

CORPORATION OF THE TOWNSHIP
OF SOUTHWOLD
Financial Statements
December 31, 2020

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Financial Statements

For The Year Ended December 31, 2020

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements are the responsibility of the management of Corporation of the Township of Southwold and have been prepared in accordance with Canadian accounting standards for public sector entities.

These financial statements include:

- Independent Auditors' Report
- Statement of Financial Position
- Statement of Operations and Accumulated Surplus
- Statement of Change in Net Financial Assets
- Statement of Cash Flows
- Notes to the Financial Statements
- Schedule of Segment Disclosure

The Chief Administrative Officer and the Treasurer are responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing the financial statements before they are submitted to Council for approval.

The integrity and reliability of Corporation of the Township of Southwold reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The financial statements have been audited on behalf of the Members of Council, Inhabitants and Ratepayers of Corporation of the Township of Southwold by Graham Scott Enns LLP in accordance with Canadian generally accepted auditing standards.



Lisa Higgs
Chief Administrative Officer



Jeff Carswell
Treasurer

St. Thomas, Ontario
August 9, 2021



GRAHAM SCOTT ENNS LLP
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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, 2020, 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, 2020, 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

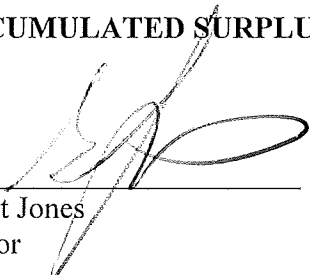
August 9, 2021

Graham Scott Enns LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Statement of Financial Position December 31, 2020

	2020	2019
	\$	\$
FINANCIAL ASSETS		
Cash	5,518,029	3,015,089
Investments (Note 3)	6,481,581	6,338,388
Taxes receivable	582,645	499,535
Accounts receivable (Note 2)	4,193,062	4,415,825
Land held for resale	<u>441,066</u>	<u>441,066</u>
Total financial assets	<u>17,216,383</u>	<u>14,709,903</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	1,145,487	904,084
Deferred revenue (Note 5)	951,192	1,878,822
Net long-term liabilities (Note 6)	<u>2,795,253</u>	<u>2,872,735</u>
Total financial liabilities	<u>4,891,932</u>	<u>5,655,641</u>
NET FINANCIAL ASSETS	<u>12,324,451</u>	<u>9,054,262</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 4)	48,934,215	48,251,859
Inventories	129,021	98,396
Prepaid expenses	<u>36,373</u>	<u>32,503</u>
Total non-financial assets	<u>49,099,609</u>	<u>48,382,758</u>
ACCUMULATED SURPLUS (NOTE 7)	<u>61,424,060</u>	<u>57,437,020</u>



Grant Jones
Mayor



Lisa Higgs
Chief Administrative Officer

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, 2020

	Budget (Note 11) \$	Actual 2020 \$	Actual 2019 \$
REVENUES			
Property taxation	3,463,662	3,420,251	3,191,455
Taxation from other governments	1,102,400	1,134,400	1,100,380
Local improvement levies	1,177,532	1,190,951	248,068
User charges	2,247,938	2,392,489	1,991,447
Government transfers:			
Federal	217,020	269,157	233,628
Provincial	521,751	1,009,209	1,076,189
Other municipalities	726,225	617,948	707,174
Investment income	200,000	178,035	227,129
Penalties and interest on taxes	75,000	62,902	68,265
Other revenues	<u>2,956,570</u>	<u>2,432,515</u>	<u>3,474,730</u>
Total revenues	<u>12,688,098</u>	<u>12,707,857</u>	<u>12,318,465</u>
EXPENSES			
General government	756,554	824,098	773,712
Fire and police protection	1,274,983	1,274,350	1,226,207
Other protective services	206,289	217,605	199,947
Transportation services	2,641,888	2,503,193	1,895,941
Waterworks and sewer	1,972,299	2,189,257	2,048,014
Garbage collection and disposal	398,000	390,023	339,332
Health services	48,908	63,818	45,850
Recreation and cultural services	365,533	234,259	295,142
Planning and zoning	62,950	174,194	232,084
Agriculture	<u>857,676</u>	<u>850,020</u>	<u>2,267,996</u>
Total expenses (Note 12(a))	<u>8,585,080</u>	<u>8,720,817</u>	<u>9,324,225</u>
ANNUAL SURPLUS	4,103,018	3,987,040	2,994,240
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>57,437,020</u>	<u>57,437,020</u>	<u>54,442,780</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 7)	<u><u>61,540,038</u></u>	<u><u>61,424,060</u></u>	<u><u>57,437,020</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, 2020

	Budget (Note 11) \$	Actual 2020 \$	Actual 2019 \$
ANNUAL SURPLUS	4,103,018	3,987,040	2,994,240
Acquisition of tangible capital assets	(2,259,757)	(2,259,757)	(5,862,322)
Amortization of tangible capital assets	1,572,366	1,572,366	1,458,532
Proceeds on disposal of tangible capital assets	-	20,344	-
Change in inventories and prepaid expenses	-	(34,495)	35,634
Gain on sale of tangible capital assets	-	(15,309)	-
CHANGE IN NET FINANCIAL ASSETS	3,415,627	3,270,189	(1,373,916)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>9,054,262</u>	<u>9,054,262</u>	<u>10,428,178</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>12,469,889</u>	<u>12,324,451</u>	<u>9,054,262</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, 2020

	2020 <u>\$</u>	2019 <u>\$</u>
OPERATING ACTIVITIES		
Annual surplus	3,987,040	2,994,240
Add (deduct) items not involving cash:		
Amortization of tangible capital assets	1,572,366	1,458,532
Gain on disposal of tangible capital assets	<u>(15,309)</u>	<u>-</u>
	5,544,097	4,452,772
Change in non-cash assets and liabilities related to operations (Note 12 [b])	<u>(581,069)</u>	<u>(1,098,428)</u>
Cash provided by operating activities	<u>4,963,028</u>	<u>3,354,344</u>
INVESTING ACTIVITIES		
Purchase of investments	<u>(143,193)</u>	<u>(106,970)</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,259,757)	(5,862,322)
Proceeds on disposal of tangible capital assets	<u>20,344</u>	<u>-</u>
	<u>(2,239,413)</u>	<u>(5,862,322)</u>
FINANCING ACTIVITIES		
Long-term debt issued	-	1,000,000
Long-term debt repayments	<u>(77,482)</u>	<u>(142,884)</u>
	<u>(77,482)</u>	<u>857,116</u>
NET CHANGE IN CASH	2,502,940	(1,757,832)
CASH, BEGINNING OF YEAR	<u>3,015,089</u>	<u>4,772,921</u>
CASH, END OF YEAR	<u>5,518,029</u>	<u>3,015,089</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, 2020

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, 2020

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, 2020

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 accounts receivable, 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, 2020

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, 2022, which would be the year end December 31, 2023. The standard applies to all types of financial instruments. The new standard requires that equity and derivative instruments be measured at fair value, with changes in value being recorded in the 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, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncement (Continued)

PSAB released a standard related to Revenue (PS 3400). This standard will apply for fiscal years beginning on or after April 1, 2023, which would be the year end December 31, 2024. This standard will impact the timing of the revenue reported by the organization. Examination and audit of the types of revenue will determine the impact of this standard. The Municipality has not yet determined what, if any, financial reporting implications may arise from this standard.

Tax Revenues

In 2020 the Municipality received \$4,554,651 (2019 - \$4,291,835) 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.).

User Charges

User charges relate to various programs and fees imposed based on specific activities, such park and recreation services, water, wastewater and solid waste. Revenue is recognized when the activity is performed or when the services are rendered.

Other Revenues

Revenues are recognized in the year that the events giving rise to the revenues occur and the revenues are earned. Amounts received which relate to revenues that will be earned in a subsequent year are deferred and reported as liabilities.

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Notes to the Financial Statements For The Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020 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 \$2,013,044 (2019 - \$2,367,817) 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.

3. INVESTMENTS

	<u>2020</u> <u>\$</u>	<u>2019</u> <u>\$</u>
Cash, money market funds and investment certificates	1,521,342	1,015,692
Federal and provincial bonds	477,781	849,424
Corporate bonds	<u>4,482,458</u>	<u>4,473,272</u>
	<u><u>6,481,581</u></u>	<u><u>6,338,388</u></u>

The aggregate market value of the investments at December 31, 2020 is \$6,668,230 (2019 - \$6,346,444). The Municipality earned \$178,035 (2019 - \$227,129) in income on the above investments.

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Notes to the Financial Statements For The Year Ended December 31, 2020

4. TANGIBLE CAPITAL ASSETS

December 31, 2020
Cost

	Opening	Additions	Disposals	Ending
<u>Infrastructure</u>				
Roads and related transportation assets	14,712,878	1,351,095	(120,764)	15,943,209
Utility infrastructure	<u>33,683,373</u>	<u>3,424,827</u>	<u>-</u>	<u>37,108,200</u>
Infrastructure Total	<u>48,396,251</u>	<u>4,775,922</u>	<u>(120,764)</u>	<u>53,051,409</u>
<u>General</u>				
Land	603,458	-	-	603,458
Land Improvements	248,212	430,065	-	678,277
Building	6,965,904	528,118	-	7,494,022
Machinery and Equipment	2,026,136	242,330	(3,203)	2,265,263
Vehicles	<u>5,408,825</u>	<u>376,255</u>	<u>(235,764)</u>	<u>5,549,316</u>
General Total	<u>15,252,535</u>	<u>1,576,768</u>	<u>(238,967)</u>	<u>16,590,336</u>
Work In Progress	<u>4,652,224</u>	<u>594,648</u>	<u>(4,687,581)</u>	<u>559,291</u>
Total Cost	<u><u>68,301,010</u></u>	<u><u>6,947,338</u></u>	<u><u>(5,047,312)</u></u>	<u><u>70,201,036</u></u>

Accumulated Amortization

	Opening	Amortization	Disposal	Ending
<u>Infrastructure</u>				
Roads and related transportation assets	7,712,839	541,339	(115,728)	8,138,450
Utility infrastructure	<u>6,845,875</u>	<u>449,577</u>	<u>-</u>	<u>7,295,452</u>
Infrastructure Total	<u>14,558,714</u>	<u>990,916</u>	<u>(115,728)</u>	<u>15,433,902</u>
<u>General</u>				
Land Improvements	113,281	17,513	-	130,794
Building	1,266,331	139,916	-	1,406,247
Machinery and Equipment	1,100,741	136,622	(3,203)	1,234,160
Vehicles	<u>3,010,084</u>	<u>287,398</u>	<u>(235,764)</u>	<u>3,061,718</u>
General Total	<u>5,490,437</u>	<u>581,449</u>	<u>(238,967)</u>	<u>5,832,919</u>
Total Accumulated Amortization	<u>20,049,151</u>	<u>1,572,365</u>	<u>(354,695)</u>	<u>21,266,821</u>

Net Book Value

	Opening	Ending
<u>Infrastructure</u>		
Roads and related transportation assets	7,000,039	7,804,759
Utility infrastructure	<u>26,837,498</u>	<u>29,812,748</u>
	33,837,537	37,617,507
<u>General</u>		
Land	603,458	603,458
Land Improvements	134,931	547,483
Building	5,699,573	6,087,775
Machinery and Equipment	925,395	1,031,103
Vehicles	<u>2,398,741</u>	<u>2,487,598</u>
	9,762,098	10,757,417
Work In Progress	<u>4,652,224</u>	<u>559,291</u>
Total Net Book Value	<u>48,251,859</u>	<u>48,934,215</u>

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Notes to the Financial Statements For The Year Ended December 31, 2020

4. TANGIBLE CAPITAL ASSETS (CONTINUED)

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
Vehicle	<u>4,775,628</u>	<u>633,197</u>	<u>-</u>	<u>5,408,825</u>
General Total	<u>14,387,270</u>	<u>865,265</u>	<u>-</u>	<u>15,252,535</u>
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
Vehicle	<u>2,752,548</u>	<u>257,536</u>	<u>-</u>	<u>3,010,084</u>
General Total	<u>4,952,943</u>	<u>537,494</u>	<u>-</u>	<u>5,490,437</u>
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, 2020

5. 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.

	2020	2019
	<u>\$</u>	<u>\$</u>
Obligatory Reserve Funds		
Recreation land	297,735	267,410
Federal gas tax revenue	77,105	210,425
Development charges	<u>37,843</u>	<u>37,843</u>
	412,683	515,678
Other Deferred Revenue	<u>538,509</u>	<u>1,363,144</u>
	<u><u>951,192</u></u>	<u><u>1,878,822</u></u>

6. NET LONG-TERM LIABILITIES

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

	2020	2019
	<u>\$</u>	<u>\$</u>
Total long-term liabilities incurred by the municipality and outstanding at the end of the year	2,801,754	2,883,405
Tile drainage loans assumed by the individual	<u>(6,501)</u>	<u>(10,670)</u>
Total long-term liabilities at the end of the year	<u><u>2,795,253</u></u>	<u><u>2,872,735</u></u>

- b) Principal repayments are summarized as follows:

	2021	2022	2023	2024	2025	Beyond	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Recoverable from:							
General tax revenue	<u>81,941</u>	<u>84,566</u>	<u>87,289</u>	<u>87,681</u>	<u>90,463</u>	<u>2,363,313</u>	<u>2,795,253</u>

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Notes to the Financial Statements For The Year Ended December 31, 2020

6. NET LONG-TERM LIABILITIES (CONTINUED)

- 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 on long-term liabilities in 2020 amounted to \$76,376 (2019 - \$73,347). Of this interest \$75,736 (2019 - \$69,369) was reported in accounts receivable to be recovered from future connection charges (Note 2).
- e) The Municipality is contingently liable for municipal debt with respect to tile drainage loans. The total amount outstanding as at December 31, 2020 is \$6,501 (2019 - 10,670) and is not recorded on the Statement of Financial Position.
- f) In January 2021, a repayment of \$1,000,000 was made of the outstanding debt.

7. ACCUMULATED SURPLUS

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

	2020	2019
	<u>\$</u>	<u>\$</u>
SURPLUS		
General revenue fund	2,099,089	856
Benefiting land owners	(1,134,863)	(1,825,766)
Invested in tangible capital assets	48,934,215	48,251,859
Reserves	<u>14,320,872</u>	<u>13,882,806</u>
	64,219,313	60,309,755
AMOUNTS TO BE RECOVERED		
Net long-term debt	<u>(2,795,253)</u>	<u>(2,872,735)</u>
ACCUMULATED SURPLUS	<u>61,424,060</u>	<u>57,437,020</u>
RESERVES		
Reserves set aside for specific purposes by council:		
Working capital	1,056,147	1,056,147
Property tax assessment appeals	1,112,211	1,012,211
Protection services	1,331,191	1,092,407
Roadway purposes	2,496,982	2,568,068
Water and sewer purposes	7,030,791	6,880,873
Other municipal services	<u>1,293,550</u>	<u>1,273,100</u>
Total reserves	<u>14,320,872</u>	<u>13,882,806</u>

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Notes to the Financial Statements For The Year Ended December 31, 2020

8. SIGNIFICANT AND SUBSEQUENT EVENT - COVID 19

During and 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.

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, 2020, and the results of this valuation disclosed actuarial liabilities of \$111.8 billion in respect of benefits accrued for service with actuarial assets at that date of \$108.6 billion leaving an actuarial deficit of \$3.2 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 2020 was \$142,856 (2019 - \$124,482). OMERS contribution rates for 2020 and 2019, 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 2020, 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	1,392,964	4,167,430
Share of payments in lieu of taxes	<u>10,736</u>	<u>585,511</u>
Amounts requisitioned	<u>1,403,700</u>	<u>4,752,941</u>

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Notes to the Financial Statements For The Year Ended December 31, 2020

11. BUDGET FIGURES

The operating budget approved by Council on March 9, 2020 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	3,463,662	-	3,463,662
Taxation from other governments	1,102,400	-	1,102,400
Local improvement levies	6,913	1,170,619	1,177,532
User charges	2,247,938	-	2,247,938
Government transfers			
Federal	217,020	-	217,020
Provincial	454,100	67,651	521,751
Other municipalities	726,225	-	726,225
Investment income	200,000	-	200,000
Penalties and interest on taxes	75,000	-	75,000
Sales on land held for sale and other revenues	2,956,570	-	2,956,570
Reserve transfers	<u>2,519,997</u>	<u>(2,519,997)</u>	<u>-</u>
Total revenues	<u>13,969,825</u>	<u>(1,281,727)</u>	<u>12,688,098</u>
EXPENSES			
General government	836,557	(80,003)	756,554
Fire and police protection	1,676,889	(401,906)	1,274,983
Other protective services	206,289	-	206,289
Transportation services	3,340,272	(698,384)	2,641,888
Waterworks and sewers	3,276,330	(1,304,031)	1,972,299
Garbage collection and disposal	398,000	-	398,000
Health Services	46,080	2,828	48,908
Recreation and cultural services	1,630,576	(1,265,043)	365,533
Planning and zoning	62,950	-	62,950
Agriculture	103,235	754,441	857,676
Reserve transfers	<u>2,392,647</u>	<u>(2,392,647)</u>	<u>-</u>
Total expenses	<u>13,969,825</u>	<u>(5,384,745)</u>	<u>8,585,080</u>
BUDGETED ANNUAL SURPLUS	<u>-</u>	<u>4,103,018</u>	<u>4,103,018</u>

CORPORATION OF THE TOWNSHIP OF SOUTHWOLD

Notes to the Financial Statements For The Year Ended December 31, 2020

12. SUPPLEMENTARY INFORMATION:

	2020	2019
	<u>\$</u>	<u>\$</u>
[a] Current fund expenditures by object:		
Salaries, wages and employee benefits	2,175,926	2,120,489
Long-term debt interest	640	3,978
Materials and supplies	3,309,135	4,122,762
Contracted services	1,626,673	1,557,460
Amortization	1,572,367	1,458,532
Transfer to others	<u>36,076</u>	<u>61,004</u>
	<u>8,720,817</u>	<u>9,324,225</u>
 [b] Change in non-cash assets and liabilities related to operations:		
Taxes receivable	(83,110)	20,919
Accounts receivable	222,763	(2,230,675)
Inventories and prepaid expenses	(34,495)	35,634
Accounts payable and accrued liabilities	241,403	(9,938)
Deferred revenue	<u>(927,630)</u>	<u>1,085,632</u>
	<u>(581,069)</u>	<u>(1,098,428)</u>

13. 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, 2020

13. 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, 2020

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation Services \$	Planning and Development Services \$	Total \$
REVENUES								
Taxation and local improvements	635,189	1,268,356	2,049,462	326,862	38,432	138,998	1,288,303	5,745,602
Sales of services and regulatory fees	25,645	259,747	1,580	2,000,909	-	91,483	13,125	2,392,489
Government transfers	396,100	10,256	836,932	613,107	-	-	39,919	1,896,314
Other	<u>240,937</u>	<u>30,053</u>	<u>-</u>	<u>414,811</u>	<u>-</u>	<u>4,350</u>	<u>1,983,301</u>	<u>2,673,452</u>
	<u>1,297,871</u>	<u>1,568,412</u>	<u>2,887,974</u>	<u>3,355,689</u>	<u>38,432</u>	<u>234,831</u>	<u>3,324,648</u>	<u>12,707,857</u>
EXPENSES								
Materials and supplies	198,427	154,904	652,833	1,324,764	58,280	154,448	765,479	3,309,135
Salaries, wages and employee benefits	598,438	332,657	944,912	145,406	2,710	14,612	137,191	2,175,926
Amortization	24,489	156,319	775,661	526,762	2,828	86,308	-	1,572,367
Contracted services	2,744	790,892	129,787	582,347	-	-	120,903	1,626,673
External transfers	-	57,184	-	-	-	(21,108)	-	36,076
Long-term debt interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>640</u>	<u>640</u>
	<u>824,098</u>	<u>1,491,956</u>	<u>2,503,193</u>	<u>2,579,279</u>	<u>63,818</u>	<u>234,260</u>	<u>1,024,213</u>	<u>8,720,817</u>
ANNUAL SURPLUS (DEFICIT)	<u>473,773</u>	<u>76,456</u>	<u>384,781</u>	<u>776,410</u>	<u>(25,386)</u>	<u>571</u>	<u>2,300,435</u>	<u>3,987,040</u>

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 \$
REVENUES								
Taxation and local improvements	725,119	1,156,451	1,823,524	366,113	34,048	187,651	246,997	4,539,903
Sales of services and regulatory fees	320,818	7,305	400,000	3,007,624	-	34,377	-	3,770,124
Government transfers	96,734	118,123	1,834	1,712,595	-	42,286	19,875	1,991,447
Other	<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>