



# TOWNSHIP OF SOUTHGATE

## AUDIT FINAL REPORT TO THE MEMBERS OF COUNCIL

October 21, 2020

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## SUMMARY

Our audit and therefore this report will not necessarily identify all matters that may be of interest to the Council in fulfilling its responsibilities. This report has been prepared solely for the use of the Council and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.



### Status of the Audit

As of the date of this report, we have substantially completed our audit of the 2019 consolidated financial statements, pending completion of the following items:

- ▶ Approval of consolidated financial statements by Council
- ▶ Receipt of signed management representation letter
- ▶ Subsequent events review through to financial statement approval date

We conducted our audit in accordance with Canadian generally accepted auditing standards. The objective of our audit was to obtain reasonable, not absolute, assurance about whether the consolidated financial statements are free from material misstatement. See [Appendix A](#) for our draft independent auditor's report.

The scope of the work performed was substantially the same as that described in our Planning Report to the Council dated November 20, 2019.



### Materiality

As communicated to you in our Planning Report to the Council, preliminary materiality was \$200,000. Final materiality was changed from our preliminary assessment based on actual average revenues. Final materiality was \$275,000.



### Audit Findings

Our audit strategy and procedures focused on the risks specific to your organization and key accounts as outlined in our Planning Report to the Council. Significant risk of material misstatement identified during our planning are discussed in more detail on Pages 3 and 4 and included the following items:

- ▶ Control Environment
- ▶ Commitments and Contingencies
- ▶ Government Transfers

There were changes to our planned procedures relating to building permits as described on Page 5. We also identified additional risks relating to passwords and super user access.



### Internal Control Matters

We are required to report to you in writing, any significant deficiencies in internal control that we have identified. The specifics of this communication are included on Page 5.



## Management Representations

During the course of our audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the consolidated financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base our audit opinion. These representations were documented by including in the audit working papers memoranda of discussions with management and written representations received from management. A summary of the representation we have requested from management is set out in the representation letter included in [Appendix C](#) to the report.



## Independence

Our annual letter confirming our independence was previously provided to you in our planning correspondence. We know of no circumstances that would cause us to amend the previously provided letter.



## Adjusted and Unadjusted Differences

All significant adjusted and unadjusted differences and disclosure omissions identified through the course of our audit engagement are required to be disclosed and discussed with Management. We did not identify any disclosure omissions identified throughout our audit.

Management has determined that the unadjusted differences are immaterial both individually and in aggregate to the consolidated financial statements taken as a whole. Should the Council agree with this assessment, we do not propose further adjustments.

For purposes of our discussion, a summary of unadjusted differences has been presented in [Appendix B](#).



## Fraud Discussion

Through our planning process, and current and prior years' audits, we have developed an understanding of your oversight processes. We are not currently aware of any fraud affecting the Township.

If you are aware of changes to processes or are aware of any instances of actual, suspected or alleged fraud affecting the Township since our discussions held at planning, we request that you provide us with this information.

Please refer to the Auditor's Responsibilities for Detecting Fraud in the Planning Report to the Council.

## AUDIT FINDINGS

Our audit strategy and procedures focused on the significant risks of material misstatement specific to your Township and key accounts as outlined in our Planning report to the Council.

SIGNIFICANT RISKS OF MATERIAL MISSTATEMENT	AUDIT FINDINGS
Management Override of Controls	To address this risk we developed criteria for unusual journal entries, determined the population of unusual journal entries and obtained corroborating evidence of these journal entries from management as to why the journal entries were made. No inappropriate journal entries were noted.
Commitments	To address this risk we reconciled significant capital projects not completed as of December 31, 2019 to progress certificates to determine remaining costs. We reviewed minutes for any significant capital projects awarded before year end but not started until 2020.
Contingencies	To address this risk we discussed outstanding legal matters with management and sent legal confirmations to the Township's legal counsel.
Government Transfers	To address this risk we reconciled significant government transfers to their various government funding agreements and letters, reviewed funding agreements for deferred grants and reviewed minutes to ensure grant revenue listed was complete. No issues were noted in regards to grant revenue during our testing.

As part of our ongoing communications with you, we are required to have a discussion on our views about significant qualitative aspects of the Township's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.

Management is responsible for determining the Township's significant accounting policies. Significant accounting policies have been disclosed in the financial statements. The choice between accounting policy alternatives can have a significant effect on the financial position and results of the Township. The application of those policies often involves significant estimates and judgments by management. Based on the audit work that we have performed, it is our opinion that the estimates are in accordance with the requirements of Canadian public sector accounting policies and have been consistently applied.

A summary of the significant financial statement disclosures policies and significant estimates and judgements are as follows:

Significant Financial Statement Disclosures	Audit Findings
Accumulated Surplus	A breakdown of the Township’s accumulated surplus is included in Note 9. This includes the amount invested in capital assets, unfunded liabilities, reserves and reserve funds and also the general surplus which is required to be carried forward to the next year’s budget.
Commitments	Significant commitments to health care organizations as well as other capital commitments for the Main Street project and renovations to the auditorium have been disclosed in Note 18.
Contingencies/Litigation Proceedings	We have discussed with the Township’s management and they have indicated that there is a claim outstanding against the Township. This claim is disclosed in Note 19.

Significant Estimates and Judgements	Audit Findings
Solid Waste Landfill Closure and Post-closure Liabilities	Amounts have been estimated for closure and post-closure costs. The estimates were calculated based on correspondence with engineers and used the same approach to value the landfill liability as in the prior year.
Post-Employment Benefits	The Township provides post-employment health and life insurance benefits to eligible retired employees. The benefits earned by employees are determined using management’s best estimate of expected benefit costs and are expensed as services are rendered.
Taxation Revenue Estimate	In accordance with PS 3510, amounts have been estimated for taxable events that have occurred but have not yet been assessed. The estimate was based on trend analysis by year for supplemental taxation billings and write-offs for the last 3 years; examination of building permits issued in the last two years; and knowledge of potential reassessments.
Liability for Contaminated Sites	Management compiled a list of all properties owned by the Township or where the Township has accepted responsibility for the property and assessed whether each property was contaminated. Management is not aware of any contaminated sites therefore no liability is accrued.

## INTERNAL CONTROL MATTERS

During the course of our audit, we performed the following procedures with respect to the Township's internal control environment:

- ▶ Documented operating systems to assess the design and implementation of control activities that were relevant to the audit.
- ▶ Discussed and considered potential audit risks with management.
- ▶ Tested the operating effectiveness of controls in the payroll and purchase transaction stream.

The results of these procedures were considered in determining the extent and nature of substantive audit testing required.

We are required to report to you in writing, significant deficiencies in internal control that we have identified during the audit. A significant deficiency is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

During the course of our audit we did not become aware of any deficiencies in our testing of controls in purchases or payroll.

During our substantive testing of building fees, there were two building permits that could not be located. We expanded our sample selection and obtained sufficient and appropriate evidence that the building permit revenue was accurate and complete.

We also identified risks relating to general IT controls. It was noted that staff are not required to change their passwords on a regular basis and that there are no parameter requirements for passwords ie. a combination of capital and lower case letters, numbers and symbols. We recommend that controls be put into place to strengthen passwords. Finance department employees also have administrator user rights in Keystone and as a result could modify and change configuration systems. Although with a smaller municipality it may not be feasible to have administrator user rights limited to IT personnel, we would suggest that administrator user rights have a different login and password from the individual's day to day regular operating login. This would allow for periodic review of changes made with the administrator login.

As the purpose of the audit is for us to express an opinion on the Township's consolidated financial statements, our audit cannot be expected to disclose all matters that may be of interest to you. As part of our work, we considered internal control relevant to the preparation of the consolidated financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

## APPENDIX A: INDEPENDENT AUDITOR'S REPORT



The Corporation of the  
Township of Southgate  
Financial Information  
For the year ended December 31, 2019

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The Corporation of the Township of Southgate  
Financial Information  
For the year ended December 31, 2019

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For the year ended December 31, 2019

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## Independent Auditor's Report

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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, 2019 and the consolidated statement of operations and accumulated surplus, consolidated statement of changes in net financial assets, and consolidated statement of 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 Township as at December 31, 2019 and the consolidated results of operations, its consolidated changes in net financial assets, 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 Township 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.

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

Management is responsible for the preparation and fair presentation of these 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 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 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 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 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 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 Township 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 Township or business activities within the Township 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.

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario  
October 21, 2020

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**The Corporation of the Township of Southgate  
Consolidated Statement of Financial Position**

<b>December 31</b>	<b>2019</b>	<b>2018</b>
<b>Financial assets</b>		
Cash (Note 1)	\$ 9,048,830	\$ 5,351,452
Short term investments (Note 2)	1,413,043	1,402,531
Taxes receivable	2,179,043	2,092,378
Trade and other receivable	1,502,066	1,739,870
Long-term receivables (Note 3)	495,306	552,410
Long-term investments (Note 4)	146,346	138,086
	<u>14,784,634</u>	<u>11,276,727</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,983,689	1,230,453
Solid waste landfill closure and post-closure liabilities (Note 5)	320,000	350,000
Post-employment benefits (Note 6)	129,842	133,809
Deferred revenue (Page 29)	5,014,298	3,485,336
Long-term liabilities (Note 7)	5,378,717	1,918,252
	<u>12,826,546</u>	<u>7,117,850</u>
<b>Net financial assets</b>	<b>1,958,088</b>	<b>4,158,877</b>
<b>Non-financial assets</b>		
Inventory of supplies	230,080	176,642
Prepaid expenses	109,113	102,854
Tangible capital assets (Note 8)	52,418,995	46,627,090
<b>Accumulated surplus (Note 9)</b>	<b>\$54,716,276</b>	<b>\$ 51,065,463</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.



**The Corporation of the Township of Southgate**  
**Consolidated Statement of Operations and Accumulated Surplus**

For the year ended December 31	2019 Budget (Note 12)	2019 Actual	2018 Actual
<b>Revenue</b>			
Taxation	\$ 6,770,263	\$ 7,002,558	\$ 6,130,452
Fees and user charges	1,736,645	1,958,180	1,687,667
Government transfers (Note 13)	3,331,535	2,564,298	1,211,708
Other income (Note 11)	3,348,821	2,061,858	1,394,354
	<u>15,187,264</u>	<u>13,586,894</u>	<u>10,424,181</u>
<b>Expenses</b>			
General government	1,304,960	1,334,823	1,154,108
Protection services	2,209,758	2,124,565	2,019,401
Transportation services	3,335,372	3,407,178	3,306,917
Environmental services	1,653,972	1,707,375	1,574,190
Health services	66,634	60,894	72,584
Recreation and cultural services	850,620	847,939	809,481
Planning and development	306,189	453,307	303,115
	<u>9,727,505</u>	<u>9,936,081</u>	<u>9,239,796</u>
Annual surplus (Note 12)	5,459,759	3,650,813	1,184,385
Accumulated surplus, beginning of the year	<u>51,065,463</u>	<u>51,065,463</u>	<u>49,881,078</u>
Accumulated surplus, end of the year	<u>\$ 56,525,222</u>	<u>\$54,716,276</u>	<u>\$ 51,065,463</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**The Corporation of the Township of Southgate**  
**Consolidated Statement of Changes in Net Financial Assets**

For the year ended December 31	2019 Budget (Note 12)	2019 Actual	2018 Actual
Annual surplus (Page 6)	\$ 5,459,759	\$ 3,650,813	\$ 1,184,385
Acquisition of tangible capital assets	(9,661,855)	(7,676,127)	(1,653,751)
Amortization of tangible capital assets	1,884,000	1,884,222	1,796,846
Gain on sale of tangible capital assets	-	(78,125)	(387,535)
Proceeds on disposal of capital assets	-	78,125	425,305
	(7,777,855)	(5,791,905)	180,865
Change in prepaid expenses	-	(6,259)	30,368
Change in inventories of supplies	-	(53,438)	54,051
	(7,777,855)	(5,851,602)	265,284
Increase (decrease) in net financial assets	(2,318,096)	(2,200,789)	1,449,669
Net financial assets, beginning of the year	4,158,877	4,158,877	2,709,208
Net financial assets, end of the year	\$ 1,840,781	\$ 1,958,088	\$ 4,158,877

The Corporation of the Township of Southgate  
Consolidated Statement of Cash Flows

For the year ended December 31	2019	2018
Cash provided by (used in)		
Operating activities		
Annual surplus (Page 6)	\$ 3,650,813	\$ 1,184,385
Items not involving cash		
Change in landfill closure and post-closure liability	(30,000)	(30,000)
Equity in government business enterprises	(8,260)	(21,005)
Change in post-employment benefits	(3,967)	(3,600)
Amortization	1,884,222	1,796,846
Deferred revenue recognized	(1,473,186)	(63,553)
Contributed capital assets	(69,474)	-
Gain on sale of capital assets	(78,125)	(387,535)
	<u>3,872,023</u>	<u>2,475,538</u>
Changes in non-cash working capital balances		
Taxes receivable	(86,665)	225,752
Trade and other receivable	237,804	540,434
Inventory of supplies	(53,438)	54,051
Prepaid expenses	(6,259)	30,368
Accounts payable and accrued liabilities	753,236	105,467
Deferred revenue received	3,002,148	1,444,527
	<u>7,718,849</u>	<u>4,876,137</u>
Capital transactions		
Cash used to acquire capital assets	(7,606,653)	(1,653,751)
Proceeds on sale of capital assets	78,125	425,305
	<u>(7,528,528)</u>	<u>(1,228,446)</u>
Investing activities		
Additions to long-term receivables	(41,600)	(110,000)
Decrease in long-term receivables	98,704	127,404
	<u>57,104</u>	<u>17,404</u>
Financing activities		
Proceeds from long-term liabilities	3,773,525	110,000
Repayment of long-term liabilities	(313,060)	(328,245)
	<u>3,460,465</u>	<u>(218,245)</u>
Net change in cash and cash equivalents	3,707,890	3,446,850
Cash and cash equivalents, beginning of the year	<u>6,753,983</u>	<u>3,307,133</u>
Cash and cash equivalents, end of the year	<u>\$10,461,873</u>	<u>\$ 6,753,983</u>
Cash and cash equivalents are comprised of:		
Cash	\$ 9,048,830	\$ 5,351,452
Short term investments	1,413,043	1,402,531
	<u>\$10,461,873</u>	<u>\$ 6,753,983</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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The Corporation of the Township of Southgate  
Summary of Significant Accounting Policies

December 31, 2019

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**Management Responsibility** Management of the Corporation of the Township of Southgate has prepared and is responsible for the integrity, objectivity and accuracy of the financial information presented in these consolidated financial statements. The Council reviews and approves the consolidated financial statements.

**Basis of Accounting** The consolidated financial statements of the Corporation of the Township of Southgate 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 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.

**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%

Government business enterprises and partnerships are separate legal entities which do not rely on the Township for funding. Investments in government business enterprises are accounted for using the modified equity method.

Under this method, the government business enterprise's accounting policies, which follow International Financial Reporting Standards, are not adjusted to conform with Public Sector Accounting Standards and inter-entity transactions and balances are not eliminated.

The following government business enterprise is reflected in the consolidated financial statements:

Wellington North Power Inc.      3.21%

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## The Corporation of the Township of Southgate Summary of Significant Accounting Policies

December 31, 2019

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### 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.

### Revenue Recognition

Revenues are recognized as follows:

- a) 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. Taxes receivable are recognized net of an allowance for anticipated uncollectible amounts.
- b) Fines and donations are recognized when collected.
- c) Fees, user charges and other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.
- d) 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.
- e) 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.

### Cash and Cash Equivalents

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

### Short Term Investments

Short term investments are recorded at lower of cost or market.

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The Corporation of the Township of Southgate  
Summary of Significant Accounting Policies

December 31, 2019

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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.

Inventory

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

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:

Buildings	50 years
Equipment	5 to 30 years
Roads	50 years
Bridges	50 years
Water systems	10 to 70 years
Sewer systems	10 to 50 years
Other infrastructure	30 to 50 years

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

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.

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The Corporation of the Township of Southgate  
Summary of Significant Accounting Policies

December 31, 2019

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**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.

**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.

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The Corporation of the Township of Southgate  
Notes to Financial Statements

December 31, 2019

1. Cash

	2019	2018
Unrestricted	\$ 5,076,654	\$ 2,927,832
Restricted	3,972,176	2,423,620
	\$ 9,048,830	\$ 5,351,452

On December 31, 2019, the Township had deposits of \$9,089,397 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%.

2. Short Term Investments

	2019	2018
One Fund - Bond Fund - Public Sector Group of Funds	\$ 413,043	\$ 402,531
Northern Credit Union - Guaranteed Investment Certificate, non-redeemable, interest rate 2.75%, matures June 2020	1,000,000	1,000,000
	\$ 1,413,043	\$ 1,402,531

Investments have a market value of \$1,413,043 (2018 - \$1,402,531) 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.

3. Long-Term Receivables

	2019	2018
Local improvement loan, 0% interest, repayable at commencement of development	\$ 118,766	\$ 118,766
Tile drainage loans, 6%, various repayment amounts, due from 2020 to 2029	376,540	433,644
	\$ 495,306	\$ 552,410



The Corporation of the Township of Southgate  
Notes to Financial Statements

December 31, 2019

4. Long-Term Investments

	2019	2018
Investment in Wellington North Power Inc.		
Investment in common shares (3.21%)	\$ 49,388	\$ 49,388
Share of net income	96,958	88,698
	\$ 146,346	\$ 138,086

The following summarizes the financial position and operations of the government business enterprise which has been reported in these financial statements using the modified equity method:

Wellington North Power Inc.

Wellington North Power Inc. is a corporation incorporated under the laws of the Province of Ontario and provides municipal electrical services. The Corporation of the Township of Southgate owns 3.21% of the outstanding shares of Wellington North Power Inc. The condensed supplementary financial information is as follows:

	2019	2018
Assets	\$14,844,750	\$ 14,771,280
Liabilities	\$ 9,649,976	\$ 9,770,030
Shareholders' equity	4,648,434	4,391,215
Regulatory balances	546,340	610,035
	\$14,844,750	\$ 14,771,280
Revenues	\$15,151,251	\$ 14,866,370
Expenses	14,836,637	14,483,734
	\$ 314,614	\$ 382,636

The condensed supplementary financial information included above is based on the last available audited statements for the year ended December 31, 2019.

The Corporation of the Township of Southgate  
Notes to Financial Statements

December 31, 2019

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 liability for the three landfill sites in the Township is recorded at \$320,000 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%. 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 \$451,400 leaving an amount to be recognized of \$131,400. There are unopened cells at Egremont, for which no liability has been accrued. The estimated remaining capacity of the total Egremont site is approximately 284,221 cubic metres, which will be filled in an estimated 79 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 4 years and 10 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

	2019	2018
Accrued benefit liability, beginning of the year	\$ 133,809	\$ 137,409
Benefits paid	(3,967)	(3,600)
Accrued benefit liability, end of the year	\$ 129,842	\$ 133,809

The Township has approved 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 costs in the year the benefit is earned.

The Corporation of the Township of Southgate  
Notes to Financial Statements

December 31, 2019

7. Long-Term Liabilities

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

	2019	2018
Tile drain loans payable, 6%, due from 2020 to 2029	\$ 376,540	\$ 433,644
Demand installment loan payable, (Egremont Landfill Site), CIBC, 2.5% interest, repayable in blended monthly payments of \$14,253, last scheduled payment March 1, 2021	990,252	1,134,608
Demand installment loan payable, CIBC, 2.70% interest, repayable in annual principal payments of \$70,000, last scheduled payment May 2023	280,000	350,000
Loan payable, Ontario Infrastructure and Lands Corporation, 2.35%, payable in blended semi-annual payments of \$210,468, due 2029	3,731,925	-
	\$ 5,378,717	\$ 1,918,252

The gross interest paid relating to the above long-term debt was \$62,496 and the gross interest expensed during the year was \$60,136.

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

2020	\$	604,353
2021		624,159
2022		639,665
2023		648,254
2024		573,049
Thereafter		2,289,237
		\$ 5,378,717

The Corporation of the Township of Southgate  
Notes to Financial Statements

8. Tangible Capital Assets

	2019								
	Land	Buildings	Equipment	Roads	Bridges	Water System	Sewer System	Other	Total
Cost, beginning of the year	\$ 3,473,100	\$ 4,368,405	\$ 9,566,415	\$ 33,260,704	\$ 13,736,174	\$ 5,611,429	\$ 4,832,340	\$ 1,299,750	\$ 76,148,317
Additions	69,474	223,204	1,331,007	1,362,098	143,334	4,392,503	116,318	38,189	7,676,127
Disposals	-	-	(92,337)	-	-	-	-	-	(92,337)
Re-allocation	-	-	-	(127,135)	127,135	-	-	-	-
Cost, end of the year	3,542,574	4,591,609	10,805,085	34,495,667	14,006,643	10,003,932	4,948,658	1,337,939	83,732,107
Accumulated amortization, beginning of the year	-	1,759,464	5,689,688	11,701,591	5,813,958	1,839,150	2,064,823	652,553	29,521,227
Amortization	-	88,541	613,660	656,497	259,156	130,166	106,388	29,814	1,884,222
Disposals	-	-	(92,337)	-	-	-	-	-	(92,337)
Accumulated amortization, end of the year	-	1,848,005	6,211,011	12,358,088	6,073,114	1,969,316	2,171,211	682,367	31,313,112
Net carrying amount, end of the year	\$ 3,542,574	\$ 2,743,604	\$ 4,594,074	\$ 22,137,579	\$ 7,933,529	\$ 8,034,616	\$ 2,777,447	\$ 655,572	\$ 52,418,995

The Corporation of the Township of Southgate  
Notes to Financial Statements

8. Tangible Capital Assets - (continued)

	2018								
	Land	Buildings	Equipment	Roads	Bridges	Water Systems	Sewer Systems	Other	Total
Cost, beginning of the year	\$ 3,469,452	\$ 4,302,928	\$ 9,423,555	\$ 32,752,318	\$ 13,711,813	\$ 5,236,172	\$ 4,727,984	\$ 1,282,776	\$ 74,906,998
Additions	3,785	65,477	555,155	508,386	24,361	375,257	104,356	16,974	1,653,751
Disposals	(137)	-	(412,295)	-	-	-	-	-	(412,432)
Cost, end of the year	3,473,100	4,368,405	9,566,415	33,260,704	13,736,174	5,611,429	4,832,340	1,299,750	76,148,317
Accumulated amortization, beginning of the year	-	1,672,973	5,506,376	11,057,223	5,554,626	1,723,396	1,962,004	622,445	28,099,043
Amortization	-	86,491	557,974	644,368	259,332	115,754	102,819	30,108	1,796,846
Disposals	-	-	(374,662)	-	-	-	-	-	(374,662)
Accumulated amortization, end of the year	-	1,759,464	5,689,688	11,701,591	5,813,958	1,839,150	2,064,823	652,553	29,521,227
Net carrying amount, end of the year	\$ 3,473,100	\$ 2,608,941	\$ 3,876,727	\$ 21,559,113	\$ 7,922,216	\$ 3,772,279	\$ 2,767,517	\$ 647,197	\$ 46,627,090

The Corporation of the Township of Southgate  
Notes to Financial Statements

December 31, 2019

8. Tangible Capital Assets - (continued)

The net book value of tangible capital assets not being amortized because they are under construction (or development) is \$3,785 (2018 - \$669,432).

During the year \$69,474 (2018 - \$Nil) in contributed tangible capital assets were recognized in the financial statements.

The Township has recorded land acquired before 1950 at nominal amounts.

9. Accumulated Surplus

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

	2019	2018
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	\$52,418,995	\$ 46,627,090
Unfinanced capital	(586,151)	(547,873)
Capital assets financed by long-term liabilities and to be funded in future years	(5,002,177)	(1,484,608)
<b>Total invested in capital assets</b>	<b>46,830,667</b>	<b>44,594,609</b>
Unfunded post-employment benefits	(129,842)	(133,809)
Unfunded solid waste landfill closure and post-closure costs	(320,000)	(350,000)
Unexpended insurance proceeds	-	321,386
Equity in Wellington North Power	146,346	138,086
	<b>46,527,171</b>	<b>44,570,272</b>
Reserves and reserve funds (Note 10)	<b>8,189,105</b>	<b>6,495,191</b>
<b>Accumulated surplus</b>	<b>\$54,716,276</b>	<b>\$ 51,065,463</b>

The Corporation of the Township of Southgate  
Notes to Financial Statements

December 31, 2019

10. Reserves and Reserve Funds Set Aside for Specific Purpose by Council

	2019	2018
Reserves		
Working funds	\$ 422,541	\$ 422,541
Current purposes	2,054,774	818,015
Capital purposes	5,249,269	4,883,005
	<u>7,726,584</u>	<u>6,123,561</u>
Reserve funds		
Capital purposes	462,521	371,630
	<u>462,521</u>	<u>371,630</u>
Reserves and reserve funds set aside for specific purpose by Council	<u>\$ 8,189,105</u>	<u>\$ 6,495,191</u>

11. Other Income

	2019 Budget	2019 Actual	2018 Actual
Penalties and interest on taxation	\$ 215,000	\$ 284,288	\$ 280,213
Other fines and penalties	550	550	550
Investment income	33,200	120,093	79,273
Licenses, permits and rents	542,710	731,373	544,622
Donations	130,629	28,049	12,705
Donation of contributed assets	-	69,474	-
Sale of land, equipment, publications, etc.	460,140	65,193	141
Gain on disposal of capital assets	740,500	78,125	387,535
Government business enterprises	-	8,260	21,005
Special charges	-	-	13,413
Contributions from development fees	1,224,092	503,968	40,273
Other	2,000	172,485	14,624
	<u>\$ 3,348,821</u>	<u>\$ 2,061,858</u>	<u>\$ 1,394,354</u>

The Corporation of the Township of Southgate  
Notes to Financial Statements

December 31, 2019

12. Budgets

Under Canadian public sector accounting principles, budget amounts are to be reported on the consolidated statements of operations and accumulated surplus and changes in net financial assets for comparative purposes. The 2019 budget amounts for the Corporation of the Township of Southgate approved by Council have been reclassified to conform to the presentation of the consolidated statements of operations and accumulated surplus and changes in net financial assets. The following is a reconciliation of the budget approved by Council.

	2019 Budget	2019 Actual	2018 Actual
Annual surplus (Page 6)	\$ 5,459,759	\$ 3,650,813	\$ 1,184,385
Amortization	1,884,000	1,884,222	1,796,846
Change in unfunded liabilities	-	(33,967)	(33,600)
Change in other surpluses	-	(8,260)	(21,005)
	7,343,759	5,492,808	2,926,626
Net transfers from (to) reserves	5,922	(1,693,914)	(989,812)
Capital acquisitions, disposals and write-down	(9,661,855)	(7,676,127)	(1,615,981)
Capital projects not funded	-	38,278	201,348
Unexpended capital	315,000	321,386	(321,386)
Proceeds from long-term debt	2,232,344	3,731,925	350,000
Debt principal repayments	(235,170)	(214,356)	(550,795)
General surplus (Note 9)	\$ -	\$ -	\$ -



The Corporation of the Township of Southgate  
Notes to Financial Statements

December 31, 2019

13. Government Transfers

	2019	2019	2018
	Budget	Actual	Actual
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 611,910	\$ 591,600	\$ 679,900
Conditional - Roads	29,400	46,406	27,156
- Other	111,037	736,928	124,810
	<u>752,347</u>	<u>1,374,934</u>	<u>831,866</u>
Other municipalities			
- Other	116,715	130,212	125,634
Total operating transfers	<u>869,062</u>	<u>1,505,146</u>	<u>957,500</u>
Tangible capital asset			
Province of Ontario			
Conditional - Roads	800,557	125,534	151,354
- Sewer and water	1,030,193	-	25,000
- Other	5,000	-	27,854
	<u>1,835,750</u>	<u>125,534</u>	<u>204,208</u>
Government of Canada			
Conditional - Roads	476,723	772,397	-
- Sewer and water	50,000	-	50,000
- Other	100,000	96,926	-
	<u>626,723</u>	<u>869,323</u>	<u>50,000</u>
Other municipalities - Other	-	64,295	-
Total tangible capital asset transfers	<u>2,462,473</u>	<u>1,059,152</u>	<u>254,208</u>
Total transfers	<u>\$ 3,331,535</u>	<u>\$ 2,564,298</u>	<u>\$ 1,211,708</u>

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The Corporation of the Township of Southgate  
Notes to Financial Statements

December 31, 2019

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14. Pension Agreements

The Township makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 41 members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement 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 2019 by the Township of Southgate was \$212,810 (2018 - \$175,479). The contribution rate for 2019 was 9.0% to 15.8% depending on age and income level (2018 - 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, 2019. At that time the plan reported a \$3.40 billion actuarial deficit (2018 - \$4.19 billion), based on actuarial liabilities of \$106.44 billion (2018 - \$99.06 billion) and actuarial assets of \$103.04 billion (2018 - \$94.87 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.

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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:

	2019	2018
School boards	\$ 1,961,170	\$ 1,895,597
County of Grey	3,417,073	3,114,636
	<u>\$ 5,378,243</u>	<u>\$ 5,010,233</u>

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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, 2019 there is sixteen years remaining.

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The Corporation of the Township of Southgate  
Notes to Financial Statements

December 31, 2019

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17. Trust Funds

The trust funds administered by the Township amounting to \$278,317 (2018 - \$263,946) 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, 2019, the trust fund balances are as follows:

	2019	2018
Cemetery Care and Maintenance funds	\$ 244,217	\$ 241,518
Egremont Optimist Club	30,641	17,612
Other	3,459	4,816
	<u>\$ 278,317</u>	<u>\$ 263,946</u>

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18. Commitments

- i) The Township has committed \$400,000 for the Markdale Hospital project should the project commence. The Township has transferred \$400,000 to a reserve.
  - ii) The Township has committed \$200,000 for the Mount Forest Louise Marshall Hospital Foundation for the expansion of the hospital's emergency department and ambulatory care area. The Township has transferred \$120,000 to a reserve. Subsequent to year end on February 26, 2020, the Township transferred the funds to the Foundation as construction began.
  - iii) 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, 2019, \$50,000 has been transferred to South-East Grey Community Health Centre.
  - iv) The Township has committed \$2,270,106 for the Main Street project of which approximately \$2,116,000 has been paid as of December 31, 2019 and \$375,000 for the Dundalk Arena Auditorium renovation of which approximately \$177,000 has been paid as of December 31, 2019.
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19. Contingencies

The Township of Southgate has been named as a defendant in a legal action for damages in the amount of \$850,000 plus 18 months pay. The Township's liability with respect to this action is not determinable at the present time. Amounts owing by the Township, if any, pursuant to this claim will be recorded when they are determinable.

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The Corporation of the Township of Southgate  
Notes to Financial Statements

December 31, 2019

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20. Subsequent Event

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. As the impacts of COVID-19 continue, there could be further impact on the Township, its citizens, employees, suppliers and other third party business associates that could impact the timing and amounts realized on the Township's assets and future ability to deliver services and projects. At this time, the full potential impact of COVID-19 on the Township is not known. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of disruption and the related financial impact cannot be reasonably estimated at this time. The Township's ability to continue delivering non-essential services and employ related staff will depend on the legislative mandates from the various levels of government. The Township will continue to focus on collecting receivables, managing expenditures, and leveraging existing reserves and available credit facilities to ensure it is able to continue providing essential services to its citizens.

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21. 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.

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The Corporation of the Township of Southgate  
Notes to Financial Statements

December 31, 2019

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21. Segmented Information - (continued)

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. The Township ensures water and sewage systems meet all Provincial standards.

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.

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.

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The Corporation of the Township of Southgate  
Notes to Financial Statements

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2019 Total
<b>Revenue</b>								
Taxation	\$ 770,279	\$ 1,610,589	\$ 3,221,177	\$ 420,154	\$ 70,026	\$ 700,256	\$ 210,077	\$ 7,002,558
Fees and user charges	47,797	28,727	29,582	1,530,509	22,681	156,831	142,053	1,958,180
Specific grants	609,082	130,284	944,337	94,021	-	194,974	-	1,972,698
OMPF grant	65,076	136,068	272,136	35,496	5,916	59,160	17,748	591,600
Other revenue	586,552	544,859	216,091	101,134	10,763	32,808	65,683	1,557,890
Transfers from obligatory reserve	-	22,500	92,064	364,130	-	8,916	16,358	503,968
	<u>2,078,786</u>	<u>2,473,027</u>	<u>4,775,387</u>	<u>2,545,444</u>	<u>109,386</u>	<u>1,152,945</u>	<u>451,919</u>	<u>13,586,894</u>
<b>Expenses</b>								
Salaries and benefits	848,250	430,070	798,200	576,233	6,933	402,277	181,582	3,243,545
Interest on debt	-	-	8,170	24,319	-	-	27,647	60,136
Materials and supplies	346,942	237,449	1,314,145	656,539	17,214	243,733	57,442	2,873,464
Contracted services	43,357	1,159,895	52,625	68,087	5,384	18,705	181,669	1,529,722
Other transfers	36,300	218,061	-	-	28,000	55,948	4,967	343,276
Rents and financial expenses	1,716	-	-	-	-	-	-	1,716
Amortization	58,258	79,090	1,234,038	382,197	3,363	127,276	-	1,884,222
	<u>1,334,823</u>	<u>2,124,565</u>	<u>3,407,178</u>	<u>1,707,375</u>	<u>60,894</u>	<u>847,939</u>	<u>453,307</u>	<u>9,936,081</u>
<b>Annual surplus (deficit)</b>	<b>\$ 743,963</b>	<b>\$ 348,462</b>	<b>\$ 1,368,209</b>	<b>\$ 838,069</b>	<b>\$ 48,492</b>	<b>\$ 305,006</b>	<b>\$ (1,388)</b>	<b>\$ 3,650,813</b>

The Corporation of the Township of Southgate  
Notes to Financial Statements

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2018 Total
<b>Revenue</b>								
Taxation	\$ 490,434	\$ 1,471,309	\$ 2,881,313	\$ 551,741	\$ 61,305	\$ 490,436	\$ 183,914	\$ 6,130,452
Fees and user charges	34,029	22,215	27,797	1,329,345	10,534	166,728	97,019	1,687,667
Specific grants	6,979	121,930	199,364	170,098	-	33,437	-	531,808
OMPF grant	54,392	163,176	319,553	61,191	6,799	54,392	20,397	679,900
Other revenue	544,976	353,026	15,576	401,158	10,165	29,180	-	1,354,081
Transfers from obligatory reserve	-	7,785	2,015	21,086	-	9,387	-	40,273
	<u>1,130,810</u>	<u>2,139,441</u>	<u>3,445,618</u>	<u>2,534,619</u>	<u>88,803</u>	<u>783,560</u>	<u>301,330</u>	<u>10,424,181</u>
<b>Expenses</b>								
Salaries and benefits	730,889	314,861	764,622	559,507	18,991	359,273	170,785	2,918,928
Interest on debt	-	-	8,525	29,947	-	-	32,894	71,366
Materials and supplies	296,858	224,437	1,304,364	619,413	22,658	260,797	45,179	2,773,706
Contracted services	51,710	1,193,890	28,786	33,460	-	-	49,290	1,357,136
Other transfers	17,773	211,580	-	-	28,000	55,244	4,967	317,564
Rents and financial expenses	4,250	-	-	-	-	-	-	4,250
Amortization	52,628	74,633	1,200,620	331,863	2,935	134,167	-	1,796,846
	<u>1,154,108</u>	<u>2,019,401</u>	<u>3,306,917</u>	<u>1,574,190</u>	<u>72,584</u>	<u>809,481</u>	<u>303,115</u>	<u>9,239,796</u>
<b>Annual surplus</b>	<b>\$ (23,298)</b>	<b>\$ 120,040</b>	<b>\$ 138,701</b>	<b>\$ 960,429</b>	<b>\$ 16,219</b>	<b>\$ (25,921)</b>	<b>\$ (1,785)</b>	<b>\$ 1,184,385</b>

The Corporation of the Township of Southgate  
Schedule of Deferred Revenue

For the year ended December 31, 2019

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
<b>Obligatory Reserve Funds</b>					
Development charges	\$ 3,001,154	\$ 1,968,261	\$ 65,982	\$ (503,968)	\$ 4,531,429
Federal gas tax	264,840	456,366	6,196	(727,402)	-
Recreational land	63,071	1,500	846	-	65,417
Main St. revitalization	44,151	-	844	(44,995)	-
	<u>3,373,216</u>	<u>2,426,127</u>	<u>73,868</u>	<u>(1,276,365)</u>	<u>4,596,846</u>
<b>Other</b>					
Community Based Capital Project	-	238,205	-	-	238,205
Ontario Community Infrastructure Fund	-	232,901	1,547	(125,534)	108,914
Source Water Protection	23,291	-	-	(23,291)	-
Other revenue	88,829	29,500	-	(47,996)	70,333
	<u>112,120</u>	<u>500,606</u>	<u>1,547</u>	<u>(196,821)</u>	<u>417,452</u>
	<u>\$ 3,485,336</u>	<u>\$ 2,926,733</u>	<u>\$ 75,415</u>	<u>\$(1,473,186)</u>	<u>\$ 5,014,298</u>

For the year ended December 31, 2018

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
<b>Obligatory Reserve Funds</b>					
Development charges	\$ 1,961,038	\$ 1,044,619	\$ 35,770	\$ (40,273)	\$ 3,001,154
Federal gas tax	34,621	229,009	1,210	-	264,840
Recreational land	62,132	500	439	-	63,071
Main St. revitalization	-	44,151	-	-	44,151
	<u>2,057,791</u>	<u>1,318,279</u>	<u>37,419</u>	<u>(40,273)</u>	<u>3,373,216</u>
<b>Other</b>					
Source Water Protection	37,071	-	-	(13,780)	23,291
Other revenue	9,500	88,829	-	(9,500)	88,829
	<u>46,571</u>	<u>88,829</u>	<u>-</u>	<u>(23,280)</u>	<u>112,120</u>
	<u>\$ 2,104,362</u>	<u>\$ 1,407,108</u>	<u>\$ 37,419</u>	<u>\$ (63,553)</u>	<u>\$ 3,485,336</u>



The Corporation of the  
Township of Southgate  
Trust Funds  
Financial Information  
For the year ended December 31, 2019

DRAFT

The Corporation of the Township of Southgate  
Trust Funds  
For the year ended December 31, 2019

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The Corporation of the Township of Southgate

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BDO Canada LLP  
1717 2<sup>nd</sup> Avenue E, Third Floor  
PO Box 397  
Owen Sound ON N4K 5P7 Canada

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## Independent Auditor's Report

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

### Opinion

We have audited the accompanying financial information of the Corporation of the Township of Southgate Trust Funds (Trust Funds), which comprise the balance sheet as at December 31, 2019, the statement of continuity for the year then ended, and notes to the financial information including a summary of significant accounting policies.

In our opinion, the accompanying financial information present fairly, in all material respects, the balance sheet for the Trust Funds as at December 31, 2019 and the statement of continuity 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 Financial information section of our report. We are independent of the Trust Funds in accordance with the ethical requirements that are relevant to our audit of the financial information 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.

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

Management is responsible for the preparation and fair presentation of this financial information in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

In preparing the financial information, management is responsible for assessing the Trust Funds 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 Trust Funds or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Trust Funds financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the financial information as a whole is 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 this financial information.

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 financial information, 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 Trust Funds 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 Trust Funds 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 information 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 Trust Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial information, including the disclosures, and whether the financial information represents 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.

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario  
October 21, 2020

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The Corporation of the Township of Southgate  
Trust Funds  
Balance Sheet

December 31, 2019

	Total	Cemetery Care and Maintenance	Egremont Optimist Club	Other
<b>Assets</b>				
Cash	\$ 80,133	\$ 69,537	\$ 10,596	\$ -
Investments, at cost	165,277	165,277	-	-
Due from Township of Southgate	32,907	9,403	20,045	3,459
<b>Fund balance</b>	<b>\$ 278,317</b>	<b>\$ 244,217</b>	<b>\$ 30,641</b>	<b>\$ 3,459</b>

Statement of Continuity

For the year ended December 31, 2019

	Total	Cemetery Care and Maintenance	Egremont Optimist Club	Other
Balance, beginning of the year	\$ 263,946	\$ 241,518	\$ 17,612	\$ 4,816
<b>Receipts</b>				
Share of plot sales	2,699	2,699	-	-
Interest earned	5,926	5,544	382	-
Donations	50,955	-	50,255	700
	59,580	8,243	50,637	700
<b>Expenses</b>				
Funds released	45,209	5,544	37,608	2,057
<b>Balance, end of the year</b>	<b>\$ 278,317</b>	<b>\$ 244,217</b>	<b>\$ 30,641</b>	<b>\$ 3,459</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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The Corporation of the Township of Southgate  
Trust Funds  
Notes to Financial Information

December 31, 2019

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1. Summary of Significant Accounting Policies

**Management Responsibility** Management of the Corporation of the Township of Southgate has prepared and is responsible for the integrity, objectivity and accuracy of this financial information. The Council reviews and approves the financial information.

**Basis of Accounting** The financial information of the Corporation of the Township of Southgate Trust Funds are the representation of management. They have been prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada as prescribed by the Ontario Ministry of Municipal Affairs and Housing.

Revenue 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.

**Use of Estimates**

The preparation of financial information 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 information, and the reported amounts of revenues and expenses during the reporting period. 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.

**Basis of Consolidation**

These trust funds have not been consolidated with the financial statements of the Township.

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2. Investments

The total investments of \$165,277 (2018 - \$165,277) reported on the balance sheet at cost have a market value of \$165,277 (2018 - \$165,277) at the end of the year.

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## APPENDIX B: UNADJUSTED DIFFERENCES



Township of Southgate  
Summary of Unadjusted Misstatements  
December 31, 2019

Description of the Misstatement	Identified Misstatement	Projected Misstatement	Estimates	Pre-Tax Proposed Adjustments				Details of why no adjustment has been made to financial statements
				Assets Dr(Cr)	Liabilities Dr(Cr)	Opening R/E Dr(Cr)	Income Dr(Cr)	
Land Deposits	17,000	-	-	-	(17,000)	-	17,000	
Cannabis Legalization Grant	10,000	-	-	-	(10,000)	-	10,000	
Sand and Salt Inventory understated	16,778	-	-	16,778	-	-	(16,778)	
Comitment to Egremont Optimist Trust Fund	30,000	-	-	-	-	30,000	(30,000)	Correct as at 12/31/2019
Estimated Future Taxation Revenue understated	-	-	45,400	45,400	(24,400)	-	(21,000)	
Likely Aggregate Misstatements Before Effect of Previous Year's Errors and Estimates	73,778	-	45,400	62,178	(51,400)	30,000	(40,778)	
Effect of Previous Year's Errors, Net of Tax Effects				14,806	-	(14,806)	-	
Tax Effect				-	-	-	-	
Likely Aggregate Misstatements				76,984	(51,400)	15,194	(40,778)	

# APPENDIX C: REPRESENTATION LETTER

Township of Southgate  
RR#1  
185667 Grey Road 9  
Dundalk ON N0C1B0

October 21, 2020

BDO Canada LLP  
Chartered Professional Accountants  
1717 2nd Ave. E., 3rd Floor  
PO Box 397  
Owen Sound ON N4K5P7

This representation letter is provided in connection with your audit of the financial statements of Township of Southgate for the year ended December 31, 2019, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### Financial Statements

We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated November 19, 2019, for the preparation of the financial statements in accordance with Canadian public sector accounting standards; in particular, the financial statements are fairly presented in accordance therewith.

- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.
- All events subsequent to the date of the financial statements and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed.
- The financial statements of the entity use appropriate accounting policies that have been properly disclosed and consistently applied.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
- We have reviewed and approved all journal entries recommended by the practitioners during the audit. A list of the journal entries is attached to the representation letter.

### Information Provided

- We have provided you with:
  - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

- We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

## Fraud and Error

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.

## General Representations

- Where the value of any asset has been impaired, an appropriate provision has been made in the financial statements or has otherwise been disclosed to you.
- We have provided you with significant assumptions that in our opinion are reasonable and appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity when relevant to the use of fair value measurements or disclosures in the financial statements.
- We confirm that there are no derivatives or off-balance sheet financial instruments held at year end that have not been properly recorded or disclosed in the financial statements.
- Except as disclosed in the financial statements, there have been no changes to title, control over assets, liens or assets pledged as security for liabilities or collateral.
- The entity has complied with all provisions in its agreements related to debt and there were no defaults in principal or interest, or in the covenants and conditions contained in such agreements.
- There have been no plans or intentions that may materially affect the recognition, measurement, presentation or disclosure of assets and liabilities (actual and contingent).
- The nature of all material uncertainties have been appropriately measured and disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate

will change in the near term and the effect of the change could be material to the financial statements.

- There were no direct contingencies or provisions (including those associated with guarantees or indemnification provisions), unusual contractual obligations nor any substantial commitments, whether oral or written, other than in the ordinary course of business, which would materially affect the financial statements or financial position of the entity, except as disclosed in the financial statements.

#### Other Representations Where the Situation Exists

- We have informed you of all known actual or possible litigation and claims, whether or not they have been discussed with legal counsel. Since there are no actual, outstanding or possible litigation and claims, no disclosure is required in the financial statements.
- Evaluated all land owned by the Township or where the Township has accepted responsibility for the land as to whether there are sites in the Scope of PS 3620 Liability for Contaminated Sites.
- Made available to you all financial records and related data relevant to the assessment of the liability for contaminated sites.
- No contaminated sites in the Scope of PS 3260
- To the extent that our normal procedures and controls related to our financial statement close process at any of our locations were adversely impacted by the COVID-19 outbreak, we took appropriate actions and safeguards to reasonably ensure the fair presentation of the financial statements in accordance with Canadian public sector accounting standards.

Yours truly,

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Position

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Position