

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

December 31, 2021

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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.

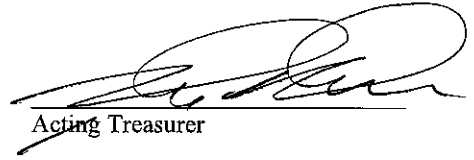
The Corporation of the Municipality of South Dundas' Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information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

August 8, 2022



Chief Administrative Officer



Acting Treasurer

DEPUTY

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

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, 2021, and the consolidated statements of financial activities, 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, 2021, and the results of its consolidated statement of financial activities, 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 financial statements, which indicates that the Municipality has restated its comparative figures with respect to tangible capital assets and investment in 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

August 8, 2022

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

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

As at December 31, 2021

	2021	2020 (Note 19)
NET DEBT		
Assets		
Cash	\$ 8,391,823	\$ 6,719,554
Taxes receivable	764,462	1,142,172
Accounts receivable	2,683,361	2,748,641
Long-term investments (Note 2)	2,086,364	2,148,689
Investment in Rideau St. Lawrence Holdings Inc. (Note 3)	1,939,621	1,928,986
	15,865,631	14,688,042
 Liabilities		
Accounts payable	1,844,824	1,674,788
Accrued interest on municipal debt	51,338	55,656
Deferred revenue (Note 4)	391,433	676,540
Deferred revenue, obligatory reserve funds (Note 5)	834,445	431,558
Municipal debt (Note 7)	8,759,861	7,862,064
Accrued landfill closure and post closure costs (Note 8)	4,467,653	4,315,726
	16,349,554	15,016,332
Net Debt	(483,923)	(328,290)
NON-FINANCIAL ASSETS		
Tangible capital assets	105,274,619	102,666,953
Inventory	79,805	169,316
	105,354,424	102,836,269
ACCUMULATED SURPLUS	\$ 104,870,501	\$ 102,507,979

See Accompanying Notes

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

For the year ended December 31, 2021

	BUDGET 2021 (Note 16)	ACTUAL 2021	ACTUAL 2020 (Note 17)
REVENUE			
Taxation	\$ 7,713,905	\$ 7,719,695	\$ 7,610,481
Fees and service charges	3,968,567	3,902,650	3,515,569
Grants	1,751,109	1,647,650	1,537,121
Investment income	264,000	379,175	333,060
Permits and licenses	228,000	248,583	208,912
Donations and miscellaneous	250	24,541	47,670
Equity increase from Rideau St. Lawrence Holdings Inc.	-	10,634	73,630
	13,925,831	13,932,928	13,326,443
EXPENSES			
General government	2,007,427	1,932,251	1,974,891
Protection to persons and property	1,938,148	1,591,952	1,415,689
Transportation services	3,404,912	3,376,820	3,553,310
Environmental services	4,441,200	4,646,145	4,298,180
Health services	75,695	25,938	37,727
Recreation and cultural services	2,139,800	1,946,568	1,786,228
Planning and development	590,867	498,662	559,202
	14,598,049	14,018,336	13,625,227
DEFICIT BEFORE OTHER ITEMS	(672,218)	(85,408)	(298,784)
OTHER REVENUE FOR CAPITAL PURPOSES			
Deferred revenue earned	436,737	939,625	2,207,234
Grants	889,668	874,916	729,561
Direct billings, donations and other	-	286,766	164,892
Contributions from developers	-	377,823	-
Loss on disposal of tangible capital assets	-	(31,200)	(40,089)
	1,326,405	2,447,930	3,061,598
ANNUAL SURPLUS	654,187	2,362,522	2,762,814
ACCUMULATED SURPLUS, beginning of year	102,507,979	102,507,979	99,745,165
ACCUMULATED SURPLUS, end of year	\$ 103,162,166	\$ 104,870,501	\$ 102,507,979

See Accompanying Notes

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the year ended December 31, 2021

	BUDGET 2021 (Note 16)	ACTUAL 2021	ACTUAL 2020 (Note 17)
Annual surplus	\$ 654,187	\$ 2,362,522	\$ 2,762,814
Amortization of tangible capital assets	2,817,670	2,913,133	2,743,092
Acquisition of tangible capital assets	(6,493,647)	(5,551,999)	(5,331,905)
Loss on disposal of tangible capital assets	-	31,200	40,089
Proceeds on disposal of tangible capital assets	-	-	73,964
Change in inventory	-	89,511	(38,720)
<hr/>			
(Increase) decrease in net debt	(3,021,790)	(155,633)	249,334
<hr/>			
Net debt, beginning of year	(328,290)	(328,290)	(577,624)
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Net debt, end of year	\$ (3,350,080)	\$ (483,923)	\$ (328,290)

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

For the year ended December 31, 2021

	2021	2020
CASH FROM OPERATING ACTIVITIES		
Annual surplus	\$ 2,362,522	\$ 2,762,814
Items not affecting cash		
Amortization of tangible capital assets	2,913,133	2,743,092
Loss on disposal of tangible capital assets	31,200	40,089
Equity income from from Rideau St. Lawrence Holdings Inc.	(57,783)	(73,630)
Changes in non-cash working capital balances		
Taxes receivable	377,710	227,952
Accounts receivable	65,280	(510,844)
Accounts payable	170,036	574,122
Accrued interest on municipal debt	(4,318)	3,930
Deferred revenue	(285,107)	(765,611)
Deferred revenue, obligatory reserve funds	402,887	(488,108)
Accrued landfill closure and post closure costs	151,927	(1,792,919)
Inventory	89,511	(38,720)
	6,216,998	2,682,167
CASH FROM FINANCING ACTIVITIES		
Proceeds from municipal debt	1,653,159	1,818,691
Repayment of municipal debt	(755,362)	(534,804)
	897,797	1,283,887
CASH FROM INVESTING ACTIVITIES		
Decrease in long term investments	62,325	51,422
Dividends received from Rideau St. Lawrence Holdings Inc.	47,148	-
	109,473	51,422
CASH USED IN CAPITAL ACTIVITIES		
Proceeds on sale of tangible capital assets	-	73,964
Acquisition of tangible capital assets	(5,551,999)	(5,331,905)
	(5,551,999)	(5,257,941)
INCREASE (DECREASE) IN CASH	1,672,269	(1,240,465)
CASH, beginning of year	6,719,554	7,960,019
CASH, end of year	\$ 8,391,823	\$ 6,719,554

See Accompanying Notes

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

For the year ended December 31, 2021

	Land and land improvements	Buildings	Vehicles	Equipment	Plants and facilities	Roads	Water and waste water	Bridges	Assets under construction	2021	2020 (Note 19)
Cost											
Balance, beginning of year	\$ 2,101,745	\$ 13,974,303	\$ 6,206,051	\$ 3,697,066	\$ 55,389,947	\$ 21,582,457	\$ 27,850,927	\$ 5,715,481	\$ 1,004,253	\$ 137,522,230	\$ 132,979,302
Additions during the year	-	16,143	65,807	263,401	2,569,846	1,050,693	955,495	-	630,614	5,551,999	5,755,814
Disposals during the year	-	-	-	-	48,440	63,387	-	-	-	111,827	1,212,886
Balance, end of year	2,101,745	13,990,446	6,271,858	3,960,467	57,911,353	22,569,763	28,806,422	5,715,481	1,634,867	142,962,402	137,522,230
Accumulated amortization											
Balance, beginning of year	226,672	4,532,203	2,896,909	1,729,679	9,610,077	7,752,923	5,748,546	2,358,268	-	34,855,277	32,787,109
Amortization during the year	15,184	393,822	380,961	255,738	751,623	696,632	340,456	78,717	-	2,913,133	2,743,092
Amortization on disposals	-	-	-	-	8,049	72,578	-	-	-	80,627	674,924
Balance, end of year	241,856	4,926,025	3,277,870	1,985,417	10,353,651	8,376,977	6,089,002	2,436,985	-	37,687,783	34,855,277
Net book value 2021	\$ 1,859,889	\$ 9,064,421	\$ 2,993,988	\$ 1,975,050	\$ 47,557,702	\$ 14,192,786	\$ 22,717,420	\$ 3,278,496	\$ 1,634,867	\$ 105,274,619	\$ 102,666,953
Net book value 2020	\$ 1,875,073	\$ 9,442,100	\$ 3,309,142	\$ 1,967,387	\$ 45,779,870	\$ 13,829,534	\$ 22,102,381	\$ 3,357,213	\$ 1,004,253	\$ 102,666,953	

See Accompanying Notes

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

For the year ended December 31, 2021

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Recreation	Planning and Development	2021	2020 (Note 19)
Cost								
Balance, beginning of year	\$ 5,983,371	\$ 3,786,771	\$ 37,356,218	\$ 81,367,626	\$ 7,976,110	\$ 47,881	\$ 136,517,977	\$ 131,909,145
Additions during the year	-	296,369	1,083,532	3,525,343	16,141	-	4,921,385	5,821,718
Disposals during the year	-	-	63,387	48,440	-	-	111,827	1,212,886
Assets in service, end of year	5,983,371	4,083,140	38,376,363	84,844,529	7,992,251	47,881	141,327,535	136,517,977
Assets under construction	-	-	493,453	742,980	398,434	-	1,634,867	1,004,253
Balance, end of year	5,983,371	4,083,140	38,869,816	85,587,509	8,390,685	47,881	142,962,402	137,522,230
Accumulated Amortization								
Balance, beginning of year	1,116,708	2,007,928	13,802,994	15,206,926	2,672,840	47,881	34,855,277	32,787,109
Amortization during the year	142,650	168,666	1,177,875	1,180,529	243,413	-	2,913,133	2,743,092
Amortization on disposals	-	-	72,578	8,049	-	-	80,627	674,924
Balance, end of year	1,259,358	2,176,594	14,908,291	16,379,406	2,916,253	47,881	37,687,783	34,855,277
Net book value 2021	\$ 4,724,013	\$ 1,906,546	\$ 23,961,525	\$ 69,208,103	\$ 5,474,432	\$ -	\$ 105,274,619	\$ 102,666,953
Net book value 2020	\$ 4,866,663	\$ 1,778,843	\$ 23,626,999	\$ 66,542,377	\$ 5,676,127	\$ 175,944	\$ 102,666,953	

See Accompanying Notes

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

For the year ended December 31, 2021

	2021	2020 (Note 17)
Operating surpluses (deficits)		
Operating surplus (Note 9)	\$ -	\$ -
Water and waste water surplus (Note 10)	-	-
Local board surplus, Morrisburg Business Improvement Area	68,467	68,467
Capital surplus (unfunded capital projects)	160,393	(56,096)
Investment in Rideau St. Lawrence Holdings Inc.	1,939,621	1,928,986
Liabilities to be recovered from future revenues (Note 11)		
Accrued interest on municipal debt	(51,338)	(55,656)
Internal debenture to reserve funds	(427,997)	(457,614)
Long-term debt for landfill closure costs	(1,711,748)	(1,818,691)
Accrued landfill closure and post closure	(4,467,653)	(4,315,726)
Net deficit	(4,490,255)	(4,706,330)
Reserves and reserve funds (Note 14)		
Reserves	7,284,167	6,132,139
Reserve funds	3,720,165	4,283,383
Total reserves and reserve funds	11,004,332	10,415,522
Invested in tangible capital assets		
Tangible capital assets	105,274,619	102,666,953
Less: related municipal debt	(6,918,195)	(5,868,166)
Total invested in tangible capital assets	98,356,424	96,798,787
ACCUMULATED SURPLUS	\$ 104,870,501	\$ 102,507,979

See Accompanying Notes

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

CONSOLIDATED SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS

For the year ended December 31, 2021

	Deficit	Reserves and Reserve Funds	Invested in Tangible Capital Assets	2021	2020 (Note 17)
Balance, beginning of year	\$ (4,706,330)	\$ 10,415,522	\$ 96,798,787	\$102,507,979	\$ 99,745,165
Annual surplus	2,267,136	95,386	-	2,362,522	2,762,814
Operating funds transferred to reserves and reserve funds	(2,609,784)	2,609,784	-	-	-
Reserves and reserve funds transferred to operating	649,086	(649,086)	-	-	-
Reserves and reserve funds transferred for tangible capital assets	-	(1,467,274)	1,467,274	-	-
Operating funds used for tangible capital assets	(4,084,725)	-	4,084,725	-	-
Disposal of tangible capital assets	31,200	-	(31,200)	-	-
Amortization expense of tangible capital assets	2,913,133	-	(2,913,133)	-	-
Proceeds from municipal debt	1,653,159	-	(1,653,159)	-	-
Repayment of municipal debt related to capital	(603,130)	-	603,130	-	-
Change in accumulated surplus	216,075	588,810	1,557,637	2,362,522	2,762,814
Balance, end of year	\$ (4,490,255)	\$ 11,004,332	\$ 98,356,424	\$ 104,870,501	\$102,507,979

See Accompanying Notes

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2021

	General Government	Protection Services	Transportation Services	Environmental Services	Water and waste water Services	Health Services	Recreation and Cultural Services	Planning and Development	2021	2020
REVENUE										
Taxation	\$ 732,781	\$ 1,571,608	\$ 2,369,777	\$ 1,067,580	\$ 51,120	\$ 200,886	\$ 1,229,438	\$ 496,505	\$ 7,719,695	\$ 7,610,481
Fees and service charges	106,057	95,077	21,581	317,440	2,856,054	19,380	435,154	51,907	3,902,650	3,515,569
Grants	1,450,654	7,200	-	106,788	-	-	68,368	14,640	1,647,650	1,537,121
Investment income	376,068	-	-	-	3,107	-	-	-	379,175	333,060
Permits and licenses	81,017	13,895	2,200	-	-	-	-	151,471	248,583	208,912
Donations and other	-	673	-	-	-	-	23,868	-	24,541	47,670
Equity increase	10,634	-	-	-	-	-	-	-	10,634	73,630
	2,757,211	1,688,453	2,393,558	1,491,808	2,910,281	220,266	1,756,828	714,523	13,932,928	13,326,443
EXPENSES										
Wages and benefits	1,141,176	767,558	961,552	178,240	609,823	-	807,689	223,923	4,689,961	4,388,510
Interest on municipal debt	88,518	-	25,380	30,989	86,671	25,363	-	36,794	293,715	254,215
Materials and services	399,727	488,052	929,065	360,082	996,824	-	817,269	139,375	4,130,394	4,272,512
Contracted services	31,350	30,024	234,181	901,659	148,058	-	38,545	98,445	1,482,262	1,464,710
Insurance and financial costs	128,830	47,250	48,767	-	153,270	-	39,652	-	417,769	411,280
Third party transfers	-	90,402	-	-	-	575	-	125	91,102	90,908
Amortization	142,650	168,666	1,177,875	-	1,180,529	-	243,413	-	2,913,133	2,743,092
	1,932,251	1,591,952	3,376,820	1,470,970	3,175,175	25,938	1,946,568	498,662	14,018,336	13,625,227
SURPLUS (DEFICIT)										
BEFORE OTHER ITEMS	824,960	96,501	(983,262)	20,838	(264,894)	194,328	(189,740)	215,861	(85,408)	(298,784)
OTHER REVENUE FOR CAPITAL PURPOSES										
Deferred revenue earned	-	-	667,689	-	271,936	-	-	-	939,625	2,207,234
Grants	-	-	-	-	646,168	-	228,748	-	874,916	729,561
Donations and other	-	-	377,821	-	-	-	286,768	-	664,589	164,892
(Loss) gain on disposal of tangible capital assets	-	-	(31,200)	-	-	-	-	-	(31,200)	(40,089)
	-	-	1,014,310	-	918,104	-	515,516	-	2,447,930	3,061,598
ANNUAL SURPLUS (DEFICIT)	\$ 824,960	\$ 96,501	\$ 31,048	\$ 20,838	\$ 653,210	\$ 194,328	\$ 325,776	\$ 215,861	\$ 2,362,522	\$ 2,762,814

See Accompanying Notes

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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) Segment disclosure

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The Municipality has provided definitions of the segments used and presented financial information in segmented format in Note 18 .

(r) 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, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Future accounting pronouncements (continued)

Revenues

PS 3400 Revenues establishes standards on how to account for and report on revenue by distinguishing between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. The main features of this Section are as follows:

- Performance obligations are enforceable promises to provide specific goods or services to a specific payor;
- Performance obligations can be satisfied at a point in time or over a period of time;
- The new standard outlines five indicators to determine if the revenue would be recognized over a period of time;
- Revenue from a transaction with a performance obligation(s) is recognized when, or as, the entity has satisfied the performance obligation(s); and
- Revenue from transactions with no performance obligation is recognized when a public sector entity has the authority to claim or retain an inflow of economic resources and a past event that gives rise to a claim of economic resources has occurred.

This standard is effective for annual financial statements relating to fiscal years beginning on or after April 1, 2023. Early application continues to be permitted. The Municipality has not yet determined the impact of this standard on its consolidated financial statements.

Public Private Partnerships

PS 3160 Public Private Partnerships, which contains requirements for recognizing, measuring, and classifying infrastructure procured through a public private partnership PS 3160 applies when public private partnership infrastructure is procured by the public sector entity using a private sector partner that is obligated to:

- Design, build, acquire or better new or existing infrastructure;
- Finance the transaction past the point where the infrastructure is ready for use; and
- Operate and/or maintain the infrastructure.

Public private partnership infrastructure should be recognized as an asset when the public sector entity acquires control of the infrastructure. A liability, which could be in the form of a financial liability, a performance obligation, or a combination of both, should be recognized when the public private partnership recognizes an asset.

This new Section is effective for fiscal years beginning on or after April 1, 2023. Earlier application is permitted. The Municipality has not yet determined the impact of this standard on its consolidated financial statements.

2. LONG-TERM INVESTMENTS

	2021	2020
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	102,012	119,337
South Dundas Water Plant, long-term growth receivable, 5% interest no specific terms of repayment, unsecured	1,046,000	1,091,000
	\$ 2,086,364	\$ 2,148,689

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

For the year ended December 31, 2021

3. INVESTMENT IN RIDEAU ST. LAWRENCE HOLDINGS INC.

	2021	2020
Investment, beginning of year	\$ 1,928,986	\$ 1,855,356
Share of net income for the year	57,783	73,630
Dividends received	(47,148)	-
Investment, end of year	\$ 1,939,621	\$ 1,928,986

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

	2021	2020
Current assets	\$ 3,711,548	\$ 3,991,523
Deferred taxes	5,840	17,397
Capital	9,058,080	8,315,109
Regulatory assets	728,708	603,670
Total Assets	13,504,176	12,927,699
Current liabilities	5,824,461	5,515,022
Long-term portion of customer deposits	216,020	242,271
Contributions in aid of construction	1,141,862	602,396
Long-term debt	334,172	374,205
Regulatory liabilities	220,122	450,216
Total Liabilities	7,736,637	7,184,110
Shareholders' Equity	\$ 5,767,539	\$ 5,743,589

Financial Activities

	2021	2020
Total revenue	\$ 16,492,905	\$ 18,418,877
Total expenses	16,321,085	18,199,936
Net income	\$ 171,820	\$ 218,941
Municipality share of net income (33.63%)	\$ 57,783	\$ 73,630

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

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	2021	2020
Balance, beginning of year	\$ 17,956	\$ 16,580	\$ 642,004	\$ 676,540	\$ 1,442,151
Grants received	418,782	-	-	418,782	418,782
Interest earned	1,731	170	2,883	4,784	11,276
Utilized for operating purposes	-	-	-	-	(9,603)
Utilized for capital acquisitions	(436,737)	-	(271,936)	(708,673)	(1,186,066)
Balance, end of year	\$ 1,732	\$ 16,750	\$ 372,951	\$ 391,433	\$ 676,540

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	2021	2020
Balance, beginning of year	\$ 184,039	\$ 67,496	\$ 180,023	\$ 431,558	\$ 919,666
Grants received	191,690	673,854	33,288	898,832	628,232
Interest earned	-	1,674	1,108	2,782	20,389
Utilized for operating purposes	(183,814)	-	-	(183,814)	(115,561)
Utilized for capital acquisitions	(83,961)	(230,952)	-	(314,913)	(1,021,168)
Balance, end of year	\$ 107,954	\$ 512,072	\$ 214,419	\$ 834,445	\$ 431,558

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.

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

7. MUNICIPAL DEBT

	2021	2020
Loan payable, interest at 3.35%, repayable in monthly payments of \$16,667 plus interest, due September 2034, South Dundas Municipal Centre	\$ 2,550,000	\$ 2,750,000
Loan payable, interest at 3.90%, repayable in semi-annual payments of \$25,841 plus interest, due November 2033, Iroquois Medical Centre	620,192	671,875
Loan payable, interest at 4.75%, repayable in semi-annual payments of \$104,500 plus interest, due August 2028, South Dundas Municipal Water Plant	1,358,500	1,567,500
Loan payable, interest at 3.31%, repayable in monthly payments of \$54,529 plus interest, due November 15, 2028, Industrial Park	763,407	872,466
Loan payable, interest at 1.76%, repayable in blended semi-annual payments of \$69,242, due September 2035, Williamsburg landfill closure costs	1,711,748	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	129,919	175,207
Equipment capital lease, interest at 0%, repayable in monthly payments of \$252, due December 2022, secured by equipment	3,296	6,325
Loan payable, interest at 2.00%, repayable in blended semi-annual payments of \$40,920, due March 2036, Water Tower Rehabilitation	1,025,692	-
Loan payable, interest at 2.71%, repayable in blended semi-annual payments of \$19,453, due July 2041, Dutch Meadows Pumping Station	597,107	-
	\$ 8,759,861	\$ 7,862,064

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

	2022	\$	783,724
	2023		772,382
	2024		775,076
	2025		780,060
	2026		783,748
	Thereafter		4,864,871
		\$	8,759,861

Principal payments are payable from the following sources as follows:

	2022 to 2026	2027 to 2041
General municipal revenues	\$ 2,470,508	\$ 4,180,742
Rental revenues	258,414	361,778
User charges	1,045,000	313,500
Tile drain loans receivable	121,068	8,851
	\$ 3,894,990	\$ 4,864,871

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

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 \$4,467,653 (2020 - \$4,315,726) 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 \$935,437 (2020 - \$735,437) 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 2021 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 2021 (Note 16)	ACTUAL 2021	ACTUAL 2020
Annual Surplus (Deficit)	\$ 654,187	\$ 2,362,522	\$ 2,762,814
Change in local board surpluses for the year	-	-	(45,326)
Operating funds transferred to reserves and reserve funds	(917,211)	(1,443,667)	(339,752)
Reserve and reserve funds transferred for tangible capital assets	2,962,526	1,467,273	1,665,795
Reserve fund interest	-	(95,386)	(111,209)
Acquisition of tangible capital assets	(6,493,647)	(5,551,999)	(5,331,905)
Amortization of tangible capital assets	2,817,670	2,913,133	2,743,092
Proceeds from the issuance of municipal debt	1,653,159	1,653,159	1,818,691
Principal repayments on municipal debt	(676,684)	(739,692)	(572,770)
Change in surplus for future capital acquisitions	-	(216,486)	(62,254)
Equity (increase) decrease of Rideau St. Lawrence Holdings Inc.	-	(10,634)	(73,630)
Accrued landfill closure and post closure costs	-	151,927	(1,792,919)
Accrued interest on municipal debt	-	(4,319)	3,930
Proceeds on disposal of tangible capital assets	-	-	73,964
Loss (gain) loss on disposal of tangible capital assets	-	31,200	40,089
Surplus for the year before year-end transfers	-	517,031	778,610
Transfer of water and waste water surplus to reserves	-	(137,405)	(335,588)
Transfer (to) from reserves to finance net operating (surplus) deficit	-	(379,626)	(443,022)
	\$ -	\$ -	\$ -

The operating surplus for the fiscal year ending December 31, 2021 was \$379,626 (2020 - \$443,022), which \$268,526 was transferred to the working capital reserve, \$18,114 to the fire reserve, \$44,169 to the winter control reserve and \$48,817 to the campground reserve.

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

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, 2021 are listed below. Any surpluses are transferred to and deficits are funded by the respective local area reserve or reserve fund.

	2021	2020
South Dundas municipal water	\$ 31,037	\$ 185,232
Iroquois waste water	8,055	73,191
Morrisburg waste water	87,882	65,573
Williamsburg waste water	10,431	11,592
Total water and waste water surplus	\$ 137,405	\$ 335,588

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

	BUDGET 2021 (Note 16)	ACTUAL 2021	ACTUAL 2020
Revenues			
Taxation and local improvement charges	\$ 51,120	\$ 51,120	\$ 49,700
Fees and service charges	2,881,825	2,856,054	2,614,044
Grants	-	-	9,603
Interest	8,000	3,107	4,799
	2,940,945	2,910,281	2,678,146
Expenditures, excluding amortization	2,086,635	1,994,646	1,877,847
Surplus for the year	854,310	915,635	800,299
Financing and transfers			
Transfers to reserve and reserve funds	(501,310)	(638,714)	(321,845)
Funds used for capital asset acquisitions and expenditures	(144,000)	(37,561)	(269,454)
Net change in municipal debt	(209,000)	(239,360)	(209,000)
	(854,310)	(915,635)	(800,299)
Water and waste water surplus for the year	\$ -	\$ -	\$ -

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

For the year ended December 31, 2021

11. AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES

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

	2021	2020
Municipal debt	\$ 8,759,861	\$ 7,862,064
Accrued interest on municipal debt	51,338	55,656
Accrued landfill closure and post-closure	4,467,653	4,315,726
	\$ 13,278,852	\$ 12,233,446

Amounts are to be recovered from the following sources:

Reserves and reserve funds	\$ 935,437	\$ 735,437
General municipal revenues	6,651,250	5,447,482
User charges	5,562,246	5,875,320
Tile drain loans receivable	129,919	175,207
	\$ 13,278,852	\$ 12,233,446

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 \$3.1 billion (2020 - \$3.2 billion) in these consolidated financial statements.

The employer amount contributed to OMERS for 2021 in the amount of \$356,953 (2020 - \$325,684) for current service and is included as an expenditure on the consolidated statement of financial activities.

13. EXPENDITURES BY OBJECT

	BUDGET 2021 (Note 16)	ACTUAL 2021	ACTUAL 2020
Wages and benefits	\$ 4,845,884	\$ 4,689,961	\$ 4,388,510
Interest on municipal debt	402,728	293,715	254,215
Materials and services	4,437,622	4,130,394	4,272,512
Contracted services	1,527,899	1,482,262	1,464,710
Insurance and other financial costs	403,152	417,769	411,280
Third party transfers	163,094	91,102	90,908
Amortization	2,817,670	2,913,133	2,743,092
	\$ 14,598,049	\$ 14,018,336	\$ 13,625,227

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

14. RESERVES AND RESERVE FUNDS

	2021	2020
Reserves set aside for specific purposes by Council are as follows:		
Working capital	\$ 2,003,362	\$ 1,777,932
Water	835,042	559,889
Waste water	1,099,860	771,730
Service delivery	174,529	292,274
Planning and development	81,223	72,291
Recreation and facilities	553,367	641,719
Cemeteries and funeral assistance program	45,139	26,263
Campground	124,296	45,479
Roads	499,128	430,357
Landfill	935,437	735,437
Tax stabilization	21,057	25,321
Winter control	119,169	50,000
Elections	50,710	38,210
Treasury	61,563	61,563
Protection to persons and property	270,620	186,615
Future debenture payments	373,064	379,237
Accessibility	30,000	30,000
Miscellaneous	6,601	7,822
	7,284,167	6,132,139
Reserve funds set aside for specific purpose by legislation, regulation or agreement:		
Equipment replacement	789,600	557,954
Water	130,371	126,849
Waste water	524,264	499,950
Infrastructure	1,765,879	2,567,355
Fire	55,553	118,326
General purposes	365,820	355,394
EDP community benefits	88,678	57,555
	3,720,165	4,283,383
Total reserves and reserve funds	\$ 11,004,332	\$ 10,415,522

15. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$97,860 (2020 - \$91,562) have not been included in the Consolidated Statement of Financial Activities.

16. BUDGET FIGURES

The 2021 budget which includes operating, capital, reserves and reserve funds transactions were approved by Council on June 14, 2021. 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, 2021

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, 2021 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, 2021

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 and its investment related tangible capital assets relating to "Plants and Facilities" and "Roads" under "Environmental Services" and "Transportation" to reflect the net book value of underground lateral linear assets of \$9,140,512 of previously not being recorded. There is no impact on the Municipality's financial activities and cash flow results for its 2020 fiscal year from this restatement and there is no impact to its net debt financial position as of December 31, 2020.

20. SIGNIFICANT EVENT

During the current and prior 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 funding of \$191,690 of which \$183,814 was used to cover additional operating costs resulting from the pandemic and the unused amount 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.

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2021

FINANCIAL ACTIVITIES (000's)

	2021	2020	2019	2018	2017
Revenues					
Taxation	\$ 7,720	\$ 7,610	\$ 7,232	\$ 6,941	\$ 6,559
Fees and service charges	3,903	3,515	3,567	3,561	3,410
Grants	1,648	1,537	1,950	1,353	1,266
Investment income	379	333	501	462	436
Permits and licenses	249	209	218	161	169
Donations and other revenue	25	48	173	2	19
Equity (decrease) increase	11	74	(3)	(4)	(10)
	13,935	13,326	13,638	12,476	11,849
Expenses					
General government	1,932	1,975	1,998	1,789	1,632
Protection to persons and property	1,592	1,416	1,341	1,274	1,305
Transportation services	3,377	3,553	3,369	3,629	2,856
Environmental	4,646	4,298	9,072	3,832	3,681
Health services	26	38	34	32	33
Recreation and cultural services	1,947	1,786	1,856	1,852	1,832
Planning and development	499	559	498	669	677
	14,019	13,625	18,168	13,077	12,016
Annual deficit before other items	(84)	(299)	(4,530)	(601)	(167)
Other revenue for capital purposes					
Deferred revenue earned	940	2,207	621	684	132
Grants	875	730	163	180	447
Donations and other	287	165	115	30	72
Gain (loss) of tangible capital assets	(31)	(40)	104	51	152
	2,071	3,062	1,003	945	803
Annual surplus	\$ 1,987	\$ 2,763	\$ (3,527)	\$ 344	\$ 636

PROPERTY TAXES BILLED (000's)

	2021	2020	2019	2018	2017
Own purposes	\$ 7,720	\$ 7,610	\$ 7,232	\$ 6,941	\$ 6,559
Upper-Tier Municipality	8,331	8,350	8,044	7,853	7,650
School Boards	5,057	5,895	5,987	5,976	5,939
	\$ 21,108	\$ 21,855	\$ 21,263	\$ 20,770	\$ 20,148

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2021

TAXABLE ASSESSMENT (000's)

	2021	2020	2019	2018	2017
Residential and farm	\$ 1,499,442	\$ 1,491,540	\$ 1,408,054	\$ 1,326,180	\$ 1,248,501
Commercial and industrial	201,186	201,397	194,186	186,990	177,404
	1,700,628	1,692,937	1,602,240	1,513,170	1,425,905
Exempt	50,237	50,484	46,808	43,730	42,080
	\$ 1,750,865	\$ 1,743,421	\$ 1,649,048	\$ 1,556,900	\$ 1,467,985
Commercial and industrial	11.83%	11.90%	12.12%	12.36%	12.44%
Municipal residential tax rate	0.517%	0.511%	0.498%	0.500%	0.486%

FINANCIAL INDICATORS

	2021	2020	2019	2018	2017
Tax arrears					
Percentage of own levy	10 %	15 %	19 %	19 %	21 %
Percentage of total levy	4 %	5 %	6 %	6 %	7 %
Municipal debt	\$ 8,759,861	\$ 7,862,064	\$ 6,578,177	\$ 7,211,784	\$ 6,559,120
Long-term debt charges	\$ 1,033,407	\$ 826,985	\$ 866,349	\$ 724,237	\$ 742,147
Sustainability					
Financial assets to liabilities	0.97	0.98	0.96	1.20	1.25
Financial assets to liabilities excluding long-term debt	1.83	1.78	1.43	2.64	2.65
Long-term debt to tangible capital assets	8.32 %	7.66 %	6.55 %	7.84 %	7.19 %
Flexibility					
Debt charges to total operating revenue	7.42 %	6.21 %	6.35 %	5.81 %	6.26 %
Total operating revenue to taxable assessment	7.96 %	7.64 %	8.27 %	8.02 %	8.07 %
Vulnerability					
Operating grants to operating revenue	11.83 %	11.53 %	14.30 %	10.85 %	10.68 %
Total grants to total revenues	21.64 %	27.30 %	18.67 %	16.52 %	14.58 %
Reserve coverage					
Reserves	\$ 7,284,167	\$ 6,132,139	\$ 6,237,356	\$ 5,774,617	\$ 6,123,345
Reserves to operating expenses	52 %	45 %	34 %	44 %	51 %
Reserves to working capital	0.97	0.88	0.82	0.92	1.15