

Consolidated Financial Statements of

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

Year ended December 31, 2023

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Financial Statements

Year ended December 31, 2023

Page

Management's Responsibility for the Consolidated Financial Statements

Independent Auditor's Report

Consolidated Financial Statements:

Consolidated Statement of Financial Position	1
Consolidated Statement of Operations and Accumulated Municipal Equity	2
Consolidated Statement of Changes in Net Financial Assets	3
Consolidated Statement of Remeasurement Gains and Losses	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6

Trust Fund Financial Statements:

Independent Auditor's Report.....	36
Statement of Financial Position.....	39
Statement of Financial Activities and Changes in Fund Balance.....	40
Statement of Remeasurement Gains and Losses.....	41
Notes to Trust Fund Financial Statements.....	42

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



KPMG LLP
22 Wilson Street, West
Perth, ON K7H 2M9
Canada
Telephone 613 267 6580
Fax 613 267 7563

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, 2023
- 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, 2023, 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.



Emphasis of Matter – Change in Accounting Policy

We draw attention to note 2 to the financial statements which indicates that the Entity has changed its accounting policy for Asset Retirement Obligations, as a result of the adoption of PS 3280, Asset Retirement Obligations, and has been applied using the prospective method.

Our opinion is not modified in respect of this matter.

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.



Page 3

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

December 3, 2024

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Financial assets:		
Cash	\$ 7,952,191	\$ 18,542,168
Taxes receivable	2,093,198	1,594,220
Accounts receivable	1,683,782	2,792,365
Long-term investments (note 5)	16,469,434	14,217,761
Sydenham Water Works debenture receivable (note 15)	154,234	180,173
Long-term receivables (note 6)	–	1,630
	<u>28,352,839</u>	<u>37,328,317</u>
Financial liabilities:		
Accounts payable and accrued liabilities	4,743,897	7,162,571
Other current liabilities	90,918	90,094
Deferred revenue - obligatory reserve funds (note 8)	3,341,963	7,008,823
Sydenham Water Works debenture payable (note 15)	154,234	180,173
Employee future benefit obligations (note 9)	312,900	279,600
Asset retirement obligation (note 11)	9,459,052	4,315,113
	<u>18,102,964</u>	<u>19,036,374</u>
Net financial assets	10,249,875	18,291,943
Non-financial assets:		
Tangible capital assets (note 16)	115,589,250	101,751,365
Inventories	201,043	251,222
Prepaid expenses	141,641	118,592
Total non-financial assets	115,931,934	102,121,179
Contingent liabilities (note 13)		
Commitments (note 14)		
Municipal equity (note 12)	\$ 126,181,809	\$ 120,413,122
Municipal equity consists of (note 12):		
Municipal equity	\$ 125,868,783	\$ 120,723,686
Accumulated remeasurement gains (losses)	313,026	(310,564)
	<u>\$ 126,181,809</u>	<u>\$ 120,413,122</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, 2023, with comparative information for 2022

	Budget 2023	Actual 2023	Actual 2022
	(note 19)		
Revenue:			
Property taxation	\$ 21,890,690	\$ 21,767,655	\$ 21,401,975
User charges	1,425,201	1,597,764	1,594,090
Licences, permits and rents	1,703,520	1,568,946	2,029,897
Government grants	3,185,516	3,296,411	3,069,568
Grants from other municipalities	495,252	520,815	304,769
Investment income	359,000	962,114	827,201
Penalties and interest on taxes	370,000	366,270	341,791
Donations	–	47,042	17,887
Other	82,295	280,067	454,068
Deferred revenues earned (note 8)	–	5,550,690	1,055,653
Loss on disposal of tangible capital assets	–	(167,129)	–
Total revenue	29,511,474	35,790,645	31,096,899
Expenses (note 18):			
General government	3,267,253	2,730,490	3,219,334
Fire	2,384,280	2,818,718	2,182,170
Police	2,865,302	2,897,106	2,921,185
Conservation authority	271,271	294,907	275,003
Protective inspections and control	1,431,076	1,378,842	1,163,425
Emergency measures	2,750	722	520
Roadways and winter control	13,827,482	13,462,011	12,818,035
Street lighting	20,702	49,035	48,193
Waterworks	433,016	501,299	465,732
Garbage collection and disposal	3,512,407	3,194,238	3,040,731
Landfill closure and post-closure costs	–	126,464	703,580
Cemeteries	70,934	102,580	90,538
Parks, recreation and cultural services	1,644,325	2,143,613	1,410,975
Planning and development	983,358	945,523	689,940
Total expenses	30,714,156	30,645,548	29,029,361
Annual surplus (deficit)	(1,202,682)	5,145,097	2,067,538
Municipal equity, beginning of year	120,723,686	120,723,686	118,656,148
Municipal equity, end of year	\$ 119,521,004	\$ 125,868,783	\$ 120,723,686

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, 2023, with comparative information for 2022

	Budget 2023	Actual 2023	Actual 2022
	(note 19)		
Annual surplus (deficit)	\$ (1,202,682)	\$ 5,145,097	\$ 2,067,538
Amortization of tangible capital assets	8,477,826	7,691,580	6,519,630
Acquisition of tangible capital assets	(10,720,250)	(21,696,594)	(11,861,275)
Gain on disposal of tangible capital assets	–	167,129	–
Acquisition of prepaid expenses	–	(23,049)	(6,435)
Acquisition of supplies inventories	–	50,179	(31,099)
Change in accumulated remeasurement gains	–	623,590	(637,958)
Change in net financial assets	(3,445,106)	(8,042,068)	(3,949,599)
Net financial assets, beginning of year	18,291,943	18,291,943	22,241,542
Net financial assets, end of year	\$ 14,846,837	\$ 10,249,875	\$ 18,291,943

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, 2023, with comparative information for 2022

	2023	2022
Accumulated remeasurement gains (losses), beginning of year	\$ (310,564)	\$ 327,394
Unrealized gains (losses) attributable to long-term investments	623,590	(637,958)
Change in accumulated remeasurement gains (losses)	623,590	(637,958)
Accumulated remeasurement gains (losses), end of year	\$ 313,026	\$ (310,564)
Accumulated remeasurement gains (losses) comprised of: Long-term investments	\$ 313,026	\$ (310,564)

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, 2023, with comparative information for 2022

	2023	2022
Operating activities:		
Annual surplus	\$ 5,145,097	\$ 2,067,538
Item not involving cash:		
Amortization of tangible capital assets	7,691,580	6,519,630
Change in asset retirement obligation	5,143,939	703,580
Change in future employee benefit obligations	33,300	34,900
Gain on disposal of tangible capital assets	167,129	–
Change in non-cash operating working capital:		
Taxes receivable	(498,978)	(445,699)
Accounts receivable	1,108,583	(866,546)
Accounts payable and accrued liabilities	(2,418,674)	1,589,437
Other current liabilities	824	(44,598)
Deferred revenue – obligatory reserve funds	(3,666,860)	1,794,300
Prepaid expenses	(23,049)	(6,435)
Inventories	50,179	(31,099)
Net change in cash from operations	12,733,070	11,315,008
Capital activities:		
Acquisition of tangible capital assets	(21,696,594)	(11,861,275)
Investing activities:		
Increase (decrease) in long-term investments	(1,628,083)	(370,938)
Decrease in long-term receivables	1,630	2,460
Net change in cash from investing activities	(1,626,453)	(368,478)
Decrease in cash	(10,589,977)	(914,745)
Cash, beginning of year	18,542,168	19,456,913
Cash, end of year	\$ 7,952,191	\$ 18,542,168

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, 2023

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 (continued)

Year ended December 31, 2023

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:

On January 1, 2023, the Township adopted PS 3450 Financial Instruments which establishes accounting and reporting for all types of financial instruments, including derivatives as disclosed in Note 2. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(d) Financial instruments (continued):

On application of this standard, unrealized gains and losses arising from changes in fair value are presented in the Consolidated Statement of Remeasurement Gains and Losses which records the remeasurement gains and losses for financial instruments measured at fair value. Unrealized gains and losses are realized upon settlement of the financial instrument when the financial instrument is sold or reaches maturity through the Consolidated Statement of Operations and Accumulated Municipal Equity. Changes in the fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met, upon which the gain or loss is recognized in 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. When 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.

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).

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(d) Financial instruments (continued):

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.

(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.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(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 - 20 years
Buildings and building improvements	20 - 50 years
Vehicles, machinery and equipment	3 - 25 years
Linear assets:	
Roads	7 - 50 years
Bridges	7 - 50 years
Sidewalks	20 years
Water infrastructure	50 - 70 years

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.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(f) Tangible capital assets (continued):

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.

(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.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(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) Government transfers:

Government transfers are recognized in the consolidated 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.

(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;

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(m) Asset retirement obligations (continued):

- 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. Under the prospective method, the discount rate and assumptions used on the initial recognition are those as of the date of adoption in the standard. Assumptions used in subsequent 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 undiscounted future expenses. Under the prospective method, the assumptions used on initial recognition are those as of the date of adoption in the standard. Assumptions used in the subsequent calculations are revised yearly.

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

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(n) Liability for contaminated sites (continued):

(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 capital assets. Actual results could differ from these estimates.

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

(a) The Township adopted the following standards concurrently beginning January 1, 2023 prospectively: PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation*, PS 3041 *Portfolio Investments*, and PS 3450 *Financial Instruments*.

PS 1201 *Financial Statement Presentation* replaces PS 1200 *Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Consolidated Statement of Remeasurement Gains and Losses separate from the Consolidated Statement of Operations and Accumulated Municipal Equity. Requirements in PS 2601 *Foreign Currency Translation*, PS 3450 *Financial Instruments*, and PS 3041 *Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denoted in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Consolidated Statement of Remeasurement Gains and Losses.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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

(a) (continued)

PS 3041 *Portfolio Investments* replaces PS 3040 *Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 *Financial Instruments*. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 *Temporary Investments* no longer applies.

PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Consolidated Statement of Remeasurement Gains and Losses.

(i) 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).

(ii) 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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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

(a) (continued)

(ii) Fair value hierarchy (continued):

In accordance with PS 3450 *Financial Instruments*, the financial statements of prior periods were not restated on transition. Consequently, the accounting policies for recognition, derecognition and measurement of financial instruments applied to the comparative information reflect those disclosed in the 2022 financial statements.

In prior years, the Township was reporting its financial investments at fair value. As a result, there was no impact to the beginning balances as at January 1, 2023.

(b) PS 3280 *Asset Retirement Obligations* ("ARO") establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use. This standard was adopted on January 1, 2023 on a prospective basis with no prior period restatements.

In the past, the Township has reported its obligations related to the retirement of tangible capital assets in the period when the asset was retired directly as an expense. The new standard requires the recognition of a liability for legal obligations that exist as a result of the acquisition, construction or development of a tangible capital asset, or that result from the normal use of the asset when the asset is recorded, and replaces Section PS 3270 *Solid Waste Landfill Closure and Post-Closure Liability*. Such obligation justifies recognition of a liability and can result from existing legislation, regulation, agreement, contract, or that is based on a promise and an expectation of performance. The estimate of the liability includes costs directly attributable to asset retirement activities. Costs include post-retirement operation, maintenance, and monitoring that are an integral part of the retirement of the tangible capital asset (if applicable). When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the associated assets and amortized over the asset's estimated useful life. The amortization of the asset retirement costs follows the same method of amortization as the associated tangible capital asset.

A significant part of asset retirement obligations results from the removal and disposal of designated substances such as asbestos from Township buildings and landfill closure and post-closure activities. The Township reports liabilities related to the legal obligations where the Township is obligated to incur costs to retire a tangible capital asset.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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

(b) (continued)

The Township's ongoing efforts to assess the extent to which designated substances exist in Township assets, and new information obtained through regular maintenance and renewal of Township assets may result in additional asset retirement obligations from better information on the nature and extent the substance exists or from changes in the estimated cost to fulfil the obligation. The measurement of assets retirement obligations is also impacted by activities that occurred to settle all or part of the obligation, or any changes in the legal obligation. Revisions to the estimated cost of the obligation will result in the carrying amount of the associated assets that are in productive use and amortized as part of the asset on an ongoing basis. When obligations have reliable cash flow projections, the liability may be estimated using the present value of future cash flows. Subsequently, accretion of the discounted liability due to the passage of time is recorded as an in-year expense (if applicable).

To estimate the liability for similar buildings that do not have information on asbestos and other designated substances, the Township uses buildings with assessments on the extent and nature of the designated substances in the building to measure the liability and those buildings and this information is extrapolated to a group of similar assets that do not have designated substances reports. As more information becomes available on specific assets, the liability is revised to be asset specific. In other situations, where the building might not be part of a large portfolio, other techniques are used such as using industry data, experts or basing the estimate on a specific asset that is similar (if applicable).

In accordance with the provisions of PS3280 *Asset Retirement Obligations*, the Township reflected the following adjustments at January 1, 2023:

	January 1, 2023
Decrease in accrued landfill closure and post closure	\$ (4,315,113)
Increase in asset retirement obligation:	
Tangible capital assets - building asbestos	494,000
Landfill closure and post closure costs	8,692,964
	9,186,964
Increase in liabilities	\$ 4,871,851

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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:

	2023	2023	2022	2022
	School Boards	County	School Boards	County
Amounts requisitioned and paid	\$ 5,713,990	\$ 7,352,947	\$ 5,617,565	\$ 6,571,256

4. Contributions to consolidated joint board:

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

	2023	2022
Frontenac Community Arena	\$ 141,381	\$ 111,934

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:

	2023	2022
Frontenac Community Arena	\$ 1,408,817	\$ 1,462,842

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

5. Long-term investments:

	Level	2023 Cost	2023 Market Value	2022 Cost	2022 Market Value
For Township purposes:					
CIBC Wood Gundy:					
Cash	1	\$ 709,873	\$ 709,873	\$ 207,534	\$ 207,534
Accrued interest	2	75,648	75,648	69,466	69,466
Fixed income accounts	2	13,053,508	12,961,861	12,110,453	11,530,035
One Investments - equity portfolio:					
Mutual funds	2	892,467	1,297,170	836,780	1,106,635
		14,731,496	15,044,552	13,224,233	12,913,670
For obligatory reserve funds:					
CIBC Wood Gundy:					
Cash	1	5,449	5,449	15,036	15,036
Accrued interest	2	13,275	13,275	7,837	7,837
Fixed income accounts	2	1,029,802	1,044,157	994,442	972,391
One Investments - equity portfolio:					
Mutual funds	2	249,061	362,001	233,520	308,827
		1,297,587	1,424,882	1,250,835	1,304,091
		\$ 16,029,083	\$ 16,469,434	\$ 14,475,068	\$ 14,217,761

All of the above investments are valued as Level 2 investments. 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.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

6. Long-term receivables:

Long-term receivables are comprised of:

	2023	2022
Community improvement loans	\$ –	\$ 1,630

The Community improvement loans are repayable over 5 years. Any unpaid loan payments are added to the taxpayer's property taxes.

7. Trust funds:

Trust funds administered by the Township amounting to \$843,270 (2022 - \$781,702) 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.

8. 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.

	2023	2022
Balance, beginning of year	\$ 7,008,823	\$ 5,214,523
Development contributions	849,844	1,053,438
Subdivider contributions	–	92,476
Investment income	416,923	60,341
Canada Community Building Fund	617,063	847,171
Cannabis legalization funding	–	–
Ontario Community Infrastructure Fund	–	796,527
Utilization:		
Development contributions	(2,265,764)	(964,743)
Canada Community Building Fund	(2,477,959)	(90,910)
Ontario Community Infrastructure Fund	(806,967)	–
Balance, end of year	\$ 3,341,963	\$ 7,008,823

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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

Analyzed as follows:

	2023	2022
Canada Community Building Fund	\$ 913,044	\$ 2,630,894
Cannabis legalization funding	46,294	42,740
Development charges	2,135,712	3,180,461
Cash-in-lieu of parkland	58,823	170,112
Subdivider contributions	37,171	188,089
Ontario Community Infrastructure Fund	150,919	796,527
	\$ 3,341,963	\$ 7,008,823

9. 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 2021 and was effective January 1, 2021.

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, 2023, based on an actuarial update in 2023, the accrued benefit obligation is \$367,200 (2022 - \$343,500).

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

Discount Rate – 2.60% per annum (2022 - 2.60%)

Salary Rate – 3.00% (2022 - 3.00%)

Health Benefits Escalation – 7.476% per annum (2022 - 7.66%), scaling down over 15 years to 4.00% thereafter

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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

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

	2023	2022
Accrued benefit liability, beginning of year	\$ 279,600	\$ 244,700
Expense recognized for the year	43,100	42,300
Interest cost	9,600	8,900
Benefits paid for the year	(19,400)	(16,300)
Accrued benefit liability, end of year	\$ 312,900	\$ 279,600

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

	2023	2022
Accrued benefit obligation	\$ 367,200	\$ 343,500
Unamortized actuarial loss	(54,300)	(63,900)
Accrued benefit liability	\$ 312,900	\$ 279,600

10. 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, 2023 and at that time, the plan reported a \$4.2 billion actuarial deficit (2022 - \$6.7 billion actuarial deficit).

The amount contributed to OMERS is \$528,821 (2022 - \$472,544) 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 (continued)

Year ended December 31, 2023

11. 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% (2022 - 3.27%) and discounted at the Township's average long-term borrowing rate of 2.20%.(2022 - 2.17%) 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 (continued)

Year ended December 31, 2023

11. 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 upon adoption of the PS 3280 *Asset Retirement Obligations*.

Asset retirement obligation	Landfill closure	Asbestos and other removal	Frontenac Community Arena Asbestos removal	2023 Total
Liabilities for asset retirement obligations, beginning of year	\$ 4,315,113	\$ -	\$ -	\$ 4,315,113
Opening adjustment on adoption of PS 3280 asset retirement obligations (note 16):				
Tangible capital asset	4,645,524	364,000	50,150	5,059,674
Expensed as asset was fully amortized	-	130,000	-	130,000
Change in liability for closed landfills	(267,673)	-	-	(267,673)
Accretion expense	221,938	-	-	221,938
Liabilities settled during the year	-	-	-	-
Liabilities for asset retirement obligations, end of year	\$ 8,914,902	\$ 494,000	\$ 50,150	\$ 9,459,052

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

12. Municipal equity:

	2023	2022
Investment in tangible capital assets:		
Tangible capital assets	\$ 115,589,250	\$ 101,751,365
Unfunded capital projects	(350,563)	(350,563)
	115,238,687	101,400,802
Unrestricted surplus:		
Frontenac Community Arena	2,653	35,100
Unfunded asset retirement obligations	(9,408,902)	(4,315,113)
Reserves (Schedule 1)	20,349,371	23,292,333
Municipal equity	\$ 126,181,809	\$ 120,413,122

13. 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, 2023, 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.

14. 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 2021 the Township committed funding to the Grace Centre in the amount of \$750,000 for an addition to the building. Construction on the project has commenced with the Township contributing \$500,000 in 2022, and the balance to be contributed in 2024.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

15. 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:

	2023	2022
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.	\$ 154,324	\$ 180,173
Long-term liabilities at the end of the year	\$ 154,324	\$ 180,173

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

	Individuals
2024	\$ 27,452
2025	29,053
2026	30,748
2027	32,541
2028	34,440
	\$ 154,234

- (c) Interest expense on long-term liabilities amounted to \$9,992 (2022 - \$11,422).
- (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 (continued)

Year ended December 31, 2023

16. Tangible capital assets:

Cost	Balance at December 31, 2022	Additions	Disposals	Balance at December 31, 2023
Land	\$ 3,661,296	\$ –	\$ –	\$ 3,661,296
Land improvements	2,796,315	1,170,126	–	3,966,441
Land improvements asset retirement obligations	–	4,645,524	–	4,645,524
Buildings and building improvements	17,018,573	4,441,245	(198,947)	21,260,871
Buildings asset retirement obligations	–	364,000	–	364,000
Vehicles, machinery and equipment	18,150,729	3,002,766	(648,982)	20,504,513
Linear assets:				
Roads	166,552,447	9,739,697	–	176,292,144
Bridges	14,306,705	1,307,380	–	15,614,085
Sidewalks	248,500	187,276	–	435,776
Water infrastructure	9,448,043	–	–	9,448,043
Construction in progress	6,337,171	(3,218,478)	–	3,118,693
Frontenac Community Arena	2,013,614	57,058	–	2,070,672
Total	\$ 240,533,393	\$ 21,696,594	\$ (847,929)	\$ 261,382,058

Accumulated amortization	Balance at December 31, 2022	Amortization	Disposals	Balance at December 31, 2023
Land	\$ –	\$ –	\$ –	\$ –
Land improvements	1,284,511	317,630	–	1,602,141
Land improvements asset retirement obligations	–	172,199	–	172,199
Buildings and building improvements	5,469,202	558,900	(67,564)	5,960,538
Buildings asset retirement obligations	–	5,730	–	5,730
Vehicles, machinery and equipment	10,897,216	743,290	(613,236)	11,027,270
Linear assets:				
Roads	111,649,068	5,379,189	–	117,028,257
Bridges	6,272,784	247,063	–	6,519,847
Sidewalks	105,298	4,407	–	109,705
Water infrastructure	2,518,078	184,535	–	2,702,613
Construction in progress	–	–	–	–
Frontenac Community Arena	585,871	78,637	–	664,508
Total	\$ 138,782,028	\$ 7,691,580	\$ (680,800)	\$ 145,792,808

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

16. Tangible capital assets (continued):

	Net book value 2022	Net book value 2023
Land	\$ 3,661,296	\$ 3,661,296
Land improvements	1,511,804	2,364,300
Land improvements asset retirement obligations	–	4,473,325
Buildings and building improvements	11,549,371	15,300,333
Buildings asset retirement obligations	–	358,270
Vehicles, machinery and equipment	7,253,513	9,477,243
Linear assets:		
Roads	54,903,379	59,263,887
Bridges	8,033,921	9,094,238
Sidewalks	143,202	326,071
Water infrastructure	6,929,965	6,745,430
Construction in progress	6,337,171	3,118,693
Frontenac Community Arena	1,427,743	1,406,164
Total	\$ 101,751,365	\$ 115,589,250

Assets under construction having a value of \$3,118,693 (2022 - \$6,337,171) have not been amortized. Amortization of these assets will commence when the asset is put into service.

17. 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, 2023 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 (continued)

Year ended December 31, 2023

17. Financial instruments and risk management (continued):

(a) Credit risk (continued):

	Current	Past due	Gross receivables	Allowances	Net receivables
Taxes receivable	\$ 1,191,798	\$ 1,195,015	\$ 2,386,813	\$ (293,615)	\$ 2,093,198
Accounts receivable	1,647,430	36,352	1,683,782	–	1,683,782
Total	\$ 2,839,228	\$ 1,231,367	\$ 4,070,595	\$ (293,615)	\$ 3,776,980

(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 2022.

(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, 2023, 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 \$148,000 (2022 - \$133,900). 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 (continued)

Year ended December 31, 2023

17. 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 15. 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, 2023, 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 \$11,400 (2022 - \$10,700).

(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 15.

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 (continued)

Year ended December 31, 2023

18. 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 (continued)

Year ended December 31, 2023

18. 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, 2023

18. 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, 2023

18. Segmented information (continued):

	Administration	Protective Services	Transportation Services	Environmental Services	Health Services	Parks, Recreation and Culture	Planning and Development	2022 Total
Revenue:								
Property taxation	\$ 21,401,975	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,401,975
User charges	38,342	73,288	16,516	999,336	59,407	245,842	161,359	1,594,090
Licenses, permits and rents	184,776	1,721,566	106,201	2,400	-	14,954	-	2,029,897
Government grants	1,580,400	165,636	451,019	372,912	-	499,601	-	3,069,568
Grants from other municipalities	7,860	-	247,302	-	-	49,607	-	304,769
Investment income	756,735	17,653	17,135	23,953	11,725	-	-	827,201
Penalties and interest on taxes	341,791	-	-	-	-	-	-	341,791
Donations	2,824	-	-	-	-	15,063	-	17,887
Other	133,092	85,473	124,224	7,257	-	104,022	-	454,068
Deferred revenues earned	10,302	399,647	399,111	9,695	-	182,838	54,060	1,055,653
Total revenue	24,458,097	2,463,263	1,361,508	1,415,553	71,132	1,111,927	215,419	31,096,899
Expenses:								
Salaries, wages and employee benefits	1,717,048	1,737,152	3,020,500	604,494	3,561	406,900	482,926	7,972,581
Interest on long-term debt	-	-	-	11,422	-	-	-	11,422
Materials	455,158	818,625	2,675,471	273,536	10,035	285,545	46,213	4,564,583
Contracted services	267,709	3,257,976	1,779,480	3,101,643	76,942	350,318	160,801	8,994,869
Rents and financial expenses	10,736	-	-	-	-	-	-	10,736
External transfers	677,161	278,379	-	-	-	-	-	955,540
Amortization of tangible capital assets	91,522	450,171	5,390,777	218,948	-	368,212	-	6,519,630
Total expenses	3,219,334	6,542,303	12,866,228	4,210,043	90,538	1,410,975	689,940	29,029,361
Annual surplus (deficit)	\$ 21,238,763	\$ (4,079,040)	\$ (11,504,720)	\$ (2,794,490)	\$ (19,406)	\$ (299,048)	\$ (474,521)	\$ 2,067,538

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

19. Budget figures:

The 2023 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	\$ 29,511,474	\$ 35,790,645
Total expenses	30,714,156	30,645,548
Net revenues	(1,202,682)	5,145,097
Amortization	8,477,826	7,691,580
Funds available	7,275,144	12,836,677
Capital expenses	(10,720,250)	(21,696,594)
Disposal of tangible capital asset	–	167,129
Unfunded asset retirement liability	–	5,143,939
Remeasurement gain	–	623,590
Decrease in operating surplus	\$ (3,445,106)	\$ (2,925,259)
Allocated as follows:		
Net transfers from (to) reserves	\$ (3,464,416)	\$ (2,942,962)
Change in Frontenac Community Arena	19,310	17,703
	\$ (3,445,106)	\$ (2,925,259)

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Schedule 1 – Continuity of Reserves and Reserve Funds

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

	Budget 2023 (note 19)	Actual 2023	Actual 2022
Net transfer from (to) other funds:			
Transfers from operations	\$ 4,605,168	\$ 6,173,380	\$ 6,012,831
Transfer to capital acquisitions	(8,069,584)	(9,116,342)	(9,236,068)
Reserves and reserve fund balances, change in year	(3,464,416)	(2,942,962)	(3,223,237)
Reserves and reserve fund balances, beginning of year	23,292,333	23,292,333	26,515,570
Reserves and reserve fund balances, end of year	\$ 19,827,917	\$ 20,349,371	\$ 23,292,333

Composition of Reserves and Reserve Funds:

	2023	2022
Reserves and reserve funds set aside for specific purposes by Council:		
Fiscal:		
Working capital	\$ 3,959,358	\$ 4,971,366
COVID-19	219,515	219,515
Election	59,450	30,429
Climate	100,000	100,000
Protective inspection rate stabilization	1,949,550	1,747,071
	6,287,873	7,068,381
Equipment and infrastructure:		
Global	3,597,676	5,264,774
Vertical	1,526,811	1,426,565
Roadways	1,062,495	927,391
Linear	1,963,538	1,693,538
Rolling stock	1,579,249	2,733,687
Future landfill closing	411,049	562,267
Water infrastructure	1,707,902	1,442,731
Stabilization	2,212,778	2,172,999
	14,061,498	16,223,952
Total reserves and reserve funds	\$ 20,349,371	\$ 23,292,333



KPMG LLP
22 Wilson Street, West
Perth, ON K7H 2M9
Canada
Telephone 613 267 6580
Fax 613 267 7563

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, 2023
- 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, 2023, and its results of operations 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.



Page 39

- 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

December 3, 2024

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds Statement of Financial Position

December 31, 2023, with comparative information for 2022

	Fire Trust	Portland Historical Trust	Cemetery Perpetual Care	Monument Perpetual Care	Muriel Burns	OHRP	Grant Family Memorial Endowment	2023 Total	2022 Total
Assets									
Cash	\$ 23,239	\$ 33,561	\$ 257,659	\$ 63,680	\$ 25,000	\$ –	\$ 28,975	\$ 432,114	\$ 376,734
Investments (note 5)	–	–	344,546	55,413	–	–	–	399,959	394,087
Term deposits	–	7,022	–	–	–	–	–	7,022	6,706
Long-term notes receivable	–	–	–	–	–	4,175	–	4,175	4,175
	\$ 23,239	\$ 40,583	\$ 602,205	\$ 119,093	\$ 25,000	\$ 4,175	\$ 28,975	\$ 843,270	\$ 781,702
Liabilities and Fund Balance									
Fund balance	\$ 23,239	\$ 40,583	\$ 602,205	\$ 119,093	\$ 25,000	\$ 4,175	\$ 28,975	\$ 843,270	\$ 781,702
Fund balance consists of:									
Fund balance	\$ 23,239	\$ 40,583	\$ 592,713	\$ 117,578	\$ 25,000	\$ 4,175	\$ 28,975	\$ 832,263	\$ 776,565
Accumulated remeasurement gains	–	–	9,492	1,515	–	–	–	11,007	5,137
	\$ 23,239	\$ 40,583	\$ 602,205	\$ 119,093	\$ 25,000	\$ 4,175	\$ 28,975	\$ 843,270	\$ 781,702

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, 2023, with comparative information for 2022

	Fire Trust	Portland Historical Trust	Cemetery Perpetual Care	Monument Perpetual Care	Muriel Burns	OHRP	Grant Family Memorial Endowment	2023 Total	2022 Total
Revenue:									
Sales of perpetual care	\$ –	–	\$ 36,534	\$ 5,000	\$ –	\$ –	\$ –	\$ 41,534	\$ 14,800
Donations	50	11,084	–	–	–	–	–	11,134	1,100
Interest earned	1,160	1,498	17,722	3,777	–	–	1,449	25,606	21,738
	1,210	12,582	54,256	8,777	–	–	1,449	78,274	37,638
Expenses:									
Transfer to operating fund	–	–	22,576	–	–	–	–	22,576	13,093
Annual surplus	1,210	12,582	31,680	8,777	–	–	1,449	55,698	24,545
Fund balance, beginning of year	22,029	28,001	561,033	108,801	25,000	4,175	27,526	776,565	752,020
Fund balance, end of year	\$ 23,239	\$ 40,583	\$ 592,713	\$ 117,578	\$ 25,000	\$ 4,175	\$ 28,975	\$ 832,263	\$ 776,565

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds

Statement of Remeasurement Gains and Losses

December 31, 2023, with comparative information for 2022

	Fire Trust	Portland Historical Trust	Cemetery Perpetual Care	Monument Perpetual Care	Muriel Burns	OHRP	Grant Family Memorial Endowment	2023 Total	2022 Total
Accumulated remeasurement gains, beginning of year	\$ -	-	\$ 4,638	\$ 499	\$ -	\$ -	\$ -	\$ 5,137	\$ 501
Unrealized gains (losses) attributable to long-term investments	-	-	4,854	1,016	-	-	-	5,870	4,636
Change in accumulated remeasurement gains	-	-	4,854	1,016	-	-	-	5,870	4,636
Accumulated remeasurement gains, end of year	\$ -	-	\$ 9,492	\$ 1,515	\$ -	\$ -	\$ -	\$ 11,007	\$ 5,137
Accumulated remeasurement gains, comprised of:									
Guaranteed investment certificates	\$ -	-	\$ 9,492	\$ 1,515	\$ -	\$ -	\$ -	\$ 11,007	\$ 5,137

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds
Notes to Financial Statements

Year ended December 31, 2023

1. Significant accounting policies:

The financial statements of The Corporation of the Township of South Frontenac Trust Funds ("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:

Revenue and expenses are recorded on an accrual basis. The accrual basis recognizes revenue as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

(d) Financial instruments:

On January 1, 2023, the Trusts adopted PS 3450 *Financial Instruments* which establishes accounting and reporting for all types of financial instruments, including derivatives as disclosed in Note 6. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market.

On application of this standard, unrealized gains and losses arising from changes in fair value are presented in the Consolidated Statement of Remeasurement Gains and Losses which records the remeasurement gains and losses for financial instruments measured at fair value. Unrealized gains and losses are realized upon settlement of the financial instrument when the financial instrument is sold or reaches maturity through the Statement of Financial Activities and changes in Fund Balances. Changes in the fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met, upon which the gain or loss is recognized in the Statement of Financial Activities and changes in Fund Balances.

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, 2023

1. Significant accounting policies (continued):

(d) Financial instruments (continued):

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Consolidated Statement of Financial Activities and Changes in Fund Balances and any unrealized gain is adjusted through the Consolidated Statement of Remeasurement Gains and Losses.

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.

(e) Use of estimates:

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds
Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Ontario Home Renewal Program (O.H.R.P.)

The Ontario Home Renewal Program 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.

Ontario Home Renewal Program loans receivable at December 31, 2023 are comprised of repayable loans of \$4,175 (2022 - \$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:

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 2022.

(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 Trust to cash flow interest rate risk.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds
Notes to Financial Statements (continued)

Year ended December 31, 2023

3. Financial instruments and risk management (continued):

Market risk (continued):

(ii) Interest rate risk (continued):

The Trust is exposed to this risk through its interest-bearing investments, including fixed income securities. As at December 31, 2023, 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 (2022 - \$3,900).

There has been no change to the interest rate risk exposure from 2022.

(iii) Equity risk:

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

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 \$36,335 (2022 - \$31,542) is available for future expenses related to monument perpetual care.

5. Long-term investments:

	Level	2023 Cost	2023 Market Value	2022 Cost	2022 Market Value
CIBC Wood Gundy:					
Cash	1	\$ 1,158	\$ 1,158	\$ 1,874	\$ 1,874
Accrued interest	2	793	793	1,077	1,077
Fixed income securities	2	387,000	398,008	386,999	391,136
		\$ 388,951	\$ 399,959	\$ 389,950	\$ 394,087

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds
Notes to Financial Statements (continued)

Year ended December 31, 2023

5. Long-term investments (continued):

All of the above investments are valued as Level 2 investments. 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.

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

- (a) The Trusts adopted the following standards concurrently beginning January 1, 2023 prospectively: PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation*, PS 3041 *Portfolio Investments*, and PS 3450 *Financial Instruments*.

PS 1201 *Financial Statement Presentation* replaces PS 1200 *Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Financial Activities. Requirements in PS 2601 *Foreign Currency Translation*, PS 3450 *Financial Instruments*, and PS 3041 *Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denoted in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses.

PS 3041 *Portfolio Investments* replaces PS 3040 *Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 *Financial Instruments*. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 *Temporary Investments* no longer applies.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds
Notes to Financial Statements (continued)

Year ended December 31, 2023

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

(a) (continued):

PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.

(i) 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).

(ii) 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.

In accordance with PS 3450 *Financial Instruments*, the financial statements of prior periods were not restated on transition. Consequently, the accounting policies for recognition, derecognition and measurement of financial instruments applied to the comparative information reflect those disclosed in the 2022 financial statements.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds

Notes to Financial Statements (continued)

Year ended December 31, 2023

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

(a) (continued):

(ii) Fair value hierarchy (continued):

Any difference between the financial instruments' fair values as at January 1, 2023 and previous carrying amounts as at December 31, 2022, excluding previously recognized exchange gains and losses, were recognized as an adjustment to the opening balance of accumulated remeasurement gains and losses.