353
Long-term investments (Note 2)	2,200,111	2,258,677
Investment in Rideau St. Lawrence Holdings Inc. (Note 3)	1,855,356	1,858,016
	<b>15,623,407</b>	14,206,496
<b>Liabilities</b>		
Accounts payable	1,100,666	1,670,889
Accrued interest on municipal debt	51,726	57,178
Deferred revenue (Note 4)	1,442,151	1,396,151
Deferred revenue, obligatory reserve funds (Note 5)	919,666	470,691
Municipal debt (Note 7)	6,578,177	7,211,784
Accrued landfill closure and post closure costs (Note 8)	6,108,645	1,079,725
	<b>16,201,031</b>	11,886,418
<b>Net Financial Assets</b>	<b>(577,624)</b>	2,320,078
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets	91,396,263	92,024,773
Inventory	130,596	131,346
	<b>91,526,859</b>	92,156,119
<b>ACCUMULATED SURPLUS</b>	<b>\$ 90,949,235</b>	\$ 94,476,197

**Subsequent event (Note 20)**

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

For the year ended December 31, 2019

	BUDGET 2019	ACTUAL 2019	ACTUAL 2018
<b>REVENUE</b>			
Taxation	\$ 7,181,168	\$ 7,231,868	\$ 6,940,890
Fees and service charges	3,453,805	3,566,075	3,561,428
Grants	1,228,127	1,950,257	1,352,990
Investment income	263,000	500,978	457,944
Permits and licenses	167,800	218,120	160,842
Donations and miscellaneous	250	173,300	1,805
Equity decrease from Rideau St. Lawrence Holdings Inc.	-	(2,660)	(3,570)
	12,294,150	13,637,938	12,472,329
<b>EXPENSES</b>			
General government	1,824,453	1,997,946	1,788,624
Protection to persons and property	1,414,281	1,341,417	1,274,205
Transportation services	3,405,465	3,368,545	3,628,646
Environmental services	3,961,217	9,071,840	3,832,397
Health services	29,726	33,855	31,587
Recreation and cultural services	1,968,739	1,856,181	1,852,049
Planning and development	503,963	498,302	669,411
	13,107,844	18,168,086	13,076,919
<b>DEFICIT BEFORE OTHER ITEMS</b>	(813,694)	(4,530,148)	(604,590)
<b>OTHER REVENUE FOR CAPITAL PURPOSES</b>			
Deferred revenue earned	1,243,973	621,467	684,371
Grants	453,655	163,384	180,153
Direct billings, donations and other	-	114,682	30,471
Gain on disposal of tangible capital assets	-	103,653	51,065
	1,697,628	1,003,186	946,060
<b>ANNUAL SURPLUS (DEFICIT)</b>	883,934	(3,526,962)	341,470
<b>ACCUMULATED SURPLUS, beginning of year</b>	94,476,197	94,476,197	94,134,727
<b>ACCUMULATED SURPLUS, end of year</b>	\$ 95,360,131	\$ 90,949,235	\$ 94,476,197

See Accompanying Notes

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

For the year ended December 31, 2019

	BUDGET 2019	ACTUAL 2019	ACTUAL 2018
Annual surplus (deficit)	\$ 883,934	\$ (3,526,962)	\$ 341,470
Amortization of tangible capital assets	2,713,739	2,498,046	2,668,851
Acquisition of tangible capital assets	(3,886,172)	(1,879,250)	(3,638,749)
Gain on disposal of tangible capital assets	-	(103,653)	(51,065)
Proceeds on disposal of tangible capital assets	-	113,367	187,453
Change in inventory	-	750	28,957
Decrease in net financial assets	(288,499)	(2,897,702)	(463,083)
Net financial assets, beginning of year	2,320,078	2,320,078	2,783,161
Net financial assets, end of year	\$ 2,031,579	\$ (577,624)	\$ 2,320,078

**CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended December 31, 2019

	2019	2018
<b>CASH FROM OPERATING ACTIVITIES</b>		
Annual surplus (deficit)	\$ (3,526,962)	\$ 341,470
Items not affecting cash		
Amortization of tangible capital assets	2,498,046	2,668,851
Gain on disposal of tangible capital assets	(103,653)	(51,065)
Equity income from from Rideau St. Lawrence Holdings Inc.	(51,150)	(50,240)
Changes in non-cash working capital balances		
Taxes receivable	(42,720)	39,721
Accounts receivable	950,556	606,402
Accounts payable	(570,223)	190,298
Accrued interest on municipal debt	(5,452)	585
Deferred revenue	46,000	179,485
Deferred revenue, obligatory reserve funds	448,975	(254,316)
Accrued landfill closure and post closure costs	5,028,920	35,075
Inventory	750	28,957
	<b>4,673,087</b>	<b>3,735,223</b>
<b>CASH (USED IN) FROM FINANCING ACTIVITIES</b>		
Proceeds from municipal debt	-	1,090,582
Repayment of municipal debt	(633,607)	(437,918)
	<b>(633,607)</b>	<b>652,664</b>
<b>CASH FROM INVESTING ACTIVITIES</b>		
Decrease in long term investments	58,566	29,754
Dividends received from Rideau St. Lawrence Holdings Inc.	53,810	53,810
	<b>112,376</b>	<b>83,564</b>
<b>CASH USED IN CAPITAL ACTIVITIES</b>		
Proceeds on sale of tangible capital assets	113,367	187,453
Acquisition of tangible capital assets	(1,879,250)	(3,638,749)
	<b>(1,765,883)</b>	<b>(3,451,296)</b>
<b>INCREASE IN CASH</b>	<b>2,385,973</b>	<b>1,020,155</b>
<b>CASH, beginning of year</b>	<b>5,574,046</b>	<b>4,553,891</b>
<b>CASH, end of year</b>	<b>\$ 7,960,019</b>	<b>\$ 5,574,046</b>

See Accompanying Notes



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

For the year ended December 31, 2019

	Land and land improvements	Buildings	Vehicles	Equipment	Plants and facilities	Roads	Water and waste water	Bridges	Assets under construction	2019	2018
<b>Cost</b>											
Balance, beginning of year	\$ 1,970,953	\$ 12,749,547	\$ 5,928,751	\$ 2,753,864	\$ 55,584,218	\$ 19,675,855	\$ 13,807,524	\$ 5,738,488	\$ 1,538,321	\$ 119,747,521	\$ 117,264,728
Additions during the year	114,211	444,975	83,732	821,888	9,459	873,150	-	-	450,126	2,797,541	4,741,741
Disposals during the year	9,714	30,033	253,126	38,750	-	4,800	-	-	918,291	1,254,714	2,258,948
Balance, end of year	2,075,450	13,164,489	5,759,357	3,537,002	55,593,677	20,544,205	13,807,524	5,738,488	1,070,156	121,290,348	119,747,521
<b>Accumulated amortization</b>											
Balance, beginning of year	200,699	3,787,366	2,951,864	1,313,319	7,780,189	6,607,847	2,858,305	2,223,159	-	27,722,748	26,073,465
Amortization during the year	14,406	372,668	310,222	233,039	747,139	585,741	156,376	78,455	-	2,498,046	2,668,851
Amortization on disposals	-	30,033	253,126	38,750	-	4,800	-	-	-	326,709	1,019,568
Balance, end of year	215,105	4,130,001	3,008,960	1,507,608	8,527,328	7,188,788	3,014,681	2,301,614	-	29,894,085	27,722,748
<b>Net book value</b>	<b>\$ 1,860,345</b>	<b>\$ 9,034,488</b>	<b>\$ 2,750,397</b>	<b>\$ 2,029,394</b>	<b>\$ 47,066,349</b>	<b>\$ 13,355,417</b>	<b>\$ 10,792,843</b>	<b>\$ 3,436,874</b>	<b>\$ 1,070,156</b>	<b>\$ 91,396,263</b>	<b>\$ 92,024,773</b>

See Accompanying Notes

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

For the year ended December 31, 2019

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Recreation	Planning and Development	2019	2018
<b>Cost</b>								
Balance, beginning of year	\$ 5,989,339	\$ 3,870,594	\$ 31,246,885	\$ 70,298,062	\$ 6,756,439	\$ 47,881	\$ 118,209,200	\$ 115,358,845
Additions during the year	7,327	46,350	1,170,169	643,453	480,116	-	2,347,415	4,006,311
Disposals during the year	-	-	256,436	-	79,987	-	336,423	1,155,956
Assets in service, end of year	5,996,666	3,916,944	32,160,618	70,941,515	7,156,568	47,881	120,220,192	118,209,200
Assets under construction	-	-	137,502	296,663	635,991	-	1,070,156	1,538,321
Balance, end of year	5,996,666	3,916,944	32,298,120	71,238,178	7,792,559	47,881	121,290,348	119,747,521
<b>Accumulated Amortization</b>								
Balance, beginning of year	822,375	2,039,709	11,572,554	10,946,181	2,294,048	47,881	27,722,748	26,073,465
Amortization during the year	143,865	140,030	961,793	1,019,084	233,274	-	2,498,046	2,668,851
Amortization on disposals	-	-	246,722	-	79,987	-	326,709	1,019,568
Balance, end of year	966,240	2,179,739	12,287,625	11,965,265	2,447,335	47,881	29,894,085	27,722,748
<b>Net book value</b>	<b>\$ 5,030,426</b>	<b>\$ 1,737,205</b>	<b>\$ 20,010,495</b>	<b>\$ 59,272,913</b>	<b>\$ 5,345,224</b>	<b>\$ -</b>	<b>\$ 91,396,263</b>	<b>\$ 92,024,773</b>

See Accompanying Notes

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

For the year ended December 31, 2019

	<b>2019</b>	<b>2018</b>
<b>Deficit</b>		
Operating surplus (Note 9)	\$ -	\$ -
Water and waste water surplus (Note 10)	-	-
Local board surplus, Morrisburg Business Improvement Area	<b>23,964</b>	15,508
Unfunded capital projects	<b>(22,121)</b>	(890,624)
Investment in Rideau St. Lawrence Holdings Inc.	<b>1,855,356</b>	1,858,016
Liabilities to be recovered from future revenues (Note 11)		
Accrued interest on municipal debt	<b>(51,726)</b>	(57,178)
Internal debenture to reserve funds	<b>(554,666)</b>	-
Accrued landfill closure and post closure	<b>(6,108,645)</b>	(1,079,725)
<b>Total deficit</b>	<b>(4,857,838)</b>	(154,003)
<b>Reserves and reserve funds</b> (Note 14)		
Reserves	<b>6,237,356</b>	5,774,617
Reserve funds	<b>4,614,390</b>	3,844,515
<b>Total reserves and reserve funds</b>	<b>10,851,746</b>	9,619,132
<b>Invested in tangible capital assets</b>		
Tangible capital assets	<b>91,396,263</b>	92,024,773
Less: related municipal debt	<b>(6,440,936)</b>	(7,013,705)
<b>Total invested in tangible capital assets</b>	<b>84,955,327</b>	85,011,068
<b>ACCUMULATED SURPLUS</b>	<b>\$ 90,949,235</b>	<b>\$ 94,476,197</b>

**CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS**

**CONSOLIDATED SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS**

For the year ended December 31, 2019

	Deficit	Reserves and Reserve Funds	Invested in Tangible Capital Assets	2019	2018
<b>Balance, beginning of year</b>	<b>\$ (154,003)</b>	<b>\$ 9,619,132</b>	<b>\$ 85,011,068</b>	<b>\$ 94,476,197</b>	<b>\$ 94,134,727</b>
Annual surplus (deficit)	(3,672,898)	145,936	-	(3,526,962)	341,470
Operating funds transferred to reserves and reserve funds	(2,938,111)	2,938,111	-	-	-
Reserves and reserve funds transferred to operating	656,947	(656,947)	-	-	-
Reserves and reserve funds transferred for tangible capital assets	-	(1,194,486)	1,194,486	-	-
Operating funds used for tangible capital assets	(684,764)	-	684,764	-	-
Disposal of tangible capital assets	9,714	-	(9,714)	-	-
Amortization expense of tangible capital assets	2,498,046	-	(2,498,046)	-	-
Repayment of municipal debt related to capital	(572,769)	-	572,769	-	-
<b>Change in accumulated surplus (deficit)</b>	<b>(4,703,835)</b>	<b>1,232,614</b>	<b>(55,741)</b>	<b>(3,526,962)</b>	<b>341,470</b>
<b>Balance, end of year</b>	<b>\$ (4,857,838)</b>	<b>\$ 10,851,746</b>	<b>\$ 84,955,327</b>	<b>\$ 90,949,235</b>	<b>\$ 94,476,197</b>

See Accompanying Notes

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2019

	General Government	Protection Services	Transportation Services	Environmental Services	Water and waste water Services	Health Services	Recreation and Cultural Services	Planning and Development	2019	2018
<b>REVENUE</b>										
Taxation	\$ 1,130,770	\$ 1,049,339	\$ 2,449,180	\$ 766,843	\$ 49,700	\$ 92,037	\$ 1,228,659	\$ 465,340	\$ 7,231,868	\$ 6,940,890
Fees and service charges	228,983	72,872	32,019	123,516	2,508,822	71,944	443,603	84,316	3,566,075	3,561,428
Grants	1,777,667	-	-	89,303	23,788	-	59,499	-	1,950,257	1,352,990
Investment income	492,336	-	-	-	8,642	-	-	-	500,978	457,944
Permits and licenses	78,886	23,930	1,650	-	-	-	-	113,654	218,120	160,842
Donations and other	-	5,482	653	-	-	-	167,165	-	173,300	1,805
Equity decrease	(2,660)	-	-	-	-	-	-	-	(2,660)	(3,570)
	<b>3,705,982</b>	<b>1,151,623</b>	<b>2,483,502</b>	<b>979,662</b>	<b>2,590,952</b>	<b>163,981</b>	<b>1,898,926</b>	<b>663,310</b>	<b>13,637,938</b>	<b>12,472,329</b>
<b>EXPENSES</b>										
Wages and benefits	1,119,544	694,219	971,940	112,442	538,402	-	737,891	212,307	4,386,745	4,193,345
Interest on municipal debt	101,918	-	-	-	96,038	29,395	-	66,228	293,579	260,525
Materials and services	472,642	333,361	1,088,693	5,225,765	1,041,233	-	775,570	164,602	9,101,866	4,220,048
Contracted services	38,349	39,132	309,192	696,667	141,216	-	75,600	35,695	1,335,851	1,207,844
Insurance and financial costs	121,628	45,902	36,927	-	200,993	-	32,096	-	437,546	424,134
Third party transfers	-	88,773	-	-	-	4,460	1,750	19,470	114,453	102,172
Amortization	143,865	140,030	961,793	-	1,019,084	-	233,274	-	2,498,046	2,668,851
	<b>1,997,946</b>	<b>1,341,417</b>	<b>3,368,545</b>	<b>6,034,874</b>	<b>3,036,966</b>	<b>33,855</b>	<b>1,856,181</b>	<b>498,302</b>	<b>18,168,086</b>	<b>13,076,919</b>
<b>SURPLUS (DEFICIT)</b>										
<b>BEFORE OTHER ITEMS</b>	<b>1,708,036</b>	<b>(189,794)</b>	<b>(885,043)</b>	<b>(5,055,212)</b>	<b>(446,014)</b>	<b>130,126</b>	<b>42,745</b>	<b>165,008</b>	<b>(4,530,148)</b>	<b>(604,590)</b>
<b>OTHER REVENUE FOR CAPITAL PURPOSES</b>										
Deferred revenue earned	-	-	368,802	-	-	-	252,665	-	621,467	684,371
Grants	25,000	-	25,000	-	113,384	-	-	-	163,384	180,153
Donations and other	-	-	-	-	-	-	114,682	-	114,682	30,471
Gain on disposal of tangible capital assets	103,653	-	-	-	-	-	-	-	103,653	51,065
	<b>128,653</b>	<b>-</b>	<b>393,802</b>	<b>-</b>	<b>113,384</b>	<b>-</b>	<b>367,347</b>	<b>-</b>	<b>1,003,186</b>	<b>946,060</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ 1,836,689</b>	<b>\$ (189,794)</b>	<b>\$ (491,241)</b>	<b>\$ (5,055,212)</b>	<b>\$ (332,630)</b>	<b>\$ 130,126</b>	<b>\$ 410,092</b>	<b>\$ 165,008</b>	<b>\$ (3,526,962)</b>	<b>\$ 341,470</b>

See Accompanying Notes

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### DESCRIPTION OF ORGANIZATION

The Corporation of the Municipality of South Dundas (the "Municipality") is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements 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 consolidated financial statements reflect the assets, liabilities, sources of financing and expenditures 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 consolidated 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 consolidated financial statements.

##### (iv) Trust funds

Trust funds and their related operations administered by the Municipality are not consolidated, but are reported separately in the trust funds' financial statements.

#### (b) Accrual basis of accounting

Revenues and expenditures are reported on the accrual 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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

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

#### (c) Taxation and related revenues

Property tax billings are issued by the Municipality based on assessment rolls prepared by the Municipal Property Assessment Corporation ("MPAC") and collects property tax revenue for municipal purposes, provincial education taxes on behalf of the Province of Ontario, payment in lieu of taxation, local improvements and other charges. The authority to levy and collect property taxes is established under the *Municipal Act 2001*, the *Assessment Act*, the *Education Act* and other legislation.

Taxation revenue consists of non-exchange transactions and is recognized in the period to which the assessment relates and a reasonable estimate of the amounts can be made. Annual taxation revenue also includes adjustments related to reassessments and appeals to prior years' assessments. The Municipality is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

#### (d) Government grants and transfers

Government grants and transfers are the transfer of assets from other levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return. The Municipality recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Municipality recognizes revenue as the liability is settled.

#### (e) Fees and services and other revenues

Fees and services and other revenues are recognized when the activity is performed or when the services are rendered. Examples include, but are not limited to, water and waste water charges, solid waste tipping fees, licensing fees, permits, and other fees from various recreation programs and facilities.

#### (f) Investment income

Investment income earned on surplus funds and dividends received are reported as revenue in the period earned. Investment income earned on obligatory funds such as parkland allowances and gas tax funds is added to the associated funds and forms part of the respective deferred revenue, obligatory reserve fund balances.

#### (g) Cash and cash equivalents

Cash and cash equivalents is defined as cash on hand, cash on deposit and short term investments, which includes guaranteed investment certificates with maturities of three months or less.

#### (h) Long-term investments

Long-term investments are recorded at cost. Temporary declines in the market value of these investments are not adjusted.

#### (i) 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.

#### (j) Deferred revenue

Deferred revenue represents government grants and 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 fiscal year the expenditure is incurred.

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

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

#### (k) Deferred revenue, obligatory reserve funds

The Municipality receives restricted contributions under the authority of federal and provincial legislations. These funds by their nature are restricted in their use and are recorded as deferred revenue until applied to applicable costs. Amounts applied to qualifying expenditures are recorded as revenue in the fiscal period they are expended.

#### (l) Future employee benefits payable

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 contribution plan.

#### (m) 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.

#### (n) 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 to 25 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.

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, utility poles and defibrillators.



# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

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

#### (n) 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.

#### (o) Liability for contaminated sites

A liability for contaminated sites arises when contamination is being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable concentrations under an environmental standard. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- i. An environmental standard exists;
- ii. Contamination exceeds the environmental standard;
- iii. The municipality is directly responsible, or accepts responsibility to remediate the site;
- iv. The municipality expects that future economic benefits will be given up; and
- v. A reasonable estimate of the amount can be made.

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites. The liability estimate includes costs that are directly attributable to the remediation activities and includes integral post-remediation operation, maintenance and monitoring costs that are a part of the remediation strategy for the contaminated site. The costs that would be included in a liability are:

- Costs directly attributable to remediation activities (for example, payroll and benefits, equipment and facilities, materials, and legal and other professional services); and
- Costs of tangible capital assets acquired as part of remediation activities to the extent they have no other alternative use.

The measurement of a liability is based on estimates and professional judgment. The liability is recorded net of any expected recoveries. The carrying amount of a liability is reviewed at each financial reporting date with any revisions to the amount previously recognized accounted for in the period in which revisions are made.

A contingency is disclosed if all of the above criteria are not met.

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

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

#### (p) Use of estimates

The preparation of consolidated 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 consolidated 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, future employment benefits payable, future landfill closure and post closure costs, and the estimated liability for remediation of contaminated sites. Actual results could differ from these estimates.

#### (q) Future accounting pronouncements

Standards effective beginning on or after April 1, 2021

##### *Financial instruments*

PS 3450 established recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard required fair value measurement of derivatives and equity instruments that are quoted in an active market; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of remeasurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities.

This standard is effective for fiscal years beginning on or after April 1, 2021. Early adoption is permitted.

##### *Asset Retirement Obligations*

PS 3280 establishes standards on how to account for and report a liability for asset retirement obligations (ARO). As asset retirement obligations associated with landfills are included in the scope of PS 3280, PS 3270 Solid Waste Landfill Closure and Post-Closure Liability will be withdrawn. The main features of this standard are as follows:

- An ARO represents a legal obligation associated with the retirement of a tangible capital asset.
- Asset retirement costs increase the carrying amount of the related tangible capital asset and are expensed in a rational and systematic manner.
- When an asset is no longer in productive use, the associated asset retirement costs are expensed.
- Measurement of the ARO liability should result in the best estimate of the amount required to retire a tangible capital asset at the financial statement date.
- Subsequent measurement of the ARO liability results in either a change in the carrying amount of the related tangible capital asset or an expense. The accounting treatment depends on the nature of the remeasurement and whether the asset remains in productive use.

This standard is effective for fiscal years beginning on or after April 1, 2021. Early adoption is permitted.

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 2. LONG-TERM INVESTMENTS

	2019	2018
Promissory note, Rideau St. Lawrence Holdings Inc., 4.09% 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, secured by property	135,759	151,325
South Dundas Water Plant, long-term growth receivable, 5% interest no specific terms of repayment, unsecured	1,126,000	1,169,000
	\$ 2,200,111	\$ 2,258,677

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

	2019	2018
Investment, beginning of year	\$ 1,858,016	\$ 1,861,586
Share of net income for the year	51,150	50,240
Dividends received	(53,810)	(53,810)
	\$ 1,855,356	\$ 1,858,016

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

	2019	2018
Current assets	\$ 4,359,901	\$ 4,274,630
Deferred taxes	39,207	80,652
Capital	8,003,733	7,847,415
Regulatory assets	149,114	189,320
	12,551,955	12,392,017
Current liabilities	5,597,076	5,277,479
Long-term portion of customer deposits	257,135	260,103
Contributions in aid of construction	438,741	308,735
Long-term debt	416,502	457,135
Regulatory liabilities	325,521	563,681
	7,034,975	6,867,133
Shareholders' Equity	\$ 5,516,980	\$ 5,524,884

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

For the year ended December 31, 2019

**3. INVESTMENT IN RIDEAU ST. LAWRENCE HOLDINGS INC. (Continued)**

**Financial Activities**

	2019	2018
Total revenue	\$ 16,360,807	\$ 15,757,968
Total expenses	16,208,711	15,608,578
Net Income	\$ 152,096	\$ 149,390
Municipality share of net income (33.63%)	\$ 51,150	\$ 50,240

**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; and the Ontario Community Infrastructure Fund ("OCIF") to finance reconstruction costs of specific roads. The balances and transactions are summarized as follows:

	OCIF	OSTAR	GIF	2019	2018
Balance, beginning of year	\$ 404,332	\$ 48,780	\$ 943,039	\$ 1,396,151	\$ 1,216,666
Grants received	410,219	-	-	410,219	270,874
Interest earned	11,902	1,134	15,553	28,589	25,242
Utilized for operating purposes	-	(24,006)	-	(24,006)	(53,129)
Utilized for capital acquisitions	(368,802)	-	-	(368,802)	(63,502)
Balance, end of year	\$ 457,651	\$ 25,908	\$ 958,592	\$ 1,442,151	\$ 1,396,151

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

	Gas Tax	Parkland	2019	2018
Balance, beginning of year	\$ 260,958	\$ 209,733	\$ 470,691	\$ 725,007
Grants received	678,835	-	678,835	361,074
Prepaid special charges	-	11,050	11,050	-
Interest earned	8,449	3,306	11,755	5,479
Utilized for capital acquisitions	(223,038)	(29,627)	(252,665)	(620,869)
Balance, end of year	\$ 725,204	\$ 194,462	\$ 919,666	\$ 470,691

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 6. FUTURE EMPLOYMENT BENEFITS PAYABLE

The Municipality provides employee benefits that will require funding in future periods. With respect to responsibilities under the Workplace Safety and Insurance Board ("WSIB") 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 consolidated financial statements with respects to any WSIB liability.

### 7. MUNICIPAL DEBT

	<b>2019</b>	<b>2018</b>
Loan payable, interest at 3.35%, repayable in monthly payments of \$16,667 plus interest, due September 2034, South Dundas Municipal Centre	<b>\$ 2,950,000</b>	\$ 3,150,000
Loan payable, interest at 3.9%, repayable in semi-annual payments of \$25,841 plus interest, due November 2033, Iroquois Medical Centre	<b>723,558</b>	775,240
Loan payable, interest at 4.75%, repayable in semi-annual payments of \$104,500 plus interest, due August 2028, South Dundas Municipal Water Plant	<b>1,776,500</b>	1,985,500
Loan payable, interest at 3.31%, repayable in monthly payments of \$54,529 plus interest, due November 15, 2028, Industrial Park	<b>981,524</b>	1,090,582
Tile drain loans, interest at 6%, repayable over ten years in blended annual payments between \$163 and \$6,263, due between one year and ten years	<b>137,241</b>	198,079
Equipment capital lease, interest at 0%, repayable in monthly payments of \$252, due December 2022, secured by equipment	<b>9,354</b>	12,383
	<b>\$ 6,578,177</b>	<b>\$ 7,211,784</b>

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

	2020	\$ 594,304	
	2021	594,414	
	2022	594,164	
	2023	588,610	
	2024	587,186	
	Thereafter	3,619,499	
		<b>\$ 6,578,177</b>	

Principal payments are payable from the following sources as follows:

	<b>2020 to 2024</b>	<b>2025 to 2039</b>
General municipal revenues	\$ 1,329,645	\$ 2,161,233
Rental revenues	483,413	690,145
User charges	1,045,000	731,500
Tile drain loans receivable	100,623	36,618
	<b>\$ 2,958,681</b>	<b>\$ 3,619,496</b>

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 8. ACCRUED LANDFILL CLOSURE AND POST CLOSURE COSTS

The Municipality operates two solid waste landfill sites of which one site was closed in 2019. The estimated remaining useful life of its open site is approximately two 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 for eighty one years from the date of site closure.

The estimated closure and post closure costs for both sites of \$6,108,645 (2018 - \$1,079,725) have been adjusted by applying a discount rate of 2.89%, based on Bank of Canada's long-term benchmark rate of 1.67% adjusted by 1.22% for the Municipality's risk factor. These costs are to be recovered from future taxation revenue and reserves. The Municipality has \$746,367 (2018 - \$615,683) in the landfill reserve to fund future landfill closure and post closure costs.

The reported liability is based on estimates and assumptions using the best information available at the end of the reporting period. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total liability and will be recognized prospectively, as a change in estimate, when applicable. See Note 19.

### 9. OPERATING SURPLUS

The budget figures presented in these consolidated financial statements are based upon the 2019 operating and capital budgets that have been approved by Council on March 5, 2019. The following schedule reconciles the budget and actual results presented in these consolidated financial statements to the approved operating budget for the year.

	BUDGET 2019	ACTUAL 2019	ACTUAL 2018
<b>Annual Surplus (Deficit)</b>	\$ 883,934	\$ (3,526,962)	\$ 341,470
Change in local board surpluses for the year	-	(8,456)	(4,524)
Operating funds transferred to reserves and reserve funds	(949,540)	(2,266,569)	(1,562,877)
Reserves and reserve funds transferred for tangible capital assets	1,807,780	1,194,486	2,482,821
Reserve fund interest	-	(145,936)	(121,904)
Acquisition of tangible capital assets	(3,886,172)	(1,879,250)	(3,638,749)
Amortization of tangible capital assets	2,713,739	2,498,046	2,668,851
Proceeds from the issuance of municipal debt	-	-	1,090,582
Principal repayments on municipal debt	(569,741)	(572,769)	(463,711)
Change in surplus for future capital acquisitions	-	(313,837)	(1,090,589)
Equity decrease of Rideau St. Lawrence Holdings Inc.	-	2,660	3,570
Accrued landfill closure and post closure costs	-	5,028,920	35,075
Accrued interest on municipal debt	-	(5,452)	585
Proceeds on disposal of tangible capital assets	-	113,367	187,453
Gain loss on disposal of tangible capital assets	-	(103,653)	(51,065)
Surplus (deficit) for the year before year-end transfers	-	14,595	(123,012)
Transfer of water and waste water surplus to (deficit from) reserves	-	(148,478)	108,632
Transfer from reserves to finance net operating deficit	-	133,883	14,380
	\$ -	\$ -	\$ -

The operating deficit for the fiscal year ending December 31, 2019 was \$133,883 of which it was financed by transfers from the winter control reserve of \$50,000, transfer from the working capital reserve of \$165,305 and a transfer to the fire reserve of \$81,422.

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 10. WATER AND WASTE WATER OPERATIONS

The water and waste water operations are made up of four local areas, the respective (deficits) surpluses for the fiscal year ended December 31, 2019 are listed below. Any surpluses are transferred to and deficits are funded by the respective local area reserve or reserve fund.

	<b>2019</b>	<b>2018</b>
South Dundas municipal water	\$ 132,588	\$ (2,928)
Iroquois waste water	(59,333)	(110,094)
Morrisburg waste water	60,458	(9,945)
Williamsburg waste water	14,765	14,335
<b>Total water and waste water surplus (deficit)</b>	<b>\$ 148,478</b>	<b>\$ (108,632)</b>

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

	BUDGET 2019	ACTUAL 2019	ACTUAL 2018
<b>Revenues</b>			
Taxation and local improvement charges	\$ 49,700	\$ 49,700	\$ 46,860
Fees and service charges	2,476,330	2,508,822	2,412,698
Grants	24,006	23,788	55,977
Interest	8,000	8,642	-
	2,558,036	2,590,952	2,515,535
<b>Expenditures, excluding amortization</b>	1,988,111	2,017,883	2,027,882
<b>Surplus for the year</b>	569,925	573,069	487,653
<b>Financing and transfers</b>			
Transfers to reserve and reserve funds	(178,492)	(359,015)	(60,927)
Funds used for capital asset acquisitions and expenditures	(182,433)	(5,054)	(217,726)
Net change in municipal debt	(209,000)	(209,000)	(209,000)
	(569,925)	(573,069)	(487,653)
<b>Water and waste water surplus for the year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

For the year ended December 31, 2019

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

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

	2019	2018
Municipal debt	\$ 6,578,177	\$ 7,211,784
Accrued interest on municipal debt	51,726	57,178
Accrued landfill closure and post-closure	6,108,645	1,079,725
	<b>\$ 12,738,548</b>	<b>\$ 8,348,687</b>

Amounts are to be recovered from the following sources:

Reserves and reserve funds	\$ 746,367	\$ 615,683
General municipal revenues	3,490,878	4,252,965
User charges	8,364,062	3,281,960
Tile drain loans receivable	137,241	198,079
	<b>\$ 12,738,548</b>	<b>\$ 8,348,687</b>

**12. 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 deficit of \$3.4 billion (2018 - \$4.2 billion) in these consolidated financial statements.

The employer amount contributed to OMERS for 2019 in the amount of \$317,349 (2018 - \$301,379) for current service and is included as an expenditure on the consolidated statement of financial activities.

**13. EXPENDITURES BY OBJECT**

	BUDGET 2019	ACTUAL 2019	ACTUAL 2018
Wages and benefits	\$ 4,255,911	\$ 4,386,745	\$ 4,193,345
Interest on municipal debt	317,536	293,579	260,525
Materials and services	3,931,690	9,101,866	4,220,048
Contracted services	1,382,969	1,335,851	1,207,844
Insurance and other financial costs	390,913	437,546	424,134
Third party transfers	115,086	114,453	102,172
Amortization	2,713,739	2,498,046	2,668,851
	<b>\$ 13,107,844</b>	<b>\$ 18,168,086</b>	<b>\$ 13,076,919</b>



# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 14. RESERVES AND RESERVE FUNDS

	2019	2018
<b>Reserves set aside for specific purposes by Council are as follows:</b>		
Working capital	\$ 1,324,199	\$ 1,879,706
Water	510,617	334,253
Waste water	925,347	836,944
Service delivery	600,406	-
Planning and development	90,877	87,533
Recreation and facilities	529,649	601,604
Cemeteries and funeral assistance program	27,745	15,000
Campground	273,769	-
Roads	336,321	391,128
Landfill	746,367	615,683
Tax stabilization	73,534	57,763
Elections	25,710	13,210
Treasury	31,563	52,380
Protection to persons and property	205,163	126,536
Future debenture payments	499,170	717,475
Accessibility	30,000	30,000
Miscellaneous	6,919	15,402
	<b>6,237,356</b>	<b>5,774,617</b>
<b>Reserve funds set aside for specific purpose by legislation, regulation or agreement:</b>		
Equipment replacement	850,124	381,189
Water	122,947	117,677
Waste water	461,774	421,451
Infrastructure	2,520,031	2,406,372
Fire	238,696	236,615
General purposes	384,255	265,929
EDP community benefits	36,563	15,282
	<b>4,614,390</b>	<b>3,844,515</b>
<b>Total reserves and reserve funds</b>	<b>\$ 10,851,746</b>	<b>\$ 9,619,132</b>

### 15. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$86,729 (2018 - \$81,305) have not been included in the Consolidated Statement of Financial Activities.

### 16. BUDGET FIGURES

The 2019 budget which includes operating, capital, reserves and reserve funds transactions were approved by Council on March 5, 2019. The budgets established for capital, 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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 17. CONTINGENCIES

#### Legal action

The Municipality is involved in various legal actions in the normal course of business. The Municipality and its insurers are defending all actions against the Municipality. In the opinion of administration, the aggregate amount of any potential liability is not expected to have a material adverse effect on the Municipality's financial position. Losses, if any, will be accounted for in the period they become determinable.

#### Contaminated sites

The Municipality identified one parcel of land that is non-productive or partially productive for PS 3260 purposes, liability for contaminated sites, that could be environmentally impacted. The estimated cost of undertaking various types of Environmental Site Assessments is unknown. A liability has not been recorded in these consolidated financial statements because the Municipality's expectation of future economic benefits being given up to remediate this site is unlikely and the liability cost of remediation cannot be determined.

#### WSIB disability

As a result of recent changes to the Workplace Safety and Insurance Act, the Municipality would be responsible to reimburse WSIB for disability payments under the revised regulations for work-related disabilities for firefighters. The estimated future benefit and administrative costs if claims are made as at December 31, 2019 is \$12,535.

### 18. SEGMENTED INFORMATION

The Municipality is responsible for providing a range of services to its citizens. For administration 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 consolidated 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 consolidated 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 include 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 animal control services.

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 18. SEGMENTED INFORMATION (Continued)

#### (c) Transportation services

Transportation services include 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 include waste collection, disposal and recycling services, the operation of landfill sites and water and waste water facilities and the related infrastructure for the collection and distribution of both water and waste water 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, community development and maintenance of municipal drains. 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.

### 19. CHANGE IN ESTIMATE

Effective January 1, 2019, the Municipality revised the estimate of the accrued landfill closure and post closure liability from \$1,079,725 to \$6,108,645. The change in estimate is prospectively applied based on new information that became available to the Municipality during the year. The current year effect of the change in estimate increases the liability and the material and services expenses for environmental services by \$5,028,920.

### 20. SUBSEQUENT EVENT

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Municipality as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Municipality's financial condition.

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2019

### FINANCIAL ACTIVITIES (000's)

	2019	2018	2017	2016	2015
<b>Revenues</b>					
Taxation	\$ 7,232	\$ 6,941	\$ 6,559	\$ 6,301	\$ 5,871
Fees and service charges	3,566	3,561	3,410	3,373	3,259
Grants	1,950	1,353	1,266	1,270	2,165
Investment income	501	458	426	399	437
Permits and licenses	218	161	169	183	199
Donations and other revenue	173	2	19	3	25
Equity (decrease) increase	(3)	(4)	(10)	(3)	90
	13,637	12,472	11,839	11,526	12,046
<b>Expenses</b>					
General government	1,998	1,789	1,632	1,518	1,555
Protection to persons and property	1,341	1,274	1,305	1,174	1,098
Transportation services	3,369	3,629	2,856	3,105	2,722
Environmental	9,072	3,832	3,681	3,574	3,761
Health services	34	32	33	36	37
Recreation and cultural services	1,856	1,852	1,832	1,694	1,559
Planning and development	498	669	677	650	527
	18,168	13,077	12,016	11,751	11,259
<b>Annual surplus (deficit)</b>					
<b>before other items</b>	(4,531)	(605)	(177)	(225)	787
<b>Other revenue for capital purposes</b>					
Deferred revenue earned	621	684	132	360	436
Grants	163	180	447	110	569
Donations and other	115	30	72	112	181
Gain (loss) of tangible capital assets	104	51	152	61	(9)
	1,003	945	803	643	1,177
<b>Annual surplus</b>	\$ (3,528)	\$ 340	\$ 626	\$ 418	\$ 1,964

### PROPERTY TAXES BILLED (000's)

	2019	2018	2017	2016	2015
Own purposes	\$ 7,232	\$ 6,941	\$ 6,559	\$ 6,301	\$ 5,871
Upper-Tier Municipality	8,044	7,853	7,650	7,457	7,258
School Boards	5,987	5,976	5,939	6,046	5,883
	\$ 21,263	\$ 20,770	\$ 20,148	\$ 19,804	\$ 19,012

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2019

### TAXABLE ASSESSMENT (000's)

	2019	2018	2017	2016	2015
Residential and farm	\$ 1,408,054	\$ 1,326,180	\$ 1,248,501	\$ 1,185,964	\$ 1,118,171
Commercial and industrial	194,186	186,990	177,404	174,076	167,482
	1,602,240	1,513,170	1,425,905	1,360,040	1,285,653
Exempt	46,808	43,730	42,080	42,803	39,301
	\$ 1,649,048	\$ 1,556,900	\$ 1,467,985	\$ 1,402,843	\$ 1,324,954
Commercial and industrial	12.12%	12.36%	12.44%	12.80%	13.03%
Municipal residential tax rate	0.498%	0.500%	0.486%	0.471%	0.462%

### FINANCIAL INDICATORS

	2019	2018	2017	2016	2015
<b>Tax arrears</b>					
Percentage of own levy	19 %	19 %	21 %	18 %	18 %
Percentage of total levy	6 %	6 %	7 %	6 %	5 %
<b>Municipal debt</b>	\$ 6,578,177	\$ 7,211,784	\$ 6,559,120	\$ 7,036,540	\$ 7,558,249
<b>Long-term debt charges</b>	\$ 866,349	\$ 724,237	\$ 742,147	\$ 765,468	\$ 781,210
<b>Sustainability</b>					
Financial assets to liabilities	0.96	1.20	1.25	1.21	1.13
Financial assets to liabilities excluding long-term debt	1.43	2.64	2.65	2.92	2.81
Long-term debt to tangible capital assets	7.20 %	7.84 %	7.19 %	7.73 %	8.27 %
<b>Flexibility</b>					
Debt charges to total operating revenue	6.35 %	5.81 %	6.27 %	6.64 %	6.49 %
Total operating revenue to taxable assessment	8.27 %	8.01 %	8.06 %	8.22 %	8.80 %
<b>Vulnerability</b>					
Operating grants to operating revenue	14.30 %	10.85 %	10.69 %	11.02 %	17.94 %
Total grants to total revenues	18.67 %	16.52 %	14.59 %	14.30 %	23.97 %
<b>Reserve coverage</b>					
Reserves	\$ 6,237,356	\$ 5,774,617	\$ 6,123,345	\$ 6,568,478	\$ 6,178,752
Reserves to operating expenses	34 %	44 %	51 %	56 %	55 %
Reserves to working capital	0.82	0.92	1.15	1.13	1.01