

**CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS**

**CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2020**

# **CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS**

December 31, 2020

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## **CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS**

# **MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

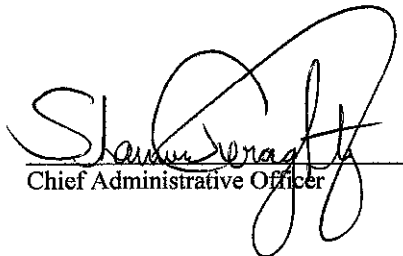
To the Members of Council, Inhabitants and Ratepayer of the  
Corporation of the Municipality of South Dundas

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

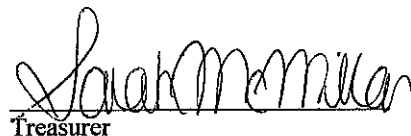
In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Corporation of the Municipality of South Dundas' Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors.

MNP LLP is appointed by the Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.



Sharon Veraghty  
Chief Administrative Officer



Shaah McMillan  
Treasurer

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

### Opinion

We have audited the consolidated financial statements of 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, 2020, and the consolidated statements of operations, accumulated surplus, changes in net debt and cash flows 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, 2020, and the results of its consolidated operations, changes in its net debt 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.

### Emphasis of Matter - Comparative Information

We draw attention to Note 19 in the consolidated financial statements, which indicates that the Municipality has restated its comparative figures for the year ended December 31, 2019 to reflect an adjustment to accumulated amortization of tangible capital assets. Our opinion is not modified in respect of this matter.

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

Management 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 management 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, management 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 management either intends to liquidate the Municipality or 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 management.
- Conclude on the appropriateness of management'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 are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Cornwall, Ontario

May 25, 2021

*MNP LLP*

Chartered Professional Accountants

Licensed Public Accountants

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

	2020	2019
		(restated Note 19)
<b>NET DEBT</b>		
<b>Assets</b>		
Cash	\$ 6,719,554	\$ 7,960,019
Taxes receivable	1,142,172	1,370,124
Accounts receivable	2,748,641	2,237,797
Long-term investments (Note 2)	2,148,689	2,200,111
Investment in Rideau St. Lawrence Holdings Inc. (Note 3)	1,928,986	1,855,356
	<b>14,688,042</b>	15,623,407
<b>Liabilities</b>		
Accounts payable	1,674,788	1,100,666
Accrued interest on municipal debt	55,656	51,726
Deferred revenue (Note 4)	676,540	1,442,151
Deferred revenue, obligatory reserve funds (Note 5)	431,558	919,666
Municipal debt (Note 7)	7,862,064	6,578,177
Accrued landfill closure and post closure costs (Note 8)	4,315,726	6,108,645
	<b>15,016,332</b>	16,201,031
<b>Net Debt</b>	<b>(328,290)</b>	<b>(577,624)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets	93,526,441	91,051,681
Inventory	169,316	130,596
	<b>93,695,757</b>	91,182,277
<b>ACCUMULATED SURPLUS</b>	<b>\$ 93,367,467</b>	<b>\$ 90,604,653</b>

**Subsequent event (Note 21)**

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2020

	BUDGET 2020 (Note 16)	ACTUAL 2020	ACTUAL 2019 (restated Note 19)
<b>REVENUE</b>			
Taxation	\$ 7,594,251	\$ 7,610,481	\$ 7,231,868
Fees and service charges	3,563,255	3,515,569	3,566,075
Grants	1,304,607	1,537,121	1,950,257
Investment income	263,000	333,060	500,978
Permits and licenses	207,000	208,912	218,120
Donations and miscellaneous	250	47,670	173,300
Equity increase (decrease) from Rideau St. Lawrence Holdings Inc.	-	73,630	(2,660)
	12,932,363	13,326,443	13,637,938
<b>EXPENSES</b>			
General government	2,108,488	1,974,891	1,997,946
Protection to persons and property	1,413,025	1,415,689	1,341,417
Transportation services	3,248,548	3,553,310	3,368,545
Environmental services	4,373,152	4,298,180	9,071,840
Health services	102,788	37,727	33,855
Recreation and cultural services	1,965,941	1,786,228	1,856,181
Planning and development	501,171	559,202	498,302
	13,713,113	13,625,227	18,168,086
<b>DEFICIT BEFORE OTHER ITEMS</b>	(780,750)	(298,784)	(4,530,148)
<b>OTHER REVENUE FOR CAPITAL PURPOSES</b>			
Deferred revenue earned	864,531	2,207,234	621,467
Grants	1,311,224	729,561	163,384
Direct billings, donations and other	-	164,892	114,682
(Loss) gain on disposal of tangible capital assets	-	(40,089)	103,653
	2,175,755	3,061,598	1,003,186
<b>ANNUAL SURPLUS (DEFICIT)</b>	1,395,005	2,762,814	(3,526,962)
<b>ACCUMULATED SURPLUS, beginning of year</b>	90,604,653	90,604,653	94,131,615
<b>ACCUMULATED SURPLUS, end of year</b>	\$ 91,999,658	\$ 93,367,467	\$ 90,604,653

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the year ended December 31, 2020

	BUDGET 2020 (Note 16)	ACTUAL 2020	ACTUAL 2019 (restated Note 19)
Annual surplus (deficit)	\$ 1,395,005	\$ 2,762,814	\$ (3,526,962)
Amortization of tangible capital assets	2,604,000	2,743,092	2,498,046
Acquisition of tangible capital assets	(5,929,584)	(5,331,905)	(1,879,250)
Loss (gain) on disposal of tangible capital assets	-	40,089	(103,653)
Proceeds on disposal of tangible capital assets	-	73,964	113,367
Change in inventory	-	(38,720)	750
Decrease (increase) in net debt	(1,930,579)	249,334	(2,897,702)
Net debt, beginning of year	(577,624)	(577,624)	2,320,078
Net debt, end of year	\$ (2,508,203)	\$ (328,290)	\$ (577,624)



# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

	2020	2019
<b>CASH FROM OPERATING ACTIVITIES</b>		
Annual surplus (deficit)	\$ 2,762,814	\$ (3,526,962)
Items not affecting cash		
Amortization of tangible capital assets	2,743,092	2,498,046
Loss (gain) on disposal of tangible capital assets	40,089	(103,653)
Equity income from from Rideau St. Lawrence Holdings Inc.	(73,630)	(51,150)
Changes in non-cash working capital balances		
Taxes receivable	227,952	(42,720)
Accounts receivable	(510,844)	950,556
Accounts payable	574,122	(570,223)
Accrued interest on municipal debt	3,930	(5,452)
Deferred revenue	(765,611)	46,000
Deferred revenue, obligatory reserve funds	(488,108)	448,975
Accrued landfill closure and post closure costs	(1,792,919)	5,028,920
Inventory	(38,720)	750
	<b>2,682,167</b>	<b>4,673,087</b>
<b>CASH FROM (USED IN) FINANCING ACTIVITIES</b>		
Proceeds from municipal debt	1,818,691	-
Repayment of municipal debt	(534,804)	(633,607)
	<b>1,283,887</b>	<b>(633,607)</b>
<b>CASH FROM INVESTING ACTIVITIES</b>		
Decrease in long term investments	51,422	58,566
Dividends received from Rideau St. Lawrence Holdings Inc.	-	53,810
	<b>51,422</b>	<b>112,376</b>
<b>CASH USED IN CAPITAL ACTIVITIES</b>		
Proceeds on sale of tangible capital assets	73,964	113,367
Acquisition of tangible capital assets	(5,331,905)	(1,879,250)
	<b>(5,257,941)</b>	<b>(1,765,883)</b>
<b>(DECREASE) INCREASE IN CASH</b>	<b>(1,240,465)</b>	<b>2,385,973</b>
<b>CASH, beginning of year</b>	<b>7,960,019</b>	<b>5,574,046</b>
<b>CASH, end of year</b>	<b>\$ 6,719,554</b>	<b>\$ 7,960,019</b>

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2020

	Land and land improvements	Buildings	Vehicles	Equipment	Plants and facilities	Roads	Water and waste water	Bridges	Assets under construction	2020	2019 (restated Note 19)
<b>Cost</b>											
Balance, beginning 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
Additions during the year	26,295	816,162	955,695	191,572	-	1,222,944	2,185,140	-	358,006	5,755,814	2,797,541
Disposals during the year	-	-	509,001	31,508	-	191,039	26,579	30,850	423,909	1,212,886	1,254,714
Balance, end of year	2,101,745	13,980,651	6,206,051	3,697,066	55,593,677	21,576,110	15,966,085	5,707,638	1,004,253	125,833,276	121,290,348
<b>Accumulated amortization</b>											
Balance, beginning of year	215,105	4,130,001	3,008,960	1,507,608	8,871,910	7,188,788	3,014,681	2,301,614	-	30,238,667	28,067,330
Amortization during the year	11,567	402,202	384,928	240,971	738,167	703,421	211,288	50,548	-	2,743,092	2,498,046
Amortization on disposals	-	-	496,979	18,900	-	139,286	19,759	-	-	674,924	326,709
Balance, end of year	226,672	4,532,203	2,896,909	1,729,679	9,610,077	7,752,923	3,206,210	2,352,162	-	32,306,835	30,238,667
<b>Net book value 2020</b>	\$ 1,875,073	\$ 9,448,448	\$ 3,309,142	\$ 1,967,387	\$ 45,983,600	\$ 13,823,187	\$ 12,759,875	\$ 3,355,476	\$ 1,004,253	\$ 93,526,441	\$ 91,051,681
<b>Net book value 2019</b>	\$ 1,860,345	\$ 9,034,488	\$ 2,750,397	\$ 2,029,394	\$ 46,721,767	\$ 13,355,417	\$ 10,792,843	\$ 3,436,874	\$ 1,070,156	\$ 91,051,681	

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2020

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Recreation	Planning and Development	2020	2019 (restated Note 19)
<b>Cost</b>								
Balance, beginning 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
Additions during the year	-	201,002	2,971,857	1,398,581	826,368	-	5,397,808	2,347,415
Disposals during the year	13,295	331,175	411,101	26,579	6,827	-	788,977	336,423
Assets in service, end of year	5,983,371	3,786,771	34,721,374	72,313,517	7,976,109	47,881	124,829,023	120,220,192
Assets under construction	-	-	73,775	381,677	372,857	175,944	1,004,253	1,070,156
Balance, end of year	5,983,371	3,786,771	34,795,149	72,695,194	8,348,966	223,825	125,833,276	121,290,348
<b>Accumulated Amortization</b>								
Balance, beginning of year	966,240	2,179,739	12,287,625	12,309,847	2,447,335	47,881	30,238,667	28,067,330
Amortization during the year	157,893	147,342	1,130,363	1,075,164	232,330	-	2,743,092	2,498,046
Amortization on disposals	7,425	319,153	321,760	19,759	6,827	-	674,924	326,709
Balance, end of year	1,116,708	2,007,928	13,096,228	13,365,252	2,672,838	47,881	32,306,835	30,238,667
<b>Net book value 2020</b>	\$ 4,866,663	\$ 1,778,843	\$ 21,698,921	\$ 59,329,942	\$ 5,676,128	\$ 175,944	\$ 93,526,441	\$ 91,051,681
<b>Net book value 2019</b>	\$ 5,030,426	\$ 1,737,205	\$ 20,010,495	\$ 58,928,331	\$ 5,345,224	\$ -	\$ 91,051,681	

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2020

	2020	2019
		(restated Note 19)
<b>Deficit</b>		
Operating surplus (Note 9)	\$ -	\$ -
Water and waste water surplus (Note 10)	-	-
Local board surplus, Morrisburg Business Improvement Area	82,116	23,964
Unfunded capital projects	(56,096)	(22,121)
Investment in Rideau St. Lawrence Holdings Inc.	1,928,986	1,855,356
Liabilities to be recovered from future revenues (Note 11)		
Accrued interest on municipal debt	(55,656)	(51,726)
Internal debenture to reserve funds	(471,263)	(554,666)
Long-term debt for landfill closure costs	(1,818,691)	-
Accrued landfill closure and post closure	(4,315,726)	(6,108,645)
<b>Total deficit</b>	<b>(4,706,330)</b>	<b>(4,857,838)</b>
<b>Reserves and reserve funds (Note 14)</b>		
Reserves	6,132,139	6,237,356
Reserve funds	4,283,383	4,614,390
<b>Total reserves and reserve funds</b>	<b>10,415,522</b>	<b>10,851,746</b>
<b>Invested in tangible capital assets</b>		
Tangible capital assets	93,526,441	91,051,681
Less: related municipal debt	(5,868,166)	(6,440,936)
<b>Total invested in tangible capital assets</b>	<b>87,658,275</b>	<b>84,610,745</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 93,367,467</b>	<b>\$ 90,604,653</b>

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## CONSOLIDATED SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS

For the year ended December 31, 2020

	Deficit	Reserves and Reserve Funds	Invested in Tangible Capital Assets	2020	2019 (restated Note 19)
<b>Balance, beginning of year</b>	<b>\$ (4,857,838)</b>	<b>\$ 10,851,746</b>	<b>\$ 84,610,745</b>	<b>\$ 90,604,653</b>	<b>\$ 94,131,615</b>
Annual surplus (deficit)	2,651,605	111,209	-	2,762,814	(3,526,962)
Operating funds transferred to reserves and reserve funds	(1,966,929)	1,966,929	-	-	-
Reserves and reserve funds transferred to operating	848,567	(848,567)	-	-	-
Reserves and reserve funds transferred for tangible capital assets	-	(1,665,795)	1,665,795	-	-
Operating funds used for tangible capital assets	(3,666,110)	-	3,666,110	-	-
Disposal of tangible capital assets	114,053	-	(114,053)	-	-
Amortization expense of tangible capital assets	2,743,092	-	(2,743,092)	-	-
Repayment of municipal debt related to capital	(572,770)	-	572,770	-	-
Change in accumulated surplus (deficit)	151,508	(436,224)	3,047,530	2,762,814	(3,526,962)
<b>Balance, end of year</b>	<b>\$ (4,706,330)</b>	<b>\$ 10,415,522</b>	<b>\$ 87,658,275</b>	<b>\$ 93,367,467</b>	<b>\$ 90,604,653</b>

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2020

	General Government	Protection Services	Transportation Services	Environmental Services	Water and waste water Services	Health Services	Recreation and Cultural Services	Planning and Development	2020	2019
<b>REVENUE</b>										
Taxation	\$ 1,509,383	\$ 1,049,339	\$ 2,449,180	\$ 766,843	\$ 49,700	\$ 92,037	\$ 1,228,659	\$ 465,340	\$ 7,610,481	\$ 7,231,868
Fees and service charges	196,250	73,045	22,017	213,252	2,614,044	19,380	364,047	13,534	3,515,569	3,566,075
Grants	1,325,101	21,327	-	92,282	9,603	-	67,055	21,753	1,537,121	1,950,257
Investment income	328,261	-	-	-	4,799	-	-	-	333,060	500,978
Permits and licenses	79,249	16,255	1,000	-	-	-	-	112,408	208,912	218,120
Donations and other	-	180	-	-	-	-	47,490	-	47,670	173,300
Equity increase	73,630	-	-	-	-	-	-	-	73,630	(2,660)
	3,511,874	1,160,146	2,472,197	1,072,377	2,678,146	111,417	1,707,251	613,035	13,326,443	13,637,938
<b>EXPENSES</b>										
Wages and benefits	1,105,263	694,224	906,444	228,747	604,828	-	725,586	123,418	4,388,510	4,386,745
Interest on municipal debt	92,382	-	-	9,383	85,472	27,531	-	39,447	254,215	293,579
Materials and services	446,361	418,349	1,241,368	320,717	889,752	-	757,607	198,358	4,272,512	9,101,866
Contracted services	38,131	25,635	237,058	787,003	148,006	-	34,533	194,344	1,464,710	1,335,851
Insurance and financial costs	134,861	47,877	38,077	-	149,108	-	35,972	5,385	411,280	437,546
Third party transfers	-	82,262	-	-	-	10,196	200	(1,750)	90,908	114,453
Amortization	157,893	147,342	1,130,363	-	1,075,164	-	232,330	-	2,743,092	2,498,046
	1,974,891	1,415,689	3,553,310	1,345,850	2,952,330	37,727	1,786,228	559,202	13,625,227	18,168,086
<b>SURPLUS (DEFICIT)</b>										
<b>BEFORE OTHER ITEMS</b>	1,536,983	(255,543)	(1,081,113)	(273,473)	(274,184)	73,690	(78,977)	53,833	(298,784)	(4,530,148)
<b>OTHER REVENUE FOR CAPITAL PURPOSES</b>										
Deferred revenue earned	-	-	1,853,937	-	321,535	-	31,762	-	2,207,234	621,467
Grants	-	-	-	-	588,485	-	141,076	-	729,561	163,384
Donations and other	-	-	-	-	-	-	164,892	-	164,892	114,682
(Loss) gain on disposal of tangible capital assets	(40,089)	-	-	-	-	-	-	-	(40,089)	103,653
	(40,089)	-	1,853,937	-	910,020	-	337,730	-	3,061,598	1,003,186
<b>ANNUAL SURPLUS (DEFICIT)</b>	\$ 1,496,894	\$ (255,543)	\$ 772,824	\$ (273,473)	\$ 635,836	\$ 73,690	\$ 258,753	\$ 53,833	\$ 2,762,814	\$ (3,526,962)

# **CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2020

### **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, 2020

### **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 legalisation.

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) Reserves and 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, 2020

### 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, and are charged to expenses as the landfill site's capacity is used.

#### (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, 2020

### **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, 2020

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

#### (p) Measurement uncertainty (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, 2022

##### *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, 2022. 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, 2022. Early adoption is permitted.

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 2. LONG-TERM INVESTMENTS

	2020	2019
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	119,337	135,759
South Dundas Water Plant, long-term growth receivable, 5% interest no specific terms of repayment, unsecured	1,091,000	1,126,000
	<b>\$ 2,148,689</b>	<b>\$ 2,200,111</b>

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

	2020	2019
Investment, beginning of year	\$ 1,855,356	\$ 1,858,016
Share of net income for the year	73,630	51,150
Dividends received	-	(53,810)
Investment, end of year	<b>\$ 1,928,986</b>	<b>\$ 1,855,356</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

	2020	2019
Current assets	\$ 3,991,523	\$ 4,359,901
Deferred taxes	17,397	39,207
Capital	8,315,109	8,003,733
Regulatory assets	603,670	156,782
<b>Total Assets</b>	<b>12,927,699</b>	<b>12,559,623</b>
Current liabilities	5,515,022	5,597,076
Long-term portion of customer deposits	242,271	257,135
Contributions in aid of construction	602,396	438,741
Long-term debt	374,205	416,502
Regulatory liabilities	450,216	325,521
<b>Total Liabilities</b>	<b>7,184,110</b>	<b>7,034,975</b>
<b>Shareholders' Equity</b>	<b>\$ 5,743,589</b>	<b>\$ 5,524,648</b>

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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

#### Financial Activities

	2020	2019
Total revenue	\$ 18,418,877	\$ 16,360,807
Total expenses	18,199,936	16,208,711
Net income	\$ 218,941	\$ 152,096
Municipality share of net income (33.63%)	\$ 73,630	\$ 51,150

### 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	2020	2019
Balance, beginning of year	\$ 457,651	\$ 25,908	\$ 958,592	\$ 1,442,151	\$ 1,396,151
Grants received	418,782	-	-	418,782	410,219
Interest earned	6,054	275	4,947	11,276	28,589
Utilized for operating purposes	-	(9,603)	-	(9,603)	(24,006)
Utilized for capital acquisitions	(864,531)	-	(321,535)	(1,186,066)	(368,802)
Balance, end of year	\$ 17,956	\$ 16,580	\$ 642,004	\$ 676,540	\$ 1,442,151

### 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, COVID-19 funding and parkland reserve fund. The balance and transactions are summarized as follows:

	COVID-19	Gas Tax	Parkland	2020	2019
Balance, beginning of year	\$ -	\$ 725,204	\$ 194,462	\$ 919,666	\$ 470,691
Grants received	299,600	328,632	-	628,232	678,835
Prepaid special charges	-	-	-	-	11,050
Interest earned	-	3,066	17,323	20,389	11,755
Utilized for operating purposes	(115,561)	-	-	(115,561)	-
Utilized for capital acquisitions	-	(989,406)	(31,762)	(1,021,168)	(252,665)
Balance, end of year	\$ 184,039	\$ 67,496	\$ 180,023	\$ 431,558	\$ 919,666

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 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

	2020	2019
Loan payable, interest at 3.35%, repayable in monthly payments of \$16,667 plus interest, due September 2034, South Dundas Municipal Centre	\$ 2,750,000	\$ 2,950,000
Loan payable, interest at 3.90%, repayable in semi-annual payments of \$25,841 plus interest, due November 2033, Iroquois Medical Centre	671,875	723,558
Loan payable, interest at 4.75%, repayable in semi-annual payments of \$104,500 plus interest, due August 2028, South Dundas Municipal Water Plant	1,567,500	1,776,500
Loan payable, interest at 3.31%, repayable in monthly payments of \$54,529 plus interest, due November 15, 2028, Industrial Park	872,466	981,524
Loan payable, interest at 1.76%, repayable in blended semi-annual payments of \$69,242, due September 2035, Williamsburg landfill closure costs	1,818,691	-
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	175,207	137,241
Equipment capital lease, interest at 0%, repayable in monthly payments of \$252, due December 2022, secured by equipment	6,325	9,354
	<b>\$ 7,862,064</b>	<b>\$ 6,578,177</b>

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

2021	\$ 705,871
2022	707,782
2023	704,439
2024	705,281
2025	708,644
Thereafter	4,330,047
	<b>\$ 7,862,064</b>

Principal payments are payable from the following sources as follows:

	2021 to 2025	2026 to 2040
General municipal revenues	\$ 2,105,573	\$ 3,341,909
Rental revenues	258,413	413,462
User charges	1,045,000	522,500
Tile drain loans receivable	123,031	52,176
	<b>\$ 3,532,017</b>	<b>\$ 4,330,047</b>

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 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 \$4,315,726 (2019 - \$6,108,645) 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 \$735,437 (2019 - \$746,367) 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.

### 9. OPERATING SURPLUS

The budget figures presented in these consolidated financial statements are based upon the 2020 operating and capital budgets that have been approved by Council on April 20, 2020. The following schedule reconciles the budget and actual results presented in these consolidated financial statements to the approved operating budget for the year.

	BUDGET 2020 (Note 16)	ACTUAL 2020	ACTUAL 2019
<b>Annual Surplus (Deficit)</b>	\$ 1,395,005	\$ 2,762,814	\$ (3,526,962)
Change in local board surpluses for the year	-	(45,326)	(8,456)
Operating funds transferred to reserves and reserve funds	74,811	(339,752)	(2,266,569)
Reserve and reserve funds transferred for tangible capital assets	3,025,509	1,665,795	1,194,486
Reserve fund interest	-	(111,209)	(145,936)
Acquisition of tangible capital assets	(5,929,584)	(5,331,905)	(1,879,250)
Amortization of tangible capital assets	2,604,000	2,743,092	2,498,046
Proceeds from the issuance of municipal debt	-	1,818,691	-
Principal repayments on municipal debt	(569,741)	(572,770)	(572,769)
Change in surplus for future capital acquisitions	-	(62,254)	(313,837)
Equity (increase) decrease of Rideau St. Lawrence Holdings Inc.	-	(73,630)	2,660
Accrued landfill closure and post closure costs	(600,000)	(1,792,919)	5,028,920
Accrued interest on municipal debt	-	3,930	(5,452)
Proceeds on disposal of tangible capital assets	-	73,964	113,367
Loss (gain) loss on disposal of tangible capital assets	-	40,089	(103,653)
Surplus for the year before year-end transfers	-	778,610	14,595
Transfer of water and waste water surplus to reserves	-	(335,588)	(148,478)
Transfer (to) from reserves to finance net operating (surplus) deficit	-	(443,022)	133,883
	\$ -	\$ -	\$ -

The operating surplus for the fiscal year ending December 31, 2020 was \$443,022 which was transferred to the working capital reserve.

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 10. WATER AND WASTE WATER OPERATIONS

The water and waste water operations are made up of four local areas, the respective surpluses for the fiscal year ended December 31, 2020 are listed below. Any surpluses are transferred to and deficits are funded by the respective local area reserve or reserve fund.

	2020	2019
South Dundas municipal water	\$ 185,232	\$ 132,588
Iroquois waste water	73,191	(59,333)
Morrisburg waste water	65,573	60,458
Williamsburg waste water	11,592	14,765
<b>Total water and waste water surplus</b>	<b>\$ 335,588</b>	<b>\$ 148,478</b>

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

	BUDGET 2020 (Note 16)	ACTUAL 2020	ACTUAL 2019
<b>Revenues</b>			
Taxation and local improvement charges	\$ 49,700	\$ 49,700	\$ 49,700
Fees and service charges	2,583,620	2,614,044	2,508,822
Grants	9,603	9,603	23,788
Interest	8,000	4,799	8,642
	2,650,923	2,678,146	2,590,952
<b>Expenditures, excluding amortization</b>	2,110,640	1,877,847	2,017,883
<b>Surplus for the year</b>	540,283	800,299	573,069
<b>Financing and transfers</b>			
Transfers to reserve and reserve funds	(181,564)	(321,845)	(359,015)
Funds used for capital asset acquisitions and expenditures	(149,719)	(269,454)	(5,054)
Net change in municipal debt	(209,000)	(209,000)	(209,000)
	(540,283)	(800,299)	(573,069)
<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, 2020

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

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

	2020	2019
Municipal debt	\$ 7,862,064	\$ 6,578,177
Accrued interest on municipal debt	55,656	51,726
Accrued landfill closure and post-closure	4,315,726	6,108,645
	<b>\$ 12,233,446</b>	<b>\$ 12,738,548</b>

Amounts are to be recovered from the following sources:

Reserves and reserve funds	\$ 735,437	\$ 746,367
General municipal revenues	5,447,482	4,252,965
User charges	5,875,320	7,601,975
Tile drain loans receivable	175,207	137,241
	<b>\$ 12,233,446</b>	<b>\$ 12,738,548</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 \$3.2 billion (2019 - \$3.4 billion) in these consolidated financial statements.

The employer amount contributed to OMERS for 2020 in the amount of \$325,684 (2019 - \$317,349) for current service and is included as an expenditure on the consolidated statement of financial activities.

### 13. EXPENDITURES BY OBJECT

	BUDGET 2020 (Note 16)	ACTUAL 2020	ACTUAL 2019
Wages and benefits	\$ 4,809,247	\$ 4,388,510	\$ 4,386,745
Interest on municipal debt	351,502	254,215	293,579
Materials and services	3,795,737	4,272,512	9,101,866
Contracted services	1,556,603	1,464,710	1,335,851
Insurance and other financial costs	415,987	411,280	437,546
Third party transfers	180,037	90,908	114,453
Amortization	2,604,000	2,743,092	2,498,046
	<b>\$ 13,713,113</b>	<b>\$ 13,625,227</b>	<b>\$ 18,168,086</b>

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 14. RESERVES AND RESERVE FUNDS

	2020	2019
<b>Reserves set aside for specific purposes by Council are as follows:</b>		
Working capital	\$ 1,777,932	\$ 1,324,199
Water	559,889	510,617
Waste water	771,730	925,347
Service delivery	292,274	600,406
Planning and development	72,291	90,877
Recreation and facilities	641,719	529,649
Cemeteries and funeral assistance program	26,263	27,745
Campground	45,479	273,769
Roads	430,357	336,321
Landfill	735,437	746,367
Tax stabilization	25,321	73,534
Winter control	50,000	-
Elections	38,210	25,710
Treasury	61,563	31,563
Protection to persons and property	186,615	205,163
Future debenture payments	379,237	499,170
Accessibility	30,000	30,000
Miscellaneous	7,822	6,919
	<b>6,132,139</b>	<b>6,237,356</b>
<b>Reserve funds set aside for specific purpose by legislation, regulation or agreement:</b>		
Equipment replacement	557,954	850,124
Water	126,849	122,947
Waste water	499,950	461,774
Infrastructure	2,567,355	2,520,031
Fire	118,326	238,696
General purposes	355,394	384,255
EDP community benefits	57,555	36,563
	<b>4,283,383</b>	<b>4,614,390</b>
<b>Total reserves and reserve funds</b>	<b>\$ 10,415,522</b>	<b>\$ 10,851,746</b>

### 15. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$91,562 (2019 - \$86,729) have not been included in the Consolidated Statement of Financial Activities.

### 16. BUDGET FIGURES

The 2020 budget which includes operating, capital, reserves and reserve funds transactions were approved by Council on April 5, 2020. 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, 2020

### **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, 2020 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, 2020

### **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. RESTATEMENT OF COMPARATIVE FIGURES**

The Municipality has restated its comparative figures for tangible capital assets relating to "Plants and Facilities" and "Environmental Services" to reflect amortization not charged on the full cost of one of its facility between 2006 and 2010. The impact was to increase the opening accumulated amortization by \$344,582 and reduce invested in tangible capital assets by the same amount. There is no impact on the Municipalities financial activities results for 2019 from this restatement.

# **CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2020

### **20. SIGNIFICANT EVENT**

During the year, 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.

The Municipality received a provincial grant of \$299,600 of which \$115,561 was used to cover additional operating costs resulting from the pandemic and the remaining \$184,039 has been included in deferred revenues - obligatory reserve funds (Note 5).

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.

### **21. SUBSEQUENT EVENT**

Subsequent to year-end, the Municipality obtained a new loan to finance its capital expenditures for the water tower of \$1,056,052; the loan bears interest at 2.09% and is repayable over 20 years with monthly blended payments of \$5,387.52.

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2020

### FINANCIAL ACTIVITIES (000's)

	2020	2019	2018	2017	2016
<b>Revenues</b>					
Taxation	\$ 7,610	\$ 7,232	\$ 6,941	\$ 6,559	\$ 6,301
Fees and service charges	3,515	3,567	3,561	3,410	3,373
Grants	1,537	1,950	1,353	1,266	1,270
Investment income	333	501	462	436	403
Permits and licenses	209	218	161	169	183
Donations and other revenue	48	173	2	19	3
Equity (decrease) increase	74	(3)	(4)	(10)	(3)
	13,326	13,638	12,476	11,849	11,530
<b>Expenses</b>					
General government	1,975	1,998	1,789	1,632	1,518
Protection to persons and property	1,416	1,341	1,274	1,305	1,174
Transportation services	3,553	3,369	3,629	2,856	3,105
Environmental	4,298	9,072	3,832	3,681	3,574
Health services	38	34	32	33	36
Recreation and cultural services	1,786	1,856	1,852	1,832	1,694
Planning and development	559	498	669	677	650
	13,625	18,168	13,077	12,016	11,751
<b>Annual deficit before other items</b>	(299)	(4,530)	(601)	(167)	(221)
<b>Other revenue for capital purposes</b>					
Deferred revenue earned	2,207	621	684	132	360
Grants	730	163	180	447	110
Donations and other	165	115	30	72	112
Gain (loss) of tangible capital assets	(40)	104	51	152	61
	3,062	1,003	945	803	643
<b>Annual surplus</b>	\$ 2,763	\$ (3,527)	\$ 344	\$ 636	\$ 422

### PROPERTY TAXES BILLED (000's)

	2020	2019	2018	2017	2016
Own purposes	\$ 7,610	\$ 7,232	\$ 6,941	\$ 6,559	\$ 6,301
Upper-Tier Municipality	8,350	8,044	7,853	7,650	7,457
School Boards	5,895	5,987	5,976	5,939	6,046
	\$ 21,855	\$ 21,263	\$ 20,770	\$ 20,148	\$ 19,804

# CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

## FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2020

### TAXABLE ASSESSMENT (000's)

	2020	2019	2018	2017	2016
Residential and farm	\$ 1,491,540	\$ 1,408,054	\$ 1,326,180	\$ 1,248,501	\$ 1,185,964
Commercial and industrial	201,397	194,186	186,990	177,404	174,076
	1,692,937	1,602,240	1,513,170	1,425,905	1,360,040
Exempt	50,484	46,808	43,730	42,080	42,803
	\$ 1,743,421	\$ 1,649,048	\$ 1,556,900	\$ 1,467,985	\$ 1,402,843
Commercial and industrial	11.90%	12.12%	12.36%	12.44%	12.80%
Municipal residential tax rate	0.511%	0.498%	0.500%	0.486%	0.471%

### FINANCIAL INDICATORS

	2020	2019	2018	2017	2016
<b>Tax arrears</b>					
Percentage of own levy	15 %	19 %	19 %	21 %	18 %
Percentage of total levy	5 %	6 %	6 %	7 %	6 %
<b>Municipal debt</b>	\$ 7,862,064	\$ 6,578,177	\$ 7,211,784	\$ 6,559,120	\$ 7,036,540
<b>Long-term debt charges</b>	\$ 826,985	\$ 866,349	\$ 724,237	\$ 742,147	\$ 765,468
<b>Sustainability</b>					
Financial assets to liabilities	0.98	0.96	1.20	1.25	1.21
Financial assets to liabilities excluding long-term debt	1.78	1.43	2.64	2.65	2.92
Long-term debt to tangible capital assets	8.41 %	7.20 %	7.84 %	7.19 %	7.73 %
<b>Flexibility</b>					
Debt charges to total operating revenue	6.21 %	6.35 %	5.81 %	6.26 %	6.64 %
Total operating revenue to taxable assessment	7.64 %	8.27 %	8.02 %	8.07 %	8.22 %
<b>Vulnerability</b>					
Operating grants to operating revenue	11.53 %	14.30 %	10.85 %	10.68 %	11.01 %
Total grants to total revenues	27.30 %	18.67 %	16.52 %	14.58 %	14.29 %
<b>Reserve coverage</b>					
Reserves	\$ 6,132,139	\$ 6,237,356	\$ 5,774,617	\$ 6,123,345	\$ 6,568,478
Reserves to operating expenses	45 %	34 %	44 %	51 %	56 %
Reserves to working capital	0.88	0.82	0.92	1.15	1.13