

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWNSHIP OF SOUTHGATE**

Year ended December 31, 2023

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Consolidated Financial Statements Index

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KPMG LLP
120 Victoria Street South
Suite 600
Kitchener, ON N2G 0E1
Canada
Telephone 519 747 8800
Fax 519 747 8811

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, 2023
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and the notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023, 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 responsibility under those standards are further described in the “***Auditor's Responsibilities for the Audit of the Financial Statements***” section of our auditor's report.

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



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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Township's internal control.



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to the events or conditions that may cast significant doubt on the Township's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Township to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

May 30, 2025

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Cash (note 2)	\$ 21,917,412	\$ 22,776,779
Short-term investments (note 3)	1,501,091	1,468,817
Taxes receivable	3,534,726	2,676,531
Trade and other receivables	2,639,829	2,289,301
Long-term receivables (note 4)	212,231	231,272
Investment in Wellington North Power	49,388	49,388
	<u>29,854,677</u>	<u>29,492,088</u>
Financial liabilities		
Accounts payable and accrued liabilities	3,810,341	3,912,198
Solid waste landfill closure and post-closure liabilities	-	237,629
Asset retirement obligation (note 21)	1,100,514	-
Post-employment benefits (note 5)	97,424	126,904
Deferred revenue (note 20)	11,618,003	13,648,230
Long-term liabilities (note 6)	2,925,418	3,533,979
	<u>19,551,700</u>	<u>21,458,940</u>
Net financial assets	10,302,977	8,033,148
Non-financial assets		
Inventory of supplies	505,547	467,746
Prepaid expenses	233,822	165,180
Tangible capital assets (note 7)	68,695,260	59,379,322
	<u>69,434,629</u>	<u>60,012,248</u>
Accumulated surplus (note 8)	<u>\$ 79,737,606</u>	<u>\$ 68,045,396</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, 2023, with comparative information for 2022

	2023 Budget	2023 Actual	2022 Actual
Revenue:			
Taxation	\$ 10,524,848	\$ 10,494,811	\$ 9,112,937
Fees and user charges	2,522,150	2,649,747	2,385,236
Government transfers (note 12)	1,503,586	2,341,626	1,644,055
Other income (note 10)	10,232,914	11,066,337	7,139,309
Total revenue	24,783,498	26,552,521	20,281,537
Expenses:			
General government	2,367,641	2,486,153	1,942,944
Protection services	3,258,819	3,205,548	2,982,319
Transportation services	5,321,399	4,914,061	4,767,543
Environmental services	1,570,899	2,503,609	2,201,451
Health services	114,687	91,249	86,187
Recreational and culture services	805,226	1,236,764	897,928
Planning and development	410,056	422,927	344,037
Total expenses	13,848,727	14,860,311	13,222,409
Annual surplus	10,934,771	11,692,210	7,059,128
Accumulated surplus, beginning of year	68,045,396	68,045,396	60,986,268
Accumulated surplus, end of year	\$ 78,980,167	\$ 79,737,606	\$ 68,045,396

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

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Consolidated Statement of Change in Net Financial Assets (Debt)

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget	2023 Actual	2022 Actual
Annual surplus	\$ 10,934,771	\$ 11,692,210	\$ 7,059,128
Acquisition of tangible capital assets	(30,297,588)	(11,135,728)	(6,830,859)
Amortization of tangible capital assets	2,756,000	2,386,787	2,213,895
Gain on disposal of tangible capital assets	(16,606,816)	(4,945,238)	(936,192)
Proceeds on disposal of tangible capital assets	1,960,000	5,153,772	1,639,385
Change in prepaid expenses	-	(68,642)	40,657
Change in inventories of supplies	-	(37,801)	(125,145)
	(42,188,404)	(8,646,850)	(3,998,259)
Change in net financial assets	(31,253,633)	3,045,360	3,060,869
Net financial assets, beginning of year	8,033,148	8,033,148	4,972,279
Impact of the adoption of ARO	-	(775,531)	-
Net financial assets (debt), end of year	\$ (23,220,485)	\$ 10,302,977	\$ 8,033,148

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, 2023, with comparative information for 2022

	2023	2022
Operating activities:		
Annual surplus	\$ 11,692,210	\$ 7,059,128
Items not involving cash:		
Change in landfill closure and post-closure liability	-	8,629
Post closure costs on the closed landfills	63,242	-
Accretion expense	24,111	-
Change in post-employment benefits	(29,481)	(22,746)
Amortization of tangible capital assets	2,386,787	2,213,895
Gain on disposal of tangible capital assets	(4,945,238)	(936,192)
	<u>9,191,631</u>	<u>8,322,714</u>
Change in non-cash assets and liabilities:		
Taxes receivable	(858,195)	(1,103,068)
Trade and other receivables	(350,528)	4,700
Inventory of supplies	(37,801)	(125,145)
Prepaid expenses	(68,642)	40,657
Accounts payable and accrued liabilities	(101,855)	1,777,742
Deferred revenue	(2,030,227)	1,813,085
Net change in cash from operating activities	<u>5,744,383</u>	<u>10,730,685</u>
Capital activities:		
Cash used to acquire tangible capital assets	(11,135,728)	(6,830,859)
Proceeds on disposal of tangible capital assets	5,153,772	1,639,385
	<u>(5,981,956)</u>	<u>(5,191,474)</u>
Investing activities:		
Collection of long-term receivables	19,041	12,989
Change in investments	(32,274)	(40,202)
	<u>(13,233)</u>	<u>(27,213)</u>
Financing activities:		
Repayment of long-term liabilities	(608,561)	(591,854)
Net change in cash	<u>(859,367)</u>	<u>4,920,144</u>
Cash, beginning of year	22,776,779	17,856,635
Cash, end of year	<u>\$ 21,917,412</u>	<u>\$ 22,776,779</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, 2023

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, 2023

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, 2023

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, 2023

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 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, 2023

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 - 3450 Financial Instruments and Related Standards:

On January 1, 2023, the Township adopted PS 3450 Financial Instruments ("PS 3450"), PS 2601 Foreign Currency Translation, PS 1201 Financial Statement Presentation and PS 3041 Portfolio Investments. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450, all financial instruments are included on the Statement of Financial Position and, with the exception of derivatives and equity investments, are measured amortized cost. Derivative and equity investments are included on the Statement of Financial Position at fair value. There have been no re-measurement gains or losses and the statement of remeasurement has been excluded.

(ii) PS - 3280 Asset Retirement Obligations :

On January 1, 2023, the Township also adopted Public Accounting Standard PS 3280 - Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets and resulted in a withdrawal of Section PS 3270 – Solid Waste Landfill Closure and Post-Closure Liability. The Township adopted this new accounting standard on a prospective basis.

The Township has done an assessment of its assets and concluded that asset retirement obligations are associated with the Township's landfill sites, buildings containing asbestos and underground fuel tanks (see Note 21). For landfill and asbestos liabilities, an estimate is made today for some point in the future, at which time the liability will be extinguished. The future value is then discounted back to current year values. Each year there is an accretion expense on the Statement of Operations to increase the liability with time. As well, there will also be an amortization expense associated with the ARO asset. On adoption as of 1 January 2023, the Township recognized the asset retirement obligation liability of \$775,532 (active landfill closure costs - \$684,750, building asbestos removal - \$57,597 and underground fuel tank removal - \$33,185) with a corresponding increase to tangible capital assets.

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(m) Adoption of new accounting standards - continued:

(ii) PS - 3280 Asset Retirement Obligations - continued :

The Township recognized the asset retirement obligation of \$63,242 for the two inactive landfills and given that these assets are no longer in productive use, the Township expensed the corresponding increase in ARO for these landfills.

2. Cash:

	2023	2022
Unrestricted	\$ 3,463,164	\$ 5,325,497
Restricted	18,454,248	17,451,282
	<u>\$ 21,917,412</u>	<u>\$ 22,776,779</u>

On December 31, 2023, the Township had deposits of \$22,310,366 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.

3. Short-term investments:

	2023	2022
One Fund - Bond Fund - Public Sector Group of Funds	\$ 478,644	\$ 468,817
Northern Credit Union - Guaranteed Investment Certificates, non-redeemable, interest rate of 4.45% (2022 - 1.25% to 3.20%), maturing June 2024	1,022,447	1,000,000
	<u>\$ 1,501,091</u>	<u>\$ 1,468,817</u>

Investments have a market value of \$1,430,265 (2022 - \$1,411,316) 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.

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

4. Long-term receivables:

	2023	2022
Tile drainage loans, 6%, various repayment amounts, due from 2023 to 2030	\$ 212,231	\$ 231,272

5. Post-employment benefit:

	2023	2022
Accrued benefit liability, beginning of year	\$ 126,904	\$ 149,650
Benefits earned	-	7,225
Benefits paid	(29,480)	(29,971)
Accrued benefit liability, end of year	\$ 97,424	\$ 126,904

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

6. Long-term liabilities:

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

	2023	2022
Tile drain loans payable, 6%, due from 2022 to 2030	\$ 212,231	\$ 231,272
Demand instalment loan payable, CIBC, 2.5% interest repayable in blended monthly payments of \$14,253, last scheduled payment March 2026	370,332	530,322
Demand instalment loan payable, CIBC, 1.218% interest, repayable in annual principal payments of \$70,000, repaid in 2023	-	70,000
Loan payable, Ontario Infrastructure and Lands Corporation, 2.35%, payable in blended semi-annual payments of \$210,468, due 2029	2,342,855	2,702,385
	\$ 2,925,418	\$ 3,533,979

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

6. Long-term liabilities (continued):

The interest paid in the year relating to the above long-term debt was \$83,484.

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

2024	\$	571,194
2025		574,412
2026		455,276
2027		419,749
2028		430,580
Thereafter		474,207
	\$	2,925,418

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

7. 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

Year ended December 31, 2023

7. Tangible capital assets (continued):

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

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

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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

7. Tangible capital assets (continued):

The net book value of tangible capital assets not being amortized because they are under construction (or development) is \$3,954,955 (2022 - \$3,807,166).

During the year \$Nil (2022 - \$Nil) in contributed tangible capital assets were recognized in the financial statements.

8. Accumulated surplus:

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

	2023	2022
Invested in tangible capital assets:		
Tangible capital assets at cost less accumulated amortization	\$ 68,695,260	\$ 59,379,322
Unfinanced capital	(3,881,079)	(1,162,498)
Capital assets financed by long-term liabilities and to be funded in future years	(2,713,185)	(3,302,707)
Total invested in tangible capital assets	62,100,996	54,914,117
Unfunded solid waste landfill closure and post-closure costs	-	(237,629)
Asset retirement obligation related to landfill, building and underground fuel tank	(1,100,514)	-
Investment in Wellington North Power	49,388	49,388
	(1,051,126)	54,725,876
Reserve and reserve funds (note 9)	18,687,736	13,319,520
Accumulated surplus	\$ 79,737,606	\$ 68,045,396

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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

	2023	2022
Reserves:		
Working funds	\$ 422,541	\$ 422,541
Tax stabilization and emergency funds	956,085	911,829
Current purposes	8,704,142	3,533,707
Capital purposes	8,040,388	7,936,249
	18,123,156	12,804,326
Reserve funds:		
Capital purposes	564,580	515,194
Reserves and reserve funds set aside for specific purpose by Council		
	\$ 18,687,736	\$ 13,319,520

10. Other income:

	2023 Budget	2023 Actual	2022 Actual
Penalties and interest on taxation	\$ 260,000	\$ 402,428	\$ 281,486
Investment income	364,500	329,095	73,461
Licenses, permits and rents	749,750	1,005,074	1,176,448
Donations	2,125	12,608	28,729
Gain on disposal of capital assets	5,136,175	4,945,238	936,192
Development charge revenue	3,691,503	4,318,776	4,575,863
Other	28,861	53,119	67,130
	\$ 10,232,914	\$ 11,066,338	\$ 7,139,309

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

11. Budget:

The unaudited budget data presented in these consolidated financial statements is based upon the 2023 operating and capital budgets approved by Council on March 15, 2023. 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	\$ 18,698,057
Capital budget	31,054,176
Less:	
Proceeds from sale of assets	(1,960,000)
Proceeds from debt issuance	(10,476,873)
Transfers from reserves	(11,999,804)
Total revenue	25,315,556
Expenses:	
Operating budget	16,119,515
Capital budget	30,297,588
Less:	
Transfers to reserves	(2,326,549)
Capital expenses	(30,297,588)
Debt principal payments	587,819
Total expenses	14,380,785
Annual surplus	\$ 10,934,771

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

12. Government transfers:

	2023 Budget	2023 Actual	2022 Actual
Operating:			
Province of Ontario:			
Ontario Municipal Partnership Fund (OMPF)	\$ 680,300	\$ 680,553	\$ 611,200
Conditional - roads	230,000	254,425	238,863
- other	196,375	263,588	151,455
	1,106,675	1,198,566	1,001,518
Government of Canada:			
Conditional - roads	-	-	-
- sewer and water	-	-	-
- other	-	1,649	16,534
	-	1,649	16,534
Other municipalities:			
Other	153,538	127,506	140,826
Total operating transfers	1,260,213	1,327,721	1,158,878
Tangible capital asset:			
Province of Ontario:			
Conditional - roads	-	558,231	251,944
- other	-	212,300	-
	-	770,531	251,944
Government of Canada:			
Conditional - roads	243,373	243,374	233,233
Other municipalities:			
Other	-	-	-
Total tangible capital asset transfers	243,373	1,013,905	485,177
Total transfers	\$ 1,503,586	\$ 2,341,626	\$ 1,644,055

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

13. Pension agreements:

The Township makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 45 members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement entitlement to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan. The employer amount contributed to OMERS for 2023 by the Township of Southgate was \$399,721 (2022 - \$294,869). The contribution rate for 2023 was 9% to 15.8% depending on age and income level (2022 - 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, 2023. At that time the plan reported a \$4.2 billion actuarial deficit (2022 - \$6.7 billion), based on actuarial liabilities of \$136.2 billion (2022 - \$130.3 billion) and actuarial assets of \$132.0 billion (2022 - \$123.6 billion). Ongoing adequacy of the current contribution rates will need to be monitored as fluctuations in the financial markets may lead to increased future funding requirements.

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

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

	2023	2022
School boards	\$ 2,212,192	\$ 1,967,144
County of Grey	4,266,588	3,913,289
	<u>\$ 6,478,780</u>	<u>\$ 5,880,433</u>

15. Contractual rights:

The Township has a solar agreement dated June 4, 2014 to receive \$75,000 per year for 20 years. As of December 31, 2023 there are twelve years remaining.

16. Contingent liabilities:

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

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

17. Trust funds:

The trust funds administered by the Township amounting to \$311,961 (2022 - \$322,764) 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, 2023, the trust fund balances are as follows:

	2023	2022
Township cemetery care and maintenance funds	\$ 264,530	\$ 262,794
Egremont Optimist Club	18,863	32,664
Other cemetery care and maintenance funds	28,568	27,306
	<u>\$ 311,961</u>	<u>\$ 322,764</u>

18. Commitments:

- 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, 2023, \$150,000 has been transferred to South-East Grey Community Health Centre.
- As of December 31, 2023, the Township has committed \$6,184,795 for the construction of the Highway 10 Bypass Road, of which \$68,949 has been paid as of December 31, 2023 and accordingly has been recorded in work in progress.
- The Township has committed \$150,000 over a 5-year period starting in 2021 to the Community Foundation Grey Bruce which payments are expected to commence in 2024. Both 2023 and 2024 contributions were made in January 2024 to cover both years' contributions.

19. 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.

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

19. Segmented information (continued):

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.

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:

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

19. Segmented information (continued):

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 19 - 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
Taxation	\$ 1,755,798	2,263,857	3,470,462	1,768,126	64,443	873,441	298,684	\$ 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
	8,772,077	2,494,641	5,456,695	7,472,939	154,661	1,121,967	1,079,541	26,552,521
Expenses:								
Salaries and benefits	1,283,332	1,007,533	1,463,469	961,586	34,475	747,934	199,937	5,698,266
Interest on long-term debt	24,111	-	3,550	66,057	-	-	13,876	107,594
Materials and supplies	925,962	743,167	1,799,244	946,645	5,081	360,384	177,100	4,957,583
Contracted services	153,271	1,344,479	125,814	35,068	13,280	13,530	32,014	1,717,456
Other transfers	-	-	-	-	35,049	-	-	35,049
Rents and financial expenses	4,926	-	-	-	-	-	-	4,926
Amortization	94,551	110,369	1,521,984	494,253	3,364	114,916	-	2,339,437
	2,486,153	3,205,548	4,914,061	2,503,609	91,249	1,236,764	422,927	14,860,311
Annual surplus (deficit)	\$ 6,285,924	(710,907)	542,634	4,969,330	63,412	(114,797)	656,614	\$ 11,692,210

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Schedule to Note 19 - 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	2022 Total
Taxation	\$ 1,339,085	2,055,426	3,285,809	1,517,249	59,400	618,856	237,112	\$ 9,112,937
Fees and user charges	33,517	16,790	28,776	1,963,689	31,534	172,959	137,971	2,385,236
Specific grants	302,885	134,818	402,041	152,022	-	41,089	-	1,032,855
OMPF grant	611,200	-	-	-	-	-	-	611,200
Other revenue	1,577,919	351,338	1,739,838	2,557,545	5,509	16,726	890,434	7,139,309
	3,864,606	2,558,372	5,456,464	6,190,505	96,443	849,630	1,265,517	20,281,537
Expenses:								
Salaries and benefits	996,029	832,667	1,251,886	741,789	16,622	517,923	201,021	4,557,937
Interest on long-term debt	-	-	4,461	76,639	-	-	14,270	95,370
Materials and supplies	715,772	630,588	1,847,161	878,517	22,494	263,004	48,725	4,406,261
Contracted services	153,231	1,416,757	94,583	11,524	6,441	-	80,021	1,762,557
Other transfers	-	-	145,399	-	37,267	-	-	182,666
Rents and financial expenses	3,723	-	-	-	-	-	-	3,723
Amortization	74,189	102,307	1,424,053	492,982	3,363	117,001	-	2,213,895
	1,942,944	2,982,319	4,767,543	2,201,451	86,187	897,928	344,037	13,222,409
Annual surplus (deficit)	\$ 1,921,662	(423,947)	688,921	3,989,054	10,256	(48,298)	921,480	\$ 7,059,128

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

20. Deferred revenue:

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
	403,256	20,000	–	(303,896)	119,360
	\$ 13,648,230	\$ 1,629,857	\$ 962,588	\$ (4,622,672)	\$ 11,618,003

Year ended December 31, 2022

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

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

21. Asset Retirement Obligation:

	Landfill closure	Building Asbestos removal	Underground Fuel Storage Tank	Balance at December 31, 2023
Landfill liability (withdrawn standard 3270)	\$ 237,629	\$ –	\$ –	\$ 237,629
Adjustment on adoption of the asset retirement obligation standard (Note 1(m)(ii))	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. On adoption as of 1 January 2023, the Township recognized the asset retirement obligation liability of \$747,992 (\$684,750 for the active landfill closure costs and \$63,242 for the two inactive landfills). The Township expensed the corresponding increase in the ARO liability for the two inactive landfills.

These costs were discounted to December 31, 2023, using a discount rate of 2.24%. 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, 2023 is \$684,750 (2022 - \$nil) and accumulated amortization of these costs at December 31, 2023 is \$8,351 (2022 - \$nil).

A charge, reflected as accretion has been recorded in the statement of operations for the year ended December 31, 2023, amounting to \$22,078 (2022 – \$nil).

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. Following the adoption of PS3280 – Asset retirement obligations, the Township recognized an obligation of \$57,797 relating to the removal of the asbestos in these buildings as estimated at January 1, 2023.

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. These costs were discounted to December 31, 2023.

THE CORPORATION OF THE TOWNSHIP OF SOUTHGATE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

21. Asset Retirement Obligation - continued:

Asbestos obligation - continued:

The cost of asset retirement obligations included in tangible capital assets at December 31, 2023 is \$57,597 (2022 - \$nil) and accumulated amortization of these costs at December 31, 2023 is \$7,200 (2022 - \$nil).

A charge, reflected as accretion has been recorded in the statement of operations for the year ended December 31, 2023 amounting to \$1,290 (2022 – \$nil).

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. Following the adoption of PS3280 – Asset retirement obligations, the Township recognized an obligation of \$33,185 relating to the removal of the tanks and the surrounding soil remediation as estimated at January 1, 2023. 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, 2023.

The cost of asset retirement obligations included in tangible capital assets at December 31, 2023 is \$33,185 (2022 - \$nil) and accumulated amortization of these costs at December 31, 2023 is \$1,190 (2022 - \$nil). A charge, reflected as accretion has been recorded in the statement of operations for the year ended December 31, 2023 amounting to \$743 (2022 – \$nil).