




Township of Southgate

AUDIT FINAL REPORT TO THE MEMBERS OF COUNCIL

October 5, 2022



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To the Members of Council of the Township of Southgate

We are pleased to provide you with the results of our audit of Township of Southgate (the "Township") consolidated financial statements for the year ended December 31, 2021.

The enclosed final report includes our approach to your audit, including: significant risks identified and the nature, extent, and results of our audit work. We also report any significant internal control deficiencies (if any) identified during our audit and reconfirm our independence.

During the course of our audit, management made certain representations to us, in discussions and in writing. We documented these representations in the audit working papers.

We look forward to discussing our audit conclusions with you. In the meantime, please feel free to contact us if you have any questions or concerns.

Yours truly,

Chartered Professional Accountants, Licensed Public Accountants

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EXECUTIVE SUMMARY

Status of the Audit

As of the date of this report, we have substantially completed our audit of the 2021 consolidated financial statements pending the completion of the items highlighted below. These items will need to be completed prior to issuance of our final audit report on the consolidated financial statements:

- ▶ Approval of consolidated financial statements by Council
- ▶ Receipt of signed management representation letter dated as of the final report date
- ▶ 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.

The scope of the work performed was substantially the same as that described in our Planning Report to the Members of Council dated May 28, 2022.

Independence

We have identified relationships between Township of Southgate and our Firm that may reasonably be thought to have influenced our independence. These are further discussed in [Appendix B](#).

Materiality

As communicated to you in our Planning Report to the Members of Council preliminary materiality is \$400,000. Final materiality remained unchanged from our preliminary assessment.

Fraud Discussion

We are not aware of any fraud affecting the Township. If you have become aware of changes to processes or are aware of any instances of actual, suspected or alleged fraud since our discussions held at planning, please let us know.

AUDIT FINDINGS

Our audit strategy and procedures focused on the risks specific to your Township and key accounts as outlined in our Planning report to the Members of Council. There were no changes to our planning procedures. No additional risks were identified during the audit.

Significant Risks of Material Misstatement	Audit Findings
Control Environment	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.
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.
Contingencies and Commitments	To address this risk we discussed outstanding legal matters with management and sent legal confirmations to the Township's legal counsel.

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 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 standards and have been consistently applied.

A summary of the key discussion points are as follows:

Significant Financial Statement Disclosures	Audit Findings
Accumulated Surplus	A breakdown of the Township's accumulated surplus is included in Note 8. 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.
Contingencies/Litigation Proceedings	We have discussed with management and they have indicated there are outstanding claims against the Township. We will also be communicating with the Township's legal counsel. These claims are disclosed in Note 16.
Commitments	Significant commitments to health care organizations as well as other capital commitments have been disclosed in Note 18.
Uncertainty due to COVID-19	Due to the global pandemic's impact on almost all businesses, disclosure relating to COVID-19 is made in Note 19.

Significant Estimates and Judgements	Audit Findings
Post-Employment Benefits	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. Amounts have been estimated for post-employment benefits. Management performed trend analysis of historical data and used the same approach to value the liability as in the prior year.
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; 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.
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.

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.

We did not find any deficiencies in the design and implementation of the internal controls tested during the audit, however the capital asset module did not provided adequate reports and audit support for capital assets and amortization had to be prepared manually by management. We have outlined issues in the accounting systems in a letter to management along with our recommendations for improvements.

The audit expresses an opinion on the Township's consolidated financial statements. As a result, it does not cover every aspect of internal control - only those relevant to preparing the consolidated financial statements and designing appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

ADJUSTED AND UNADJUSTED DIFFERENCES

We have disclosed all significant adjusted and unadjusted differences and disclosure omissions identified through the course of our audit engagement. Each of these items has been discussed with management.

A summary of unadjusted differences is shown below.

Township of Southgate
Summary of Unadjusted Misstatements
December 31, 2021

Description of Misstatement	Identified Misstatements	Projections of Identified Misstatements	Estimates	Proposed Adjustments			
				Assets Dr(Cr)	Liabilities Dr(Cr)	Opening R/E Dr(Cr)	Income Dr(Cr)
Negative balances in AR	114,538			114,538	(114,538)		
One Investment recorded at market instead of cost	32,916			32,916			(32,916)
	-				-	-	
Likely Aggregate Misstatements Before Effect of Previous Year's Errors and Estimates	147,454	-	-	147,454	(114,538)	-	(32,916)
Effect of Previous Year's Errors				-	-	-	-
Likely Aggregate Misstatements				147,454	(114,538)	-	(32,916)

Township of Southgate
Year End: December 31, 2021
Adjusting Journal Entries
Date: 01/12/1999 To 12/31/2021

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit
BDO#1	12/31/2021	TOS - Equity - Accumulated Net Revenue	01-0000-3001	FS.02		384,761.79	
BDO#1	12/31/2021	TOS - Equity - Accumulated Net Revenue	01-0000-3001	FS.02			148,357.11
BDO#1	12/31/2021	TOS - Equity - Accumulated Net Revenue	01-0000-3001	FS.02			3,204,087.81
BDO#1	12/31/2021	TOS - Equity - Accumulated Net Revenue	01-0000-3001	FS.02		34,462.65	
BDO#1	12/31/2021	TOS - Equity - Accumulated Net Revenue	01-0000-3001	FS.02		3,372.21	
BDO#1	12/31/2021	TOS - Equity - Accumulated Net Revenue	01-0000-3001	FS.02		41,257.19	
BDO#1	12/31/2021	TOS - Equity - Accumulated Net Revenue	01-0000-3001	FS.02		21,704.78	
BDO#1	12/31/2021	TOS - A/P - Fund 02 - Wastewater	01-0002-1910	FS.02			384,761.79
BDO#1	12/31/2021	TOS - A/P - Fund 03 - Waterworks	01-0003-1910	FS.02		148,357.11	
BDO#1	12/31/2021	TOS - Due To Fund 04 Recreation	01-0004-1910	FS.02			34,462.65
BDO#1	12/31/2021	TOS - Due To Fund 05 Cemetery	01-0005-1910	FS.02			3,372.21
BDO#1	12/31/2021	TOS - Due To Fund 06 Arena	01-0006-1910	FS.02			41,257.19
BDO#1	12/31/2021	TOS - Due To Fund 07 Library	01-0007-1910	FS.02			21,704.78
BDO#1	12/31/2021	TOS - Due To Fund 08 Capital Fund	01-0008-1910	FS.02		3,204,087.81	
BDO#1	12/31/2021	WW - Sewer Accumulated Net Revenue	02-0000-3001	FS.02			384,761.79
BDO#1	12/31/2021	WW - Due To Fund 01 Twp Assets	02-0001-1910	FS.02		384,761.79	
BDO#1	12/31/2021	Wtr - Waterworks Accum Net Revenue	03-0000-3001	FS.02		148,357.11	
BDO#1	12/31/2021	Wtr - Due From Fund 01 Southgate	03-0001-1910	FS.02			148,357.11
BDO#1	12/31/2021	Rec/D - Recreation Accum Net Revenue	04-0000-3001	FS.02			34,462.65
BDO#1	12/31/2021	Rec/D - Due From Fund 01 Southgate	04-0001-1910	FS.02		34,462.65	
BDO#1	12/31/2021	Cem - Cemetery Accum Net Revenue	05-0000-3001	FS.02			3,372.21
BDO#1	12/31/2021	Cem - Due From Fund 01 Southgate	05-0001-1910	FS.02		3,372.21	
BDO#1	12/31/2021	Rec/A - Accumulated Net Revenue	06-0000-3001	FS.02			41,257.19
BDO#1	12/31/2021	Rec/A - Due From Fund 01 Southgate	06-0001-1910	FS.02		41,257.19	
BDO#1	12/31/2021	Lib - Accumulated Net Revenue	07-0000-3001	FS.02			21,704.78
BDO#1	12/31/2021	Lib - Due From Fund 01 Southgate	07-0001-1910	FS.02		21,704.78	
BDO#1	12/31/2021	Cap - Equity Account	08-0000-3001	FS.02		3,204,087.81	
BDO#1	12/31/2021	Cap/Inter - Due From Fund 01 Southgate	08-0001-1910	FS.02			3,204,087.81
To balance the opening equity accounts to prior year.							
BDO#2	12/31/2021	ResFd/Inter - Due To/From Southgate (Fund 01)	09-0001-1910	SS.02		2,972,522.05	
BDO#2	12/31/2021	ResFd/Inter - Due to Gen. Fd - Obl. Res. Fds.	09-0001-1911	SS.02			2,972,522.05
BDO#2	12/31/2021	ResFd/Dev Charge - Equity	09-0012-3001	SS.02			3,975,698.18
BDO#2	12/31/2021	ResFd/Parkland - Equity	09-0013-3001	SS.02			1,478.52
BDO#2	12/31/2021	ResFd/GreyCtyCIPGrant - Equity	09-0025-3001	SS.02			9,000.00
BDO#2	12/31/2021	ResFd/OCIF-FCGrant - Equity	09-0026-3001	SS.02		28,637.05	
BDO#2	12/31/2021	Change - Obligatory Reserves	09-9998-9998	SS.02		3,957,539.65	
To record the change in the Obligatory Reserve Funds and to record the amount due to the Obligatory Reserve Fund.							
BDO#3	12/31/2021	ResFd/Equity	09-0000-3001	SS.02			36,380.06
BDO#3	12/31/2021	Change - Discretionary Reserve Funds	09-9998-9999	SS.02		36,380.06	
To record the 2021 change for the year in discretionary reserve funds.							
BDO#4	12/31/2021	TOS - Fixed Asset - Surplus Account	01-0000-3015	LS U.02			1,086,399.62
BDO#4	12/31/2021	Change - Tangible Capital Assets	01-9999-9998	LS U.02		1,086,399.62	
BDO#4	12/31/2021	WW - WasteWater - Fixed Asset Surplus/Deficit	02-0000-3015	LS U.02		24,767.60	
BDO#4	12/31/2021	WW - Change in TCA	02-9999-9998	LS U.02			24,767.60
BDO#4	12/31/2021	Wtr - Fixed Asset Surplus/Deficit	03-0000-3015	LS U.02			33,328.40
BDO#4	12/31/2021	Wtr - Change - Tangible Capital Assets	03-9999-9998	LS U.02		33,328.40	
To record the change in TCA for the year.							
BDO#5	12/31/2021	Rds - Sale of Assets - Non-TCA Adj	08-2221-9801				7,352.29
BDO#5	12/31/2021	Rds - Sale of Assets - Non-TCA Expense	08-2221-9802			7,352.29	
BDO#5	12/31/2021	Cap - Grader - Non-TCA Adj	08-2223-9801				1,869.84
BDO#5	12/31/2021	Cap - Grader - Non-TCA Expense	08-2223-9802			1,869.84	
To expense non-TCA recorded in the 08 Fund							
BDO#6	12/31/2021	Wtr - Well #5 - Trsf from Oblig Reserve	03-3051-6015	SS.02			215,471.28
BDO#6	12/31/2021	Wtr - Well # 5 - Tsfr from Res	03-3051-6085	SS.02		215,471.28	

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Prepared by	Detail Rev	Gen Rev	Quality Rev
4th Level Rev	Tax Rev	IS Audit Rev	Other Rev

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Township of Southgate
Year End: December 31, 2021
Adjusting Journal Entries
Date: 01/12/1999 To 12/31/2021

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit
To move the funding of Well D5 debt payment to transfer from obligatory reserve as funded by development charges.							
BDO#7	12/31/2021	TOS - Accruals - Landfill - Dundalk	01-0000-2180	HH_PS.03		4,000.00	
BDO#7	12/31/2021	TOS - PSAB - Landfill Post Closure Costs	01-0000-2900	HH_PS.03			4,000.00
BDO#7	12/31/2021	SW - Eg Landfill Op/Cover - PSAB Adj	01-3070-9900	HH_PS.03			4,000.00
BDO#7	12/31/2021	Change - Landfill Liability	01-9999-9909	HH_PS.03		4,000.00	
To adjust the landfill liability and record the corresponding change for the year.							
BDO#8	12/31/2021	HR - Other	01-1024-7314	OO.09			136,500.00
BDO#8	12/31/2021	Building - Benefits	01-2040-7150	OO.09			3,050.00
BDO#8	12/31/2021	Change - Post Employment Benefits	01-9999-9910	OO.09		136,500.00	
BDO#8	12/31/2021	Change - Post Employment Benefits	01-9999-9910	OO.09		3,050.00	
To adjust the PEB expensed in the year by the client to fund liability to the change in year account.							
BDO#9	12/31/2021	Dundalk Community Events - Equity Account	10-0001-3001	LS SS.16			1,770.99
BDO#9	12/31/2021	Dundalk Community Events - Change in the year IS	10-9999-9997	LS SS.16		1,770.99	
Record change in the parade 10-0020 accounts which is a reserve and a trsf to reserve							
BDO#10	12/31/2021	TrustFd/Equity - Equity	10-0000-3001				25,084.08
BDO#10	12/31/2021	TrustFd/Change for the year	10-9999-9998			25,084.08	
To record change in Trust Funds for the year							
BDO#11	12/31/2021	TOS - Due From Trust Fund	01-0000-1602			1,770.99	
BDO#11	12/31/2021	TOS - Due To/From Fund 10	01-0010-1910			1,921.29	
BDO#11	12/31/2021	TOS - Due To/From Fund 10 - Dundalk Community Ev	01-0010-1911				1,770.99
BDO#11	12/31/2021	TrustFd/Inter - Due To/From Fund 01	10-0001-1910				1,921.29
BDO#11	12/31/2021	TrustFd/Inter - Due To/From Fund 01 - Dundalk Comm	10-0001-1911			1,770.99	
BDO#11	12/31/2021	TrustFd/DunParade - Due to/from Southgate	10-0020-2450				1,770.99
To adjust late client trace #069400 PBC#4 which was a one sided fund entry							
BDO#12	12/31/2021	Canine - Interfunctional	01-2060-7301			750.00	
BDO#12	12/31/2021	Canine - Computer Support Fees	01-2060-7359				750.00
BDO#12	12/31/2021	WW-Admin-Interfunctional	02-3025-7301			1,500.00	
BDO#12	12/31/2021	WW - Admin - Computer Services	02-3025-7359				1,500.00
BDO#12	12/31/2021	Wtr-Admin-Interfunctional	03-3031-7301			3,000.00	
BDO#12	12/31/2021	Wtr - Admin - Computer Services	03-3031-7359				3,000.00
BDO#12	12/31/2021	Rec/A - Admin-Interfunctional	06-4515-7301			1,200.00	
BDO#12	12/31/2021	Rec/A - Admin - Bookkeeping Fees	06-4515-7316				1,200.00
To Balance Interfunctionals							
BDO#13	12/31/2021	Wtr - Meters - Mat/Supplies	03-3034-7310			5,268.32	
BDO#13	12/31/2021	Wtr - Meters - Tsr to Capital	03-3034-7500				5,268.32
To move expense posted to trasf to capital 03-3034-7500 in trace#63525 but was not recorded in the capital fund							
BDO#15	12/31/2021	Cap - Equity Account	08-0000-3001				47.72
BDO#15	12/31/2021	Change for the year - Unfinanced Capital	08-9999-9997			47.72	
To adjust unfinanced capital to actual.							
						16,231,909.30	16,231,909.30
Net Income (Loss)			0.00				

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Prepared by	Detail Rev	Gen Rev	Quality Rev
4th Level Rev	Tax Rev	IS Audit Rev	Other Rev

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APPENDIX A: INDEPENDENT AUDITOR'S REPORT

The Corporation of the
Township of Southgate
Financial Information
For the year ended December 31, 2021

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The Corporation of the Township of Southgate
Financial Information
For the year ended December 31, 2021

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The Corporation of the Township of Southgate

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The Corporation of the Township of Southgate
Financial Statements
For the year ended December 31, 2021

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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, 2021 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, 2021 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 5, 2022

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The Corporation of the Township of Southgate

Consolidated Statement of Financial Position

December 31	2021	2020
Financial assets		
Cash (Note 1)	\$17,856,635	\$ 14,394,647
Short term investments (Note 2)	1,428,615	1,434,895
Taxes receivable	1,573,463	2,162,643
Trade and other receivable	2,294,001	1,393,496
Long-term receivables (Note 3)	244,261	285,992
Investment in Wellington North Power	49,388	49,388
	<u>23,446,363</u>	<u>19,721,061</u>
Liabilities		
Accounts payable and accrued liabilities	2,134,456	2,857,177
Solid waste landfill closure and post-closure liabilities (Note 4)	229,000	233,000
Post-employment benefits (Note 5)	149,650	139,550
Deferred revenue (Page 27)	11,835,145	7,872,935
Long-term liabilities (Note 6)	4,125,833	4,734,969
	<u>18,474,084</u>	<u>15,837,631</u>
Net financial assets	4,972,279	3,883,430
Non-financial assets		
Inventory of supplies	342,601	294,419
Prepaid expenses	205,837	128,933
Tangible capital assets (Note 7)	55,465,551	54,370,591
Accumulated surplus (Note 8)	<u>\$60,986,268</u>	<u>\$ 58,677,373</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 Operations and Accumulated Surplus

For the year ended December 31	2021 Budget (Note 11)	2021 Actual	2020 Actual
Revenue			
Taxation	\$ 8,295,094	\$ 8,151,577	\$ 7,819,783
Fees and user charges	2,133,584	2,336,996	2,322,722
Government transfers (Note 12)	2,033,191	1,996,715	1,919,998
Other income (Note 10)	4,610,430	2,113,301	1,621,410
	<u>17,072,299</u>	<u>14,598,589</u>	<u>13,683,913</u>
Expenses			
General government	1,587,027	1,452,355	1,397,340
Protection services	2,501,483	2,646,646	2,223,238
Transportation services	4,086,425	4,298,889	3,707,670
Environmental services	1,953,405	2,096,302	1,795,332
Health services	75,513	478,209	278,124
Recreation and cultural services	898,334	811,851	830,956
Planning and development	369,524	505,442	419,317
	<u>11,471,711</u>	<u>12,289,694</u>	<u>10,651,977</u>
Annual surplus (Note 11)	5,600,588	2,308,895	3,031,936
Accumulated surplus, beginning of the year	<u>58,677,373</u>	<u>58,677,373</u>	<u>55,645,437</u>
Accumulated surplus, end of the year	<u>\$ 64,277,961</u>	<u>\$60,986,268</u>	<u>\$ 58,677,373</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	2021 Budget (Note 11)	2021 Actual	2020 Actual
Annual surplus (Page 6)	\$ 5,600,588	\$ 2,308,895	\$ 3,031,936
Acquisition of tangible capital assets	(6,064,033)	(3,357,820)	(3,196,954)
Amortization of tangible capital assets	2,210,000	2,149,900	2,033,699
(Gain) loss on sale of tangible capital assets	-	(552,985)	100,820
Proceeds on disposal of capital assets	-	665,945	40,000
	(3,854,033)	(1,094,960)	(1,022,435)
Change in prepaid expenses	-	(76,904)	(19,820)
Change in inventories of supplies	-	(48,182)	(64,339)
	(3,854,033)	(1,220,046)	(1,106,594)
Increase in net financial assets	1,746,555	1,088,849	1,925,342
Net financial assets, beginning of the year	3,883,430	3,883,430	1,958,088
Net financial assets, end of the year	\$ 5,629,985	\$ 4,972,279	\$ 3,883,430

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 Cash Flows

For the year ended December 31 2021 2020

Cash provided by (used in)

Operating activities

Annual surplus (Page 6)	\$ 2,308,895	\$ 3,031,936
Items not involving cash		
Change in landfill closure and post-closure liability	(4,000)	(87,000)
Change in post-employment benefits	10,100	9,708
Amortization	2,149,900	2,033,699
Deferred revenue recognized	(989,872)	(1,228,646)
Contributed capital assets	(12,500)	(25,425)
Loss (gain) on sale of capital assets	(552,985)	100,820
	<u>2,909,538</u>	<u>3,835,092</u>

Changes in non-cash working capital balances

Taxes receivable	589,180	16,400
Trade and other receivable	(900,505)	109,228
Inventory of supplies	(48,182)	(64,339)
Prepaid expenses	(76,904)	(19,820)
Accounts payable and accrued liabilities	(722,721)	872,830
Deferred revenue received	<u>4,952,082</u>	<u>4,087,283</u>
	<u>6,702,488</u>	<u>8,836,674</u>

Capital transactions

Cash used to acquire capital assets	(3,345,320)	(3,171,529)
Proceeds on sale of capital assets	<u>665,945</u>	<u>40,000</u>
	<u>(2,679,375)</u>	<u>(3,131,529)</u>

Investing activities

Additions to long-term receivables	-	(50,000)
Decrease in long-term receivables	41,731	259,314
Change in investment in Wellington North Power	-	96,958
	<u>41,731</u>	<u>306,272</u>

Financing activities

Proceeds from long-term liabilities	-	50,000
Repayment of long-term liabilities	<u>(609,136)</u>	<u>(693,748)</u>
	<u>(609,136)</u>	<u>(643,748)</u>

Net change in cash and cash equivalents 3,455,708 5,367,669

Cash and cash equivalents, beginning of the year 15,829,542 10,461,873

Cash and cash equivalents, end of the year \$19,285,250 \$ 15,829,542

Cash and cash equivalents are comprised of:

Cash	\$17,856,635	\$ 14,394,647
Short term investments	<u>1,428,615</u>	<u>1,434,895</u>
	<u>\$19,285,250</u>	<u>\$ 15,829,542</u>

The Corporation of the Township of Southgate

Summary of Significant Accounting Policies

December 31, 2021

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%
--	------

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.

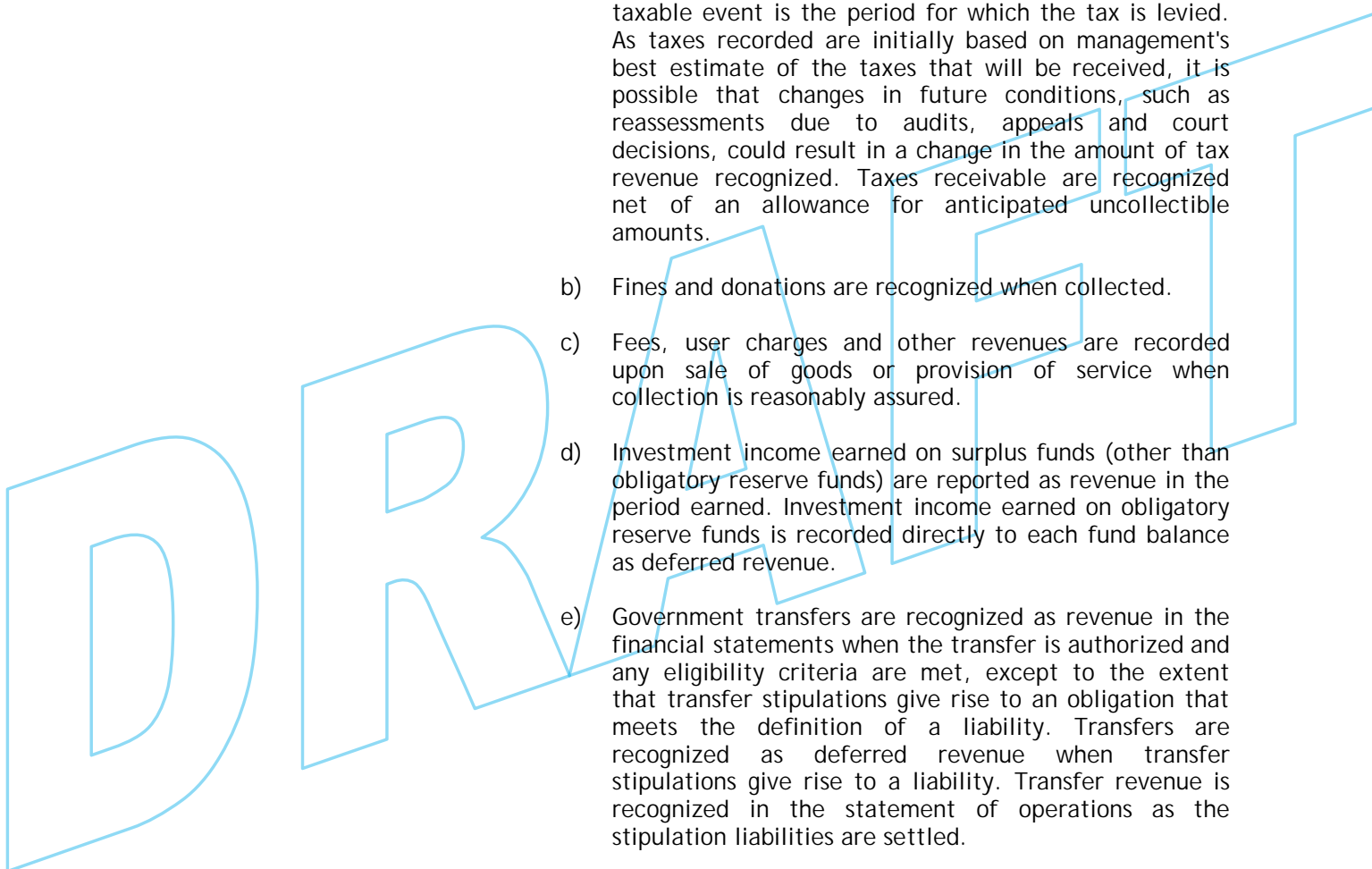
The Corporation of the Township of Southgate

Summary of Significant Accounting Policies

December 31, 2021

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. 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.
 - 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.

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.

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

Summary of Significant Accounting Policies

December 31, 2021

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 and vehicles	5 to 30 years
Roads	44 to 50 years
Bridges and culverts	50 years
Water systems	10 to 70 years
Wastewater systems	10 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.

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.

The Corporation of the Township of Southgate

Notes to Financial Statements

December 31, 2021

1. Cash

	2021	2020
Unrestricted	\$ 6,910,783	\$ 10,378,857
Restricted	10,945,852	4,015,790
	<u>\$17,856,635</u>	<u>\$ 14,394,647</u>

On December 31, 2021, the Township had deposits of \$17,936,396 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

	2021	2020
One Fund - Bond Fund - Public Sector Group of Funds	\$ 428,615	\$ 434,895
Northern Credit Union - Guaranteed Investment Certificates, non-redeemable, interest rates of 1% to 1.25% (2020 - 1.6%), matures June 2022 to June 2023 (2020 - June 2021).	1,000,000	1,000,000
	<u>\$ 1,428,615</u>	<u>\$ 1,434,895</u>

Investments have a market value of \$1,428,615 (2020 - \$1,434,895) 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

	2021	2020
Tile drainage loans, 6%, various repayment amounts, due from 2022 to 2030	\$ 244,261	\$ 285,992

The Corporation of the Township of Southgate
Notes to Financial Statements

December 31, 2021

4. 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 \$229,000 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 3.4%. 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 \$66,700. There are unopened cells at Egremont, for which no liability has been accrued. The estimated remaining capacity of the total Egremont site is approximately 279,642 cubic metres, which will be filled in an estimated 99 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 2 years and 8 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.

5. Post-Employment Benefit

	2021	2020
Accrued benefit liability, beginning of the year	\$ 139,550	\$ 129,842
Benefits earned	13,900	14,158
Benefits paid	(3,800)	(4,450)
Accrued benefit liability, end of the year	<u>\$ 149,650</u>	<u>\$ 139,550</u>

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, 2021

6. Long-Term Liabilities

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

	2021	2020
Tile drain loans payable, 6%, due from 2022 to 2030	\$ 244,261	\$ 285,992
Demand installment loan payable, (Egremont Landfill Site), CIBC, 2.5% interest, repayable in blended monthly payments of \$14,253, last scheduled payment March 2026	687,959	842,246
Demand installment loan payable, CIBC, 1.218% interest, repayable in annual principal payments of \$70,000, last scheduled payment May 2023	140,000	210,000
Loan payable, Ontario Infrastructure and Lands Corporation, 2.35%, payable in blended semi-annual payments of \$210,468, due 2029	3,053,613	3,396,731
	<u>\$ 4,125,833</u>	<u>\$ 4,734,969</u>

The gross interest paid in the year relating to the above long-term debt was \$105,796.

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

2022	\$ 633,393
2023	641,607
2024	566,002
2025	570,550
2026	448,151
Thereafter	<u>1,266,130</u>
	<u>\$ 4,125,833</u>

The Corporation of the Township of Southgate
Notes to Financial Statements

7. Tangible Capital Assets

	2021								
	Land	Buildings	Equipment and Vehicles	Roads	Bridges and Culverts	Water System	Wastewater System	Work in Progress	Total
Cost, beginning of the 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)
Cost, end of the 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, beginning of the 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)
Accumulated amortization, end of the year	-	2,047,764	6,847,787	13,960,567	6,490,459	2,264,934	2,648,220	-	34,259,731
Net carrying amount, end of the year	\$ 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

The Corporation of the Township of Southgate
Notes to Financial Statements

7. Tangible Capital Assets - (continued)

									2020
	Land	Buildings	Equipment and Vehicles	Roads	Bridges and Culverts	Water Systems	Wastewater Systems	Work in Progress	Total
Cost, beginning of the year	\$ 4,101,489	\$ 4,591,609	\$ 10,805,085	\$ 36,087,839	\$ 14,006,643	\$ 9,356,235	\$ 5,760,912	\$ 3,785	\$ 84,713,597
Additions	-	348,035	959,566	1,197,573	106,549	508,899	32,337	43,995	3,196,954
Disposals	(11,300)	-	(449,437)	(366,336)	(38,814)	(149,217)	-	-	(1,015,104)
Transfer	-	-	-	-	-	-	-	-	-
Cost, end of the 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
Accumulated amortization, beginning of the year	-	1,848,005	6,211,011	12,840,543	6,073,114	1,969,316	2,423,452	-	31,365,441
Amortization	-	93,414	643,332	704,437	259,639	224,479	108,398	-	2,033,699
Disposals	-	-	(405,757)	(293,301)	(38,814)	(136,412)	-	-	(874,284)
Accumulated amortization, end of the year	-	1,941,419	6,448,586	13,251,679	6,293,939	2,057,383	2,531,850	-	32,524,856
Net carrying amount, end of the year	\$ 4,090,189	\$ 2,998,225	\$ 4,866,628	\$ 23,667,397	\$ 7,780,439	\$ 7,658,534	\$ 3,261,399	\$ 47,780	\$ 54,370,591

The Corporation of the Township of Southgate
Notes to Financial Statements

December 31, 2021

7. Tangible Capital Assets - (continued)

The net book value of tangible capital assets not being amortized because they are under construction (or development) is \$174,551 (2020 - \$47,780).

During the year \$12,500 (2020 - \$25,425) in contributed tangible capital assets were recognized in the financial statements.

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

8. Accumulated Surplus

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

	2021	2020
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	\$55,465,551	\$ 54,370,591
Unfinanced capital	(398,244)	(398,292)
Capital assets financed by long-term liabilities and to be funded in future years	<u>(3,881,572)</u>	<u>(4,448,977)</u>
Total invested in capital assets	51,185,735	49,523,322
Unfunded post-employment benefits	-	(139,550)
Unfunded solid waste landfill closure and post-closure costs	(229,000)	(233,000)
Investment in Wellington North Power	<u>49,388</u>	<u>49,388</u>
	51,006,123	49,200,160
Reserves and reserve funds (Note 9)	<u>9,980,145</u>	<u>9,477,213</u>
Accumulated surplus	<u>\$60,986,268</u>	<u>\$ 58,677,373</u>

The Corporation of the Township of Southgate
Notes to Financial Statements

December 31, 2021

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

	2021	2020
Reserves		
Working funds	\$ 422,541	\$ 422,541
Tax stabilization and emergency funds	950,525	1,255,583
Current purposes	2,348,811	1,596,410
Capital purposes	5,743,074	5,723,865
	9,464,951	8,998,399
Reserve funds		
Capital purposes	515,194	478,814
Reserves and reserve funds set aside for specific purpose by Council	\$ 9,980,145	\$ 9,477,213

10. Other Income

	2021 Budget	2021 Actual	2020 Actual
Penalties and interest on taxation	\$ 225,000	\$ 275,193	\$ 280,824
Other fines and penalties	400	100	670
Investment income	81,250	72,459	118,754
Licenses, permits and rents	678,100	855,930	858,658
Donations	43,700	21,966	10,632
Donation of contributed assets	-	12,500	25,425
Sale of land, equipment, publications, etc.	1,250,100	21,514	191
Gain (loss) on disposal of capital assets	550,000	552,985	(100,820)
Investment in Wellington North Power	-	-	(96,958)
Contributions from development fees	1,770,530	256,436	440,964
Other	11,350	44,218	83,070
	\$ 4,610,430	\$ 2,113,301	\$ 1,621,410

The Corporation of the Township of Southgate

Notes to Financial Statements

December 31, 2021

11. 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 2021 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.

	2021 Budget	2021 Actual	2020 Actual
Annual surplus (Page 6)	\$ 5,600,588	\$ 2,308,895	\$ 3,031,936
Amortization	2,210,000	2,149,900	2,033,699
Change in unfunded liabilities	-	(143,550)	(77,292)
Change in other surpluses	-	-	96,958
	7,810,588	4,315,245	5,085,301
Net transfers to reserves	(2,123,051)	(502,932)	(1,288,108)
Capital acquisitions, disposals and write-down	(6,064,033)	(3,244,860)	(3,056,134)
Capital projects not funded (funded)	14,224	(48)	(187,859)
Proceeds from long-term debt	925,326	-	-
Debt principal repayments	(563,054)	(567,405)	(553,200)
General surplus (Note 8)	\$ -	\$ -	\$ -

The Corporation of the Township of Southgate
Notes to Financial Statements

December 31, 2021

12. Government Transfers

	2021	2021	2020
	Budget	Actual	Actual
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 590,300	\$ 590,300	\$ 594,400
Conditional - Roads	60,000	241,484	114,293
- Other	113,068	261,392	325,498
	<u>763,368</u>	<u>1,093,176</u>	<u>1,034,191</u>
Government of Canada			
Conditional - Roads	-	5,979	-
- Sewer and Water	-	2,989	-
- Other	-	8,968	-
	<u>-</u>	<u>17,936</u>	<u>-</u>
Other municipalities			
- Other	119,206	147,299	107,626
Total operating transfers	<u>882,574</u>	<u>1,258,411</u>	<u>1,141,817</u>
Tangible capital asset			
Province of Ontario			
Conditional - Roads	-	265,815	318,142
- Other	-	14,367	-
	<u>-</u>	<u>280,182</u>	<u>318,142</u>
Government of Canada			
Conditional - Roads	1,050,617	458,122	221,834
- Other	100,000	-	-
	<u>1,150,617</u>	<u>458,122</u>	<u>221,834</u>
Other municipalities - Other	<u>-</u>	<u>-</u>	<u>238,205</u>
Total tangible capital asset transfers	<u>1,150,617</u>	<u>738,304</u>	<u>778,181</u>
Total transfers	<u>\$ 2,033,191</u>	<u>\$ 1,996,715</u>	<u>\$ 1,919,998</u>

The Corporation of the Township of Southgate

Notes to Financial Statements

December 31, 2021

13. 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 2021 by the Township of Southgate was \$266,526 (2020 - \$222,226). The contribution rate for 2021 was 9.0% to 15.8% depending on age and income level (2020 - 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, 2021. At that time the plan reported a \$3.10 billion actuarial deficit (2020 - \$3.2 billion), based on actuarial liabilities of \$119.3 billion (2020 - \$111.8 billion) and actuarial assets of \$116.2 billion (2020 - \$108.6 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.

14. 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:

	2021	2020
School boards	\$ 1,967,616	\$ 2,014,250
County of Grey	3,822,742	3,600,969
	<u>\$ 5,790,358</u>	<u>\$ 5,615,219</u>

15. 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, 2021 there is fourteen years remaining.

16. 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.

The Corporation of the Township of Southgate

Notes to Financial Statements

December 31, 2021

17. Trust Funds

The trust funds administered by the Township amounting to \$313,477 (2020 - \$288,394) 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, 2021, the trust fund balances are as follows:

	2021	2020
Township Cemetery Care and Maintenance funds	\$ 255,684	\$ 248,182
Parade and Egremont Optimist Club	30,669	27,660
Other Cemetery Care and Maintenance funds	27,124	12,552
	<u>\$ 313,477</u>	<u>\$ 288,394</u>

18. Commitments

- i) 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, 2021, \$100,000 has been transferred to South-East Grey Community Health Centre.
- ii) As of December 31, 2021, the Township has committed \$687,860 for the purchase of a pumper tanker fire apparatus, \$537,555 for the purchase of two plow trucks and \$41,823 for the purchase of a crew cab truck of which \$Nil has been paid.
- iii) As of December 31, 2021, the Township has committed \$145,000 for the new council chambers of which \$Nil has been paid.

19. Uncertainty due to COVID-19

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. Given the dynamic nature of these circumstances and the duration of disruption, 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.

The Corporation of the Township of Southgate

Notes to Financial Statements

December 31, 2021

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. 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.

The Corporation of the Township of Southgate
Notes to Financial Statements

December 31, 2021

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
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	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 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 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	2020 Total
Revenue								
Taxation	\$ 781,979	\$ 1,642,154	\$ 3,362,506	\$ 1,172,967	\$ 78,198	\$ 625,583	\$ 156,396	\$ 7,819,783
Fees and user charges	31,770	51,926	28,274	1,769,880	17,830	107,564	315,478	2,322,722
Specific grants	190,191	104,308	654,269	104,814	-	272,016	-	1,325,598
OMPF grant	59,440	124,824	255,592	89,160	5,944	47,552	11,888	594,400
Other revenue	489,991	678,843	343,279	69,574	11,807	27,916	-	1,621,410
	1,553,371	2,602,055	4,643,920	3,206,395	113,779	1,080,631	483,762	13,683,913
Expenses								
Salaries and benefits	915,921	497,002	890,498	596,654	12,187	413,613	112,198	3,438,073
Interest on debt	-	-	20,491	92,819	-	-	20,771	134,081
Materials and supplies	347,485	245,013	1,389,195	595,496	23,840	242,343	24,503	2,867,875
Contracted services	60,778	1,194,053	65,709	16,028	10,725	2,951	256,878	1,607,122
Other transfers	6,500	216,035	55,100	-	228,000	58,402	4,967	569,004
Rents and financial expenses	2,123	-	-	-	-	-	-	2,123
Amortization	64,533	71,135	1,286,677	494,335	3,372	113,647	-	2,033,699
	1,397,340	2,223,238	3,707,670	1,795,332	278,124	830,956	419,317	10,651,977
Annual surplus (deficit)	\$ 156,031	\$ 378,817	\$ 936,250	\$ 1,411,063	\$ (164,345)	\$ 249,675	\$ 64,445	\$ 3,031,936

The Corporation of the Township of Southgate
Schedule of Deferred Revenue

For the 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
	<u>7,743,966</u>	<u>4,631,433</u>	<u>49,299</u>	<u>(703,557)</u>	<u>11,721,141</u>
Other					
Ontario Community Infrastructure Fund	28,636	236,674	505	(265,815)	-
Other revenue	100,333	34,171	-	(20,500)	114,004
	<u>128,969</u>	<u>270,845</u>	<u>505</u>	<u>(286,315)</u>	<u>114,004</u>
	<u>\$ 7,872,935</u>	<u>\$ 4,902,278</u>	<u>\$ 49,804</u>	<u>\$ (989,872)</u>	<u>\$11,835,145</u>

For the year ended December 31, 2020

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory Reserve Funds					
Development charges	\$ 4,531,429	\$ 3,549,005	\$ 37,968	\$ (440,964)	\$ 7,677,438
Federal gas tax	-	223,093	(1,258)	(221,835)	-
Recreational land	65,417	500	611	-	66,528
	<u>4,596,846</u>	<u>3,772,598</u>	<u>37,321</u>	<u>(662,799)</u>	<u>7,743,966</u>
Other					
Community Based Capital Project	238,205	-	-	(238,205)	-
Ontario Community Infrastructure Fund	108,914	236,674	1,190	(318,142)	28,636
Other revenue	70,333	39,500	-	(9,500)	100,333
	<u>417,452</u>	<u>276,174</u>	<u>1,190</u>	<u>(565,847)</u>	<u>128,969</u>
	<u>\$ 5,014,298</u>	<u>\$ 4,048,772</u>	<u>\$ 38,511</u>	<u>\$ (1,228,646)</u>	<u>\$ 7,872,935</u>

The Corporation of the
Township of Southgate
Trust Funds
Financial Information
For the year ended December 31, 2021

DRAFT

The Corporation of the Township of Southgate
Trust Funds
For the year ended December 31, 2021

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The Corporation of the Township of Southgate

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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 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 5, 2022

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The Corporation of the Township of Southgate
Trust Funds
Balance Sheet

December 31, 2021

	Total	Township Cemetery Care and Maintenance	Parade and Egremont Optimist Club	Other Cemetery Care and Maintenance
Assets				
Cash	\$ 117,410	\$ 85,428	\$ 30,653	\$ 1,329
Investments, at cost	191,085	165,440	-	25,645
Accounts receivable	1,616	1,616	-	-
Due from Township of Southgate	3,366	3,200	16	150
Fund balance	\$ 313,477	\$ 255,684	\$ 30,669	\$ 27,124

Statement of Continuity

For the year ended December 31, 2021

	Total	Township Cemetery Care and Maintenance	Parade and Egremont Optimist Club	Other Cemetery Care and Maintenance
Balance, beginning of the year	\$ 288,394	\$ 248,182	\$ 27,660	\$ 12,552
Receipts				
Share of plot sales	7,114	7,114	-	-
Interest earned	4,180	3,813	213	154
Transferred from Trustee	13,524	-	-	13,524
Donations	7,425	-	7,425	-
C&M funds received	1,320	-	-	1,320
	33,563	10,927	7,638	14,998
Expenses				
Funds released	8,480	3,425	4,629	426
Balance, end of the year	\$ 313,477	\$ 255,684	\$ 30,669	\$ 27,124

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

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

December 31, 2021

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	<p>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.</p> <p>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.</p>
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.

2. Investments

The total investments of \$177,810 (2020 - \$165,277) reported on the balance sheet at cost have a market value of \$178,994 (2020 - \$165,277) at the end of the year.

APPENDIX B: INDEPENDENCE UPDATE



Tel: 519 376 6110
Fax: 519 376 4741
www.bdo.ca

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

October 5, 2022

Members of the Council
The Corporation of the Township of Southgate

Dear Members of the Council:

We have been engaged to audit the financial statements of the Township of Southgate (the "Township") for the year ended December 31, 2021.

Canadian generally accepted auditing standards require that we communicate at least annually with you regarding all relationships between the Township and our Firm that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, the standards require us to consider independence rules and interpretations of the CPA profession and relevant legislation.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since May 28, 2022, the date of our last letter.

We are aware of the following relationships between the Township and us that, in our professional judgment, may reasonably be thought to have influenced our independence. The following relationships represent matters that have occurred from May 28, 2022 to October 5, 2022.

- We have provided advice and comments to management regarding financial statement measurement, presentation and disclosure matters.
- We have provided assistance in the preparation of the financial statements, including adjusting journal entries and/or bookkeeping services. These services created a self-review threat to our independence since we subsequently expressed an opinion on whether the presented fairly, in all material respects, the financial position, results of operations and cash flows in accordance with Canadian public sector accounting standards.
- We, therefore, required that the following safeguards be put in place related to the above:
 - Management provided us with a trial balance prior to completion of our audit.
 - Management created the source data for all the accounting entries.
 - Management developed any underlying assumptions required with respect to the accounting treatment and measurement of the entries.
 - Management reviewed advice and comments provided and undertook their own analysis considering the Township's circumstances and generally accepted accounting principles.
 - Management reviewed and approved all journal entries prepared by us, as well as changes to financial statement presentation and disclosure.
 - Someone other than the preparer reviewed the proposed journal entries and financial statements.

This letter is intended solely for the use of the Council, management and those charged with governance of the Township and should not be used for any other purpose.



Yours truly,

Chartered Professional Accountants, Licensed Public Accountants

TS:mh

APPENDIX C: REPRESENTATION LETTER

Township of Southgate
R.R. #1
185667 Grey Road 9
Dundalk, ON N0C 1B0

October 5, 2022

BDO Canada LLP
Chartered Professional Accountants
BDO Building, 1717 2nd Avenue East
Suites 200, 203 & 300 P.O. Box 397
Owen Sound Ontario
N4K 5P7

This representation letter is provided in connection with your audit of the financial statements of Township of Southgate for the year ended December 31, 2021, 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 January 13, 2021, 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.

- The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement and/or disclosure that are reasonable in accordance with Canadian Public Sector Accounting Standards.
- 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.
- 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. When applicable, these litigation and claims have been accounted for and disclosed in the financial statements.
- Of the claims that are in proceedings through our insurance company, there are no claims or possible claims that would exceed or not be covered by the insurance coverage carried by the Township.
- 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 3260 Liability for Contaminated Sites.
- Made available to you all financial records and related data relevant to the assessment of the liability for contaminated sites.
- There are no contaminated sites within 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

APPENDIX D: BDO RESOURCES FOR PUBLIC SECTOR ENTITIES

Key Changes to Financial Reporting

When the rules of reporting change, you may need to fine-tune how to present consolidated financial statements and govern the organization. Access our Knowledge Centre:

<https://www.bdo.ca/en-ca/services/assurance-and-accounting/a-a-knowledge-centre/psas/>

PSAS Update 2021

<https://www.bdo.ca/en-ca/insights/assurance-accounting/psas/public-sector-accounting-standards-update-2021/>

For more on these and other key issues facing your organization, please reach out to your engagement partner. They will be happy to put you in touch with the BDO professional who can best help you.