

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWNSHIP OF SOUTHGATE**

Year ended December 31, 2024

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Consolidated Financial Statements Index

Year ended December 31, 2024

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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, 2024
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statements of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Township as at December 31, 2024, and its 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 Financial Statements***” section of our auditor’s report.

We are independent of the Township in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Township's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Township or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the 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 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Township to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

June 5, 2026

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Consolidated Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Financial assets		
Cash (note 2)	\$ 18,521,604	\$ 21,917,412
Short-term investments (note 3)	1,557,134	1,501,091
Taxes receivable	4,906,794	3,534,726
Trade and other receivables	1,738,053	2,639,829
Long-term receivables (note 4)	246,347	212,231
Investment in Wellington North Power	49,388	49,388
	<u>27,019,320</u>	<u>29,854,677</u>
Financial liabilities		
Accounts payable and accrued liabilities	3,013,469	3,810,341
Asset retirement obligation (note 20)	1,124,784	1,100,514
Post-employment benefits	97,424	97,424
Deferred revenue (note 19)	12,424,540	11,618,003
Long-term liabilities (note 5)	6,495,418	2,925,418
	<u>23,155,635</u>	<u>19,551,700</u>
Net financial assets	3,863,685	10,302,977
Non-financial assets		
Inventory of supplies	354,301	505,547
Prepaid expenses	312,993	233,822
Tangible capital assets (note 6)	78,624,604	68,695,260
	<u>79,291,898</u>	<u>69,434,629</u>
Accumulated surplus (note 7)	<u>\$ 83,155,583</u>	<u>\$ 79,737,606</u>

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

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2024, with comparative information for 2023

	2024 Budget	2024 Actual	2023 Actual
Revenue:			
Taxation	\$ 11,941,384	\$ 12,153,632	\$ 10,494,811
Fees and user charges	2,610,958	3,084,309	2,649,747
Government transfers (note 11)	2,214,658	2,747,137	2,341,626
Other income (note 9)	6,672,379	2,715,222	11,066,337
Total revenue	23,439,379	20,700,300	26,552,521
Expenses:			
General government	3,671,399	2,990,878	2,697,244
Protection services	2,329,769	2,667,882	2,494,053
Transportation services	4,917,073	5,707,679	5,147,367
Environmental services	2,828,107	3,691,960	2,758,255
Health services	60,933	97,379	93,385
Recreational and culture services	1,315,360	1,401,340	1,225,162
Planning and development	590,406	725,205	444,845
Total expenses	15,713,047	17,282,323	14,860,311
Annual surplus	7,726,332	3,417,977	11,692,210
Accumulated surplus, beginning of year	79,737,606	79,737,606	68,045,396
Accumulated surplus, end of year	\$ 87,463,938	\$ 83,155,583	\$ 79,737,606

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

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2024, with comparative information for 2023

	2024 Budget	2024 Actual	2023 Actual
Annual surplus	\$ 7,726,332	\$ 3,417,977	\$ 11,692,210
Acquisition of tangible capital assets	(20,471,642)	(12,542,960)	(11,135,728)
Amortization of tangible capital assets	2,732,000	2,499,542	2,386,787
Gain on disposal of tangible capital assets	(2,262,325)	(511,183)	(4,945,238)
Proceeds on disposal of tangible capital assets	500,000	625,257	5,153,772
Change in prepaid expenses	-	(79,171)	(68,642)
Change in inventories of supplies	-	151,246	(37,801)
	(19,501,967)	(9,857,269)	(8,646,850)
Change in net financial assets	(11,775,635)	(6,439,292)	3,045,360
Net financial assets, beginning of year	10,302,977	10,302,977	8,033,148
Impact of the adoption of ARO	-	-	(775,531)
Net financial assets, end of year	\$ (1,472,658)	\$ 3,863,685	\$ 10,302,977

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

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Consolidated Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Operating activities:		
Annual surplus	\$ 3,417,977	\$ 11,692,210
Items not involving cash:		
Post closure costs on the closed landfills	-	63,242
Accretion expense	24,270	24,111
Change in post-employment benefits	-	(29,481)
Amortization of tangible capital assets	2,499,542	2,386,787
Gain on disposal of tangible capital assets	(511,183)	(4,945,238)
	<u>5,430,606</u>	<u>9,191,631</u>
Change in non-cash assets and liabilities:		
Taxes receivable	(1,372,068)	(858,195)
Trade and other receivables	901,776	(350,528)
Inventory of supplies	151,246	(37,801)
Prepaid expenses	(79,171)	(68,642)
Accounts payable and accrued liabilities	(796,872)	(101,855)
Deferred revenue	806,537	(2,030,227)
Net change in cash from operating activities	<u>5,042,054</u>	<u>5,744,383</u>
Capital activities:		
Cash used to acquire tangible capital assets	(12,542,960)	(11,135,728)
Proceeds on disposal of tangible capital assets	625,257	5,153,772
	<u>(11,917,703)</u>	<u>(5,981,956)</u>
Investing activities:		
Proceeds from collection (issuance) of long-term receivables	(34,116)	19,041
Change in short-term investments	(56,043)	(32,274)
	<u>(90,159)</u>	<u>(13,233)</u>
Financing activities:		
Repayment of long-term liabilities	(530,411)	(608,561)
Loan issued during the period	4,100,411	-
	<u>3,570,000</u>	<u>(608,561)</u>
Net change in cash	<u>(3,395,808)</u>	<u>(859,367)</u>
Cash, beginning of year	21,917,412	22,776,779
Cash, end of year	<u>\$ 18,521,604</u>	<u>\$ 21,917,412</u>

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

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements

Year ended December 31, 2024

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

1. Significant accounting policies:

(a) Basis of accounting:

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

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Basis of consolidation:

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

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

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

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

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

1. Significant accounting policies (continued):

(d) Revenue recognition:

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

Fines and donations are recognized when collected.

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

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

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

(e) Cash and cash equivalents:

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

(f) Investments:

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

(g) Inventory:

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

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

1. Significant accounting policies (continued):

(h) Tangible capital assets:

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

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

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

(i) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost.

The Township's financial instruments include cash and short-term investments, taxes receivable, accounts receivable, investments, accounts payable and accrued liabilities, deferred revenue and long-term liabilities. With the exception of derivative and equity investments, the carrying value approximates fair value due to the short-term nature of these financial assets and liabilities.

Unrealized changes in fair value of derivative and equity investments are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

1. Significant accounting policies (continued):

(i) Financial instruments (continued):

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses. As all financial instruments are measured at cost or amortized cost, there have been no re-measurement gains or losses and therefore, the statement of remeasurement has been excluded.

Financial instruments that are subsequently measured at fair value are classified based on the observability of inputs as follows:

Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(j) County and school board:

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

(k) 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.

(l) Asset retirement obligation:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

1. Significant accounting policies (continued):

(l) Asset retirement obligation (continued):

The liability is discounted using a present value calculation and adjusted yearly for accretion expense. The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets. The increase to the tangible capital assets is being amortized in accordance with the accounting policies outlined in (Note 1(h)).

(m) Adoption of new accounting standards:

(i) PS - 3400 Revenue:

On January 1, 2024, the Township adopted PS 3400 Revenue ("PS 3400") prospectively. This standard distinguishes between revenues associated with performance obligations, categorized as exchange transactions and those without performance obligations, classified as non-exchange transactions. For exchange transactions, revenues are recognized as the Township fulfills their performance obligations. For non-exchange transactions, revenue is recognized once the Township has authority to claim the economic resources. This standard did not impact the Township's financial statements.

2. Cash:

	2024	2023
Unrestricted	\$ 6,219,268	\$ 3,463,164
Restricted	12,302,336	18,454,248
	<u>\$ 18,521,604</u>	<u>\$ 21,917,412</u>

On December 31, 2024, the Township had deposits of \$18,508,100 (2023 - \$22,162,891) held in a Canadian Chartered bank. The Canadian Deposit Insurance Corporation insures deposits up to a maximum of \$100,000 per depositor.

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

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

3. Short-term investments:

	2024	2023
One Investment Fund - Bond Fund - Public Sector Group of Funds	\$ 489,710	\$ 478,644
Northern Credit Union - Guaranteed Investment Certificates, non-redeemable, interest rate of 4.5% (2023 - 4.45%) maturing June 2025	1,067,424	1,022,447
	<u>\$ 1,557,134</u>	<u>\$ 1,501,091</u>

Investments have a market value of \$1,518,569 (2023 - \$1,430,265) at the end of the year.

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

4. Long-term receivables:

	2024	2023
Tile drainage loans, 6%, various repayment amounts, due from 2025 to 2030	\$ 246,347	\$ 212,231

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

5. Long-term liabilities:

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

	2024	2023
Tile drain loans payable, 6%, due from 2025 to 2030	\$ 246,347	\$ 212,231
Demand instalment loan payable, CIBC, 1.48% interest repayable in blended monthly payments of \$14,253, last scheduled payment March 2026	207,951	370,332
Demand instalment loan payable, CIBC, 4.39% interest, one-year term, due 2025	4,066,295	–
Loan payable, Ontario Infrastructure and Lands Corporation, 2.35%, payable in blended semi-annual payments of \$210,468, due 2029	1,974,825	2,342,855
	\$ 6,495,418	\$ 2,925,418

The interest paid in the year relating to the above long-term debt was \$ 70,059.

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

2025	\$ 4,977,616
2026	130,072
2027	426,134
2028	437,348
Thereafter	524,248
	\$ 6,495,418

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements

Year ended December 31, 2024

6. Tangible capital assets:

Cost	Land	Buildings	Equipment and vehicles	Roads	Bridges and culverts	Water system	Wastewater system	Asset Retirement Obligation	Work-in-progress	Balance at December 31, 2024
Balance, beginning of year	\$ 4,115,379	\$ 6,053,841	\$ 13,783,126	\$ 40,013,581	\$ 15,362,564	\$ 16,650,678	\$ 6,036,400	\$ 775,531	\$ 3,954,955	\$ 106,746,055
Additions	428,843	114,356	1,580,667	3,746,853	6,198	300,755	-	-	6,365,288	12,542,960
Disposals	(60,000)	-	(162,896)	-	-	-	-	-	(50,869)	(273,765)
Balance, end of year	4,484,222	6,168,197	15,200,897	43,760,434	15,368,762	16,951,433	6,036,400	775,531	10,269,374	119,015,250

Accumulated Amortization	Land	Buildings	Equipment and Vehicles	Roads	Bridges and culverts	Water system	Wastewater system	Asset Retirement Obligation	Work-in-progress	Balance at December 31, 2024
Balance, beginning of year	\$ -	\$ 2,275,001	\$ 7,716,944	\$ 15,343,231	\$ 7,034,763	\$ 2,713,574	\$ 2,950,542	\$ 16,740	\$ -	\$ 38,050,795
Amortization	-	133,585	859,075	756,790	278,799	308,223	154,681	8,389	-	2,499,542
Disposals	-	-	(159,691)	-	-	-	-	-	-	(159,691)
Balance, end of year	-	2,408,586	8,416,328	16,100,021	7,313,562	3,021,797	3,105,223	25,129	-	40,390,646

Net book value of tangible capital assets	\$ 4,484,222	\$ 3,759,611	\$ 6,784,569	\$ 27,660,413	\$ 8,055,200	\$ 13,929,636	\$ 2,931,177	\$ 750,402	\$ 10,269,374	\$ 78,624,604
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THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

6. Tangible capital assets:

Cost	Land	Buildings	Equipment and vehicles	Roads	Bridges and culverts	Water system	Wastewater system	Asset Retirement Obligation	Work-in-progress	Balance at December 31, 2023
Balance, beginning of year	\$ 4,292,219	\$ 5,164,028	\$ 13,113,622	\$ 38,093,154	\$ 15,146,928	\$ 9,898,700	\$ 5,976,420	\$ -	\$ 3,807,166	\$ 95,492,237
Additions	21,610	889,813	1,124,270	1,920,427	219,861	6,751,978	59,980	775,531	147,789	11,911,259
Disposals	(198,450)	-	(454,766)	-	(4,225)	-	-	-	-	(657,441)
Balance, end of year	4,115,379	6,053,841	13,783,126	40,013,581	15,362,564	16,650,678	6,036,400	775,531	3,954,955	106,746,055

Accumulated Amortization	Land	Buildings	Equipment and Vehicles	Roads	Bridges and culverts	Water system	Wastewater system	Asset Retirement Obligation	Work-in-progress	Balance at December 31, 2023
Balance, beginning of year	\$ -	\$ 2,158,012	\$ 7,333,779	\$ 14,591,050	\$ 6,763,991	\$ 2,476,848	\$ 2,799,235	\$ -	\$ -	\$ 36,122,915
Amortization	-	116,989	837,847	752,181	274,997	236,726	151,307	16,740	-	2,386,787
Disposals	-	-	(454,682)	-	(4,225)	-	-	-	-	(458,907)
Balance, end of year	-	2,275,001	7,716,944	15,343,231	7,034,763	2,713,574	2,950,542	16,740	-	38,050,795

Net book value of tangible capital assets	\$ 4,115,379	\$ 3,778,840	\$ 6,066,182	\$ 24,670,350	\$ 8,327,801	\$ 13,937,104	\$ 3,085,858	\$ 758,791	\$ 3,954,955	\$ 68,695,260
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THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

6. Tangible capital assets (continued):

The net book value of tangible capital assets not being amortized because they are under construction (or development) is \$10,269,374 (2023 - \$3,954,955).

During the year \$Nil (2023 - \$Nil) in contributed tangible capital assets were recognized in the financial statements.

7. Accumulated surplus:

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

	2024	2023
Invested in tangible capital assets:		
Tangible capital assets	\$ 78,624,604	\$ 68,695,260
Unfinanced capital	(6,842,317)	(3,881,079)
Capital assets financed by long-term liabilities and to be funded in future years	(7,519,706)	(2,713,185)
Total invested in tangible capital assets	64,262,581	62,100,996
Asset retirement obligation related to landfill, building and underground fuel tank	(1,124,784)	(1,100,514)
Investment in Wellington North Power	49,388	49,388
	(1,075,396)	(1,051,126)
Reserve and reserve funds (note 8)	19,968,398	18,687,736
Accumulated surplus	\$ 83,155,583	\$ 79,737,606

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

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

	2024	2023
Reserves:		
Working funds	\$ 422,541	\$ 422,541
Tax stabilization and emergency funds	856,293	956,085
Current purposes	8,287,804	8,704,142
Capital purposes	9,837,180	8,040,388
	<u>19,403,818</u>	<u>18,123,156</u>
Reserve funds:		
Capital purposes	564,580	564,580
Reserves and reserve funds set aside for specific purpose by Council	<u>\$ 19,968,398</u>	<u>\$ 18,687,736</u>

9. Other income:

	2024 Budget	2024 Actual	2023 Actual
Penalties and interest on taxation	\$ 275,000	\$ 463,278	\$ 402,428
Investment income	375,000	213,896	329,095
Licenses, permits and rents	606,796	685,138	1,005,074
Donations	3,385,537	120,790	12,608
Gain on disposal of capital assets	1,215,150	511,183	4,945,238
Development charge revenue	680,396	571,295	4,318,776
Other	134,500	149,642	53,118
	<u>\$ 6,672,379</u>	<u>\$ 2,715,222</u>	<u>\$ 11,066,337</u>

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

10. Budget:

The unaudited budget data presented in these consolidated financial statements is based upon the 2024 operating and capital budgets approved by Council on March 20, 2024. Amortization was not contemplated on development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

	Budget Amount
Revenues:	
Operating budget	\$ 20,343,015
Capital budget	20,027,126
Less:	
Proceeds from sale of assets	(2,262,825)
Proceeds from debt issuance	(4,066,295)
Donations/Grants	(4,162,532)
Transfers from reserves	(9,535,474)
Total revenue	20,343,015
Expenses:	
Operating budget	15,713,047
Capital budget	19,614,294
Less:	
Transfers to reserves	(2,565,955)
Capital expenses	(19,614,294)
Debt principal payments	(530,409)
Total expenses	12,616,683
Annual surplus	\$ 7,726,332

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

11. Government transfers:

	2024 Budget	2024 Actual	2023 Actual
Operating:			
Province of Ontario:			
Ontario Municipal Partnership Fund (OMPF)	\$ 667,300	\$ 667,960	\$ 680,553
Conditional - roads	232,000	259,405	254,425
- other	356,934	354,785	263,588
	1,256,234	1,282,150	1,198,566
Government of Canada:			
Conditional - sewer and water	–	87,700	–
- other	–	8,609	1,649
	–	96,309	1,649
Other municipalities:			
Other	154,222	181,552	127,506
Total operating transfers	1,410,456	1,560,011	1,327,721
Tangible capital asset:			
Province of Ontario:			
Conditional - roads	527,620	527,620	558,231
- other	–	200,000	212,300
	527,620	727,620	770,531
Government of Canada:			
Conditional - roads	274,032	277,666	243,374
Other municipalities:			
Other	–	181,840	–
Total tangible capital asset transfers	801,652	1,187,126	1,013,905
Total transfers	\$ 2,212,108	\$ 2,747,137	\$ 2,341,626

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

12. 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 2024 by the Township of Southgate was \$453,886 (2023 - \$399,721). The contribution rate for 2024 was 9% to 14.6% depending on age and income level (2023 - 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, 2024. At that time the plan reported a \$2.9 billion actuarial deficit (2023 - \$4.2 billion actuarial deficit), based on actuarial liabilities of \$142.5 billion (2023 - \$136.2 billion) and actuarial assets of \$139.6 billion (2023 - \$132.0 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.

13. 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:

	2024	2023
School boards	\$ 2,531,151	\$ 2,212,192
County of Grey	5,047,578	4,266,588
	<u>\$ 7,578,729</u>	<u>\$ 6,478,780</u>

14. 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, 2024 there are eleven years remaining.

15. 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 Consolidated Financial Statements (continued)

Year ended December 31, 2024

16. Trust funds:

The trust funds administered by the Township amounting to \$ 309,097 (2023 - \$311,961) 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, 2024, the trust fund balances are as follows:

	2024	2023
Township cemetery care and maintenance funds	\$ 264,843	\$ 264,530
Egremont Optimist Club	18,863	18,863
Other cemetery care and maintenance funds	25,391	28,568
	\$ 309,097	\$ 311,961

17. Commitments:

- (a) The Township has committed \$25,000 annually for 10 years for a total of \$250,000 to the South-East Grey Community Health Centre to help provide Seniors and Youth Programs within the community. As of December 31, 2024, \$175,000 has been transferred to South-East Grey Community Health Centre.
- (b) As of December 31, 2024, the Township has committed \$6,184,795 for the construction of the Highway 10 Bypass Road, of which \$130,609 has been paid as of December 31, 2024 and accordingly has been recorded in work in progress.
- (c) The Township has committed \$150,000 over a 5-year period starting in 2021 to the Community Foundation Grey Bruce. As of December 31, 2024, \$60,000 has been transferred to Community Foundation Grey Bruce. The 2024 instalment was paid in August 2025.

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

18. Segmented information:

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

General Government

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

Protection to Persons and Property

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

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

Transportation

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

Environmental

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

Health

Health services include contributions to the operations of local cemeteries.

Recreational and Cultural Services

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

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

18. Segmented information (continued):

Planning and Development

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

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

Taxation and payments-in-lieu

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

OMPF Grants

Allocated to segments based on the budget for the year.

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Schedule to Note 18 - Segmented Information (continued)

Year ended December 31, 2024

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2024 Total
Revenue:								
Taxation	\$ 2,103,307	1,876,163	4,013,872	2,596,336	68,481	985,479	509,994	\$ 12,153,632
Fees and user charges	44,589	3,116	96,558	2,456,270	18,896	232,574	232,306	3,084,309
Specific grants	445,636	201,460	1,009,019	110,642	-	312,420	-	2,079,177
OMPF grant	667,960	-	-	-	-	-	-	667,960
Other revenue	1,417,010	98,093	475,440	288,012	10,184	36,978	389,505	2,715,222
	<u>4,678,502</u>	<u>2,178,832</u>	<u>5,594,889</u>	<u>5,451,260</u>	<u>97,561</u>	<u>1,567,451</u>	<u>1,131,805</u>	<u>20,700,300</u>
Expenses:								
Salaries and benefits	1,923,522	692,918	1,650,078	1,107,845	37,906	849,213	352,546	6,614,028
Interest on long-term debt	2,079	-	1,815	58,276	-	-	12,734	74,904
Materials and supplies	820,264	424,662	2,234,116	1,804,996	7,482	403,184	159,239	5,853,943
Contracted services	156,701	1,435,133	180,428	161,101	14,138	15,921	200,686	2,164,108
Other transfers	-	-	39,972	-	34,285	-	-	74,257
Rents and financial expenses	1,540	-	-	-	-	-	-	1,540
Amortization	86,772	115,169	1,601,270	559,742	3,568	133,022	-	2,499,543
	<u>2,990,878</u>	<u>2,667,882</u>	<u>5,707,679</u>	<u>3,691,960</u>	<u>97,379</u>	<u>1,401,340</u>	<u>725,205</u>	<u>17,282,323</u>
Annual surplus (deficit)	\$ 1,687,624	(489,050)	(112,790)	1,759,300	182	166,111	406,600	\$ 3,417,977

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Schedule to Note 18 - Segmented Information (continued)

Year ended December 31, 2023

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2023 Total
Revenue:								
Taxation	\$ 1,904,877	1,761,377	3,635,230	1,947,965	65,952	865,247	314,163	\$ 10,494,811
Fees and user charges	33,333	46,653	46,339	2,120,864	19,253	208,648	174,657	2,649,747
Specific grants	243,374	113,083	1,024,956	242,291	-	37,369	-	1,661,073
OMPF grant	680,553	-	-	-	-	-	-	680,553
Other revenue	6,059,019	71,048	914,938	3,341,658	70,965	2,509	606,200	11,066,337
	<u>8,921,156</u>	<u>1,992,161</u>	<u>5,621,463</u>	<u>7,652,778</u>	<u>156,170</u>	<u>1,113,773</u>	<u>1,095,020</u>	<u>26,552,521</u>
Expenses:								
Salaries and benefits	1,741,435	549,386	1,463,469	961,631	34,475	747,934	199,937	5,698,267
Interest on long-term debt	24,111	-	3,550	66,057	-	-	13,876	107,594
Materials and supplies	681,435	491,159	2,028,726	1,189,853	5,080	362,312	199,018	4,957,583
Contracted services	149,213	1,344,713	129,638	46,461	15,417	-	32,014	1,717,456
Other transfers	-	-	-	-	35,049	-	-	35,049
Rents and financial expenses	4,926	-	-	-	-	-	-	4,926
Amortization	96,124	108,795	1,521,984	494,253	3,364	114,916	-	2,339,436
	<u>2,697,244</u>	<u>2,494,053</u>	<u>5,147,367</u>	<u>2,758,255</u>	<u>93,385</u>	<u>1,225,162</u>	<u>444,845</u>	<u>14,860,311</u>
Annual surplus (deficit)	\$ 6,223,912	(501,892)	474,096	4,894,523	62,785	(111,389)	650,175	\$ 11,692,210

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

19. Deferred revenue:

Year ended December 31, 2024

	Opening	Contributions received	Investment income	Revenue recognized	Ending
Obligatory reserve funds:					
Development charges	\$ 11,430,637	\$ 510,942	\$ 764,676	\$ (571,295)	\$ 12,134,960
Recreational land	68,006	57,692	–	–	125,698
	11,498,643	568,634	764,676	(571,295)	12,260,658
Other:					
Other revenue	119,360	74,533	–	(30,011)	163,882
	\$ 11,618,003	\$ 643,167	\$ 764,676	\$ (601,306)	\$ 12,424,540

Year ended December 31, 2023

	Opening	Contributions received	Investment income	Revenue recognized	Ending
Obligatory reserve funds:					
Development charges	\$ 13,176,968	\$ 1,609,857	\$ 962,588	\$ (4,318,776)	\$ 11,430,637
Recreational land	68,006	–	–	–	68,006
	13,244,974	1,609,857	962,588	(4,318,776)	11,498,643
Other:					
Other revenue	403,256	20,000	–	(303,896)	119,360
	\$ 13,648,230	\$ 1,629,857	\$ 962,588	\$ (4,622,672)	\$ 11,618,003

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

20. Asset retirement obligations:

Year ended December 31, 2024

	Landfill closure	Building asbestos removal	Underground fuel storage tank	Total
Opening balance	\$ 1,007,699	\$ 58,887	\$ 33,928	\$ 1,100,514
Accretion expense	22,191	1,319	760	24,270
Closing balance	\$ 1,029,890	\$ 60,206	\$ 34,688	\$ 1,124,784

Year ended December 31, 2023

	Landfill closure	Building asbestos removal	Underground fuel storage tank	Total
Landfill liability (withdrawn PS 3270)	\$ 237,629	\$ –	\$ –	\$ 237,629
Adjustment on adoption of the asset retirement obligation standard	747,992	57,597	33,185	838,774
	985,621	57,597	33,185	1,076,403
Accretion expense	22,078	1,290	743	24,111
Closing balance	\$ 1,007,699	\$ 58,887	\$ 33,928	\$ 1,100,514

Landfill obligation:

The Town owns and operates one active landfill site and two closed landfill sites. The liability for the closure of the operational site and post-closure care has been recognized under PS 3280 – Asset Retirement Obligations. The costs were based upon the presently known obligations that will exist at the estimated year of closure of the one active site and post closure years for the two sites. The active site has a remaining capacity of approximately 277,000 m³ and an estimated life expectancy of 82 years. Solid waste landfill closure and post-closure costs are funded through the Town's annual budget. The cost of asset retirement obligations included in tangible capital assets at December 31, 2024 is \$684,750 (2023 - \$684,750) and accumulated amortization of these costs at December 31, 2024 is \$16,702 (2023 - \$8,351).

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

20. Asset retirement obligations (continued):

Landfill obligation (continued):

A charge, reflected as accretion has been recorded in the statement of operations for the year ended December 31, 2024, amounting to \$22,191 (2023 - \$22,078).

Asbestos obligation:

The Township owns and operates several buildings that are known to have asbestos, which represents a health hazard upon demolition or renovation of the building. The Occupational Health and Safety Regulations, 1996 outlines the legal obligation to remove it.

The costs were based upon the presently known obligations obtained through assessments. The majority of buildings will be remediated at intervals over the next 30 years.

The cost of asset retirement obligations included in tangible capital assets at December 31, 2024 is \$57,597 (2023 - \$57,597) and accumulated amortization of these costs at December 31, 2024 is \$14,399 (2023 - \$7,200).

A charge, reflected as accretion has been recorded in the statement of operations for the year ended December 31, 2024 amounting to \$1,319 (2023 - \$1,290).

Underground fuel storage tank obligation:

The Township owns a storage tank which represents a risk of ground contamination due to leaks and remediate corrosion. Technical Standards and Safety Act outlines the legal obligation to remove the tanks and clean up the surrounding soil. The costs were based upon the presently known obligations obtained through environmental assessments. The storage tanks will be remediated at intervals over the next 20 years. These costs were discounted to December 31, 2024.

The cost of asset retirement obligations included in tangible capital assets at December 31, 2024 is \$33,185 (2023 - \$33,185) and accumulated amortization of these costs at December 31, 2024 is \$2,379 (2023 - \$1,190). A charge, reflected as accretion has been recorded in the statement of operations for the year ended December 31, 2024 amounting to \$760 (2023 - \$743).

21. Financial Instrument and risk management:

(a) Credit risk:

Credit Risk is the risk that one party to a financial instrument will cause a financial loss of the other party by failing to discharge the obligation. The Township is exposed to credit risk from its financial assets including cash and cash equivalents, trade and other receivables, and investments. The Township manages this risk by monitoring outstanding balances on an ongoing basis and by maintaining appropriate allowance for doubtful accounts.

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

21. Financial Instrument and risk management - continued:

(b) Liquidity risk:

Liquidity risk is the risk that the Township will not be able to meet all cash outflow obligations as they come due. The Township is exposed to liquidity risk from accounts payable and accrued liabilities. The Township mitigates this risk by monitoring cash activities and expected outflows through budgeting and monitoring investments that may be converted into cash to maintain sufficient funds for meeting obligations as they come due. Accounts payable and accrued liabilities are generally due within 30 days. The annual repayment obligations for municipal debt are disclosed in Note 5.

(c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk and interest rate risk.

(i) Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Township is not exposed to significant currency risk as amounts held and purchases made in foreign currency are insignificant.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Township is exposed to interest rate risk through its investments and long-term debt. The Township is not exposed to significant interest rate risk as the long-term debt has interest rates fixed for long periods of time with the debt intended to be repaid in accordance with the terms of the respective loans.

22. Comparative information:

Certain comparative information has been reclassified from that previously presented to conform to the presentation of the 2024 financial statements, with no impact on annual surplus.