

TOWNSHIP OF SOUTH-WEST OXFORD
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

**TOWNSHIP OF SOUTH-WEST OXFORD
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**TOWNSHIP OF SOUTH-WEST OXFORD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019**

	2019	2018
FINANCIAL ASSETS		
Cash and short-term investments (note 3)	\$ 4,228,144	\$ 2,728,341
Taxes receivable	1,225,867	2,195,354
Accounts receivable	962,264	911,587
Drains receivable	693,402	985,091
Investment in EARTH Corporation (note 9)	720,895	588,254
	7,830,572	7,408,627
LIABILITIES		
Bank indebtedness (note 7.f)	-	1,285,126
Accounts payable and accrued liabilities (note 11)	1,357,668	2,400,217
Deferred revenue (note 6)	328,814	254,745
Net long-term liabilities (note 7)	2,117,033	635,405
	3,803,515	4,575,493
NET FINANCIAL ASSETS	4,027,057	2,833,134
NON-FINANCIAL ASSETS (note 1. d)		
Tangible capital assets (note 1. e) (Schedule 1)	20,045,268	16,028,220
Work in progress	-	2,553,776
Inventory of supplies	9,969	10,795
Prepaid expenditures	46,317	58,287
	20,101,554	18,651,078
ACCUMULATED SURPLUS (note 8)	\$ 24,128,611	\$ 21,484,212

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

**TOWNSHIP OF SOUTH-WEST OXFORD
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budget 2019	Actual 2019	Actual 2018
REVENUE			
Taxation revenue	\$ 5,534,444	\$ 6,068,612	\$ 6,004,226
User charges	637,311	646,704	658,899
Government grants	1,001,604	1,733,620	1,101,912
Investment income	34,500	100,067	85,750
Penalty and interest on taxes	130,000	139,973	134,587
Other income	-	26,679	43,680
	7,337,859	8,715,655	8,029,054
EXPENDITURES			
General government	1,017,838	933,613	1,022,763
Protection to persons and property	2,198,293	2,376,093	2,170,106
Transportation services	2,027,630	2,804,188	2,987,477
Environmental services	242,120	276,827	273,171
Health	13,060	78,512	81,617
Recreation and cultural development	184,547	495,696	385,271
Planning and development	161,360	141,107	142,599
	5,844,848	7,106,036	7,063,004
Excess of operating revenue over expenditures before other	1,493,011	1,609,619	966,050
OTHER REVENUE			
Investment increase in EARTH	-	132,641	12,013
Government transfers related to capital	226,328	228,394	160,551
Developer and other contributions related to capital	232,497	341,420	339,466
Gain on disposal of capital assets	153,000	332,325	103,066
	611,825	1,034,780	615,096
Excess of revenue over expenditures for the year	2,104,836	2,644,399	1,581,146
ACCUMULATED SURPLUS, BEGINNING OF YEAR	21,484,212	21,484,212	19,903,066
ACCUMULATED SURPLUS, END OF YEAR (note 8)	\$ 23,589,048	\$ 24,128,611	\$ 21,484,212

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

**TOWNSHIP OF SOUTH-WEST OXFORD
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019	2018
OPERATIONS		
Excess of revenue over expenditures (page 4)	\$ 2,644,399	\$ 1,581,146
Non-cash changes to operations		
Amortization of tangible capital assets	1,367,768	1,308,531
Loss (gain) on disposal of capital assets	(16,114)	8,641
Change in equity - EARTH Corporation	(132,641)	(12,013)
Changes in non-cash operating balances (A)	242,019	(521,156)
Net change in cash from operating activities	4,105,431	2,365,149
CAPITAL		
Acquisition of tangible capital assets	(5,368,702)	(1,778,587)
Decrease (increase) in work in progress	2,553,776	(1,968,417)
Decrease in inventory of supplies	826	473
Decrease (increase) in prepaid expenditures	11,970	(35,985)
Net change in cash from capital activities	(2,802,130)	(3,782,516)
FINANCING		
Net change in long-term debt	1,481,628	(189,876)
Net change in cash position during the year	2,784,929	(1,607,243)
CASH, BEGINNING OF YEAR	1,443,215	3,050,458
CASH, END OF YEAR	\$ 4,228,144	\$ 1,443,215
CASH CONSISTS OF:		
Bank and short-term investments	\$ 4,228,144	\$ 2,728,341
Bank indebtedness	-	(1,285,126)
	\$ 4,228,144	\$ 1,443,215

(A) Net change in non-cash operating balances includes the net change in taxes receivable, accounts receivable, accounts payable and accrued liabilities and deferred revenue.

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

**TOWNSHIP OF SOUTH-WEST OXFORD
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019	2018
Excess of revenue over expenditures (page 4)	\$ 2,644,399	\$ 1,581,146
Amortization of tangible capital assets	1,367,768	1,308,531
Acquisition of tangible capital assets	(5,368,702)	(1,778,587)
Decrease (increase) in work in progress	2,553,776	(1,968,417)
(Gain) loss on sale of tangible capital assets	(16,114)	8,641
Decrease (increase) in prepaid expenditures	11,970	(35,985)
Decrease of inventory of supplies	826	473
Increase (decrease) in net financial assets	1,193,923	(884,198)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	2,833,134	3,717,332
NET FINANCIAL ASSETS, END OF YEAR	\$ 4,027,057	\$ 2,833,134

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

**TOWNSHIP OF SOUTH-WEST OXFORD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The Corporation of the Township of South-West Oxford (the "Township") is a lower-tier Township in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. Significant accounting policies

The consolidated financial statements of the Township of South-West Oxford are the representation of management prepared in accordance with Canadian public sector accounting standards.

The focus of these consolidated financial statements is on the financial position of the Township and changes thereto. The Consolidated Statement of Financial Position reports financial assets and liabilities. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Net financial assets represent the financial position of the Township and are the difference between financial assets and liabilities. This information explains the Township's overall future revenue requirements and its ability to finance activities and meet its obligations.

a. Reporting entity

These consolidated statements reflect the financial assets, liabilities, operating revenue and expenditures and accumulated surpluses and changes in investment in tangible capital assets of the Township of South-West Oxford and all committees and boards of Council. These include the following:

Beachville Cemetery Board
Sweaburg Union Cemetery Board
West Oxford Cemetery Board
Beachville Recreation Committee
Brownsville Community Hall
Dereham Centre Community Centre
Mount Elgin Community Centre
Mount Elgin Fund Raising Committee
Mount Elgin Recreation Committee
Salford Community Hall Board
Sweaburg Park Board
West Oxford Hall Board

**TOWNSHIP OF SOUTH-WEST OXFORD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. Significant accounting policies continued

b. Trust funds

Trust funds and their related operations administered by the Township are not consolidated, but are reported separately on the Trust Funds Financial Statements.

c. Accrual accounting

The accrual basis of accounting recognizes revenue as they become available and measurable; expenditures 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.

d. 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 revenue over expense, provides the Change in Net Financial Assets for the year.

e. Tangible capital assets

i. 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 costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	10-50 years
Buildings and structures	30-40 years
Vehicles, machinery and equipment	5-30 years
Infrastructure	15-75 years

Amortization is charged for a half year in the year of acquisition and in the year of disposal.

The Township has capitalization thresholds of \$5,000 to \$25,000, depending on the nature of the asset, so that individual assets of lesser value are expensed unless they are pooled because collectively they have a significant value.

ii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expense as incurred.

**TOWNSHIP OF SOUTH-WEST OXFORD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. Significant accounting policies continued

e. Tangible capital assets continued

iii. Contributions of tangible capital assets

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

f. Short-term investments

Short-term investments are recorded at cost. Market value approximates cost.

g. Deferred revenue

Grants, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used to fund certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenditures are incurred, services performed, or the tangible capital assets are acquired.

h. Financial instruments

Financial instruments of the Township consist mainly of cash, accounts and taxes receivable. The carrying values of these financial assets approximate their fair values unless otherwise disclosed.

i. Revenue recognition

Government grants and transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

j. Use of estimates

The preparation of consolidated 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 revenue and expenditures during the period. Actual results could differ from these estimates.

**TOWNSHIP OF SOUTH-WEST OXFORD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. Significant accounting policies continued

k. Budget

The Township's Council completes separate budget reviews for its operating and capital budget each year. The approved operating budget for 2019 is reflected on the Consolidated Statement of Operations and Accumulated Surplus. For capital spending, budgets are set for individual projects and funding for these activities is determined annually and made by transfers from surplus funds and by application of applicable grants or other funds available to apply to capital projects.

2. Trust Funds

Trust funds administered by the Township amounting to \$417,827 (2018 - \$412,258) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

3. Investments

The short-term investments of \$3,845,377 (2018 - \$2,542,225) are recorded at market value which approximates cost and are short-term in nature.

4. Pension agreements

The Township makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of members 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.

The amount contributed to OMERS for 2019 was \$150,906 (2018 - \$146,794) for current service and is included as an expenditure on the Consolidated Statement of Operations and Accumulated Surplus.

As at December 31, 2019, the Township had no obligation under the past service provisions. The OMERS funding ratio for 2019 is 97.0% (2018 - 96.0%), with the goal of being fully funded by 2025.

**TOWNSHIP OF SOUTH-WEST OXFORD
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2019**

5. Operations of School Boards and the Township of South-West Oxford

The Township is required to bill, collect and remit taxation revenue on behalf of the School Boards and County of Oxford pursuant to provincial legislation. The Township has no jurisdiction or control over the operations of these entities or the setting of their tax rates. Therefore, the taxation, other revenue, expenditures, assets and liabilities with respect to the operations of the School Boards and the County are not reflected in these consolidated financial statements. Taxation revenue billed and requisitions paid on behalf of the School Boards and County of Oxford are not reflected in the Consolidated Statement of Operations and Accumulated Surplus and are comprised of the following:

	School Boards	County
Taxation	\$ 2,822,128	\$ 4,847,516
Requisitions	\$ 2,822,128	\$ 4,847,516

6. Deferred revenue

The deferred revenue balance is comprised of the following:

	2019	2018
Development charges	\$ 45,667	\$ 45,398
Parkland	21,445	21,423
Deferred capital contributions	12,427	79,001
Federal gas tax	249,275	108,923
	\$ 328,814	\$ 254,745

**TOWNSHIP OF SOUTH-WEST OXFORD
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2019**

7. Net long-term liabilities

- a. The balance of long-term liabilities reported on the Consolidated Statement of Financial Position is made up of the following:

	2019	2018
Total long-term liabilities incurred by the Township and outstanding at the end of the year amount to:	\$ 2,117,033	\$ 635,405
Net long-term liabilities at the end of the year:	\$ 2,117,033	\$ 635,405

- b. Of the net long-term liabilities reported in a. of this note, the minimum principal repayments required are estimated as follows:

2020	\$ 262,925
2021	\$ 220,387
2022	\$ 176,512
2023	\$ 102,167
2024 and thereafter	\$ 1,355,042

The debt repayment includes \$357,534 (2018 - \$499,405) that is recoverable from ratepayers.

- c. The long-term liabilities in a. issued in the name of the Township have received approval of the Ontario Municipal Board for those approved on or before December 31, 1992. Those approved on or after January 1, 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.
- d. Interest paid on long-term liabilities for the year ending December 31, 2019 was \$41,289 (2018 - \$19,699).
- e. The Township is contingently liable for long-term liabilities with respect to tile drainage loans in the amount of \$19,684 (2018 - \$21,300). These are not recorded on the Consolidated Statement of Financial Position.
- f. The Township entered into a temporary bank loan of \$1,285,126 in 2018 with Ontario Infrastructure and Lands Corporation to fund the Beachville fire hall. The fire hall was completed in 2019 and the loan was converted to long-term financing.

**TOWNSHIP OF SOUTH-WEST OXFORD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

8. Accumulated surplus

The accumulated surplus is comprised of the following:

	2019	2018
Surplus		
Operations	\$ 892,675	\$ 478,892
Investment in tangible capital assets	18,321,705	17,260,096
Investment in EARTH Corporation (note 9)	720,895	588,254
Reserves	4,193,336	3,156,970
	\$ 24,128,611	\$ 21,484,212

9. Investment in EARTH Corporation

As at December 31, 2019, the Township owns 1.7% (2018 - 2.2%) of EARTH Corporation. As a government business enterprise of the Township, it is accounted for on a Modified Equity basis in these financial statements and is comprised of the following:

	2019	2018
Promissory note receivable	256,500	256,500
Equity	464,395	331,754
	\$ 720,895	\$ 588,254

The promissory note receivable from EARTH Corporation is unsecured and bears interest at 7.25% (2018 - 7.25%). The term of the note is undefined but no principal repayments are expected within the next twelve months. Interest received during the year is \$18,596 (2018 - \$18,596).

**TOWNSHIP OF SOUTH-WEST OXFORD
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2019**

9. Investment in ERTH Corporation continued

The following table provides condensed supplementary financial information for ERTH Corporation for the year ended December 31 from their audited financial statements:

	2019	2018
Financial Position		
Total net assets	\$27,279,111	\$15,102,925
Results of Operations		
Total revenue	\$96,484,311	\$86,425,738
Total operating and other expenditures	94,083,479	84,953,862
Total Comprehensive Income	\$ 2,400,832	\$ 1,471,876

ERTH Corporation's financial statements are prepared in accordance with International Financial Reporting Standards.

ERTH Corporation declared a dividend of \$600,000 in 2019 (2018 - \$925,000) of which the Township's portion is \$10,214 (1.7%) (2018 - \$20,319 (2.2%)).

10. Tax revenue

Property tax billings are prepared by the Township based on an assessment roll prepared by the Municipal Property Assessment Corporation. All assessed property values in the Township were reviewed and new values established based on a common valuation date which was used by the Township in computing the 2019 property tax bills. Property tax revenue and tax receivables are subject to appeals which may not have been heard yet. Any supplementary billing adjustments made necessary by the determination of such appeals will be recognized in the fiscal year they are determined and the effect shared with the Township of South-West Oxford and the appropriate School Boards.

**TOWNSHIP OF SOUTH-WEST OXFORD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

11. Liability for Vested Sick Leave Benefits

The Township's sick leave benefit plan allows unused sick leave to accumulate and employees may become entitled to a cash payment when they leave the municipality's employment. The liability at December 31, 2018 was \$88,351 and was paid in full in 2019.

12. Commitment

The Township entered into a policing contract that expires on December 31, 2019 with the Ontario Provincial Police. The contracted amount for 2019 was \$1,078,320 (2018 - \$1,052,508). The contract is renewable on a yearly basis.

13. Public sector salary disclosure

There were four employees paid a salary, as defined in the Public Sector Disclosure Act, 1996 of \$100,000 or more by the Township.

14. Contaminated sites

The Canadian public sector accounting standard 3510 requires municipalities to evaluate sites owned by the municipality for potential contamination. This standard requires the municipality to disclose the liability, if any, related to remediation of such sites. It is the Township's opinion they do not own any such contaminated sites and therefore, no liability is required.

15. Segmented information

Segmented information is presented on Schedule 2. The Township is a diversified Township and provides a wide range of services to its citizens including police, through contracted services, fire, transportation, cemetery and community services, including recreation and planning. The general government segment includes such functions as finance, council and administrative offices.

**TOWNSHIP OF SOUTH-WEST OXFORD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

16. Comparative balances

Certain comparative balances have been reclassified to conform with the current year's financial statement presentation.

17. Subsequent event

In March 2020, the Province of Ontario declared a state of emergency in response to the COVID-19 virus. The Township has followed the Provincial orders regarding essential services and as a result, has closed some of its services. It is unclear the total financial impact the COVID-19 virus will have on the Township. Federal and provincial funding has been announced with further funding expected. Council and staff continue to monitor the situation.

**TOWNSHIP OF SOUTH-WEST OXFORD
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Land and Improvements	Buildings and Structures	Vehicles, Machinery and Equipment	Infrastructure	2019 Total	2018 Total
COST						
Balance, beginning of year	\$ 1,610,806	\$ 5,356,919	\$ 8,183,602	\$ 26,739,217	\$ 41,890,544	\$ 40,640,187
Add:						
Additions during the year	406,843	2,252,027	794,898	1,914,934	5,368,702	1,778,587
Less:						
Disposals during the year	-	(2,398)	(203,370)	(547,402)	(753,170)	(528,230)
Balance, end of year	2,017,649	7,606,548	8,775,130	28,106,749	46,506,076	41,890,544
ACCUMULATED AMORTIZATION						
Balance, beginning of year	245,646	2,164,453	5,560,195	17,892,030	25,862,324	25,073,382
Add:						
Amortization during the year	10,349	189,153	397,822	770,444	1,367,768	1,308,531
Less:						
Disposals during the year	-	(1,489)	(203,370)	(564,425)	(769,284)	(519,589)
Balance, end of year	255,995	2,352,117	5,754,647	18,098,049	26,460,808	25,862,324
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 1,761,654	\$ 5,254,431	\$ 3,020,483	\$ 10,008,700	\$ 20,045,268	\$ 16,028,220

This schedule is provided for information purposes only.

**TOWNSHIP OF SOUTH-WEST OXFORD
CONSOLIDATED SCHEDULE OF SEGMENTED INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General Government	Protective Services	Transportation	Environmental	Health	Recreation and Culture	Planning	Total
REVENUE								
Taxation	\$ 6,068,612	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,068,612
User fees	20,905	268,501	102,633	7,322	46,573	180,156	20,614	646,704
Government grants	1,301,390	1,450	247,742	259,252	-	126,175	26,005	1,962,014
Investment income	86,324	-	-	-	5,602	1,712	6,429	100,067
Penalty and interest on taxes	139,973	-	-	-	-	-	-	139,973
Other	132,641	200	673,545	-	-	26,679	-	833,065
	7,749,845	270,151	1,023,920	266,574	52,175	334,722	53,048	9,750,435
EXPENDITURES								
Salaries and benefits	688,624	585,471	874,356	86,891	15,555	15,935	50,493	2,317,325
Materials, goods and services	233,425	1,573,621	977,879	152,943	62,658	339,638	80,779	3,420,943
Amortization	11,564	217,001	951,953	36,993	299	140,123	9,835	1,367,768
	933,613	2,376,093	2,804,188	276,827	78,512	495,696	141,107	7,106,036
EXCESS OF REVENUE OVER EXPENDITURES	\$ 6,816,232	\$ (2,105,942)	\$ (1,780,268)	\$ (10,253)	\$ (26,337)	\$ (160,974)	\$ (88,059)	\$ 2,644,399

This schedule is provided for information purposes only.