

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of The Corporation of the Township of North Dundas are the representations of management prepared in accordance with generally accepted accounting policies prescribed by the Public Sector Accounting Board (PSAB) for Ontario municipalities by the Ministry of Municipal Affairs. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgements.

(a) Basis of Consolidation

(i) Consolidated Entities

These consolidated financial statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund and reserve funds and reserves and include the activities of all committees of Council.

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 Township and intergovernmental transactions and balances are not eliminated.

There are no government business enterprises.

(ii) Non-Consolidated Entities

There are no non-consolidated entities.

(iii) Accounting for United Counties and School Board Transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards, and the United Counties of Stormont, Dundas and Glengarry are not reflected in the municipal fund balances of these financial statements.

(iv) Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the Trust Funds Balance Sheet and Statement of Continuity.

(b) Basis of Accounting

(i) Revenues and expenditures are reported on the accrual basis of accounting with the exception of principal and interest charges on long-term liabilities which are charged against operations in the periods in which they are paid.

(ii) 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 the receipt of goods or services and the creation of a legal obligation to pay.

(iii) The historical cost and accumulated amortization for capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure in the year of acquisition.

(iv) Amounts to be recovered from future revenues

Amounts to be recovered from future revenues represents the outstanding principal portion of unmatured long-term liabilities for municipal expenditures, accrued interest on long-term liabilities and retirement benefits payable that will be financed through future revenues of the municipality and are reported on the Consolidated Statement of Financial Position.

(v) Deferred revenue

Deferred revenues represent user charges and fees that have been collected but the services have yet to be performed. These amounts will be recognized as revenues in the year the services are performed.

2. ACCRUED LANDFILL CLOSURE AND POST-CLOSURE

Costs relating to the closing of solid waste landfill sites and post-closure monitoring are to be accrued as the sites capacities are used.

The Municipality operates two solid waste landfill sites; one with an estimated remaining life of 38 years and the other with an estimated remaining life of 12 years. No estimate was provided on the remaining capacity of either site. The estimate associated with closure and post-closure includes costs such as clay, topsoil, hydro seed, site preparation, equipment, ditching, drainage, fencing and post-closure monitoring estimated for 5 years. Total closure and post-closure costs are estimated to be \$ 1,612,500 with \$ 961,588 being accrued at the end of the current fiscal year. These costs are to be recovered from future revenues. The Municipality has \$ 204,509 in a reserve fund for waste management expenditures.

3. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of "PSAB" 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 balances may possibly be refunded. The balances in the obligatory reserve funds are summarized as follows:

	2002	2001
Parkland	\$ 73,643	\$ 59,042
Development charges	255,679	543,301
	\$ 329,322	\$ 602,343

4. MUNICIPAL DEBT

(a) The balance of municipal debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2002	2001
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Total municipal debt incurred by the municipality including those incurred on behalf of school boards, other municipalities and municipal enterprises and outstanding at the end of the year amount to	\$	1,321,097	\$	1,690,493
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Of the municipal debt shown above, the responsibility for payment of principal and interest charges for tile drainage loans has been assumed by individuals. At the end of the year, the outstanding principal amount of this liability is		(495,076)		(682,379)
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Loans from reserve fund eliminated upon consolidation:

Sewer Ward 3 - repayable in monthly instalments of \$1,128, interest at 4%, matures April 2008.	(64,865)	-
Sewer Ward 4 - repayable in monthly instalments of \$1,915, interest at 4%, matures April 2008.	(110,105)	-
Water Ward 3, - repayable in monthly instalments of \$4,000, interest at 4%, matures August 2004.	(76,375)	-
Sewer Ward 3, repayable in monthly instalments of \$7,748, interest at 4%, matures November 2007.	(410,721)	-
Sewer Ward 4, repayable in monthly instalments of \$3,300, interest at 4%, matures February 2005.	(82,722)	-

Municipal debt at the end of the year	\$	81,233	\$	1,008,114
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4. MUNICIPAL DEBT (Continued)

(b) Of the municipal debt reported in (a) of this note, principal payments are payable from the following sources as follows:

	2003 to 2007	2008 to 2012
from general municipal revenues	\$ 41,233	\$ -
from benefitting landowners	40,000	-
	\$ 81,233	\$ -

(c) Approval of the Ontario Municipal Board has been obtained for the municipal debt in (a) issued in the name of the municipality where necessary.

(d) The municipality is contingently liable for municipal debt with respect to tile drainage. The total amount outstanding as at December 31, 2002 is \$495,076 and is not recorded on the Consolidated Statement of Financial Position.

During the fiscal year ending December 31, 2002, the water and sewer departments paid off their long-term debt held by various banks in the total amount of \$ 744,788. As a means of funding these repayments, the Operating

Fund borrowed these amounts from the Infrastructure Reserve Fund. This inter-fund debt is secured by promissory notes and is to be repaid over a predetermined period of time. Council approved the financing arrangements and ultimate repayment through the current budget process. For the purpose of these financial statements, both the financing and repayment are reflected as interfund transfers and therefore eliminated upon consolidation.

5. CAPITAL FUND

The Capital Fund deficiency of \$ 659, 630 (2001 - \$ 141,246), includes the interfund loan amount of \$ 744,788 (2001 - \$ nil), that was eliminated upon consolidation. The loans were originally obtained to finance capital projects.

6. MUNICIPAL POSITION AT THE END OF THE YEAR

(a) The balances on the Consolidated Statement of Financial Position of municipal position (future revenue requirement) of \$4,954,636 at the end of the year are comprised of the following:

	2002	2001
Operating fund		
. for general reduction (increase) of user charges	\$ (53,998)	\$ (11,595)
Total operating fund balance	(53,998)	(11,595)
Capital fund		
. unexpended capital financing	(659,630)	(141,246)
Total capital fund balance	(659,630)	(141,246)
Reserves and reserve funds		
. reserves	2,634,624	2,591,603
. reserve funds	4,081,166	4,123,884
Total reserves and reserve fund balance	6,715,790	6,715,487
Amounts to be recovered from future revenues		
. municipal debt	(81,233)	(1,008,114)
. accrued interest on municipal debt	(4,705)	(7,234)
. accrued landfill closure and post-closure	(961,588)	(940,625)
Amounts to be recovered from future revenues	(1,047,526)	(1,955,973)
Municipal position	\$ 4,954,636	\$ 4,606,673

(b) Approval of the Ontario Municipal Board has been obtained for the pending issues of municipal debt and for those commitments to be financed from revenues extending beyond the term of Council where necessary.

(c) The balance available for the general reduction of taxation for the fiscal year ending December 31, 2002 has been reduced by an amount of \$407,489 transferred to the Reserve for Working Capital as authorized by Council. Had this reduction not been made the balance would have shown net operating fund revenues of \$407,489.

7. PENSION AGREEMENTS

The Township is a member of the Ontario Municipal Employees Retirement System ("OMERS") which is a multi-employer retirement plan. The plan is a defined benefit plan that specifies the amount of retirement benefit to be received by the employees based on the length of service and rates pay. Due to significant surpluses, OMERS has declared a temporary contribution holiday for all active employees and participating employers, effective August 1, 1998 to December 31, 2002.

As result of the contribution holiday, no contributions were required on account of current service in 2001 or 2002.

8. TRUST FUNDS

Trust funds administered by the municipality amounting to \$14,081 have not been included in the Consolidated Statement of Financial Activities.

9. BUDGET FIGURES

Budgets established for Capital Funds, Reserves and Reserve Funds are based on a project-oriented basis, the costs of which may be carried out over one or more years.

10. PUBLIC SECTOR SALARY DISCLOSURE ACT

In 2002 no employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more.

11. COMMITMENTS

In 2002, the Township pledged \$ 700,000 to the Winchester District Memorial Hospital with payments commencing in 2003.

12. FINANCIAL INSTRUMENTS

The carrying amounts reported on the consolidated statement of financial position for cash, taxes receivable, accounts receivable, accounts payable and accrued interest on municipal debt approximate the fair values due to the immediate and short-term maturities of these financial instruments.

The Corporation does not believe it is subject to any significant concentration of credit risk.