

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWNSHIP OF SOUTHGATE**

Year ended December 31, 2022

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Consolidated Financial Statements Index

Year ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Township of Southgate

Opinion

We have audited the consolidated financial statements of The Corporation of the Township of Southgate (the Township), which comprise:

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets (debt) for the year then ended
- the consolidated statement of cash flows for the year then ended
- and the notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Township as at December 31, 2022, and its consolidated results of operations 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 responsibility under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

We are independent of the Township in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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.



Other Matter - Comparative Information

The financial statements for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on these financial statements on November 14, 2022.

Responsibility of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Township'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 Township or to cease operations or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the 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 risk of material misstatement of the 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, internal omissions, misrepresentations, or the override of internal control.



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- 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 purposes of expressing an opinion on the effectiveness of the Township'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 the events or conditions that may cast significant doubt on the Township'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 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 Township to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

June 20, 2024

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets		
Cash (note 2)	\$ 22,776,779	\$ 17,856,635
Short-term investments (note 3)	1,468,817	1,428,615
Taxes receivable	2,676,531	1,573,463
Trade and other receivables	2,289,301	2,294,001
Long-term receivables (note 4)	231,272	244,261
Investment in Wellington North Power	49,388	49,388
	<u>29,492,088</u>	<u>23,446,363</u>
Financial liabilities		
Accounts payable and accrued liabilities	3,912,198	2,134,456
Solid waste landfill closure and post-closure liabilities (note 5)	237,629	229,000
Post-employment benefits (note 6)	126,904	149,650
Deferred revenue (note 21)	13,648,230	11,835,145
Long-term liabilities (note 7)	3,533,979	4,125,833
	<u>21,458,940</u>	<u>18,474,084</u>
Net financial assets	8,033,148	4,972,279
Non-financial assets		
Inventory of supplies	467,746	342,601
Prepaid expenses	165,180	205,837
Tangible capital assets (note 8)	59,379,322	55,465,551
	<u>60,012,248</u>	<u>56,013,989</u>
Accumulated surplus (note 9)	<u>\$ 68,045,396</u>	<u>\$ 60,986,268</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2022, with comparative information for 2021

	2022 Budget (note 12)	2022 Actual	2021 Actual
Revenue:			
Taxation	\$ 8,831,300	\$ 9,112,937	\$ 8,151,577
Fees and user charges	2,173,797	2,385,236	2,336,996
Government transfers (note 13)	1,741,933	1,644,055	1,996,715
Other income (note 11)	8,696,245	7,139,309	2,113,301
Total revenue	21,443,275	20,281,537	14,598,589
Expenses:			
General government	2,542,459	1,942,944	1,452,355
Protection services	2,729,269	2,982,319	2,646,646
Transportation services	4,550,058	4,767,543	4,298,889
Environmental services	2,327,107	2,201,451	2,096,302
Health services	100,866	86,187	478,209
Recreational and culture services	652,934	897,928	811,851
Planning and development	340,068	344,037	505,442
Total expenses	13,242,761	13,222,409	12,289,694
Annual surplus	8,200,514	7,059,128	2,308,895
Accumulated surplus, beginning of year	60,986,268	60,986,268	58,677,373
Accumulated surplus, end of year	\$ 69,186,782	\$ 68,045,396	\$ 60,986,268

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Consolidated Statement of Change in Net Financial Assets (Debt)

Year ended December 31, 2022, with comparative information for 2021

	2022 Budget (note 12)	2022 Actual	2021 Actual
Annual surplus	\$ 8,200,514	\$ 7,059,128	\$ 2,308,895
Acquisition of tangible capital assets	(27,697,963)	(6,830,859)	(3,357,820)
Amortization of tangible capital assets	2,704,000	2,213,895	2,149,900
Gain on disposal of tangible capital assets	-	(936,192)	(552,985)
Proceeds on disposal of tangible capital assets	891,000	1,639,385	665,945
Change in prepaid expenses	-	40,657	(76,904)
Change in inventories of supplies	-	(125,145)	(48,182)
	(24,102,963)	(3,998,259)	(1,220,046)
Change in net financial assets	(15,902,449)	3,060,869	1,088,849
Net financial assets, beginning of year	4,972,279	4,972,279	3,883,430
Net financial assets (debt), end of year	\$ (10,930,170)	\$ 8,033,148	\$ 4,972,279

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Consolidated Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 7,059,128	\$ 2,308,895
Items not involving cash:		
Change in landfill closure and post-closure liability	8,629	(4,000)
Change in post-employment benefits	(22,746)	10,100
Amortization of tangible capital assets	2,213,895	2,149,900
Contributed capital assets	-	(12,500)
Gain on disposal of tangible capital assets	(936,192)	(552,985)
	<u>8,322,714</u>	<u>3,899,410</u>
Change in non-cash assets and liabilities:		
Taxes receivable	(1,103,068)	589,180
Trade and other receivables	4,700	(900,505)
Inventory of supplies	(125,145)	(48,182)
Prepaid expenses	40,657	(76,904)
Accounts payable and accrued liabilities	1,777,742	(722,721)
Deferred revenue	1,813,085	3,962,210
	<u>10,730,685</u>	<u>6,702,488</u>
Capital activities:		
Cash used to acquire tangible capital assets	(6,830,859)	(3,345,320)
Proceeds on disposal of tangible capital assets	1,639,385	665,945
	<u>(5,191,474)</u>	<u>(2,679,375)</u>
Investing activities:		
Collection of long-term receivables	12,989	41,731
Change in investments	(40,202)	6,280
	<u>(27,213)</u>	<u>48,011</u>
Financing activities:		
Repayment of long-term liabilities	(591,854)	(609,136)
	<u>4,920,144</u>	<u>3,461,988</u>
Net change in cash	4,920,144	3,461,988
Cash, beginning of year	17,856,635	14,394,647
Cash, end of year	<u>\$ 22,776,779</u>	<u>\$ 17,856,635</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

The Corporation of the Township of Southgate (the "Township") is a municipality that was created on January 2, 2000 pursuant to the Municipal Act. The Township provides municipal services such as fire, transportation, environmental, recreation, library, and other general government operations.

1. Significant accounting policies:

(a) Basis of accounting:

The consolidated financial statements of the Township are the representations of management. They have been prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing.

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses 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.

(b) Basis of consolidation:

The consolidated statements reflect the assets, liabilities, revenues and expenses of all municipal organizations, committees, and boards which are owned or controlled by Council. All interfund assets and liabilities, and revenues and expenses have been eliminated on consolidation.

The following board is controlled by Council and has been consolidated:

Township of Southgate Public Library Board	100%
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(c) Use of estimates:

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for items such as accrued grant receivables, accrued liabilities, useful lives of capital assets, post-employment benefits, solid waste landfill closure and post-closure costs and taxation revenue. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future.

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(d) Revenue recognition:

Taxes are recorded as estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectible amounts.

Fines and donations are recognized when collected.

Fees, user charges and other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.

Investment income earned on surplus funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is recorded directly to each fund balance as deferred revenue.

Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

(e) Cash and cash equivalents:

Cash and cash equivalents include cash balances and short-term highly liquid investments that mature within three months.

(f) Investments:

Investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

(g) Solid waste landfill closure and post-closure costs:

Site closure and post-closure care costs are recognized over the operating life of the landfills based on capacity used. The liability is recorded at its discounted value, based on the average long-term borrowing rate of the Township.

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(h) Inventory:

Inventory of supplies is recorded at the lower of cost or replacement cost.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Costs include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Amortization is provided over the estimated useful life of the assets, using the straight-line method. The useful life of the assets is based on estimates made by Council.

The following rates are used:

Asset	Useful Life - Years
Buildings	50
Equipment and vehicles	5 to 30
Roads	44 to 50
Bridges and culverts	50
Water systems	10 to 70
Wastewater systems	10 to 50

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as donation revenue.

(j) County and school board:

The Township collects taxation revenue on behalf of the school boards and the County of Grey. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the County of Grey are not reflected in these financial statements.

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(k) Liability for contaminated sites:

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries. Management is not aware of any contaminated sites.

(l) Trust funds:

Funds held in trust by the Township, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately on the trust funds statement of continuity and balance sheet.

2. Cash:

	2022	2021
Unrestricted	\$ 5,325,497	\$ 6,910,783
Restricted	17,451,282	10,945,852
	<u>\$ 22,776,779</u>	<u>\$ 17,856,635</u>

On December 31, 2022, the Township had deposits of \$23,069,098 held in a Canadian Chartered bank. The Canadian Deposit Insurance Corporation insures deposits up to a maximum of \$100,000 per depositor.

The bank account earns interest at the average monthly CIBC Bank's prime rate less 1.8%. The Township of Southgate has undrawn credit facility of \$1,000,000 for operating purposes. Interest is calculated at CIBC bank prime rate less 0.5%. A requirement of the Township's credit agreement is that audited financial statements are provided to the bank within 120 days. The Township was not in compliance with this covenant as of the date of issuance of the financial statements.

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

3. Short-term investments:

	2022	2021
One Fund - Bond Fund - Public Sector Group of Funds	\$ 468,817	\$ 428,615
Northern Credit Union - Guaranteed Investment Certificates, non-redeemable, interest rates of 1.25% to 3.20% (2021 - 1.0% to 1.25%), maturing June 2023	1,000,000	1,000,000
	\$ 1,468,817	\$ 1,428,615

Investments have a market value of \$1,411,316 (2021 - \$1,428,615) at the end of the year.

The Deposit Insurance Corporation of Ontario (DICO) insures deposits in a Credit Union up to a maximum of \$250,000 per depositor.

4. Long-term receivables:

	2022	2021
Tile drainage loans, 6%, various repayment amounts, due from 2023 to 2030	\$ 231,272	\$ 244,261

5. Solid waste landfill closure and post-closure liabilities:

Solid waste landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance.

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

5. Solid waste landfill closure and post-closure liabilities (continued):

The liability for the three landfill sites in the Township is recorded at \$237,629 and represents the present value of closure and post-closure costs for Egremont's opened cells and the two closed landfill sites at Proton and Dundalk, using the Township's long-term borrowing rate of 3.4%. The liability is recorded based on the capacity of the landfill used to date. The total estimated future expenses for closure and post-closure care are \$295,700 leaving an amount to be recognized of \$58,071. There are unopened cells at Egremont, for which no liability has been accrued. The estimated remaining capacity of the total Egremont site is approximately 270,000 cubic metres, which will be filled in an estimated 98 years. Post-closure care is estimated to continue for a period of 20 years after the closure of the cell. There is no remaining capacity at Dundalk and Proton and the post-closure care is estimated to continue for 1 years and 7 years, respectively.

The liability is currently partially funded in the amount of \$122,779 through reserves. The additional liability is expected to be funded through budget allocations to the landfill reserve over the remaining life of the landfill.

6. Post-employment benefit:

	2022	2021
Accrued benefit liability, beginning of year	\$ 149,650	\$ 139,550
Benefits earned	7,225	13,900
Benefits paid	(29,971)	(3,800)
Accrued benefit liability, end of year	\$ 126,904	\$ 149,650

The Township has a retirement allowance of \$200 per year for each year of service for all employees, volunteer firefighters, and council members that have been with the Township for 5 years. The Township recognizes the post-employment benefit costs in the year the benefit is earned.

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

7. Long-term liabilities:

The balance of long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	2022	2021
Tile drain loans payable, 6%, due from 2022 to 2030	\$ 231,272	\$ 244,261
Demand instalment loan payable, CIBC, 2.5% interest, repayable in blended monthly payments of \$14,253, last scheduled payment March 2026	530,322	687,959
Demand instalment loan payable, CIBC, 1.218% interest, repayable in annual principal payments of \$70,000, last scheduled payment May 2023	70,000	140,000
Loan payable, Ontario Infrastructure and Lands Corporation, 2.35%, payable in blended semi-annual payments of \$210,468, due 2029	2,702,385	3,053,613
	\$ 3,533,979	\$ 4,125,833

The interest paid in the year relating to the above long-term debt was \$105,795.

In the absence of demand for repayment, expected principal payments for the next five fiscal years and thereafter are as follows:

2023	\$ 652,987
2024	576,392
2025	576,729
2026	457,733
2027	422,353
Thereafter	847,785
	\$ 3,533,979

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

8. Tangible capital assets:

Cost	Land	Buildings	Equipment and vehicles	Roads	Bridges and culverts	Water system	Wastewater system	Work-in- progress	Balance at December 31, 2022
Balance, beginning of year	\$ 4,342,696	\$ 4,951,656	\$ 11,523,210	\$ 37,744,594	\$ 15,146,928	\$ 9,898,700	\$ 5,942,947	\$ 174,551	\$ 89,725,282
Additions	-	212,372	1,888,691	1,063,708	-	-	33,473	3,632,615	6,830,859
Disposals	(50,477)	-	(298,279)	(715,148)	-	-	-	-	(1,063,904)
Balance, end of year	4,292,219	5,164,028	13,113,622	38,093,154	15,146,928	9,898,700	5,976,420	3,807,166	95,492,237

Accumulated Amortization	Land	Buildings	Equipment and Vehicles	Roads	Bridges and culverts	Water system	Wastewater system	Work-in- progress	Balance at December 31, 2022
Balance, beginning of year	\$ -	\$ 2,047,764	\$ 6,847,787	\$ 13,960,567	\$ 6,490,459	\$ 2,264,934	\$ 2,648,220	\$ -	\$ 34,259,731
Amortization	-	110,248	758,208	708,978	273,532	211,914	151,015	-	2,213,895
Disposals	-	-	(272,216)	(88,495)	-	-	-	-	(360,711)
Balance, end of year	-	2,158,012	7,333,779	14,581,050	6,763,991	2,476,848	2,799,235	-	36,112,915

Net book value of tangible capital assets	\$ 4,292,219	\$ 3,006,016	\$ 5,779,843	\$ 23,512,104	\$ 8,382,937	\$ 7,421,852	\$ 3,177,185	\$ 3,807,166	\$ 59,379,322
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THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

8. Tangible capital assets:

Cost	Land	Buildings	Equipment and vehicles	Roads	Bridges and culverts	Water system	Wastewater system	Work-in- progress	Balance at December 31, 2021
Balance, beginning of year	\$ 4,090,189	\$ 4,939,644	\$ 11,315,214	\$ 36,919,076	\$ 14,074,378	\$ 9,715,917	\$ 5,793,249	\$ 47,780	\$ 86,895,447
Additions	284,232	12,012	521,329	926,301	1,152,037	185,440	149,698	126,771	3,357,820
Disposals	(31,725)	-	(313,333)	(100,783)	(79,487)	(2,657)	-	-	(527,985)
Balance, end of year	4,342,696	4,951,656	11,523,210	37,744,594	15,146,928	9,898,700	5,942,947	174,551	89,725,282

Accumulated Amortization	Land	Buildings	Equipment and Vehicles	Roads	Bridges and culverts	Water system	Wastewater system	Work-in- progress	Balance at December 31, 2021
Balance, beginning of year	\$ -	\$ 1,941,419	\$ 6,448,586	\$ 13,251,679	\$ 6,293,939	\$ 2,057,383	\$ 2,531,850	\$ -	\$ 32,524,856
Amortization	-	106,345	712,534	744,338	260,105	210,208	116,370	-	2,149,900
Disposals	-	-	(313,333)	(35,450)	(63,585)	(2,657)	-	-	(415,025)
Balance, end of year	-	2,047,764	6,847,787	13,960,567	6,490,459	2,264,934	2,648,220	-	34,259,731

Net book value of tangible capital assets	\$ 4,342,696	\$ 2,903,892	\$ 4,675,423	\$ 23,784,027	\$ 8,656,469	\$ 7,633,766	\$ 3,294,727	\$ 174,551	\$ 55,465,551
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THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

8. Tangible capital assets (continued):

The net book value of tangible capital assets not being amortized because they are under construction (or development) is \$3,807,166 (2021 - \$174,551).

During the year \$Nil (2021 - \$12,500) in contributed tangible capital assets were recognized in the financial statements.

9. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves as follows:

	2022	2021
Invested in tangible capital assets:		
Tangible capital assets at cost less amortization	\$ 59,379,322	\$ 55,465,551
Unfinanced capital	(1,162,498)	(398,244)
Capital assets financed by long-term liabilities and to be funded in future years	(3,302,707)	(3,881,572)
Total invested in tangible capital assets	54,914,117	51,185,735
Unfunded solid waste landfill closure and post-closure costs	(237,629)	(229,000)
Investment in Wellington North Power	49,388	49,388
	54,725,876	51,006,123
Reserve and reserve funds (note 10)	13,319,520	9,980,145
Accumulated surplus	\$ 68,045,396	\$ 60,986,268

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

10. Reserves and reserve funds set aside for specific purpose by Council:

	2022	2021
Reserves:		
Working funds	\$ 422,541	\$ 422,541
Tax stabilization and emergency funds	911,829	950,525
Current purposes	3,533,707	2,348,811
Capital purposes	7,936,249	5,743,074
	12,804,326	9,464,951
Reserve funds:		
Capital purposes	515,194	515,194
Reserves and reserve funds set aside for specific purpose by Council		
	\$ 13,319,520	\$ 9,980,145

11. Other income:

	2022 Budget	2022 Actual	2021 Actual
Penalties and interest on taxation	\$ 260,000	\$ 281,486	\$ 275,193
Other fines and penalties	400	600	100
Investment income	75,000	73,461	72,459
Licenses, permits and rents	792,100	1,176,448	855,930
Donations	625	28,729	21,966
Donation of contributed assets	—	—	12,500
Gain on disposal of capital assets	6,680,150	936,192	574,499
Contributions from development fees	857,372	4,575,863	256,436
Other	30,598	66,530	44,218
	\$ 8,696,245	\$ 7,139,309	\$ 2,113,301

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

12. Budget:

The unaudited budget data presented in these consolidated financial statements is based upon the 2022 operating and capital budgets approved by Council on January 10, 2022. Amortization was not contemplated on development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

	Budget Amount
Revenues:	
Operating budget	\$ 19,945,493
Capital budget	5,892,969
Less:	
Transfers from reserves	(5,000,597)
Proceeds on sale of assets	(113,000)
Total revenue	20,724,865
Expenses:	
Operating budget	12,611,917
Capital budget	27,697,963
Less:	
Transfers to reserves	(666,707)
Capital expenses	(27,697,693)
Debt principal payments	578,871
Total expenses	12,524,351
Annual surplus	\$ 8,200,514

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

13. Government transfers:

	2022 Budget	2022 Actual	2021 Actual
Operating:			
Province of Ontario:			
Ontario Municipal Partnership Fund (OMPF)	\$ 611,200	\$ 611,200	\$ 590,300
Conditional - roads	65,000	238,863	241,484
- other	194,665	151,455	261,392
	870,865	1,001,518	1,093,176
Government of Canada:			
Conditional - roads	–	–	5,979
- sewer and water	1,500	–	2,989
- other	–	16,534	8,968
	1,500	16,534	17,936
Other municipalities:			
Other	151,158	140,826	147,299
Total operating transfers	1,023,523	1,158,878	1,258,411
Tangible capital asset:			
Province of Ontario:			
Conditional - roads	485,177	251,944	265,815
- other	–	–	14,367
	485,177	251,944	280,182
Government of Canada:			
Conditional - roads	233,233	233,233	458,122
Other municipalities:			
Other	–	–	–
Total tangible capital asset transfers	718,410	485,177	738,304
Total transfers	\$ 1,741,933	\$ 1,644,055	\$ 1,996,715

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

14. Pension agreements:

The Township makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 45 members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement entitlement to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan. The employer amount contributed to OMERS for 2022 by the Township of Southgate was \$294,869 (2021 - \$266,526). The contribution rate for 2022 was 9.0% to 15.8% depending on age and income level (2021 - 9.0% to 15.8%).

OMERS is a multi-employer plan, therefore, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Township does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2022. At that time the plan reported a \$6.7 billion actuarial deficit (2021 - \$3.1 billion), based on actuarial liabilities of \$130.3 billion (2021 - \$119.3 billion) and actuarial assets of \$123.6 billion (2021 - \$116.2 billion). Ongoing adequacy of the current contribution rates will need to be monitored as fluctuations in the financial markets may lead to increased future funding requirements.

15. Operations of school boards and the County of Grey:

During the year, the following taxation revenue was raised and remitted to the school boards and the County of Grey:

	2022	2021
School boards	\$ 1,967,144	\$ 1,967,616
County of Grey	3,913,289	3,822,742
	<u>\$ 5,880,433</u>	<u>\$ 5,790,358</u>

16. Contractual rights:

The Township has a solar agreement dated June 4, 2014 to receive \$75,000 per year for 20 years. As of December 31, 2022 there is thirteen years remaining.

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

17. Contingent liabilities:

The Township has been served with claims as a result of motor vehicle accidents and building code and property matters. The Township is not aware of any possible settlements in excess of its liability insurance coverage. The outcomes of these claims are not determinable at this time.

18. Trust funds:

The trust funds administered by the Township amounting to \$322,764 (2021 - \$313,477) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of operations and accumulated surplus. At December 31, 2022, the trust fund balances are as follows:

	2022	2021
Township cemetery care and maintenance funds	\$ 262,794	\$ 255,684
Egremont Optimist Club	32,664	30,669
Other cemetery care and maintenance funds	27,306	27,124
	<u>\$ 322,764</u>	<u>\$ 313,477</u>

19. Commitments:

- (a) The Township has committed \$25,000 annually for 10 years for a total of \$250,000 to the South-East Grey Community Health Centre to help provide Seniors and Youth Programs within the community. As of December 31, 2022, \$125,000 has been transferred to South-East Grey Community Health Centre.
- (b) As of December 31, 2022, the Township has committed \$6,255,174 for the construction of a water tower, of which \$3,115,500 has been paid.
- (c) The Township has committed \$150,000 over a 5 year period starting in 2021 to the Community Foundation Grey Bruce which payments are expected to commence in 2023.
- (d) The Township has committed \$60,000 for the Markdale Hospital project of which \$30,000 will be paid in 2023.

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

20. Segmented information:

The Township of Southgate is a diversified municipal government institution that provides a wide range of services to its citizens such as police, fire, sewer, water, waste collection, disposal and recycling, recreational, library and planning. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government

This item related to the revenues and expenses that relate to the governance and operations of the Township itself and cannot be directly attributed to a specific segment.

Protection to Persons and Property

Protection is comprised of police services, fire protection, conservation authority, emergency measures, canine control and building and structural inspection. The police services work to ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. The members of the fire department consist of volunteers.

The building department provides a number of services including maintenance and enforcement of building and construction codes and review of all property development plans through its application process.

Transportation

Transportation is responsible for construction and maintenance of the Township's roadways, bridges, parking areas and streetlighting.

Environmental

Environmental services consists of providing waste collection, disposal and recycling to the Township's citizens. It also consists of providing the Township's drinking water and processing and cleaning sewage.

Health

Health services include contributions to the operations of local cemeteries.

Recreational and Cultural Services

This service area provides services meant to improve the health and development of the Township's citizens. The Township operates and maintains parks and arenas. The Township also provides library services and recreational programs.

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

20. Segmented information (continued):

Planning and Development

This department is responsible for planning and zoning including the Official plan. This service area also includes tourist information and promotion, business improvement area, weed control, and drainage.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Amounts that are directly attributable to a number of segments have been allocated on a reasonable basis as follows:

Taxation and payments-in-lieu

Allocated to those segments that are funded by these amounts based on the budget for the year.

OMPF Grants

Allocated to segments based on the budget for the year.

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Schedule to Note 20 - Segmented Information (continued)

Year ended December 31, 2022

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2022 Total
Revenue:								
Taxation	\$ 1,339,085	2,055,426	3,285,809	1,517,249	59,400	618,856	237,112	\$ 9,112,937
Fees and user charges	33,517	16,790	28,776	1,963,689	31,534	172,959	137,971	2,385,236
Specific grants	302,885	134,818	402,041	152,022	-	41,089	-	1,032,855
OMPF grant	611,200	-	-	-	-	-	-	611,200
Other revenue	1,577,919	351,338	1,739,838	2,557,545	5,509	16,726	890,434	7,139,309
	3,864,606	2,558,372	5,456,464	6,190,505	96,443	849,630	1,265,517	20,281,537
Expenses:								
Salaries and benefits	996,029	832,667	1,251,886	741,789	16,622	517,923	201,021	4,557,937
Interest on long-term debt	-	-	4,461	76,639	-	-	14,270	95,370
Materials and supplies	715,772	630,588	1,847,161	878,517	22,494	263,004	48,725	4,406,261
Contracted services	153,231	1,416,757	94,583	11,524	6,441	-	80,021	1,762,557
Other transfers	-	-	145,399	-	37,267	-	-	182,666
Rents and financial expenses	3,723	-	-	-	-	-	-	3,723
Amortization	74,189	102,307	1,424,053	492,982	3,363	117,001	-	2,213,895
	1,942,944	2,982,319	4,767,543	2,201,451	86,187	897,928	344,037	13,222,409
Annual surplus (deficit)	\$ 1,921,662	(423,947)	688,921	3,989,054	10,256	(48,298)	921,480	\$ 7,059,128

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Schedule to Note 20 - Segmented Information (continued)

Year ended December 31, 2022

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2021 Total
Revenue:								
Taxation	\$ 896,673	1,711,831	3,912,757	733,642	81,516	652,126	163,032	\$ 8,151,577
Fees and user charges	34,968	65,810	29,861	1,768,429	33,836	79,708	324,384	2,336,996
Specific grants	101,985	148,850	971,399	126,845	-	42,968	14,368	1,406,415
OMPF grant	64,933	123,963	283,344	53,127	5,903	47,224	11,806	590,300
Other revenue	1,104,297	695,445	10,381	217,935	18,068	43,570	23,605	2,113,301
	2,202,856	2,745,899	5,207,742	2,899,978	139,323	865,596	537,195	14,598,589
Expenses:								
Salaries and benefits	954,836	683,006	1,137,777	729,692	8,968	435,999	167,169	4,117,447
Interest on long-term debt	-	-	16,410	76,816	-	-	12,569	105,795
Materials and supplies	297,095	414,536	1,550,579	737,882	25,268	233,715	96,584	3,355,659
Contracted services	74,750	1,229,776	39,287	65,786	11,610	1,238	224,878	1,647,325
Other transfers	59,280	211,476	176,185	-	429,000	30,312	4,242	910,495
Rents and financial expenses	3,073	-	-	-	-	-	-	3,073
Amortization	63,321	107,852	1,378,651	486,126	3,363	110,587	-	2,149,900
	1,452,355	2,646,646	4,298,889	2,096,302	478,209	811,851	505,442	12,289,694
Annual surplus (deficit)	\$ 750,501	99,253	908,853	803,676	(338,886)	53,745	31,753	\$ 2,308,895

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

21. Deferred revenue:

Year ended December 31, 2022

	Opening	Contributions received	Investment income	Revenue recognized	Ending
Obligatory reserve funds:					
Development charges	\$ 11,653,135	\$ 5,755,268	\$ 344,429	\$ (4,575,864)	\$ 13,176,968
Federal gas tax	–	233,233	–	(233,233)	–
Recreational land	68,006	–	–	–	68,006
	11,721,141	5,988,501	344,429	(4,809,097)	13,244,974
Other:					
Ontario Community Infrastructure Fund	–	485,177	–	(485,177)	–
Other revenue	114,004	334,478	–	(45,226)	403,256
	114,004	819,655	–	(530,403)	403,256
	\$ 11,835,145	\$ 6,808,156	\$ 344,429	\$ (5,339,500)	\$ 13,648,230

Year ended December 31, 2021

	Opening	Contributions received	Investment income	Revenue recognized	Ending
Obligatory reserve funds:					
Development charges	\$ 7,677,438	\$ 4,172,922	\$ 48,210	\$ (245,435)	\$ 11,653,135
Federal gas tax	–	457,447	675	(458,122)	–
Recreational land	66,528	1,064	414	–	68,006
	7,743,966	4,631,433	49,299	(703,557)	11,721,141
Other:					
Ontario Community Infrastructure Fund	28,636	236,674	505	(265,815)	–
Other revenue	100,333	34,171	–	(20,500)	114,004
	128,969	270,845	505	(286,315)	114,004
	\$ 7,872,935	\$ 4,902,278	\$ 49,804	\$ (989,872)	\$ 11,835,145