

CORPORATION OF THE TOWNSHIP
OF SOUTHWOLD
Financial Statements
December 31, 2019

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Financial Statements

For the Year Ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of **The Corporation of the Township of Southwold:**

Opinion

We have audited the financial statements of **The Corporation of the Township of Southwold**, which comprise the statement of financial position as at December 31, 2019, and the statement of operations and accumulated surplus, statement of changes in net financial assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the Municipality's financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for public sector entities.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Municipality 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 accounting standards for public sector entities, 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 Municipality'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 Municipality or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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 Municipality'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 Municipality'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 Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

St. Thomas, Ontario

August 10, 2020

Graham Scott Enns LLP

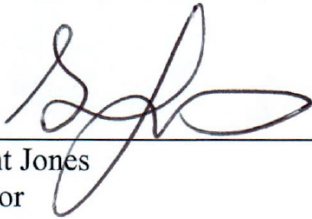
CHARTERED PROFESSIONAL ACCOUNTANTS

Licensed Public Accountants


CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

**Statement of Financial Position
December 31, 2019**

	<u>2019</u>	<u>2018</u>
	<u>\$</u>	<u>\$</u>
FINANCIAL ASSETS		
Cash	3,015,089	4,772,921
Investments (Note 3)	6,338,388	6,231,418
Taxes receivable	499,535	520,454
Accounts receivable (Note 2)	4,415,825	2,185,150
Land held for resale	<u>441,066</u>	<u>441,066</u>
Total financial assets	<u>14,709,903</u>	<u>14,151,009</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	904,084	914,022
Deferred revenue (Note 4)	1,878,822	793,190
Net long-term liabilities (Note 6)	<u>2,872,735</u>	<u>2,015,619</u>
Total financial liabilities	<u>5,655,641</u>	<u>3,722,831</u>
NET FINANCIAL ASSETS	<u>9,054,262</u>	<u>10,428,178</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 5)	48,251,859	43,848,069
Inventories	98,396	126,983
Prepaid expenses	<u>32,503</u>	<u>39,550</u>
Total non-financial assets	<u>48,382,758</u>	<u>44,014,602</u>
ACCUMULATED SURPLUS (NOTE 7)	<u>57,437,020</u>	<u>54,442,780</u>



Grant Jones
Mayor



Ken Loveland
Acting CAO

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

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Statement of Operations and Accumulated Surplus For the Year Ended December 31, 2019

	Budget (Note 12) \$	Actual 2019 \$	Actual 2018 \$
REVENUES			
Property taxation	3,209,117	3,191,455	2,874,917
Taxation from other governments	1,078,846	1,100,380	1,061,405
Local improvement levies	97,820	248,068	382,331
User charges	2,194,938	1,991,447	1,927,351
Government transfers:			
Federal	134,116	233,628	129,257
Provincial	464,650	1,076,189	970,148
Other municipalities	605,129	707,174	710,648
Investment income	145,000	227,129	179,929
Penalties and interest on taxes	80,000	68,265	83,655
Other revenues and sales of land held for sale	<u>1,585,678</u>	<u>3,474,730</u>	<u>1,960,120</u>
Total revenues	<u>9,595,294</u>	<u>12,318,465</u>	<u>10,279,761</u>
EXPENSES			
General government	751,051	773,712	714,173
Fire and police protection	1,188,711	1,226,207	1,143,070
Other protective services	192,865	199,947	176,590
Transportation services	2,415,409	1,895,942	2,310,072
Waterworks and sewer	2,306,893	2,048,013	1,883,128
Garbage collection and disposal	353,445	339,332	275,570
Health services	43,592	45,850	38,964
Recreation and cultural services	362,008	295,142	315,997
Planning and zoning	262,503	232,084	154,086
Agriculture	<u>193,655</u>	<u>2,267,996</u>	<u>418,543</u>
Total expenses (Note 13(a))	<u>8,070,132</u>	<u>9,324,225</u>	<u>7,430,193</u>
ANNUAL SURPLUS	1,525,162	2,994,240	2,849,568
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>54,442,780</u>	<u>54,442,780</u>	<u>51,593,212</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 7)	<u><u>55,967,942</u></u>	<u><u>57,437,020</u></u>	<u><u>54,442,780</u></u>

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

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

**Statement of Change in Net Financial Assets
For the Year Ended December 31, 2019**

	Budget (Note 12) \$	Actual 2019 \$	Actual 2018 \$
ANNUAL SURPLUS	1,525,162	2,994,240	2,849,568
Acquisition of tangible capital assets	(3,158,759)	(5,862,322)	(4,446,596)
Amortization of tangible capital assets	1,458,532	1,458,532	1,357,768
Change in inventories and prepaid expenses	<u>-</u>	<u>35,634</u>	<u>1,727,607</u>
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	(175,065)	(1,373,916)	1,488,347
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>10,428,178</u>	<u>10,428,178</u>	<u>8,939,831</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>10,253,113</u></u>	<u><u>9,054,262</u></u>	<u><u>10,428,178</u></u>

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

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Statement of Cash Flows For the Year Ended December 31, 2019

	2019	2018
	<u>\$</u>	<u>\$</u>
OPERATING ACTIVITIES		
Annual surplus	2,994,240	2,849,568
Add (deduct) items not involving cash		
Amortization of tangible capital assets	1,458,532	1,357,768
	4,452,772	4,207,336
Change in non-cash assets and liabilities related to operations (Note 13 [b])	<u>(1,098,428)</u>	<u>1,999,617</u>
Cash provided by operating activities	<u>3,354,344</u>	<u>6,206,953</u>
INVESTING ACTIVITIES		
Purchase of investments	<u>(106,970)</u>	<u>(126,257)</u>
	<u>(106,970)</u>	<u>(126,257)</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	<u>(5,862,322)</u>	<u>(4,446,596)</u>
	<u>(5,862,322)</u>	<u>(4,446,596)</u>
FINANCING ACTIVITIES		
Long-term debt issued	1,000,000	957,883
Long-term debt repayments	<u>(142,884)</u>	<u>(74,770)</u>
	<u>857,116</u>	<u>883,113</u>
NET CHANGE IN CASH	<u>(1,757,832)</u>	2,517,213
CASH, BEGINNING OF YEAR	<u>4,772,921</u>	<u>2,255,708</u>
CASH, END OF YEAR	<u>3,015,089</u>	<u>4,772,921</u>
SUPPLEMENTARY INFORMATION:		
Cash paid for interest on debt	<u>3,978</u>	<u>7,552</u>
Cash received for interest on investments and cash	<u>227,129</u>	<u>179,929</u>

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

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Notes to the Financial Statements For the Year Ended December 31, 2019

The Corporation of the Township of Southwold (the "Municipality") is a municipality in the Province of Ontario. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Municipality are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Municipality are as follows:

Reporting Entity

The financial statements reflect the assets, liabilities, revenues, expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the Municipality.

Consolidated Entities

There are no organizations or local boards that are consolidated in these financial statements.

Proportionate Consolidation

There are no organizations or local boards that are proportionately consolidated in these financial statements.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

Investments

Investments consisting of government and corporate bonds, money market funds and guaranteed investment certificates are carried at cost. Interest income is recognized when received or receivable.

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Notes to the Financial Statements For the Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work. In addition, certain user charges and fees which have been collected but for which the related services have yet to be performed. Revenue is recognized in the period when the related expense are incurred, services performed.

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	10 years
Buildings	50 years
Machinery & Equipment	5 - 10 years
Vehicles	7 - 20 years
Transportation infrastructure	20 - 75 years
Water system infrastructure	75 years
Wastewater infrastructure	75 years

Amortization begins the first month of the year following the year the asset is placed in service and to the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii) Contributions of tangible capital assets

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

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Notes to the Financial Statements For the Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Financial Assets (Continued)

iii) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

iv) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

Land Held For Resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing.

Government Transfers

Government transfers are recognized in the financial statements as revenues in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined. Any amount received but restricted is recorded as deferred revenue in accordance with Section 3100 of the Public Sector Accounting Handbook and recognized as revenue in the period in which the resources are used for the purpose specified.

In addition, the Municipality periodically receives senior government capital funding in the form of infrastructure grants and receives ongoing funding from both senior levels of government as a result of an allocation of the gas tax funds.

Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, allowances for vacancies, rebates and uncollectible property taxes and in performing actuarial valuations of employee future benefits. In addition, the Municipality's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical costs and useful lives of tangible capital assets. Actual results could differ from these estimates.

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Notes to the Financial Statements For the Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee Benefit Plans

The Municipality accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by the employees based on the length of service and pay rates. Employee benefits include post employment benefits. Post employment benefits are subject to actuarial valuations and are accrued in accordance with the projected benefit method, prorated on service and management's best estimate of salary escalation and retirement ages of employees. Any actuarial gains and losses related to past service of employees are amortized over the expected average remaining service period. For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains or losses that are related to these benefits are amortized over the expected service period.

Accounting for County and School Board Transactions

Although the Municipality collects taxation on behalf of the County of Elgin and the School Boards, the taxation, other revenues, expenses, assets and liabilities with respect to the operations of the County and the School Boards are not reflected in these financial statements.

Financial Instruments

The Municipality's financial instruments consist of cash and cash equivalents, accounts receivable, taxes receivable, accounts payable and accrued liabilities and long-term liabilities. Unless otherwise noted, it is management's opinion that the Municipality is not exposed to significant interest, currency, or credit risk arising from these financial instruments.

Recent Accounting Pronouncements

PSAB released a standard related to Financial Instruments (PS 3450). The standard applies to all local governments for fiscal years beginning on or after April 1, 2021. The standard applies to all types of financial instruments. The new standard requires equity and derivative instruments be measured at fair value, with changes in value being recorded in statement of remeasurement gains/losses. The standard gives the option of cost/amortized cost vs. fair value of remaining instruments, which is elected upon by the government organization. The Municipality has not yet determined what, if any, financial reporting implications may arise from this standard.

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Notes to the Financial Statements For the Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Revenues

In 2019 the Municipality received \$4,291,835 (2018 - \$3,936,322) in property tax revenues for municipal purposes. The authority to levy and collect property taxes is established under the Municipal Act 2001, the Assessment Act, the Education Act, and other legislation.

The amount of the total annual property tax levy is determined each year through Council's approval of the annual budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council-approved policies, in order to raise the revenue required to meet operating budget requirements. Education tax rates are established by the Province each year in order to fund costs of education on a Province-wide basis.

Taxation revenues are recorded at the time billings are issued. Additional property tax revenue can be added throughout the year, related to new properties that become occupied, or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. The Municipality may receive supplementary assessment rolls over the course of the year from MPAC that identify new or omitted assessments. Property taxes for these supplementary/omitted amounts are then billed according to the approved tax rate for the property class.

Taxation revenues in any year may also be reduced as a result of reductions in assessment value arising from reassessment and/or tax appeals. Each year, an amount is identified to cover the estimated amount of revenue loss attributable to reassessment and tax appeals or other deficiencies in tax revenue (e.g. uncollectible amounts, write-offs, etc.).

Environmental Provisions and Contaminated Sites

The Municipality may be exposed to litigation or other costs of remediation due to contaminated properties in its jurisdiction. A liability for remediation is recognized in the financial statements when an environmental standard exists, contamination exceeds the standard, the government is responsible for the remediation and a reasonable estimate of the liability can be made. As at December 31, 2019 there were no properties that the Municipality was responsible to remedy and as such no liability has been accrued.

2. ACCOUNTS RECEIVABLE

Included in accounts receivable is \$2,367,817 (2018 - \$696,647) representing funds fronted by the municipality directly which are to be recovered from future subdivision development charges and sanitary sewer connection charges relating to the developments in the Municipality. It is anticipated a significant portion of the directly fronted charges will be recovered in the next five years.

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Notes to the Financial Statements For the Year Ended December 31, 2019

3. INVESTMENTS

	2019	2018
	<u>\$</u>	<u>\$</u>
Cash, money market funds and investment certificates	1,015,692	501,309
Federal and provincial bonds	849,424	1,344,636
Corporate bonds	<u>4,473,272</u>	<u>4,385,473</u>
	<u>6,338,388</u>	<u>6,231,418</u>

The aggregate market value of the investments at December 31, 2019 is \$6,346,444 (2018 - \$6,116,807). The Municipality earned \$227,129 (2018 - \$179,929) in income on the above investments.

4. DEFERRED REVENUE

A requirement of the public sector accounting principles of the Chartered Professional Accountants of Canada, is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded.

	2019	2018
	<u>\$</u>	<u>\$</u>
Obligatory Reserve Funds		
Recreation land	267,410	248,324
Federal gas tax revenue	210,425	155,275
Development charges	<u>37,843</u>	<u>37,843</u>
	515,678	441,442
Other Deferred Revenue	<u>1,363,144</u>	<u>351,748</u>
	<u>1,878,822</u>	<u>793,190</u>

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Notes to the Financial Statements For the Year Ended December 31, 2019

5. TANGIBLE CAPITAL ASSETS

December 31, 2019				
Cost	Opening	Additions	Disposals	Ending
<u>Infrastructure</u>				
Roads and related transportation assets	12,928,321	1,819,614	(35,057)	14,712,878
Utility infrastructure	<u>33,483,302</u>	<u>200,071</u>	<u>-</u>	<u>33,683,373</u>
Infrastructure Total	<u>46,411,623</u>	<u>2,019,685</u>	<u>(35,057)</u>	<u>48,396,251</u>
<u>General</u>				
Land	603,458	-	-	603,458
Land Improvements	248,212	-	-	248,212
Building	6,961,688	4,216	-	6,965,904
Machinery and Equipment	1,798,284	227,852	-	2,026,136
Vehicles	<u>4,775,628</u>	<u>633,197</u>	<u>-</u>	<u>5,408,825</u>
General Total	14,387,270	865,265	-	15,252,535
Work In Progress	<u>1,674,852</u>	<u>2,977,372</u>	<u>-</u>	<u>4,652,224</u>
Total Cost	<u>62,473,745</u>	<u>5,862,322</u>	<u>(35,057)</u>	<u>68,301,010</u>
Accumulated Amortization				
	Opening	Amortization	Disposal	Ending
<u>Infrastructure</u>				
Roads and related transportation assets	7,273,767	474,129	(35,057)	7,712,839
Utility infrastructure	<u>6,398,966</u>	<u>446,909</u>	<u>-</u>	<u>6,845,875</u>
Infrastructure Total	<u>13,672,733</u>	<u>921,038</u>	<u>(35,057)</u>	<u>14,558,714</u>
<u>General</u>				
Land Improvements	95,768	17,513	-	113,281
Building	1,126,626	139,705	-	1,266,331
Machinery and Equipment	978,001	122,740	-	1,100,741
Vehicles	<u>2,752,548</u>	<u>257,536</u>	<u>-</u>	<u>3,010,084</u>
General Total	4,952,943	537,494	-	5,490,437
Total Accumulated Amortization	<u>18,625,676</u>	<u>1,458,532</u>	<u>(35,057)</u>	<u>20,049,151</u>
Net Book Value				
	Opening			Ending
<u>Infrastructure</u>				
Roads and related transportation assets	5,654,554			7,000,039
Utility infrastructure	<u>27,084,336</u>			<u>26,837,498</u>
	32,738,890			33,837,537
<u>General</u>				
Land	603,458			603,458
Land Improvements	152,444			134,931
Building	5,835,062			5,699,573
Machinery and Equipment	820,283			925,395
Vehicles	<u>2,023,080</u>			<u>2,398,741</u>
	9,434,327			9,762,098
Work In Progress	<u>1,674,852</u>			<u>4,652,224</u>
Total Net Book Value	<u>43,848,069</u>			<u>48,251,859</u>

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Notes to the Financial Statements For the Year Ended December 31, 2019

5. TANGIBLE CAPITAL ASSETS (CONTINUED)

December 31, 2018				
Cost	Opening	Additions	Disposals	Ending
<u>Infrastructure</u>				
Roads and related transportation assets	12,778,871	149,450	-	12,928,321
Utility infrastructure	33,413,491	69,811	-	33,483,302
Infrastructure Total	<u>46,192,362</u>	<u>219,261</u>	<u>-</u>	<u>46,411,623</u>
<u>General</u>				
Land	603,458	-	-	603,458
Land Improvements	248,212	-	-	248,212
Building	3,805,487	3,156,201	-	6,961,688
Machinery and Equipment	1,705,332	102,884	(9,932)	1,798,284
Vehicle	4,500,759	274,869	-	4,775,628
General Total	<u>10,863,248</u>	<u>3,533,954</u>	<u>(9,932)</u>	<u>14,387,270</u>
Work In Progress	981,470	770,115	(76,733)	1,674,852
Total Cost	<u>58,037,080</u>	<u>4,523,330</u>	<u>(86,665)</u>	<u>62,473,745</u>
Accumulated Amortization				
	Opening	Amortization	Disposal	Ending
<u>Infrastructure</u>				
Roads and related transportation assets	6,801,131	472,636	-	7,273,767
Utility infrastructure	5,953,453	445,513	-	6,398,966
Infrastructure Total	<u>12,754,584</u>	<u>918,149</u>	<u>-</u>	<u>13,672,733</u>
<u>General</u>				
Land Improvements	78,255	17,513	-	95,768
Building	1,050,977	75,649	-	1,126,626
Machinery and Equipment	875,719	112,214	(9,932)	978,001
Vehicle	2,518,305	234,243	-	2,752,548
General Total	<u>4,523,256</u>	<u>439,619</u>	<u>(9,932)</u>	<u>4,952,943</u>
Total Accumulated Amortization	<u>17,277,840</u>	<u>1,357,768</u>	<u>(9,932)</u>	<u>18,625,676</u>
Net Book Value				
	Opening			Ending
<u>Infrastructure</u>				
Roads and related transportation assets	5,977,740			5,654,554
Utility infrastructure	27,460,038			27,084,336
	33,437,778			32,738,890
<u>General</u>				
Land	603,458			603,458
Land improvements	169,957			152,444
Building	2,754,510			5,835,062
Machinery and Equipment	829,613			820,283
Vehicles	1,982,454			2,023,080
	6,339,992			9,434,327
Work In Progress	981,470			1,674,852
Total Net Book Value	<u>40,759,240</u>			<u>43,848,069</u>

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Notes to the Financial Statements For the Year Ended December 31, 2019

6. NET LONG-TERM LIABILITIES

- a) The balance of net long-term liabilities reported on the Statement of Financial Position consists of the following:

	<u>2019</u>	<u>2018</u>
	<u>\$</u>	<u>\$</u>
Total long-term liabilities incurred by the municipality and outstanding at the end of the year	2,883,405	2,030,223
Tile drainage loans assumed by the individual	<u>(10,670)</u>	<u>(14,604)</u>
Total long-term liabilities at the end of the year	<u><u>2,872,735</u></u>	<u><u>2,015,619</u></u>

- b) Principal repayments are summarized as follows:

	2020	2021	2022	2023	2024	Beyond	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Recoverable from:							
General tax revenue	<u>75,148</u>	<u>77,482</u>	<u>79,899</u>	<u>82,402</u>	<u>84,995</u>	<u>2,472,809</u>	<u>2,872,735</u>

- c) All long-term liabilities issued on or before December 31, 1992 have received approval of the Ontario Municipal Board. Long-term liabilities issued after January 31, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
- d) Interest rates range from 3.55% to 6.00%. Interest expense on long-term liabilities in 2019 amounted to \$3,978 (2018 - \$7,552).
- e) The Municipality is contingently liable for municipal debt with respect to tile drainage loans. The total amount outstanding as at December 31, 2019 is \$10,670 (2018 - 14,604) and is not recorded on the Statement of Financial Position.

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Notes to the Financial Statements For the Year Ended December 31, 2019

7. ACCUMULATED SURPLUS

The accumulated surplus consists of the following individual fund surplus/(deficit) and reserves as follows:

	2019	2018
	<u>\$</u>	<u>\$</u>
SURPLUS		
General revenue fund	856	-
Benefiting land owners	(1,825,766)	(534,566)
Invested in tangible capital assets	48,251,859	43,848,069
Reserves	<u>13,882,806</u>	<u>13,144,896</u>
	60,309,755	56,458,399
AMOUNTS TO BE RECOVERED		
Net long-term debt	<u>(2,872,735)</u>	<u>(2,015,619)</u>
ACCUMULATED SURPLUS	<u>57,437,020</u>	<u>54,442,780</u>
RESERVES		
Reserves set aside for specific purposes by council:		
Working capital	1,056,147	1,066,147
Property tax assessment appeals	1,012,211	878,182
Protection services	1,092,407	1,025,708
Roadway purposes	2,568,068	2,628,433
Water and sewer purposes	6,880,873	6,840,618
Other municipal services	<u>1,273,100</u>	<u>705,808</u>
Total reserves	<u>13,882,806</u>	<u>13,144,896</u>

8. SUBSEQUENT EVENT - COVID 19

Subsequent to year end, the Municipality was exposed to economic risks associated with the coronavirus pandemic. These risks are beyond the Municipality's control. The impact of these risks cannot be identified at this time but could impact the Municipality's operations, future net surplus, cash flows and financial condition.

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Notes to the Financial Statements For the Year Ended December 31, 2019

9. PENSION AGREEMENTS

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Each year, an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits the members have earned to date. The most recent actuarial valuation of the Plan was conducted December 31, 2019, and the results of this valuation disclosed actuarial liabilities of \$106.4 billion in respect of benefits accrued for service with actuarial assets at that date of \$103 billion leaving an actuarial deficit of \$3.4 billion.

Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Municipality does not recognize any share of the OMERS Pension surplus or deficit in these consolidated financial statements.

The amount contributed to OMERS for 2019 was \$124,482 (2018 - \$108,723). OMERS contribution rates for 2019 and 2018, depending on income level and retirement dates, ranged from 9.0% to 15.8%.

10. OPERATION OF THE COUNTY OF ELGIN AND SCHOOL BOARDS

During 2019, requisitions were made by the County of Elgin and the school boards requiring the Municipality to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	School Boards \$	County \$
Taxation and user charges	1,381,380	3,908,872
Share of payments in lieu of taxes	<u>10,653</u>	<u>557,571</u>
Amounts requisitioned	<u><u>1,392,033</u></u>	<u><u>4,466,443</u></u>

11. CONTINGENT LIABILITIES

As at December 31, 2019 certain legal actions are pending against the Municipality. The final outcome of the outstanding claims cannot be determined at this time. However, management believes that ultimate disposition of these matters will not materially exceed the amounts recorded in these financial statements.

Estimated costs to settle claims are based on available information and projections of estimated future expenses developed based on the Municipality's historical experience. Claims are reported as an operating expense in the year of the loss, where the costs are deemed to be likely and can be reasonable determined. Claim provisions are reported as a liability in the consolidated statement of financial position.

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Notes to the Financial Statements For the Year Ended December 31, 2019

12. BUDGET FIGURES

The operating budget approved by Council on March 11, 2019 is reflected on the statement of operations. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. As well, the Municipality does not budget activity within Reserve Funds, with the exception being those transactions, which affect either operations or capital investments. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements.

	Approved Budget \$	Adjustments \$	PSAB Budget \$
REVENUES			
Property taxation	3,209,117	-	3,209,117
Taxation from other governments	1,078,846	-	1,078,846
Local improvement levies	97,820	-	97,820
User charges	2,194,938	-	2,194,938
Government transfers			
Federal	134,116	-	134,116
Provincial	464,650	-	464,650
Other municipalities	605,129	-	605,129
Investment income	145,000	-	145,000
Penalties and interest on taxes	80,000	-	80,000
Sales on land held for sale and other revenues	1,585,678	-	1,585,678
Reserve transfers	<u>764,989</u>	<u>(764,989)</u>	<u>-</u>
Total revenues	<u>10,360,283</u>	<u>(764,989)</u>	<u>9,595,294</u>
EXPENSES			
General government	937,829	(186,778)	751,051
Fire and police protection	1,353,079	(164,368)	1,188,711
Other protective services	192,865	-	192,865
Transportation services	3,810,867	(1,395,458)	2,415,409
Waterworks and sewers	1,880,609	426,284	2,306,893
Garbage collection and disposal	353,445	-	353,445
Health Services	50,764	(7,172)	43,592
Recreation and cultural services	1,102,109	(740,101)	362,008
Planning and zoning	413,528	(151,025)	262,503
Agriculture	<u>265,188</u>	<u>(71,533)</u>	<u>193,655</u>
Total expenses	<u>10,360,283</u>	<u>(2,290,151)</u>	<u>8,070,132</u>
BUDGETED ANNUAL SURPLUS	<u><u>-</u></u>	<u><u>1,525,162</u></u>	<u><u>1,525,162</u></u>

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Notes to the Financial Statements For the Year Ended December 31, 2019

13. SUPPLEMENTARY INFORMATION:

	2019	2018
	<u>\$</u>	<u>\$</u>
[a] Current fund expenditures by object:		
Salaries, wages and employee benefits	2,120,489	1,887,944
Long-term debt interest	3,978	7,552
Materials and supplies	4,122,762	2,764,266
Contracted services	1,557,460	1,354,808
Amortization	1,458,532	1,357,768
Transfer to others	<u>61,004</u>	<u>57,855</u>
	<u>9,324,225</u>	<u>7,430,193</u>
[b] Change in non-cash assets and liabilities related to operations:		
Decrease (increase) in taxes receivable	20,919	40,028
Increase in accounts receivable	(2,230,675)	124,102
Decrease (increase) in inventories and prepaid expenses	35,634	1,727,607
(Decrease) increase in accounts payable and accrued liabilities	(9,938)	(215,020)
Decrease in land held for resale	-	145,591
Increase in deferred revenue	<u>1,085,632</u>	<u>177,309</u>
	<u>(1,098,428)</u>	<u>1,999,617</u>

14. SEGMENTED INFORMATION

The Municipality is a diversified municipal government institution that provides a wide range of services to its citizens, including contract police services, fire, roads, community services, water and sewer. For management reporting purposes the Municipality's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

The Municipality services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provided, are as follows:

General government

General government is comprised of municipal council, corporate management and program support.

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Notes to the Financial Statements For the Year Ended December 31, 2019

14. SEGMENTED INFORMATION (CONTINUED)

Protection services

Protection services are comprised of the fire, police, conservation authority, building inspection and animal control, emergency measures and provincial offences.

Transportation services

Transportation services are comprised of roads, bridges, winter control, parking and street lighting.

Environmental services

Environmental services are comprised of the provision of safe drinking water, the collection and treatment of waste water and waste collection, disposal and recycling.

Health services

Health services are comprised of public health services and cemeteries.

Recreation and cultural services

Recreation and cultural services are comprised of parks, recreation programs, recreation facilities, and cultural services.

Planning and development services

Planning and development is comprised of planning and zoning, commercial and industrial development, economic development and tourism, and agricultural and reforestation.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. The General Revenue Fund reports on municipal services that are funded primarily by taxation such as property and business tax revenues. Taxation and payments-in-lieu of taxes are apportioned to General Revenue Fund services based on the Fund's net surplus. Certain government transfers, transfer from other funds, and other revenues have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. For additional information see the Schedule of Segment Disclosure.

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

**Schedule of Segment Disclosure
For the Year Ended December 31, 2019**

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation Services	Planning and Development Services	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
REVENUES								
Taxation and local improvements	725,119	1,156,451	1,823,524	366,113	34,048	187,651	246,997	4,539,903
Other	320,818	7,305	400,000	3,007,624	-	34,377	-	3,770,124
Sales of services and regulatory fees	96,734	118,123	1,834	1,712,595	-	42,286	19,875	1,991,447
Government transfers	<u>135,370</u>	<u>275,614</u>	<u>1,202,915</u>	<u>117,298</u>	<u>6,356</u>	<u>184,167</u>	<u>95,271</u>	<u>2,016,991</u>
	<u>1,278,041</u>	<u>1,557,493</u>	<u>3,428,273</u>	<u>5,203,630</u>	<u>40,404</u>	<u>448,481</u>	<u>362,143</u>	<u>12,318,465</u>
EXPENSES								
Materials and supplies	144,383	156,978	193,711	1,239,823	40,298	172,073	2,175,496	4,122,762
Salaries, wages and employee benefits	596,898	325,273	901,489	129,185	2,725	32,962	131,957	2,120,489
Amortization	29,201	129,990	691,480	518,284	2,828	86,749	-	1,458,532
Contracted services	1,129	758,367	109,262	496,950	-	-	191,752	1,557,460
External transfers	2,100	55,546	-	-	-	3,358	-	61,004
Long-term debt interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,102</u>	<u>-</u>	<u>-</u>	<u>876</u>	<u>3,978</u>
	<u>773,711</u>	<u>1,426,154</u>	<u>1,895,942</u>	<u>2,387,344</u>	<u>45,851</u>	<u>295,142</u>	<u>2,500,081</u>	<u>9,324,225</u>
ANNUAL SURPLUS (DEFICIT)	<u>504,330</u>	<u>131,339</u>	<u>1,532,331</u>	<u>2,816,286</u>	<u>(5,447)</u>	<u>153,339</u>	<u>(2,137,938)</u>	<u>2,994,240</u>

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

**Schedule of Segment Disclosure
For the Year Ended December 31, 2018**

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation Services \$	Planning and Development Services \$	Total \$
REVENUES								
Taxation and local improvements	632,890	1,061,603	1,628,883	294,473	38,524	166,852	495,427	4,318,652
Sales of services and regulatory fees	93,127	123,684	12,698	1,619,940	11,713	23,646	42,543	1,927,351
Government transfers	60,792	158,477	886,853	93,079	3,700	511,933	95,220	1,810,054
Other	<u>444,201</u>	<u>20,349</u>	<u>132,939</u>	<u>106,603</u>	<u>-</u>	<u>1,519,612</u>	<u>-</u>	<u>2,223,704</u>
	<u>1,231,010</u>	<u>1,364,113</u>	<u>2,661,373</u>	<u>2,114,095</u>	<u>53,937</u>	<u>2,222,043</u>	<u>633,190</u>	<u>10,279,761</u>
EXPENSES								
Materials and supplies	158,289	131,999	784,453	1,131,929	34,437	184,939	338,220	2,764,266
Salaries, wages and employee benefits	521,848	264,320	786,480	140,967	1,699	47,006	125,624	1,887,944
Amortization	24,596	124,374	667,648	458,568	2,828	79,754	-	1,357,768
Contracted services	7,679	747,171	71,492	421,164	-	-	107,302	1,354,808
External transfers	1,761	51,796	-	-	-	4,298	-	57,855
Long-term debt interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,069</u>	<u>-</u>	<u>-</u>	<u>1,483</u>	<u>7,552</u>
	<u>714,173</u>	<u>1,319,660</u>	<u>2,310,073</u>	<u>2,158,697</u>	<u>38,964</u>	<u>315,997</u>	<u>572,629</u>	<u>7,430,193</u>
ANNUAL SURPLUS (DEFICIT)	<u>516,837</u>	<u>44,453</u>	<u>351,300</u>	<u>(44,602)</u>	<u>14,973</u>	<u>1,906,046</u>	<u>60,561</u>	<u>2,849,568</u>