

**The Corporation of the
Township of Rideau Lakes
Consolidated Financial Statements
For the year ended December 31, 2010**

**The Corporation of the Township
of Rideau Lakes**

Township of Rideau Lakes

Auditor's Report	1
Consolidated Financial Statements	
Consolidated Statement of Financial Position.....	2
Consolidated Statement of Net Debt	3
Consolidated Statement of Operations.....	4
Consolidated Statement of Cash Flow.....	5
Notes to Consolidated Financial Statements	6-12
Schedule of Tangible Capital Assets	13
Schedule of Continuity of Reserves	14
Schedule of Reserve and Reserve Funds.....	15

BRENT J. BURNS, CHARTERED ACCOUNTANT

92 STONE STREET NORTH
GANANOQUE, ONTARIO K7G 1Y2
TELEPHONE: (613) 382-4731
TELEFAX: (613) 382-4350

MAIN STREET
ELGIN, ONTARIO K0G 1E0
TELEPHONE: (613) 359-6615
brent.burnsca@sympatico.ca

Auditor's Report

To the Members of Council Inhabitants and Ratepayers of The Corporation of the Township of Rideau Lakes

Report on the Financial Statements

I have audited the accompanying financial statements of The Corporation of the Township of Rideau Lakes, which comprise of the statement of financial position as at December 31, 2010 and the statements of operations, reserve funds and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

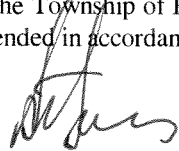
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts of disclosure in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of The Corporation of the Township of Rideau Lakes as at December 31, 2010 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Brent J. Burns
Chartered Accountant
Licensed Public Accountant

Gananoque, Ontario

October 20, 2011

**The Corporation of the Township of Rideau Lakes
Consolidated Statement of Financial Position**

December 31,	2010	2009
Financial Assets		
Cash and cash equivalents	\$ 1,081,782	\$ 1,078,237
Accounts receivable	2,308,902	684,361
Taxes receivable	1,189,283	2,445,947
	4,579,967	4,208,545
Liabilities		
Temporary loan	\$ 1,290,000	\$ 1,270,000
Accounts payable and accrued liabilities	662,349	481,975
Deferred revenues (Note 5)	784,989	963,191
Post employment benefits (Note 6)	6,580	6,580
Debt (Note 7)	7,232,730	7,431,061
Landfill closure and post closure liabilities (Note 1)	1,146,780	1,739,681
	11,123,428	11,892,488
Net Debt	(6,543,461)	(7,683,943)
Non-financial Assets		
Tangible capital assets (Schedule 1)	98,422,659	99,339,294
Prepaid expenses	72,053	35,800
	98,494,712	99,375,094
Accumulated Surplus (Note 8)	\$ 91,951,251	\$ 91,691,151

**The Corporation of the Township of Rideau Lakes
Consolidated Statement of Financial Position
Statement of Change in Net Debt**

December 31,	2010	2009
Annual deficit	\$ (1,023,090)	\$ (3,773,080)
Acquisition of tangible capital assets	(1,603,160)	(4,110,241)
Amortization of tangible capital assets	3,659,372	4,335,265
Other	<u>107,360</u>	<u>20,065</u>
Increase (decrease) in net debt	1,140,482	(3,527,991)
Net debt, beginning of year	<u>(7,683,943)</u>	<u>(4,155,952)</u>
Net debt, end of year	<u>\$ (6,543,461)</u>	<u>\$ (7,683,943)</u>

**The Corporation of the Township of Rideau Lakes
Consolidated Statement of Operations**

For the year ended December 31	2010 Budget	2010 Actual	2009 Actual
Revenues			
Property taxes	\$ 5,877,741	\$ 5,870,377	\$ 5,673,384
Government grants and transfers - Canada	314,761	318,496	314,761
- Ontario	1,488,050	3,124,450	2,067,831
- Other	39,594	134,408	274,115
User fees	1,790,338	1,323,405	1,466,715
Fees, permits, licenses and fines	711,239	612,235	711,538
Investment income	36,000	12,093	2,430
Miscellaneous revenues	1,068,141	845,573	672,688
Total revenues	11,325,864	12,241,037	11,183,462
Expenses			
General government	3,712,605	2,433,227	2,364,943
Protection to persons and property	2,441,031	2,503,252	2,543,162
Transportation services	2,668,490	5,556,985	7,032,233
Environmental services	783,788	1,016,871	945,000
Recreation and culture	1,365,221	1,438,593	1,671,659
Planning and development	354,729	315,199	399,545
Total expenses	11,325,864	13,264,127	14,956,542
Annual deficit	-	(1,023,090)	(3,773,080)
Accumulated surplus- beginning of year	92,974,341	92,974,341	96,747,421
Accumulated surplus – end of year	\$ 92,974,341	\$ 91,951,251	\$ 92,974,341

**The Corporation of the Township of Rideau Lakes
Consolidated Statement of Cash Flow**

For the year ended December	2010	2009
Operating transactions		
Annual deficit	\$ (1,023,090)	\$ (3,773,080)
Amortization	3,659,372	4,335,265
Other	<u>(851,246)</u>	<u>(1,778,756)</u>
Cash provided by operating transactions	<u>1,785,036</u>	<u>(1,216,571)</u>
Capital transactions		
Cash used to acquire tangible capital assets	<u>(1,603,160)</u>	<u>(4,110,241)</u>
Financing transactions		
Debt repayment	(198,331)	(485,661)
Proceeds from debt	<u>-</u>	<u>4,400,000</u>
Cash applied to financing transactions	<u>(198,331)</u>	<u>3,914,339</u>
Decrease in cash and cash equivalents	(16,455)	(1,412,473)
Cash and cash equivalents – beginning of year	<u>(191,763)</u>	<u>1,220,710</u>
Cash and cash equivalents – end of year	\$ (208,218)	\$ (191,763)

Cash and cash equivalents include:		
Cash and cash equivalents	\$ 1,081,782	\$ 1,078,237
Temporary loan	<u>(1,290,000)</u>	<u>(1,270,000)</u>
	<u>\$ (208,218)</u>	<u>\$ (191,763)</u>

The Corporation of the Township of Rideau Lakes

Notes to Consolidated Financial Statements

December 31, 2010

1. Municipal Structure

The Corporation of the Township of Rideau Lakes was established in 1997 and is responsible for services related to the following:

- Protection to persons and property, including Police, Conservation Authorities, Emergency Planning and Fire Protection.
- Transportation Services, including roadways, streetlights, and docks.
- Environmental Services, including the water supply system, sanitary sewer system and solid waste management.
- Planning, including official plan administration.
- Financial, including all debt issues and property tax policy.

2. Summary of Significant Accounting Policies

The consolidated financial statements of the Corporation of the Township of Rideau Lakes are the representation of management prepared in accordance with accounting policies prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The focus of PSAB financial statements is on the financial position of the Township and changes thereto. The Consolidated Statement of Financial Position reports financial assets and liabilities. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. This information explains the overall future revenue requirements and its ability to finance activities.

Effective January 1, 2009, the Township changed its accounting and financial reporting to conform to the revised guidelines in the Public Sector Accounting Handbook on financial reporting presentation (section PS 1200) and tangible capital accounting (PS 3150). Current year data is presented on the new basis. Prior year data has been restated on the same basis whenever possible, to be comparable with the current year data. The most significant change is the reporting of tangible capital assets for the first time, and the inclusion of the Consolidated Statement of Change in Net Debt.

a) (i) Reporting Entity

These consolidated statements reflect the assets, liabilities, operating revenues and expenditures, Reserves, Reserve Funds, and changes in investment in tangible capital assets of the Township, the Rideau Lakes Public Library Board, and Lower Beverley Lake Township Park Management Board. The Westport Rideau Lakes Fire Board and Westport/North Crosby Waste Management Board are proportionally consolidated.

(ii) Trust Funds

Trust Funds administered by the Township are not included in these consolidated financial statements. Trust Funds are disclosed separately in the Trust Funds Statement of Financial Activities and Fund Balances and the Trust Funds Statement of Financial Position.

Cont'd

The Corporation of the Township of Rideau Lakes

Notes to Consolidated Financial Statements

December 31, 2010

2. Summary of Significant Accounting Policies (continued)

b) (i) Accrual Basis of Accounting

Expenditures and related sources of financing are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenues; expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

(ii) 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 Debt for the year.

(iii) 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 is amortized on a straight-line basis over their estimated useful lives as follows:

- Land improvements – 15 to 30 years
- Buildings – 20 to 40 years
- Machinery and equipment – 5 to 20 years
- Roads – 3 to 50 years
- Bridges and structures – 30 years
- Vehicles – 1 to 20 years
- Library books – 7 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available.

(iv) Pension and Employer Benefits

The Township accounts for its participation in the Ontario Municipal Employees Retirement System (“OMERS”), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits.

(v) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

The Corporation of the Township of Rideau Lakes

Notes to Consolidated Financial Statements

December 31, 2010

2. Summary of Significant Accounting Policies (continued)

(vi) Landfill closure and post-closure liabilities

The Township accrues landfill closure and post-closure care requirements that have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions using the best information available to management.

Future events may result in significant changes to the estimated total expenditures; capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable

(vii) Revenue Recognition

Property tax billings are prepared by the Township based on an assessment roll prepared by Municipal Property Assessment Corporation, an agency of the Ontario government. Any supplementary billing adjustment made necessary by assessment appeals submitted by the ratepayers and changes to assessed value reflecting new construction will be recognized in the year they are determined.

User charges and fees are recognized as revenue in the year the goods and services are provided.

Government grants and transfers are recognized as revenue in the year in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligible criteria have been met, and reasonable estimates can be made. Receipts which are restricted by legislation of senior governments are reported as deferred revenues, until qualifying expenditures are incurred.

Investment income is reported in revenue in the period earned.

3. Operations of School Boards and the United Counties of Leeds and Grenville

The taxation, other revenues and expenditures of the School Boards and the United Counties of Leeds and Grenville not reflected in these financial statements are comprised of the following:

	School Boards	United Counties of Leeds and Grenville
Taxation	\$ 4,268,722	\$ 6,325,135
Grants in lieu	42,905	32,392
	4,311,627	6,357,527
Requisitions	4,311,627	6,357,527
	\$ -	\$ -

The Corporation of the Township of Rideau Lakes Notes to Consolidated Financial Statements

December 31, 2010

4. Restricted Assets

Cash in the amount of \$ 740,133 has been restricted to support Reserve Funds.

5. Deferred Revenues

Included in deferred revenues are funds noted below the use of which, together with any earnings, is restricted by legislation and agreements with external parties. These amounts will be recognized as revenue in the period in which a related expenditure is made.

Obligatory Reserve Funds	2010	2009
Development charges funds	\$ -	3,195
Parkland reserve fund	631,094	777,335
	631,094	780,530
Other Deferred Revenues		
Recreation fees	49,430	46,617
Development charges	-	42,250
Park Fees	89,765	93,794
Library	14,700	-
	153,895	182,661
	\$ 784,989	\$ 963,191

6. Post employment benefits

Under the sick leave benefit plan, of the former Townships of Bastard and South Burgess, South Crosby and South Elmsley, unused sick leave was accumulated. The employees of the former Townships who became employees of the new Township, are entitled to a cash payment only when they leave the new municipality's employment.

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on terminating, amounted to \$ 6,580 at the end of the year.

**The Corporation of the Township of Rideau Lakes
Notes to Consolidated Financial Statements**

December 31, 2010

7. Debt

	2010	2009
(a) Debt payable, issued in the name of the Township is comprised of:		
Bank term loans:	\$ 7,224,107	\$ 7,420,212
Debentures for tile drainage loans	8,623	10,849
	7,232,730	7,431,061
Solid waste site landfill closure and post closure liabilities	1,146,780	1,739,681
Of the municipal debt shown above, the responsibility of payment of principal and interest for the drainage loans has been assumed by individuals.	8,379,510	9,170,742
	(8,623)	(10,849)
Long term liabilities to be recovered from future revenues.	\$ 8,370,887	\$ 9,159,893

The total interest charges for the Township long term debt is \$ 235,930, which is paid from general revenue of the Township.

These long term liabilities have been approved by bylaw. Annual principal and interest payments required to service this debt are within the annual debt repayment limits prescribed by the Ministry of Municipal Affairs and Housing.

The responsibility for payment of principal and interest charges for tile drainage loans has been assumed by individuals. However, the municipality is contingently liable for these loans.

The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

8. Accumulated Surplus

	2010	2009
Surplus – general revenue	\$ 91,642,247	\$ 92,217,466
Reserves (Schedule 2)	855,932	914,346
Reserve funds (Schedule 3)	606,432	305,600
Unfunded		
Post employment liabilities	(6,580)	(6,580)
Landfill site closure and post-closure liabilities	(1,146,780)	(1,739,681)
	\$ 91,951,251	\$ 91,691,151

The Corporation of the Township of Rideau Lakes Notes to Consolidated Financial Statements

December 31, 2010

9. Expenditures by Object

The Consolidated Statement of Operations presents the consolidated expenditures by function. The following classifies those same expenditures by object:

	2010	2009
Salaries, wages and employee benefits	\$ 3,700,526	\$ 3,739,417
Operating materials and supplies	3,374,273	4,515,188
Contracted services	1,744,719	1,975,586
External transfers	549,397	203,675
Amortization	3,659,372	4,346,290
Interest on debt	235,930	176,386
Total expenditure by object	\$ 13,264,217	\$ 14,956,542

10. Pension Contributions

The Township contributed \$ 280,472 (2009 - \$276,260) to OMERS on behalf of employees for current service. Contributions by employees were a similar amount. The Township's contributions are included on the Statement of Operations classified under the appropriate functional expenditure headings

11. Trust Funds

Trust Funds administered by the District, totaling \$28,133 (2009 - \$28,133), are presented in a separate financial statement of trust fund financial position, financial activities and fund balances. As such, balances are held in trust by the Township for the benefit of others have not been included in the Statement of Financial Position nor have their operations been included in the Statement of Operations.

12. Budget Amounts

The operating budget approved by the Township for 2010 is reflected on the Consolidated Statement of Operations. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and therefore, may not be comparable with current year's actual expenditure amounts. As well, the Village does not budget activity within Reserves and Reserve Funds, with the exception being those transactions, which affect either operations or capital investments. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements.

13. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year financial statement presentation.

The Corporation of the Township of Rideau Lakes

Notes to Consolidated Financial Statements

December 31, 2010

14. Staff Salaries

This municipality is an employer subject to the Public Sector Salary Disclosure Act 1996. One employee was paid \$100,000 or more by the Township in 2010.

15. Segmented Information

The Township of Rideau Lakes provides a wide range of services to its ratepayers, including police, fire, ambulance, and water. For management reporting purposes the Township's operations and activities are organized and reported by service.

Township services are provided by departments and their activities are reported by department. The services they provide are as follows:

Protection – For Persons and Property

The Fire department is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection or extinguishment of fires. Building inspection and By-Law Enforcement ensure an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-law for the protection of the occupants.

Planning and Development

The planning and Development department provides a diverse bundle of services. It manages urban development for business interest, environmental concerns and heritage matters. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of zoning by-laws, the processing of building permit applications and the provision of geomatics services, as well as providing cemetery service to citizens.

Roads and Water and Wastewater

The Public Works department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, and street lighting. The Water and Waste department consist of three distinct utilities – water, wastewater and solid waste disposal. The department provides drinking water to citizens of Rideau Lakes Township, collecting and treating wastewater, and providing collection disposal and waste minimization programs. Their garbage collection operations are reported in the General Revenue Fund and are included in the Environmental Services segment.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2.

16. Prior Period Adjustments

The Township has restated its financial statements to comply with the provisions of Sections 3150 of the Public Sector Accounting Board Handbook which requires governments to record and amortize their tangible capital assets in their financial statements. In addition, revenue from contributed assets and government grants and transfers relating to capital acquisitions have been included in income.

Schedule 1

**The Corporation of
The Township of Rideau Lakes
Notes to Consolidated Financial Statements
Schedule of Tangible Capital Assets**

For the year ended December 31, 2010

	Opening Balance at Beginning of Year	Disposals/ Additions	Balance End of Year	Accumulated Amortization Beginning Of Year	Amortization	Accumulated Amortization of Sold or Discharged Assets	Accumulated Amortization End of Year	Carrying Amount End of Year
Land	\$ 1,632,480	\$ (3,175)	\$ 1,629,305	\$ -	\$ -	\$ -	\$ -	\$ 1,629,305
Land improvements	981,561	(30,456)	951,105	568,778	46,156	(23,607)	591,327	359,778
Buildings	4,384,902	1,029,366	5,414,268	2,205,145	78,600	(86,565)	2,197,180	3,217,088
Equipment	2,955,777	209,870	3,165,647	2,060,735	146,921	(8,028)	2,199,628	966,019
Vehicles	3,980,546	(106,763)	3,873,783	1,828,026	216,442	(321,288)	1,723,180	2,150,603
Roads and Bridges	119,123,602	473,614	119,597,216	26,926,459	3,058,296	(26,800)	29,957,955	89,639,261
Library Books	760,000	30,704	790,704	217,142	112,957	-	330,099	460,605
	\$ 133,818,868	\$ 1,603,160	\$ 135,422,028	\$33,806,285	\$ 3,659,372	\$ (466,288)	\$ 36,999,369	\$ 98,422,659

**The Corporation of the Township of Rideau Lakes
Notes to Consolidated Financial Statements
Schedule of Continuity of Reserves**

December 31

Reserves	Balance Beginning Of Year	From Operations	To Operations	To Capital Acquisitions	Balance End of Year
Working Funds	\$ 296,275	\$ -	\$ -	\$ -	\$ 296,275
Capital Expenditures	58,853	-	-	-	58,853
LACAC	4,076	7,920	-	(2,000)	9,996
Recreation Committee	7,052	-	-	-	7,052
Admin. Capital	116,264	-	-	(45,000)	71,264
Sick leave	10,670	-	-	-	10,670
Roads Capital	65,495	-	-	-	65,495
Municipal properties	2,500	-	-	-	2,500
Waste Capital	100,922	-	-	-	100,922
Fire Capital	91,308	-	-	-	91,308
Fire Hours	13,213	-	-	-	13,213
Municipal Drain	2,262	-	-	-	2,262
Admin. Insurance	18,205	-	-	-	18,205
Severance pay	2,000	-	-	-	2,000
Roads insurance					
– Phillips Cemetery Maintenance	-	3,680	-	-	3,680
Waste Insurance	10,000	-	-	-	10,000
Fire insurance	20,000	-	-	-	20,000
Emergency Measures	5,000	-	-	-	5,000
Police Services Board	8,500	-	-	-	8,500
Building Dept.	21,906	-	-	(21,900)	6
Septic Dept	4,156	-	-	-	4,156
Planning Dept.	8,000	-	-	-	8,000
Crosby Community Hall	6,291	9,172	-	-	15,463
Newboro Comm. Hall	4,162	-	-	-	4,162
Chaffey's Locks Comm. Hall	6,899	-	-	(6,899)	-
Civic addressing capital	20,000	-	-	-	20,000
Comm. & Leisure capital	5,000	-	-	-	5,000
Library capital	2,000	-	-	-	2,000
	\$ 911,009	\$ 20,772	\$ -	\$ (75,799)	\$ 855,982

**The Corporation of the
Township of Rideau Lakes
Notes to Consolidated Financial Statements
Schedule of Continuity of Reserve Funds**

For the year ended December 31, 2010

	Balance Beginning Of Year	Earned Interest	Transfer from Operating Fund	Transfer to Operating Fund	Balance End of Year
Equipment reserve	\$ 157,604	\$ -	\$ -	\$ -	\$ 157,604
Housing reserve	22,155	-	-	-	22,155
South Point Subdivision	49,682	341	-	-	50,023
Basswood Estates	38,457	264	-	-	38,721
Victoria Wood	20,902	143	-	-	21,045
Glenoray subdivision paving	16,800	84	-	-	16,884
Bay Road paving	-	-	300,000	-	300,000
	\$ 305,600	\$ 832	\$ 300,000	\$ -	\$ 606,432