

**The Corporation of the  
Township of Southgate  
Financial Information  
For the year ended December 31, 2018**

**The Corporation of the Township of Southgate**  
**Financial Information**  
**For the year ended December 31, 2018**

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Township of Southgate  
Financial Statements  
For the year ended December 31, 2018**

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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, 2018 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, 2018 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  
June 22, 2019

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

<b>December 31</b>	<b>2018</b>	<b>2017</b>
<b>Financial assets</b>		
Cash (Note 1)	\$ 5,351,452	\$ 1,910,598
Temporary investments (Note 2)	1,402,531	1,396,535
Taxes receivable	2,092,378	2,318,130
Trade and other receivable	1,739,870	2,280,304
Long-term receivables (Note 3)	552,410	569,814
Long-term investments (Note 4)	138,086	117,081
	<u>11,276,727</u>	<u>8,592,462</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,230,453	1,124,986
Solid waste landfill closure and post-closure liabilities (Note 5)	350,000	380,000
Post-employment benefits (Note 6)	133,809	137,409
Deferred revenue (Page 29)	3,485,336	2,104,362
Long-term liabilities (Note 7)	1,918,252	2,136,497
	<u>7,117,850</u>	<u>5,883,254</u>
<b>Net financial assets</b>	<b>4,158,877</b>	<b>2,709,208</b>
<b>Non-financial assets</b>		
Inventory of supplies	176,642	230,693
Prepaid expenses	102,854	133,222
Tangible capital assets (Note 8)	46,627,090	46,807,955
<b>Accumulated surplus (Note 9)</b>	<b>\$51,065,463</b>	<b>\$ 49,881,078</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**

<b>For the year ended December 31</b>	2018	2018	2017
	Budget (Note 12)	Actual	Actual
<b>Revenue</b>			
Taxation	\$ 6,130,933	\$ 6,130,452	\$ 5,867,738
Fees and user charges	1,527,767	1,687,667	1,529,841
Government transfers (Note 13)	1,047,065	1,211,708	1,795,286
Other income (Note 11)	1,832,141	1,394,354	1,202,326
	<u>10,537,906</u>	<u>10,424,181</u>	<u>10,395,191</u>
<b>Expenses</b>			
General government	1,205,286	1,154,108	1,080,811
Protection services	2,121,193	2,019,401	1,897,433
Transportation services	3,258,547	3,306,917	3,101,263
Environmental services	1,659,010	1,574,190	1,587,283
Health services	77,593	72,584	40,212
Recreation and cultural services	788,160	809,481	744,247
Planning and development	278,516	303,115	338,405
	<u>9,388,305</u>	<u>9,239,796</u>	<u>8,789,654</u>
<b>Annual surplus (Note 12)</b>	1,149,601	1,184,385	1,605,537
<b>Accumulated surplus, beginning of the year</b>	<u>49,881,078</u>	<u>49,881,078</u>	<u>48,275,541</u>
<b>Accumulated surplus, end of the year</b>	<u>\$ 51,030,679</u>	<u>\$ 51,065,463</u>	<u>\$ 49,881,078</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**

<b>For the year ended December 31</b>	2018	2018	2017
	Budget (Note 12)	Actual	Actual
<b>Annual surplus (Page 6)</b>	\$ 1,149,601	<b>\$ 1,184,385</b>	\$ 1,605,537
Acquisition of tangible capital assets	(6,220,120)	<b>(1,653,751)</b>	(2,468,529)
Amortization of tangible capital assets	1,842,000	<b>1,796,846</b>	1,741,742
Gain on sale of tangible capital assets	-	<b>(387,535)</b>	(23,354)
Proceeds on disposal of capital assets	-	<b>425,305</b>	23,354
	<b>(4,378,120)</b>	<b>180,865</b>	(726,787)
Change in prepaid expenses	-	<b>30,368</b>	(16,050)
Change in inventories of supplies	-	<b>54,051</b>	(56,133)
	<b>(4,378,120)</b>	<b>265,284</b>	(798,970)
<b>Increase (decrease) in net financial assets</b>	<b>(3,228,519)</b>	<b>1,449,669</b>	806,567
<b>Net financial assets, beginning of the year</b>	<b>2,709,208</b>	<b>2,709,208</b>	1,902,641
<b>Net financial assets, end of the year</b>	<b>\$ (519,311)</b>	<b>\$ 4,158,877</b>	<b>\$ 2,709,208</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 Cash Flows**

<b>For the year ended December 31</b>	<b>2018</b>	<b>2017</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Annual surplus (Page 6)	\$ 1,184,385	\$ 1,605,537
Items not involving cash		
Change in landfill closure and post-closure liability	(30,000)	30,000
Equity in government business enterprises	(21,005)	(13,605)
Change in post-employment benefits	(3,600)	(3,950)
Amortization	1,796,846	1,741,742
Deferred revenue recognized	(63,553)	(343,960)
Contributed capital assets	-	(13,043)
Gain on sale of capital assets	(387,535)	(23,354)
	<u>2,475,538</u>	<u>2,979,367</u>
Changes in non-cash working capital balances		
Taxes receivable	225,752	(517,367)
Trade and other receivable	540,434	(1,048,699)
Inventory of supplies	54,051	(56,133)
Prepaid expenses	30,368	(16,050)
Accounts payable and accrued liabilities	105,467	(23,553)
Deferred revenue received	1,444,527	1,393,928
	<u>4,876,137</u>	<u>2,711,493</u>
<b>Capital transactions</b>		
Cash used to acquire capital assets	(1,653,751)	(2,455,486)
Proceeds on sale of capital assets	425,305	23,354
	<u>(1,228,446)</u>	<u>(2,432,132)</u>
<b>Investing activities</b>		
Additions to long-term receivables	(110,000)	(34,900)
Decrease in long-term receivables	127,404	105,590
	<u>17,404</u>	<u>70,690</u>
<b>Financing activities</b>		
Proceeds from long-term liabilities	110,000	34,900
Repayment of long-term liabilities	(328,245)	(302,266)
	<u>(218,245)</u>	<u>(267,366)</u>
<b>Net change in cash and cash equivalents</b>	<b>3,446,850</b>	<b>82,685</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>3,307,133</b>	<b>3,224,448</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 6,753,983</b>	<b>\$ 3,307,133</b>
<b>Cash and cash equivalents are comprised of:</b>		
Cash	\$ 5,351,452	\$ 1,910,598
Temporary investments	1,402,531	1,396,535
	<u>\$ 6,753,983</u>	<u>\$ 3,307,133</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, 2018

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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%
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Government business enterprises and partnerships are separate legal entities which do not rely on the municipality 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, 2018

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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.
- 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 are readily converted into cash.

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

**December 31, 2018**

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**Temporary Investments** Temporary investments are recorded at lower of cost or market.

**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 municipality.

**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 municipality 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, 2018

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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 municipality, 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, 2018**

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**1. Cash**

	2018	2017
Unrestricted	\$ 2,927,832	\$ 1,071,235
Restricted	2,423,620	839,363
	\$ 5,351,452	\$ 1,910,598

On December 31, 2018, the municipality had deposits of \$5,430,056 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%.

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**2. Temporary Investments**

	2018	2017
One Fund - Bond Fund - Public Sector Group of Funds	\$ 402,531	\$ 396,535
Northern Credit Union - Guaranteed Investment Certificate, non-redeemable, interest rate 2.35%, matures June 2019	1,000,000	1,000,000
	\$ 1,402,531	\$ 1,396,535

Investments have a market value of \$1,402,531 (2017 - \$1,396,535) 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.

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**3. Long-Term Receivables**

	2018	2017
Local improvement loan, 0% interest, repayable at commencement of development	\$ 118,766	\$ 118,720
Tile drainage loans, 6%, various repayment amounts, due from 2019 to 2027	433,644	451,094
	\$ 552,410	\$ 569,814

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**The Corporation of the Township of Southgate**  
**Notes to Financial Statements**

**December 31, 2018**

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**4. Long-Term Investments**

	2018	2017
<b>Investment in Wellington North Power Inc.</b>		
Investment in common shares (3.21%)	\$ 49,388	\$ 49,388
Share of net income	88,698	67,693
	<b>\$ 138,086</b>	<b>\$ 117,081</b>

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:

	2018	2017
Assets	<b>\$ 14,771,280</b>	<b>\$ 13,563,130</b>
Liabilities	\$ 9,770,030	\$ 8,669,374
Shareholders' equity	4,391,215	4,056,478
Regulatory balances	610,035	837,278
	<b>\$ 14,771,280</b>	<b>\$ 13,563,130</b>
Revenues	\$ 14,866,370	\$ 15,964,067
Expenses	14,483,734	15,652,737
Net income for the year	<b>\$ 382,636</b>	<b>\$ 311,330</b>

The condensed supplementary financial information included above is based on the last available audited statements for the year ended December 31, 2018.

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**The Corporation of the Township of Southgate**  
**Notes to Financial Statements**

**December 31, 2018**

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**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 \$350,000 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 municipality'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 \$487,600 leaving an amount to be recognized of \$137,600. There are unopened cells at Egremont, for which no liability has been accrued. The estimated remaining capacity of the total Egremont site is approximately 286,366 cubic metres, which will be filled in an estimated 80 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 5 years and 11 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.

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**6. Post-Employment Benefit**

	<u>2018</u>	<u>2017</u>
Accrued benefit liability, beginning of the year	\$ 137,409	\$ 141,359
Benefits earned	-	3,250
Benefits paid	<u>(3,600)</u>	<u>(7,200)</u>
Accrued benefit liability, end of the year	<u>\$ 133,809</u>	<u>\$ 137,409</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.

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**The Corporation of the Township of Southgate**  
**Notes to Financial Statements**

**December 31, 2018**

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**7. Long-Term Liabilities**

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

	<b>2018</b>	<b>2017</b>
Tile drain loans payable, 6%, due from 2019 to 2027	<b>\$ 433,644</b>	\$ 451,094
Demand instalment loan payable, (Egremont Landfill Site), CIBC, 2.5% interest, repayable in blended monthly payments of \$14,253, last scheduled payment March 1, 2021	<b>1,134,608</b>	1,275,403
Demand instalment loan payable, CIBC, 2.70% interest, repayable in annual principal payments of \$70,000, last scheduled payment May 2023	<b>350,000</b>	-
Mortgage payable, annual mortgage repayments of \$60,000, interest at 3%, repayable monthly, last scheduled payment April 2, 2018, secured by real property	-	410,000
	<b>\$ 1,918,252</b>	<b>\$ 2,136,497</b>

The gross interest paid relating on the above long-term debt was \$71,659 and the gross interest expensed during the year was \$71,366.

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

2019	\$	299,123
2020		279,938
2021		277,696
2022		284,890
2023		284,965
Thereafter		491,640
	<b>\$</b>	<b>1,918,252</b>

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**The Corporation of the Township of Southgate**  
**Notes to Financial Statements**

**8. Tangible Capital Assets**

	<b>2018</b>								
	<b>Land</b>	<b>Buildings</b>	<b>Equipment</b>	<b>Roads</b>	<b>Bridges</b>	<b>Water System</b>	<b>Sewer System</b>	<b>Other</b>	<b>Total</b>
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**

**8. Tangible Capital Assets - (continued)**

	2017								
	Land	Buildings	Equipment	Roads	Bridges	Water Systems	Sewer Systems	Other	Total
Cost, beginning of the year	\$ 3,469,452	\$ 4,258,537	\$ 9,008,484	\$ 31,831,986	\$ 13,367,701	\$ 5,065,677	\$ 4,716,647	\$ 1,174,301	\$ 72,892,785
Additions	-	44,391	869,387	920,332	344,112	170,495	11,337	108,475	2,468,529
Disposals	-	-	(454,316)	-	-	-	-	-	(454,316)
Cost, end 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
Accumulated amortization, beginning of the year	-	1,587,999	5,429,588	10,430,849	5,300,696	1,641,081	1,825,849	595,555	26,811,617
Amortization	-	84,974	531,104	626,374	253,930	82,315	136,155	26,890	1,741,742
Disposals	-	-	(454,316)	-	-	-	-	-	(454,316)
Accumulated amortization, end 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
Net carrying amount, end of the year	\$ 3,469,452	\$ 2,629,955	\$ 3,917,179	\$ 21,695,095	\$ 8,157,187	\$ 3,512,776	\$ 2,765,980	\$ 660,331	\$ 46,807,955

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**The Corporation of the Township of Southgate**  
**Notes to Financial Statements**

**December 31, 2018**

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**8. Tangible Capital Assets - (continued)**

The net book value of tangible capital assets not being amortized because they are under construction (or development) is \$669,432 (2017 - \$372,230).

During the year \$Nil (2017 - \$15,251) in contributed tangible capital assets were recognized in the financial statements.

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

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**9. Accumulated Surplus**

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

	2018	2017
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	\$ 46,627,090	\$ 46,807,955
Unfinanced capital	(547,873)	(346,525)
Capital assets financed by long-term liabilities and to be funded in future years	(1,484,608)	(1,685,403)
Total invested in capital assets	44,594,609	44,776,027
Unfunded post-employment benefits	(133,809)	(137,409)
Unfunded solid waste landfill closure and post-closure costs	(350,000)	(380,000)
General surplus (Note 12)	-	-
Unexpended insurance proceeds	321,386	-
Equity in Wellington North Power	138,086	117,081
	44,570,272	44,375,699
Reserves and reserve funds (Note 10)	6,495,191	5,505,379
Accumulated surplus	\$51,065,463	\$ 49,881,078

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**The Corporation of the Township of Southgate**  
**Notes to Financial Statements**

**December 31, 2018**

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

	2018	2017
<b>Reserves</b>		
Working funds	\$ 422,541	\$ 422,541
Current purposes	818,015	842,937
Capital purposes	4,883,005	3,861,547
	6,123,561	5,127,025
<b>Reserve funds</b>		
Capital purposes	371,630	378,354
<b>Reserves and reserve funds set aside for specific purpose by Council</b>	<b>\$ 6,495,191</b>	<b>\$ 5,505,379</b>

**11. Other Income**

	2018 Budget	2018 Actual	2017 Actual
Penalties and interest on taxation	\$ 215,000	\$ 280,213	\$ 240,178
Other fines and penalties	1,155	550	1,605
Investment income	43,140	79,273	23,478
Licenses, permits and rents	570,921	544,622	638,375
Donations	1,775	12,705	6,442
Donation of contributed assets	-	-	15,251
Sale of land, equipment, publications, etc.	1,000,150	141	100,359
Gain on disposal of capital assets	-	387,535	23,354
Government business enterprises	-	21,005	13,605
Special charges	-	13,413	19,361
Contributions from development fees	-	40,273	85,407
Other	-	14,624	34,911
	\$ 1,832,141	\$ 1,394,354	\$ 1,202,326

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**The Corporation of the Township of Southgate**  
**Notes to Financial Statements**

**December 31, 2018**

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**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 2018 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.

	2018	2018	2017
	Budget	Actual	Actual
Annual surplus (Page 6)	\$ 1,149,601	<b>\$ 1,184,385</b>	\$ 1,605,537
Amortization	1,842,000	<b>1,796,846</b>	1,741,742
Change in unfunded liabilities	-	<b>(33,600)</b>	26,050
Change in other surpluses	-	<b>(21,005)</b>	(13,605)
	2,991,601	<b>2,926,626</b>	3,359,724
Net transfers from (to) reserves	(20,311)	<b>(989,812)</b>	(1,040,398)
Capital acquisitions, disposals and write-down	(6,220,120)	<b>(1,615,981)</b>	(2,468,529)
Capital projects not funded	-	<b>201,348</b>	346,525
Unexpended capital	-	<b>(321,386)</b>	-
Proceeds from long-term debt	3,473,000	-	-
Debt principal repayments	(224,170)	<b>(200,795)</b>	(197,322)
General surplus (Note 9)	\$ -	<b>\$ -</b>	\$ -

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**The Corporation of the Township of Southgate**  
Notes to Financial Statements

**December 31, 2018**

**13. Government Transfers**

	2018	2018	2017
	Budget	Actual	Actual
<b>Operating</b>			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 679,900	\$ 679,900	\$ 785,900
Conditional - Roads	26,000	27,156	30,828
- Other	107,537	124,810	128,365
	<u>813,437</u>	<u>831,866</u>	<u>945,093</u>
Other municipalities			
- Other	82,274	125,634	100,809
	<u>895,711</u>	<u>957,500</u>	<u>1,045,902</u>
<b>Tangible capital asset</b>			
Province of Ontario			
Conditional - Roads	151,354	151,354	409,644
- Sewer and water	-	25,000	6,000
- Other	-	27,854	27,500
	<u>151,354</u>	<u>204,208</u>	<u>443,144</u>
Government of Canada			
Federal Gas Tax	-	-	250,000
Conditional - Roads	-	-	27,689
- Sewer and water	-	50,000	-
- Other	-	-	28,551
	<u>-</u>	<u>50,000</u>	<u>306,240</u>
	<u>151,354</u>	<u>254,208</u>	<u>749,384</u>
<b>Total transfers</b>	<u>\$ 1,047,065</u>	<u>\$ 1,211,708</u>	<u>\$ 1,795,286</u>

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## The Corporation of the Township of Southgate Notes to Financial Statements

**December 31, 2018**

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### 14. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 36 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 2018 by the Township of Southgate was \$175,479 (2017 - \$158,841). The contribution rate for 2018 was 9.0% to 15.8% depending on age and income level (2017 - 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 municipality does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2018. At that time the plan reported a \$4.19 billion actuarial deficit (2017 - \$5.40 billion actuarial deficit), based on actuarial liabilities of \$99.06 billion (2017 - \$93.61 billion) and actuarial assets of \$94.87 billion (2017 - \$88.21 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:

	<u>2018</u>	<u>2017</u>
School boards	\$ 1,895,597	\$ 1,832,820
County of Grey	<u>3,114,636</u>	<u>2,982,115</u>
	<u>\$ 5,010,233</u>	<u>\$ 4,814,935</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, 2018 there is seventeen years remaining.

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**The Corporation of the Township of Southgate**  
**Notes to Financial Statements**

**December 31, 2018**

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**17. Trust Funds**

The trust funds administered by the municipality amounting to \$263,946 (2017 - \$240,819) 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, 2018, the trust fund balances are as follows:

	<u>2018</u>	<u>2017</u>
Cemetery Care and Maintenance funds	\$ 241,518	\$ 239,813
Egremont Optimist Club	17,612	(2,985)
Other	4,816	3,991
	<u>\$ 263,946</u>	<u>\$ 240,819</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 \$100,000 to a reserve and will authorize the transfer of funds when the tender has been awarded.
  - 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, 2018, \$25,000 has been transferred to South-East Grey Community Health Centre.
  - iv) The Township has committed \$1,865,000 for the construction of the Dundalk Well D5. and \$626,873 for the purchase of two collection trucks. As of December 31, 2018 no amount has been paid.
- 

**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, 2018

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### 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 municipality 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 municipality's roadways, bridges, parking areas and streetlighting.

#### Environmental

Environmental services consists of providing waste collection, disposal and recycling to the municipality's citizens. It also consists of providing the municipality's drinking water and processing and cleaning sewage. The municipality 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 municipality's citizens. The municipality operates and maintains parks and arenas. The municipality also provides library services and recreational programs.

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**The Corporation of the Township of Southgate**  
**Notes to Financial Statements**

**December 31, 2018**

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**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.

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**The Corporation of the Township of Southgate**  
**Notes to Financial Statements**

<b>For the year ended December 31</b>	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	<b>2018 Total</b>
<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 (deficit)</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**  
**Notes to Financial Statements**

<b>For the year ended December 31</b>	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2017 Total
<b>Revenue</b>								
Taxation	\$ 528,097	\$ 1,349,580	\$ 2,699,159	\$ 528,096	\$ 58,677	\$ 469,419	\$ 234,710	\$ 5,867,738
Fees and user charges	29,887	5,627	29,201	1,168,518	17,404	173,142	106,062	1,529,841
Specific grants	13,710	103,487	718,161	75,839	-	98,189	-	1,009,386
OMPF grant	70,731	180,757	361,514	70,731	7,859	62,872	31,436	785,900
Other revenue	454,878	474,116	38,091	11,140	4,466	47,559	172,076	1,202,326
	<u>1,097,303</u>	<u>2,113,567</u>	<u>3,846,126</u>	<u>1,854,324</u>	<u>88,406</u>	<u>851,181</u>	<u>544,284</u>	<u>10,395,191</u>
<b>Expenses</b>								
Salaries and benefits	712,803	197,595	705,358	516,031	18,366	313,062	108,076	2,571,291
Interest on debt	-	-	12,744	33,427	-	-	31,282	77,453
Materials and supplies	283,512	178,931	1,237,609	631,716	15,940	246,423	67,035	2,661,166
Contracted services	24,461	1,243,370	5,407	48,581	-	-	127,770	1,449,589
Other transfers	14,450	205,910	-	-	3,000	56,517	4,242	284,119
Rents and financial expenses	4,294	-	-	-	-	-	-	4,294
Amortization	41,291	71,627	1,140,145	357,528	2,906	128,245	-	1,741,742
	<u>1,080,811</u>	<u>1,897,433</u>	<u>3,101,263</u>	<u>1,587,283</u>	<u>40,212</u>	<u>744,247</u>	<u>338,405</u>	<u>8,789,654</u>
<b>Annual surplus</b>	<b>\$ 16,492</b>	<b>\$ 216,134</b>	<b>\$ 744,863</b>	<b>\$ 267,041</b>	<b>\$ 48,194</b>	<b>\$ 106,934</b>	<b>\$ 205,879</b>	<b>\$ 1,605,537</b>

**The Corporation of the Township of Southgate**  
**Schedule of Deferred Revenue**

**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)	<b>\$3,001,154</b>
Federal gas tax	34,621	229,009	1,210	-	<b>264,840</b>
Recreational land	62,132	500	439	-	<b>63,071</b>
Main St. revitalization	-	44,151	-	-	<b>44,151</b>
	<b>2,057,791</b>	<b>1,318,279</b>	<b>37,419</b>	<b>(40,273)</b>	<b>3,373,216</b>
<b>Other</b>					
Source Water Protection	37,071	-	-	(13,780)	<b>23,291</b>
Other revenue	9,500	88,829	-	(9,500)	<b>88,829</b>
	<b>46,571</b>	<b>88,829</b>	<b>-</b>	<b>(23,280)</b>	<b>112,120</b>
	<b>\$ 2,104,362</b>	<b>\$ 1,407,108</b>	<b>\$ 37,419</b>	<b>\$ (63,553)</b>	<b>\$3,485,336</b>

**For the year ended December 31, 2017**

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
<b>Obligatory Reserve Funds</b>					
Development charges	\$ 923,356	\$ 1,114,754	\$ 8,335	\$ (85,407)	\$ 1,961,038
Federal gas tax	61,517	222,469	635	(250,000)	34,621
Recreational land	23,897	38,000	235	-	62,132
	<b>1,008,770</b>	<b>1,375,223</b>	<b>9,205</b>	<b>(335,407)</b>	<b>2,057,791</b>
<b>Other</b>					
Ontario Community					
Source Water Protection	45,624	-	-	(8,553)	37,071
Other	-	9,500	-	-	9,500
	<b>45,624</b>	<b>9,500</b>	<b>-</b>	<b>(8,553)</b>	<b>46,571</b>
	<b>\$ 1,054,394</b>	<b>\$ 1,384,723</b>	<b>\$ 9,205</b>	<b>\$ (343,960)</b>	<b>\$ 2,104,362</b>

**The Corporation of the  
Township of Southgate  
Trust Funds  
Financial Information  
For the year ended December 31, 2018**

**The Corporation of the Township of Southgate  
Trust Funds  
For the year ended December 31, 2018**

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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, 2018, 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, 2018 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  
June 22, 2019

**The Corporation of the Township of Southgate  
Trust Funds  
Balance Sheet**

**December 31, 2018**

	Total	Cemetery Care and Maintenance	Egremont Optimist Club	Other
<b>Assets</b>				
Cash	\$ 83,676	\$ 66,022	\$ 17,654	\$ -
Investments, at cost	165,277	165,277	-	-
Due from Township of Southgate	15,035	10,219	-	4,816
	<b>263,988</b>	<b>241,518</b>	<b>17,654</b>	<b>4,816</b>
<b>Liabilities</b>				
Due to Township of Southgate	42	-	42	-
<b>Fund balance</b>	<b>\$ 263,946</b>	<b>\$ 241,518</b>	<b>\$ 17,612</b>	<b>\$ 4,816</b>

**Statement of Continuity**

**For the year ended December 31, 2018**

	Total	Cemetery Care and Maintenance	Egremont Optimist Club	Other
<b>Balance, beginning of the year</b>	<b>\$ 240,819</b>	<b>\$ 239,813</b>	<b>\$ (2,985)</b>	<b>\$ 3,991</b>
<b>Receipts</b>				
Share of plot sales	1,705	1,705	-	-
Interest earned	1,399	1,159	240	-
Donations	32,633	-	30,399	2,234
	<b>35,737</b>	<b>2,864</b>	<b>30,639</b>	<b>2,234</b>
<b>Expenses</b>				
Funds released	12,610	1,159	10,042	1,409
<b>Balance, end of the year</b>	<b>\$ 263,946</b>	<b>\$ 241,518</b>	<b>\$ 17,612</b>	<b>\$ 4,816</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, 2018**

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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 municipality.

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**2. Investments**

The total investments of \$165,277 (2017 - \$165,277) reported on the balance sheet at cost have a market value of \$165,277 (2017 - \$165,277) at the end of the year.

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**Township of Southgate  
Public Library Board  
Financial Statements  
For the year ended December 31, 2018**

**Township of Southgate Public Library Board**  
**Financial Statements**  
**For the year ended December 31, 2018**

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## Independent Auditor's Report

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**To the Board Members of the  
Township of Southgate Public Library**

### **Opinion**

We have audited the accompanying financial statements of the Township of Southgate Public Library Board (the Library), which comprise the statement of financial position as at December 31, 2018, and the statement of operations and accumulated surplus, statement of changes in net financial assets, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Library as at December 31, 2018 and the results of operations, changes in net financial assets and 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 Financial Statements* section of our report. We are independent of the Library in accordance with the ethical requirements that are relevant to our audit of the 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 Financial Statements**

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

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



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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 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 Library'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 Library's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Library to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario  
June 22, 2019

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**Township of Southgate Public Library Board**  
**Statement of Financial Position**

<u>December 31</u>	<u>2018</u>	<u>2017</u>
<b>Financial assets</b>		
Cash	\$ 29,347	\$ 28,823
Accounts receivable	11,537	42
Due from Township of Southgate	<u>3,272</u>	<u>662</u>
<b>Net financial assets</b>	<b>44,156</b>	<b>29,527</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 2)	<u>120,195</u>	<u>123,905</u>
<b>Accumulated surplus (Note 3)</b>	<b>\$ 164,351</b>	<b>\$ 153,432</b>

**Township of Southgate Public Library Board  
Statement of Operations and Accumulated Surplus**

<b>For the year ended December 31</b>	2018 Budget (Note 4)	2018 Actual	2017 Actual
<b>Revenue</b>			
Government transfers			
Province of Ontario - operating	\$ 11,537	\$ 11,537	\$ 11,537
Province of Ontario - other	-	-	8,701
Township of Southgate - operating	171,118	171,118	142,767
Township of Southgate - capital	-	9,388	11,156
Other municipalities	7,900	7,900	7,900
Fees and service charges	5,340	5,252	4,960
Donations	700	2,599	3,266
	<u>196,595</u>	<u>207,794</u>	<u>190,287</u>
<b>Expenses</b>			
Amortization	24,490	23,892	22,391
Board expenses	2,750	1,896	2,094
Computer maintenance	3,700	3,543	2,866
Insurance	2,965	3,169	2,965
Operating and maintenance supplies	5,480	6,660	9,952
Other services	2,600	3,860	2,721
Other	2,980	3,115	2,061
Professional	1,000	860	860
Repairs and maintenance - equipment	4,600	7,652	4,746
Salaries and benefits	148,130	133,749	114,797
Telephone	700	654	650
Utilities	10,350	7,825	9,135
	<u>209,745</u>	<u>196,875</u>	<u>175,238</u>
<b>Annual surplus (deficit) (Note 4)</b>	(13,150)	10,919	15,049
<b>Accumulated surplus, beginning of the year</b>	<u>153,432</u>	<u>153,432</u>	<u>138,383</u>
<b>Accumulated surplus, end of the year</b>	<u>\$ 140,282</u>	<u>\$ 164,351</u>	<u>\$ 153,432</u>

**Township of Southgate Public Library Board**  
**Statement of Changes in Net Financial Assets**

<u>For the year ended December 31</u>	2018	2018	2017
	Budget (Note 4)	Actual	Actual
<b>Annual surplus (deficit) (Page 6)</b>	\$ (13,150)	\$ 10,919	\$ 15,049
Acquisition of tangible capital assets	(10,340)	(20,182)	(22,505)
Amortization of tangible capital assets	-	23,892	22,391
	(10,340)	3,710	(114)
<b>Increase (decrease) in net financial assets</b>	(23,490)	14,629	14,935
<b>Net financial assets, beginning of the year</b>	29,527	29,527	14,592
<b>Net financial assets, end of the year</b>	\$ 6,037	\$ 44,156	\$ 29,527

**Township of Southgate Public Library Board**  
**Statement of Cash Flows**

<b>For the year ended December 31</b>	<b>2018</b>	<b>2017</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Annual surplus (Page 7)	\$ 10,919	\$ 15,049
Items not involving cash		
Amortization	<u>23,892</u>	22,391
	34,811	37,440
Changes in non-cash working capital balances		
Accounts receivable	(11,495)	478
Due from general fund	<u>(2,610)</u>	(237)
	20,706	37,681
<b>Capital transactions</b>		
Cash used to acquire capital assets	<u>(20,182)</u>	(22,505)
<b>Net change in cash</b>	<b>524</b>	<b>15,176</b>
<b>Cash, beginning of the year</b>	<u><b>28,823</b></u>	<u><b>13,647</b></u>
<b>Cash, end of the year</b>	<u><b>\$ 29,347</b></u>	<u><b>\$ 28,823</b></u>

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## Township of Southgate Public Library Board Notes to Financial Statements

December 31, 2018

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### 1. Summary of Significant Accounting Policies

<b>Management Responsibility</b>	The 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 financial statements. The Council reviews and approves the financial statements.
<b>Basis of Accounting</b>	<p>The financial statements of the Township of Southgate Public Library Board 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 Canadian Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing.</p> <p>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.</p>
<b>Use of Estimates</b>	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 and useful lives of capital assets. 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.
<b>Basis of Consolidation</b>	The Public Library Board has been consolidated with the financial statements of the Township of Southgate.

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**Township of Southgate Public Library Board**  
**Notes to Financial Statements**

**December 31, 2018**

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**1. Summary of Significant Accounting Policies - (continued)**

**Tangible Capital Assets**

Tangible capital assets are recorded at cost less 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:

Library collections	7 years
Computer equipment	5 years
Office furniture and equipment	20 years

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

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**2. Tangible Capital Assets**

	<u>2018</u>		<u>2017</u>	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Library collections	\$ 297,697	\$ 241,313	\$ 280,545	\$ 224,832
Computer equipment	59,901	53,040	58,210	50,688
Office furniture and equipment	125,526	68,576	124,187	63,517
	<u>\$ 483,124</u>	<u>\$ 362,929</u>	<u>\$ 462,942</u>	<u>\$ 339,037</u>
Net book value		<u>\$ 120,195</u>		<u>\$ 123,905</u>

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**Township of Southgate Public Library Board**  
**Notes to Financial Statements**

**December 31, 2018**

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**3. Accumulated Surplus**

The organization segregates its accumulated surplus in the following categories:

	<b>2018</b>	<b>2017</b>
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	\$ 120,195	\$ 123,905
Reserves - general	44,156	29,527
Accumulated surplus	\$ 164,351	\$ 153,432

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**4. Budgets**

Under Canadian public sector accounting principles, budget amounts are to be reported on the statement of operations and accumulated surplus and changes in net financial assets for comparative purposes. The 2018 budget amounts for the Township of Southgate Public Library Board approved by the Board 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 the Board.

	2018 Budget	2018 Actual	2017 Actual
Annual surplus (deficit) (Page 6)	\$ (13,150)	\$ 10,919	\$ 15,049
Net transfers to reserves	(1,000)	(14,629)	(14,935)
Capital acquisitions and disposals	(10,340)	(20,182)	(22,505)
Amortization	24,490	23,892	22,391
	\$ -	\$ -	\$ -

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