

Consolidated Financial Statements of

**THE CORPORATION OF
THE TOWNSHIP OF
SOUTH FRONTENAC**

Year ended December 31, 2024

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Financial Statements

Year ended December 31, 2024

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of the Township of South Frontenac (the "Township") are the responsibility of the Township's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of significant accounting policies are described in note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Township's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of consolidated financial statements. These systems are monitored and evaluated by management.

Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to Council approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Township. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Township's consolidated financial statements.



Louise Fragnito, CPA, CGA
Chief Administrative Officer



Stephanie Kuca
Director of Finance & Treasurer



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Township of South Frontenac:

Opinion

We have audited the consolidated financial statements of The Corporation of the Township of South Frontenac (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2024
- the consolidated statement of operations and accumulated municipal equity for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of remeasurement gains and losses for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements, present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2024, and its consolidated results of operations, its consolidated remeasurement gains and losses, its consolidated changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion

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

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

October 23, 2025

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Financial assets:		
Cash	\$ 6,286,131	\$ 7,952,191
Taxes receivable	1,943,048	2,093,198
Accounts receivable	1,819,277	1,683,782
Long-term investments (note 5)	17,186,196	16,469,434
Sydenham Water Works debenture receivable (note 14)	126,782	154,234
	<u>27,361,434</u>	<u>28,352,839</u>
Financial liabilities:		
Accounts payable and accrued liabilities	6,392,245	4,743,897
Other current liabilities	270,773	90,918
Deferred revenue - obligatory reserve funds (note 7)	1,957,118	3,341,963
Sydenham Water Works debenture payable (note 14)	126,782	154,234
Employee future benefit obligations (note 8)	340,800	312,900
Asset retirement obligations (note 10)	9,478,607	9,459,052
	<u>18,566,325</u>	<u>18,102,964</u>
Net financial assets	8,795,109	10,249,875
Non-financial assets:		
Tangible capital assets (note 15)	118,885,323	115,589,250
Inventories	190,859	201,043
Prepaid expenses	143,242	141,641
Total non-financial assets	119,219,424	115,931,934
Contingent liabilities (note 12)		
Commitments (note 13)		
Municipal equity (note 11)	\$ 128,014,533	\$ 126,181,809
Municipal equity consists of (note 11):		
Municipal equity	\$ 127,003,508	\$ 125,868,783
Accumulated remeasurement gains	1,011,025	313,026
	<u>\$ 128,014,533</u>	<u>\$ 126,181,809</u>

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

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Statement of Operations and Accumulated Municipal Equity

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

	2024 Budget (note 18)	2024 Actual	2023 Actual
Revenue:			
Property taxation	\$ 22,723,774	\$ 22,698,217	\$ 21,767,655
User charges	1,741,080	1,825,075	1,597,764
Licences, permits and rents	1,561,428	1,157,263	1,568,946
Government grants	3,315,611	2,235,655	3,296,411
Grants from other municipalities	495,000	448,941	520,815
Investment income	649,000	793,494	962,114
Penalties and interest on taxes	370,000	414,482	366,270
Donations	6,725	61,474	47,042
Other	69,785	164,077	280,067
Deferred revenues earned (note 7)	–	4,169,661	5,550,690
Loss on disposal of tangible capital assets	–	(45,884)	(167,129)
Total revenue	30,932,403	33,922,455	35,790,645
Expenses (note 17):			
General government	3,053,779	3,716,021	2,730,490
Fire	2,326,247	2,502,722	2,818,718
Police	2,873,290	2,919,343	2,897,106
Conservation authority	321,876	320,377	294,907
Protective inspections and control	1,492,419	1,488,598	1,378,842
Emergency measures	3,500	86	722
Roadways and winter control	11,599,022	14,301,349	13,462,011
Street lighting	54,217	41,162	49,035
Waterworks	485,312	630,218	501,299
Garbage collection and disposal	3,482,401	3,211,944	3,194,238
Landfill closure and post-closure costs	–	–	126,464
Cemeteries	71,360	121,861	102,580
Parks, recreation and cultural services	1,978,042	2,607,105	2,143,613
Planning and development	893,464	926,944	945,523
Total expenses	28,634,929	32,787,730	30,645,548
Annual surplus	2,297,474	1,134,725	5,145,097
Municipal equity, beginning of year	125,868,783	125,868,783	120,723,686
Municipal equity, end of year	\$ 128,166,257	\$ 127,003,508	\$ 125,868,783

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

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Statement of Changes in Net Financial Assets

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

	2024 Budget (note 18)	2024 Actual	2023 Actual
Annual surplus (deficit)	\$ 2,297,474	\$ 1,134,725	\$ 5,145,097
Amortization of tangible capital assets	8,781,492	7,939,068	7,691,580
Acquisition of tangible capital assets	(17,766,740)	(11,286,113)	(21,696,594)
Loss on disposal of tangible capital assets	–	45,884	167,129
Proceeds on disposal of tangible capital assets	–	5,088	–
Acquisition of prepaid expenses	–	(1,601)	(23,049)
Acquisition of supplies inventories	–	10,184	50,179
Change in accumulated remeasurement gains	–	697,999	623,590
Change in net financial assets	(6,687,774)	(1,454,766)	(8,042,068)
Net financial assets, beginning of year	10,249,875	10,249,875	18,291,943
Net financial assets, end of year	\$ 3,562,101	\$ 8,795,109	\$ 10,249,875

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

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Statement of Remeasurement Gains and Losses

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

	2024	2023
Accumulated remeasurement gains (losses), beginning of year	\$ 313,026	\$ (310,564)
Unrealized gains attributable to long-term investments	885,634	623,590
Realized gains on disposal of long-term investments	(187,635)	–
Change in accumulated remeasurement gains (losses)	697,999	623,590
Accumulated remeasurement gains, end of year	\$ 1,011,025	\$ 313,026
Accumulated remeasurement gains comprised of:		
Long-term investments	\$ 1,011,025	\$ 313,026

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

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Statement of Cash Flows

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

	2024	2023
Operating activities:		
Annual surplus	\$ 1,134,725	\$ 5,145,097
Item not involving cash:		
Amortization of tangible capital assets	7,939,068	7,691,580
Change in asset retirement obligation	19,555	5,143,939
Change in future employee benefit obligations	27,900	33,300
Loss on disposal of tangible capital assets	45,884	167,129
Change in non-cash operating working capital:		
Taxes receivable	150,150	(498,978)
Accounts receivable	(135,495)	1,108,583
Accounts payable and accrued liabilities	1,648,348	(2,418,674)
Other current liabilities	179,855	824
Deferred revenue – obligatory reserve funds	(1,384,845)	(3,666,860)
Prepaid expenses	(1,601)	(23,049)
Inventories	10,184	50,179
Net change in cash from operations	9,633,728	12,733,070
Capital activities:		
Acquisition of tangible capital assets	(11,286,113)	(21,696,594)
Proceeds on disposal of tangible capital assets	5,088	–
Net change in cash from capital activities	(11,281,025)	(21,696,594)
Investing activities:		
(Increase) decrease in long-term investments	(18,763)	(1,628,083)
Decrease in long-term receivables	–	1,630
Net change in cash from investing activities	(18,763)	(1,626,453)
Decrease in cash	(1,666,060)	(10,589,977)
Cash, beginning of year	7,952,191	18,542,168
Cash, end of year	\$ 6,286,131	\$ 7,952,191

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

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2024

The Corporation of the Township of South Frontenac (the 'Township') was incorporated January 1, 1998 (being an amalgamation of the former Township of Bedford, Loughborough, Portland and Storrington) and assumed its responsibilities under the authority of the Ministry of Municipal Affairs and the Municipal Act. The Township operates as a lower tier government in the County of Frontenac, in the Province of Ontario, Canada and provides municipal services such as police, fire, public works, planning, parks and recreation, library and other general government operations.

1. Significant accounting policies:

The consolidated financial statements of the Township are the representations of management and have been prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Township are as follows:

(a) Reporting entity:

- (i) The consolidated financial statements reflect financial assets, liabilities, operating revenue and expenses, reserves, reserve funds and changes in investment in tangible capital assets of the Township. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Township and which are owned or controlled by the Township. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated. These consolidated financial statements include:

- Sydenham Cemetery
- Sandhill Cemetery
- Portland Cemetery
- Bedford Cemetery
- Frontenac Community Arena (proportionately consolidated)

Proportionate consolidation:

The Frontenac Community Arena is accounted for using the proportionate consolidation method of accounting and reporting, whereby the Township's pro-rata share of each of the assets, liabilities, revenue and expenses is combined on a line-by-line basis in the consolidated financial statements.

- (ii) The charges for long-term liabilities assumed by consolidated entities or by individuals in the case of the drainage loans are reflected in the consolidated financial statements.
- (iii) The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the school boards and county are not reflected in the municipal fund balances of these consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2024

1. Significant accounting policies (continued):

(b) Basis of consolidation:

- (i) The consolidated 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 on receipt of goods and services and/or the creation of a legal obligation to pay.
- (ii) 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 annual surplus, provides the change in net financial assets for the year.
- (iii) Trust funds and their related operations administered by the Township are not included in these consolidated financial statements but are reported separately on the Trust Funds Statement of Financial Activities and Financial Position.

(c) Taxation and related revenues:

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established by the Township Council, incorporating amounts to be raised for local services, amounts to be raised on behalf of the County of Frontenac for regional services, and amounts the Township is required to collect on behalf of the Province of Ontario in respect of education taxes. Taxation revenues are recorded at the time tax billings are issued. Adjustments to taxation revenues can occur during the year related to the issuance of supplementary tax billings and/or assessment appeals. These adjustments are recorded when the amount of the adjustments can be quantified. The Township is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period in which the interest and penalties are applied.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and reported on the Consolidated Statement of Financial Position. Derivatives and portfolio investments in equity instruments that are quoted in an active market are measured at fair value.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2024

1. Significant accounting policies (continued):

(d) Financial instruments (continued):

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Consolidated Statement of Operations and Accumulated Municipal Equity.

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

All financial assets are assessed for impairment on an annual basis. Where a decline is determined to be other than temporary, the amount of the loss is reported in the Consolidated Statement of Operations and Accumulated Municipal Equity and any unrealized gain is adjusted through the Consolidated Statement of Remeasurement Gains and Losses. On sale, the unrealized gain or loss included in the Consolidated Statement of Remeasurement Gains and Losses associated with that instrument are reversed and recognized in the Consolidated Statement of Operations and Accumulated Municipal Equity.

Long-term debt is recorded at amortized cost.

Establishing fair value:

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

Fair value hierarchy:

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2024

1. Significant accounting policies (continued):

(d) Financial instruments (continued):

Fair value hierarchy (continued):

- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

(e) Foreign currency

Foreign currency transactions are recorded at the exchange rate at the time of the transaction.

Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the Consolidated Statement of Remeasurement Gains and Losses. In the period of settlement, the realized foreign exchange gains and losses are recognized in the Consolidated Statement of Operations and Accumulated Municipal Equity and the unrealized balances are reversed from the Consolidated Statement of Remeasurement Gains and Losses.

(f) Tangible capital assets:

Tangible capital assets are recorded at cost, which include 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:

Asset	Useful Life - Years
Land improvements	15 to 20 years
Buildings and building improvements	20 to 50 years
Vehicles, machinery and equipment	3 to 25 years
Linear assets:	
Roads	7 to 50 years
Bridges	7 to 50 years
Sidewalks	20 years
Water infrastructure	50 to 70 years

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2024

1. Significant accounting policies (continued):

(f) Tangible capital assets (continued):

Amortization is charged from the date of acquisition. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The Township has a capitalization threshold of \$5,000 for vehicles and equipment and \$10,000 for buildings and \$15,000 for linear assets so that individual capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operations reasons.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of other asset as of the date of transfer.

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the Consolidated Statement of Operations and Accumulated Municipal Equity in the year of disposal. Transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

When conditions indicate that a tangible capital asset no longer contributes to the Township's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the Consolidated Statement of Operations and Accumulated Municipal Equity.

(i) Natural Resources:

Natural resources that have not been purchased are not recognized as assets in the consolidated financial statements.

(ii) Works of Art and Cultural and Historic Assets:

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

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2024

1. Significant accounting policies (continued):

(g) 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 expenses as incurred.

(h) Inventories and prepaid expenses:

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

(i) Pension and employee benefits:

The Township 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 employees based on length of service and pay rates.

Employee benefits include vacation entitlement and sick leave benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave benefits are accrued in accordance with the Township's policy.

(j) Employee future benefit obligations:

The Township accrues its obligation for employee benefit plans. The cost of post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Actuarial gains (losses) which can arise from changes in the actuarial assumptions used to determine the accrued benefit obligation will be amortized over the average remaining service period of active employees.

(k) Revenue recognition:

Government transfers and funding for projects are recognized when the transfer is authorized, any eligible criteria has been met and the amount can be reasonably estimated. Township generated funds, generally consisting of user fees, licenses and permits, are recognized when the goods are sold or the services are provided, performance obligations fulfilled, and future economic benefits are measurable and expected to be obtained. Other restricted contributions received in advance of the related expenditure are deferred until the related expenditure is incurred.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2024

1. Significant accounting policies (continued):

(l) Deferred revenue – obligatory reserve funds:

The Township defers recognition of user charges and fees which have been collected but for which the related services have yet to be performed. Government transfers of gas taxes, development charges collected under the *Development Charges Act, 1997*, and recreational land collected under the Planning Act are reported as deferred revenues in the Consolidated Statement of Financial Position. These amounts will be recognized as revenue in the fiscal year the services are performed.

The Township receives restricted contributions under the authority of provincial legislation and Township bylaws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

The Township receives restricted contributions under the authority of Federal and Provincial legislation and Township by-laws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

(m) Asset retirement obligations:

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

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

The liability for closure of operational sites and post-closure care relating to landfill sites has been recognized based on estimated future expenses. The liability is discounted using a present value calculation and adjusted annually for accretion expense. Assumptions used in the calculations are revised annually.

The liability for the removal of asbestos in several of the buildings owned by the Township has been recognized based on estimated future expenses. The liability is discounted using a present value calculation and adjusted annually for accretion expense. Assumptions used in the calculations are revised annually.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2024

1. Significant accounting policies (continued):

(m) Asset retirement obligations (continued):

Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liabilities are recognized in the Consolidated Statement of Operations and Accumulated Municipal Equity at the time of remediation.

The recognition of the ARO liability resulted in an accompanying increase to the respective tangible capital assets. Building tangible capital assets affected by the asbestos liability are being amortized with the building following the amortization accounting policies outlined in Note 1(f). Landfill sites are amortized over the remaining useful life of the site.

(n) Liability for contaminated sites:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- (a) an environmental standard exists;
- (b) contamination exceeds the environmental standard;
- (c) the Township:
 - (i) is directly responsible; or
 - (ii) accepts responsibility
- (d) it is expected that future economic benefit will be given up; and
- (e) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

(o) Use of estimates:

The preparation of consolidated financial statements 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 consolidated financial statements and the reported amounts of revenue and expenses during the period. Amounts subject to estimates include employee future benefits, asset retirement obligations and the carrying value of tangible capital assets. Actual results could differ from these estimates.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2024

2. Change in accounting policy – adoption of new accounting standards:

The Township adopted the following standards concurrently beginning January 1, 2024 prospectively: PS 3160 *Public Private Partnerships*, PS 3400 *Revenue* and PSG-8 *Purchased Intangibles*.

PS 3400 *Revenue* establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligations (i.e. the payor expects a good or service from the public sector entity), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions.

For exchange transactions, revenue is recognized when a performance obligation is satisfied. For non-exchange transactions, revenue is recognized when there is authority to retain an inflow of economic resources and a past event that gave rise to an asset has occurred.

PSG-8 *Purchased Intangibles* provides guidance on the accounting and reporting for purchased intangible assets that are acquired through arm's length exchange transactions between knowledgeable, willing parties that are under no compulsion to act.

PS 3160 *Public Private Partnerships* (P3s) provides specific guidance on the accounting and reporting for P3s between public and private sector entities where the public sector entity procures infrastructure using a private sector partner.

There were no adjustments to opening balances as a result of adopting the new accounting standards.

3. Operations of the school boards and County of Frontenac:

During the year, the Township collected and made property tax transfers including payments in lieu of property taxes, to the Corporation of the County of Frontenac ("County") and School Boards as follows:

	2024	2024	2023	2023
	School Boards	County	School Boards	County
Amounts requisitioned and paid	\$ 5,774,369	\$ 7,583,372	\$ 5,713,990	\$ 7,352,947

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2024

4. Contributions to consolidated joint board:

The following contributions were made by the Township to the joint board:

	2024	2023
Frontenac Community Arena	\$ 156,587	\$ 141,381

The Township is contingently liable for its share, which is approximately 59% of any accumulated deficits as at the end of the year for the Frontenac Community Arena. The Township's share of the accumulated surpluses (or deficits) of this joint board are as follows:

	2024	2023
Frontenac Community Arena	\$ 1,359,530	\$ 1,408,817

5. Long-term investments:

		2024	2024	2023	2023
	Level	Cost	Market Value	Cost	Market Value
For Township purposes:					
CIBC Wood Gundy:					
Cash	1	\$ 107,553	\$ 107,553	\$ 709,873	\$ 709,873
Accrued interest	2	64,229	64,228	75,648	75,648
Fixed income accounts	2	13,867,185	14,416,709	13,053,508	12,961,861
One Investments - equity portfolio:					
Mutual funds	2	1,102,431	1,563,932	892,467	1,297,170
		15,141,398	16,152,422	14,731,496	15,044,552
For obligatory reserve funds:					
CIBC Wood Gundy:					
Cash	1	2,765	2,765	5,449	5,449
Accrued interest	2	14,049	14,049	13,275	13,275
Fixed income accounts	2	970,401	1,016,960	1,029,802	1,044,157
One Investments - equity portfolio:					
Mutual funds	2	-	-	249,061	362,001
		987,215	1,033,774	1,297,587	1,424,882
		\$ 16,128,613	\$ 17,186,196	\$ 16,029,083	\$ 16,469,434

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2024

5. Long-term investments (continued):

The investments are valued based on the degree to which the fair value is observable, as follows:

- (i) Level 1 Unadjusted quoted market prices in active markets for identical assets or liabilities;
- (ii) Level 2 Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- (iii) Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

During the year, there were no transfers between fair value hierarchy levels.

6. Trust funds:

Trust funds administered by the Township amounting to \$893,450 (2023 - \$843,270) are presented in a separate financial statement of trust fund balances and operations. As such balances are held in trust by the Township for the benefit of others, they are not presented as part of the Township's financial position or financial activities.

7. Deferred revenue – obligatory reserve funds:

A requirement of the public sector accounting standards 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.

	2024	2023
Balance, beginning of year	\$ 3,341,963	\$ 7,008,823
Development contributions	823,925	849,844
Investment income	332,925	416,923
Canada Community Building Fund	726,614	617,063
Ontario Community Infrastructure Fund	901,352	–
Utilization:		
Development contributions	(2,184,850)	(2,265,764)
Canada Community Building Fund	(1,083,459)	(2,477,959)
Ontario Community Infrastructure Fund	(901,352)	(806,967)
Balance, end of year	\$ 1,957,118	\$ 3,341,963

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2024

7. Deferred revenue – obligatory reserve funds (continued):

Analyzed as follows:

	2024	2023
Development charges	1,016,155	2,135,712
Canada Community Building Fund	\$ 655,417	\$ 913,044
Subdivider contributions	188,090	37,171
Cash-in-lieu of parkland	49,652	58,823
Cannabis legalization funding	47,804	46,294
Ontario Community Infrastructure Fund	–	150,919
	\$ 1,957,118	\$ 3,341,963

8. Employee post-employment benefit liability:

Employee non-pension retirement benefits (extended health care for early retirees):

Effective January 1, 2008, the Township began to provide extended health care to its employees. Extended health care continues to be available to early retirees up to the age of 65, with the retiree generally being responsible for paying 50% of the benefit premiums.

An independent actuarial study of the employee non-pension retirement benefit has been undertaken. The most recent valuation of the employee future benefits was completed in 2024 and was effective January 1, 2024.

The accrued benefit obligation relating to the employee non-pension retirement benefits has been actuarially determined using the projected benefit method pro-rated on services. At December 31, 2024, based on the actuarial valuation completed in 2024, the accrued benefit obligation is \$286,800 (2023 - \$367,200).

The significant actuarial assumptions adopted in estimating the Township's accrued benefit obligation are as follows:

Discount Rate – 2.60% per annum (2023 - 2.60%)

Salary Rate – 3.00% (2023 - 3.00%)

Health Benefits Escalation – 7.84% per annum (2023 - 7.47%), scaling down over 15 years to 4.00% thereafter

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2024

8. Employee post-employment benefit liability (continued):

Information with respect to the Township's non-pension retirement obligations are as follows:

	2024	2023
Accrued benefit liability, beginning of year	\$ 312,900	\$ 279,600
Expense recognized for the year	43,500	43,100
Interest cost	8,800	9,600
Benefits paid for the year	(24,400)	(19,400)
Accrued benefit liability, end of year	\$ 340,800	\$ 312,900

The accrued benefit liability at December 31, includes the following components:

	2024	2023
Accrued benefit obligation	\$ 286,800	\$ 367,200
Unamortized actuarial loss	54,000	(54,300)
Accrued benefit liability	\$ 340,800	\$ 312,900

9. Pension contributions:

The Township makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all permanent 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. Employers and employees contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Township does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

The last available report was at December 31, 2024 and at that time, the plan reported a \$2.9 billion actuarial deficit (2023 - \$4.2 billion actuarial deficit).

The amount contributed to OMERS is \$604,301 (2023 - \$528,821) for current services and is included as an expense on the Consolidated Statement of Operations and Accumulated Municipal Equity classified under the appropriate functional expenditure.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2024

10. Asset retirement obligations:

The Township's asset retirement obligations consist of several obligations as follows:

(a) Landfill obligation:

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liabilities are based on estimates and assumptions with respect to events extending over a twenty-five-year period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The Township currently has five active and five inactive landfill sites. The estimated remaining capacity of the active landfill sites ranges from 3.32% to 40.47% of the total estimated capacity and the estimated remaining life of the active landfill sites ranges from 2 years to 42 years. The period for post-closure care for all sites is estimated to be 25 years, depending on the site.

Post closure care requirements include annual post-closure maintenance and monitoring requirements, calculated for a twenty-five-year period from the date of closure.

Estimated total expenses represent the sum of discounted future cash flows for closure and post closure care activities using an estimated inflation rate of 4.53% (2023 - 4.53%) and discounted at the Township's average long-term borrowing rate of 2.20% (2023 - 2.20%) The estimated total landfill closure costs are included in liabilities under asset retirement obligations on the Consolidated Statement of Financial Position.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2024

10. Asset retirement obligations (continued):

(b) Asbestos obligation:

Asbestos and other designated hazardous materials represent a health hazard upon disturbance and as a result carry a legal obligation to remove them when a facility undergoes a significant renovation or demolition. The Township owns and operates eleven buildings that are known to have asbestos and as a result recognized an obligation relating to the removal of the hazardous materials.

Asset retirement obligation	Landfill closure	Asbestos and other removal	Frontenac Community Arena asbestos removal	2024 Total	2023 Total
Liabilities for asset retirement obligations, beginning of year	\$ 8,914,902	\$ 494,000	\$ 50,150	\$ 9,459,052	\$ 4,315,113
Adjustments to liability on adoption of PS 3280	–	–	–	–	5,059,674
Expensed as asset fully-amortized	–	–	–	–	13,000
Change in liability for closed landfills	–	–	–	–	(267,673)
Accretion expense	–	18,080	1,475	19,555	221,938
Liabilities for asset retirement obligations, end of year	\$ 8,914,902	\$ 512,080	\$ 51,625	\$ 9,478,607	\$ 9,342,052

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2024

11. Municipal equity:

	2024	2023
Investment in tangible capital assets:		
Tangible capital assets	\$ 118,885,323	\$ 115,589,250
Unfunded capital projects	(350,563)	(350,563)
	118,534,760	115,238,687
Unrestricted surplus:		
Frontenac Community Arena	5,907	2,653
Unfunded asset retirement obligations	(9,426,982)	(9,408,902)
Reserves (Schedule 1)	18,900,848	20,349,371
Municipal equity	\$ 128,014,533	\$ 126,181,809

12. Contingent liabilities:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2024, management believes that the Township has valid defenses and appropriate insurance coverages in place.

In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Township's financial position. As a result, no provision has been made in these consolidated financial statements for any settlement which may arise as a result of these claims.

13. Commitments:

- (a) The Township has entered into an agreement with the Ontario Provincial Police for the provision of police services. The term of the agreement is six years, commencing December 2020 at an annual cost of approximately \$3.1 million.
- (b) In fiscal 2023, the Township, along with four other municipalities, incorporated the Frontenac Municipal Services Corporation ("FMSC"). The purpose of FMSC is to oversee the implementation and operation of communal water and wastewater services in Frontenac County. The Township's ownership percentage is 58.62% of FMSC's Class A Common Shares, a non-controlling interest. In fiscal 2024, the Township committed to a financial contribution of \$326,747, paid over a five-year period. This amount has been recorded as an expense in fiscal 2024, with \$65,349 having been paid in 2024 and recorded on the Consolidated Statement of Operations and Accumulated Municipal Equity.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2024

14. Sydenham water works debenture receivable and payable:

- (a) The balance of Sydenham Water Works Debenture Receivable and Payable reported on the Consolidated Statement of Financial Position is made up of the following:

	2024	2023
Amortizing debenture with Infrastructure Ontario. The debenture was issued on December 1, 2008, bears annual interest at 5.75% and is repayable in forty equal bi-annual instalments of blended principal and interest at \$17,966 commencing June 1, 2009. The loan is used towards the cost of the Sydenham Water Works. The responsibility for payment of principal and interest charges for the loan has been assumed by individuals and therefore has been shown in the consolidated financial statements as both a loan receivable and payable.	\$ 126,782	\$ 154,324
Long-term liabilities at the end of the year	\$ 126,782	\$ 154,324

- (b) Principal due on long-term liabilities from individuals for the next five years are summarized as follows:

	Individuals
2025	\$ 29,053
2026	30,748
2027	32,541
2028	34,440
	\$ 126,782

- (c) Interest expense on long-term liabilities amounted to \$8,479 (2023 - \$9,992).
- (d) These payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2024

15. Tangible capital assets:

Cost	Balance at December 31, 2023	Additions	Disposals and transfers	Balance at December 31, 2024
Land	\$ 3,661,297	\$ 900,568	\$ 10,000	\$ 4,571,865
Land improvements	3,966,443	311,187	485,478	4,763,108
Land improvements asset retirement obligations	4,645,524	–	–	4,645,524
Buildings and building improvements	21,258,072	430,075	867,116	22,555,263
Buildings asset retirement obligations	364,000	–	–	364,000
Vehicles, machinery and equipment	20,682,418	1,046,401	253,370	21,982,189
Linear assets:				
Roads	176,115,808	4,649,534	204,212	180,969,554
Bridges	15,614,080	1,776,479	54,969	17,445,528
Sidewalks	435,775	–	–	435,775
Water infrastructure	9,445,218	88,574	155,480	9,689,272
Construction in progress	3,118,693	2,056,755	(2,463,045)	2,712,403
Frontenac Community Arena	2,070,672	26,540	–	2,097,212
Total	\$ 261,378,000	\$ 11,286,113	\$ (432,420)	\$ 272,231,693

Accumulated amortization	Balance at December 31, 2023	Amortization	Disposals	Balance at December 31, 2024
Land	\$ –	\$ –	\$ –	\$ –
Land improvements	1,602,141	345,160	–	1,947,301
Land improvements asset retirement obligations	172,199	172,199	–	344,398
Buildings and building improvements	5,957,740	581,081	–	6,538,821
Buildings asset retirement obligations	5,730	14,414	–	20,144
Vehicles, machinery and equipment	11,372,882	1,181,484	(381,448)	12,172,918
Linear assets:				
Roads	116,684,216	5,119,331	–	121,803,547
Bridges	6,519,845	254,925	–	6,774,770
Sidewalks	109,701	4,406	–	114,107
Water infrastructure	2,699,788	186,987	–	2,886,775
Construction in progress	–	–	–	–
Frontenac Community Arena	664,508	79,081	–	743,589
Total	\$ 145,788,750	\$ 7,939,068	\$ (381,448)	\$ 153,346,370

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2024

15. Tangible capital assets (continued):

	Net book value 2023	Net book value 2024
Land	\$ 3,661,297	\$ 4,571,865
Land improvements	2,364,302	2,815,807
Land improvements asset retirement obligations	4,473,325	4,301,126
Buildings and building improvements	15,300,332	16,016,442
Buildings asset retirement obligations	358,270	343,856
Vehicles, machinery and equipment	9,309,536	9,809,271
Linear assets:		
Roads	59,431,592	59,166,007
Bridges	9,094,235	10,670,758
Sidewalks	326,074	321,668
Water infrastructure	6,745,430	6,802,497
Construction in progress	3,118,693	2,712,403
Frontenac Community Arena	1,406,164	1,353,623
Total	\$ 115,589,250	\$ 118,885,323

Assets under construction having a value of \$2,712,403 (2023 - \$3,118,693) have not been amortized. Amortization of these assets will commence when the asset is put into service.

16. Financial instruments and risk management:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Township is exposed to credit risk with respect to accounts receivable on the Consolidated Statement of Financial Position.

The Township assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Township at December 31, 2024 is the carrying value of these assets. The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Consolidated Statement of Operations and Accumulated Municipal Equity. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Consolidated Statement of Operations and Accumulated Municipal Equity.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2024

16. Financial instruments and risk management (continued):

(a) Credit risk (continued):

	Current	Past due	Gross receivables	Allowances	Net receivables
Taxes receivable	\$ 1,344,991	\$ 724,161	\$ 2,069,152	\$ (126,104)	\$ 1,943,048
Accounts receivable	1,790,359	28,918	1,819,277	–	1,819,277
Total	\$ 3,135,350	\$ 753,079	\$ 3,888,429	\$ (126,104)	\$ 3,762,325

(b) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, impact the Township's income or the value of its holdings of financial instruments. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

There have been no significant changes to the market risk exposure from 2023.

(i) Currency risk:

Currency risk arises from the Township's operations in different currencies and converting non-Canadian earnings at different points in time at different foreign currency levels when adverse changes in foreign currency rates occur. The Township does not have any material transactions or financial instruments denominated in foreign currencies.

(ii) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Township to cash flow interest rate risk.

The Township is exposed to this risk through its interest-bearing investments, including fixed income securities and mutual funds/segregated funds. As at December 31, 2024, had prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve with all other variables constant, the estimated impact on the market value of investments would be approximately \$160,000 (2023 - \$148,000). This risk is mitigated by the Township's intention to hold these investments to maturity.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2024

16. Financial instruments and risk management (continued):

(b) Market risk (continued):

(ii) Interest rate risk (continued):

In addition to the above, the Township is exposed to interest rate risk as it has municipal debt bearing interest at a fixed rate as described in note 14. As prevailing interest rates could fluctuate, the market value of these debts will fluctuate. This risk is mitigated by the Township's intention to hold the debt to maturity.

(iii) Equity risk:

Equity risk arises when the fair value of equity funds changes due to a decrease in stock market index or other risk variables. The Township is exposed to this risk through the mutual funds held in its investment portfolio. As at December 31, 2024, a 1% movement in the stock markets, with all other variables held constant, would have an estimated effect on the market values of the Township's mutual funds of \$10,169 (2023 - \$11,400).

(c) Liquidity risk:

Liquidity risk is the risk that the Township will not be able to meet all of its cash outflow obligations as they come due. The Township mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. Accounts payable are all current and the terms of the long-term debt are disclosed in note 14.

There have been no significant changes from the previous year in the Township's exposure to liquidity risk or policies, procedures and methods used to measure the risk.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2024

17. Segmented information:

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

Municipal 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 provide are as follows:

(a) Administration:

Includes corporate services and governance of the Township. Administration as a segment includes human resource management, support to Council for policy development, by-law development in compliance with the Municipal Act, tax billing and collection responsibilities, financial management reporting, monitoring and overall budget status as well as frontline reception and customer service.

(b) Protection Services:

Includes policing, fire protection, conservation authority, protective inspection and control and emergency measures. The mandate of the police services contract is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. Fire protection includes inspection, extinguishing and suppression services; emergency medical first response; and prevention education and training programs. Inspection and control includes building inspection, by-law enforcement and dog control services.

(c) Transportation Services:

This department provides the winter and summer maintenance, the repair and the construction of the municipal roads system including bridges and culverts.

(d) Environmental Services:

Includes the management and maintenance of water treatment and distribution and solid waste management.

(e) Cemetery Boards:

Includes the management and maintenance of municipal cemeteries.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2024

17. Segmented information (continued):

(f) Parks, Recreation and Culture:

Provides services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure programs and facilities including community halls, libraries, parks, recreation fields and the proportionate share of Frontenac Community Arena.

(g) Planning and Development:

Manages development for business interest, environmental concerns, heritage matters, local neighbourhoods and community development. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of the zoning by-law and official plan, and the provision for geomatics services.

For each segment separately reported, the segment revenue and expense 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. These municipal services are funded primarily by property tax revenue. Taxation is apportioned to these services based on the funding requirement. Certain government transfers, transfer from other funds, and other revenue 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.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

17. Segmented information (continued):

	Administration	Protective Services	Transportation Services	Environmental Services	Health Services	Parks, Recreation and Culture	Planning and Development	2024 Total
Revenue:								
Property taxation	\$ 22,698,217	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,698,217
User charges	41,423	87,334	102,929	902,783	42,901	413,464	234,241	1,825,075
Licenses, permits and rents	251,382	809,081	79,485	2,400	-	14,915	-	1,157,263
Government unconditional grants	1,609,500	-	-	432,042	-	-	-	2,041,542
Government conditional grants	92,435	27,266	6,915	59,256	-	8,241	-	194,113
Grants from other municipalities	(7,860)	-	456,802	-	-	-	-	448,942
Investment income	376,205	145,111	90,630	148,774	32,773	-	-	793,493
Penalties and interest on taxes	414,482	-	-	-	-	-	-	414,482
Donations	-	-	-	-	-	61,474	-	61,474
Other	23,532	63,026	43,056	8,479	-	25,984	-	164,077
Deferred revenues earned	56,261	901,352	2,795,961	-	-	344,250	71,837	4,169,661
Loss on disposal of tangible capital asset	-	-	(50,972)	-	-	5,088	-	(45,884)
Total revenue	25,555,577	2,033,170	3,524,806	1,553,734	75,674	873,416	306,078	33,922,455
Expenses:								
Salaries, wages and employee benefits	1,784,764	2,158,103	3,162,665	580,636	3,844	645,641	685,920	9,021,573
Interest on long-term debt	-	-	-	8,479	-	-	-	8,479
Materials	552,979	1,134,251	2,065,997	434,059	14,099	540,200	52,924	4,794,509
Contracted services	728,690	3,007,751	2,785,578	2,424,265	103,918	920,858	188,100	10,159,160
Rents and financial expenses	11,423	-	-	-	-	-	-	11,423
External transfers	520,191	333,327	-	-	-	-	-	853,518
Amortization of tangible capital assets	117,974	597,694	6,328,271	394,723	-	500,406	-	7,939,068
Total expenses	3,716,021	7,231,126	14,342,511	3,842,162	121,861	2,607,105	926,944	32,787,730
Annual surplus (deficit)	\$ 21,839,556	\$ (5,197,956)	\$ (10,817,705)	\$ (2,288,428)	\$ (46,187)	\$ (1,733,689)	\$ (620,866)	\$ 1,134,725

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

17. Segmented information (continued):

	Administration	Protective Services	Transportation Services	Environmental Services	Health Services	Parks, Recreation and Culture	Planning and Development	2023 Total
Revenue:								
Property taxation	\$ 21,767,655	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,767,655
User charges	32,512	90,335	-	897,604	48,158	349,741	179,414	1,597,764
Licenses, permits and rents	219,795	1,197,924	90,147	2,400	-	58,680	-	1,568,946
Government grants	1,610,942	15,464	1,060,414	550,654	-	58,937	-	3,296,411
Grants from other municipalities	3,326	-	517,489	-	-	-	-	520,815
Investment income	545,462	178,981	67,578	147,517	22,576	-	-	962,114
Penalties and interest on taxes	366,270	-	-	-	-	-	-	366,270
Donations	-	-	-	-	-	47,042	-	47,042
Other	88,364	73,876	80,016	14,157	-	23,654	-	280,067
Deferred revenues earned	93,739	-	4,992,068	-	-	432,015	32,868	5,550,690
Loss on disposal of tangible capital asset	-	-	(167,129)	-	-	-	-	(167,129)
Total revenue	24,728,065	1,556,580	6,640,583	1,612,332	70,734	970,069	212,282	35,790,645
Expenses:								
Salaries, wages and employee benefits	1,813,023	2,019,244	2,534,157	584,638	5,684	507,911	567,006	8,031,663
Interest on long-term debt	-	-	-	9,992	-	-	-	9,992
Materials	225,752	934,043	2,826,965	382,271	17,677	397,053	61,906	4,845,667
Contracted services	362,104	3,578,464	1,937,805	2,230,892	79,219	788,695	316,611	9,293,790
Rents and financial expenses	11,577	-	-	221,938	-	-	-	233,515
External transfers	236,411	302,930	-	-	-	-	-	539,341
Amortization of tangible capital assets	81,623	555,614	6,212,119	392,270	-	449,954	-	7,691,580
Total expenses	2,730,490	7,390,295	13,511,046	3,822,001	102,580	2,143,613	945,523	30,645,548
Annual surplus (deficit)	\$ 21,997,575	\$ (5,833,715)	\$ (6,870,463)	\$ (2,209,669)	\$ (31,846)	\$ (1,173,544)	\$ (733,241)	\$ 5,145,097

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

18. Budget figures:

The 2024 budget amounts that were approved were not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Board Standards). The budget included capital items such as infrastructure replacements and estimated costs for constructed assets, as program expenses, but the actual expenses have been removed in the Consolidated Statement of Operations and Accumulated Municipal Equity. The revenues attributable to these items continue to be included in the Consolidated Statement of Operations and Accumulated Municipal Equity, resulting in a significant variance.

The following analysis is provided to assist readers in their understanding of differences between the approved budget and the audited financial statements:

	Budget	Actual
Total revenue	\$ 30,932,403	\$ 33,922,455
Total expenses	28,634,929	32,787,730
Net revenues	2,297,474	1,134,725
Amortization	8,781,492	7,939,068
Funds available	11,078,966	9,073,793
Capital expenses	(17,766,740)	(11,286,113)
Disposal of tangible capital asset	–	50,972
Unfunded asset retirement liability	–	19,555
Remeasurement gain	–	697,999
Decrease in operating surplus	\$ (6,687,774)	\$ (1,443,794)
Allocated as follows:		
Net transfers from reserves	\$ (6,694,332)	\$ (1,448,523)
Change in Frontenac Community Arena	6,558	4,729
	\$ (6,687,774)	\$ (1,443,794)

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Schedule 1 – Continuity of Reserves and Reserve Funds

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

	2024 Budget (note 18)	2024 Actual	2023 Actual
Net transfer from (to) other funds:			
Transfers from operations	\$ 7,133,310	\$ 7,459,585	\$ 6,173,380
Transfer to capital acquisitions	(13,827,642)	(8,908,108)	(9,116,342)
Reserves and reserve fund balances, change in year	(6,694,332)	(1,448,523)	(2,942,962)
Reserves and reserve fund balances, beginning of year	20,349,371	20,349,371	23,292,333
Reserves and reserve fund balances, end of year	\$ 13,655,039	\$ 18,900,848	\$ 20,349,371

Composition of Reserves and Reserve Funds:

	2024	2023
Reserves and reserve funds set aside for specific purposes by Council:		
Fiscal:		
Working capital	\$ 837,108	\$ 3,959,358
COVID-19	219,515	219,515
Election	87,205	59,450
Climate	140,877	100,000
Protective inspection rate stabilization	1,629,760	1,949,550
	2,914,465	6,287,873
Equipment and infrastructure:		
Global	4,104,282	3,597,676
Vertical	944,741	1,526,811
Roadways	1,062,495	1,062,495
Linear	4,413,538	1,963,538
Rolling stock	1,290,564	1,579,249
Future landfill closing	447,981	411,049
Water infrastructure	1,887,812	1,707,902
Stabilization	1,834,970	2,212,778
	15,986,383	14,061,498
Total reserves and reserve funds	\$ 18,900,848	\$ 20,349,371



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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Township of South Frontenac:

Opinion

We have audited the financial statements of the Trust Funds of The Corporation of the Township of South Frontenac (the Entity), which comprise:

- the statement of financial position as at December 31, 2024
- the statement of financial activities and changes in fund balance for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2024, and its results of operations, its changes in fund balance, for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

October 23, 2025

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds Statement of Financial Position

December 31, 2024, with comparative information for 2023

	Fire Trust	Portland Historical Trust	Cemetery Perpetual Care	Monument Perpetual Care	Muriel Burns	OHRP	Grant Family Memorial Endowment	2024 Total	2023 Total
Assets									
Cash	\$ 30,217	\$ 38,950	\$ 292,546	\$ 74,340	\$ 25,000	\$ –	\$ 30,394	\$ 491,447	\$ 432,114
Investments (note 5)	–	–	336,367	54,131	–	–	–	390,498	399,959
Term deposits	–	7,330	–	–	–	–	–	7,330	7,022
Long-term notes receivable	–	–	–	–	–	4,175	–	4,175	4,175
	\$ 30,217	\$ 46,280	\$ 628,913	\$ 128,471	\$ 25,000	\$ 4,175	\$ 30,394	\$ 893,450	\$ 843,270
Liabilities and Fund Balance									
Fund balance	\$ 30,217	\$ 46,280	\$ 628,913	\$ 128,471	\$ 25,000	\$ 4,175	\$ 30,394	\$ 893,450	\$ 843,270
Fund balance consists of:									
Fund balance	\$ 30,217	\$ 46,280	\$ 616,705	\$ 130,222	\$ 25,000	\$ 4,175	\$ 30,394	\$ 882,993	\$ 832,263
Accumulated remeasurement gains (losses)	–	–	12,208	(1,751)	–	–	–	10,457	11,007
	\$ 30,217	\$ 46,280	\$ 628,913	\$ 128,471	\$ 25,000	\$ 4,175	\$ 30,394	\$ 893,450	\$ 843,270

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds

Statement of Financial Activities and Changes in Fund Balance

December 31, 2024, with comparative information for 2023

	Fire Trust	Portland Historical Trust	Cemetery Perpetual Care	Monument Perpetual Care	Muriel Burns	OHRP	Grant Family Memorial Endowment	2024 Total	2023 Total
Revenue:									
Sales of perpetual care	\$ -	\$ -	\$ 14,500	\$ 5,600	\$ -	\$ -	\$ -	\$ 20,100	\$ 41,534
Grants	-	1,545	-	-	-	-	-	1,545	-
Donations	5,840	4,407	-	-	-	-	-	10,247	11,134
Interest earned	1,138	1,839	28,417	7,044	-	-	1,419	39,857	25,606
	6,978	7,791	42,917	12,644	-	-	1,419	71,749	78,274
Expenses:									
Transfer to operating fund	-	2,094	18,925	-	-	-	-	21,019	22,576
Annual surplus	6,978	5,697	23,992	12,644	-	-	1,419	50,730	55,698
Fund balance, beginning of year	23,239	40,583	592,713	117,578	25,000	4,175	28,975	832,263	776,565
Fund balance, end of year	\$ 30,217	\$ 46,280	\$ 616,705	\$ 130,222	\$ 25,000	\$ 4,175	\$ 30,394	\$ 882,993	\$ 832,263

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds

Statement of Remeasurement Gains and Losses

December 31, 2024, with comparative information for 2023

	Fire Trust	Portland Historical Trust	Cemetery Perpetual Care	Monument Perpetual Care	Muriel Burns	OHRP	Grant Family Memorial Endowment	2024 Total	2023 Total
Accumulated remeasurement gains, beginning of year	\$ -	\$ -	\$ 9,492	\$ 1,515	\$ -	\$ -	\$ -	\$ 11,007	\$ 5,137
Unrealized gains (losses) attributable to long-term investments	-	-	2,716	(3,266)	-	-	-	(550)	5,870
Change in accumulated remeasurement-gains	-	-	2,716	(3,266)	-	-	-	(550)	5,870
Accumulated remeasurement gains, end of year	\$ -	\$ -	\$ 12,208	\$ (1,751)	\$ -	\$ -	\$ -	\$ 10,457	\$ 11,007
Accumulated remeasurement gains, comprised of:									
Guaranteed investment certificates	\$ -	\$ -	\$ 12,208	\$ (1,751)	\$ -	\$ -	\$ -	\$ 10,457	\$ 11,007

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds
Notes to Financial Statements

Year ended December 31, 2024

1. Significant accounting policies:

The financial statements of The Corporation of the Township of South Frontenac Trust Funds (the "Trusts") are prepared by management in accordance with Canadian Public Sector Accounting Standards.

(a) Basis of accounting:

These statements reflect the assets, liabilities, revenue and expenses of the Trusts.

(b) Revenue recognition:

Government transfers and related revenue are recognized when the transfer is authorized, any eligible criteria has been met and the amount can be reasonably estimated. Revenue pertaining to donations and sales of perpetual care are recognized when the goods are sold or the services are provided, performance obligations fulfilled, and future economic benefits are measurable and expected to be obtained. Other restricted contributions received in advance of the related expenditure are deferred until the related expenditure is incurred.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and reported on the Statement of Financial Activities and Changes in Fund Balance. Derivatives and portfolio investments in equity instruments that are quoted in an active market are measured at fair value.

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Financial Activities and Changes in Fund Balance.

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

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds

Notes to Financial Statements (continued)

Year ended December 31, 2024

1. Significant accounting policies (continued):

(d) Financial instruments (continued):

All financial assets are assessed for impairment on an annual basis. Where a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Financial Activities and Changes in Fund Balances and any unrealized gain is adjusted through the Statement of Remeasurement Gains and Losses. On sale, the unrealized gain or loss included in the Statement of Remeasurement Gains and Losses associated with that instrument are reversed and recognized in the Statement of Financial Activities and Changes in Fund Balances.

Establishing fair value:

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

Fair value hierarchy:

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds

Notes to Financial Statements (continued)

Year ended December 31, 2024

1. Significant accounting policies (continued):

(e) Use of estimates:

The preparation of financial statements 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 expenses during the period. Actual results could differ from those estimates.

2. Ontario Home Renewal Program (OHRP)

The OHRP was established by the Ontario Ministry of Housing (“Ministry”) in 1973 to provide grants for municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards. Individual loans are limited to \$7,500 of which the maximum forgivable portion is \$4,000.

OHRP loans receivable at December 31, 2024 are comprised of repayable loans of \$4,175 (2023 - \$4,175). In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balances of the repayable loan immediately become due and payable by the homeowner.

The OHRP program was discontinued by the Ministry in July 1993. At that time the Ministry requested the repayment of all trust funds held by the Corporation of the Township of South Frontenac. The cash accumulated in the trust fund is being repaid to the Ministry on an annual basis.

3. Financial instruments and risk management:

(a) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, impact the Trust’s income or the value of its holdings of financial instruments. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

There have been no significant changes to the market risk exposure from 2023.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Financial instruments and risk management (continued):

(a) Market risk (continued):

(i) Currency risk:

Currency risk arises from the Trust's operations in different currencies and converting non-Canadian earnings at different points in time at different foreign currency levels when adverse changes in foreign currency rates occur. The Trust does not have any material transactions or financial instruments denominated in foreign currencies.

(ii) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Trusts to cash flow interest rate risk.

The Trusts are exposed to this risk through its interest-bearing investments, including fixed income securities. As at December 31, 2024, had prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve with all other variables constant, the estimated impact on the market value of investments would be approximately \$3,900 (2023 - \$3,900).

There has been no change to the interest rate risk exposure from 2023.

(iii) Equity risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Trusts are not exposed to this risk based on the current investment portfolio.

(b) Liquidity risk:

Liquidity risk is the risk that the Township will not be able to meet all of its cash outflow obligations as they come due. The Township mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise.

There have been no significant changes from the previous year in the Township's exposure to liquidity risk or policies, procedures and methods used to measure the risk.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds

Notes to Financial Statements (continued)

Year ended December 31, 2024

4. Monument perpetual care:

Perpetual care receipts are reported on the cash basis of accounting and interest income is reported on the accrual basis of accounting. The capital balance of monument perpetual care includes the original capital contributions received as well as accumulated unspent income on the capital contributions received. The unspent income of \$41,864 (2023 - \$36,335) is available for future expenses related to monument perpetual care.

5. Investments:

		2024		2023	
	Level	Cost	Market Value	Cost	Market Value
CIBC Wood Gundy:					
Cash	1	\$ -	\$ -	\$ 1,158	\$ 1,158
Accrued interest	2	2,973	2,973	793	793
Fixed income securities	2	400,369	387,525	387,000	398,008
		\$ 403,342	\$ 390,498	\$ 388,951	\$ 399,959

The investments are valued based on the degree to which the fair value is observable, as follows:

- (i) Level 1 Unadjusted quoted market prices in active markets for identical assets or liabilities;
- (ii) Level 2 Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- (iii) Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

During the year, there were no transfers between fair value hierarchy levels.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds

Notes to Financial Statements (continued)

Year ended December 31, 2024

6. Change in accounting policy - adoption of new accounting standards:

The Trusts adopted the following standards concurrently beginning January 1, 2024 prospectively: PS 3160 *Public Private Partnerships*, PS 3400 *Revenue* and PSG-8 *Purchased Intangibles*.

PS 3400 *Revenue* establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligations (i.e. the payor expects a good or service from the public sector entity), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions.

For exchange transactions, revenue is recognized when a performance obligation is satisfied. For non-exchange transactions, revenue is recognized when there is authority to retain an inflow of economic resources and a past event that gave rise to an asset has occurred.

PSG-8 *Purchased Intangibles* provides guidance on the accounting and reporting for purchased intangible assets that are acquired through arm's length exchange transactions between knowledgeable, willing parties that are under no compulsion to act.

PS 3160 *Public Private Partnerships* (P3s) provides specific guidance on the accounting and reporting for P3s between public and private sector entities where the public sector entity procures infrastructure using a private sector partner.

There were no adjustments to opening balances as a result of adopting the new accounting standards.