

Consolidated Financial Statements of

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

Year ended December 31, 2021

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Financial Statements

Year ended December 31, 2021

Page

Management's Responsibility for the Consolidated Financial Statements

Independent Auditors' 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 Surplus	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 Auditors' Report	26
Statement of Financial Position	29
Statement of Financial Activities and Changes in Fund Balances	30
Notes to Trust Fund Financial Statements	31

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 Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Township's consolidated financial statements.

Louise Fragnito, CPA, CGA
Chief Administrator Officer

Shelley Stedall, Dipl. B.Admin, AMCT
Director of Corporate Services &
Treasurer



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

INDEPENDENT AUDITORS' 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, 2021
- 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, 2021, 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 “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ 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.



Other Matter – Comparative Information

The financial statements as at and for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 15, 2021.

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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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



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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

October 11, 2022

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Financial assets:		
Cash	\$ 19,456,913	\$ 11,703,624
Taxes receivable (net of allowance of \$73,682)	1,148,521	1,469,110
Accounts receivable	1,925,819	991,994
Long-term investments (note 4)	14,484,781	14,951,392
Sydenham Water Works debenture receivable (note 14)	204,682	227,841
Long-term receivables (note 5)	4,090	6,550
	<u>37,224,806</u>	<u>29,350,511</u>
Liabilities		
Financial liabilities:		
Accounts payable and accrued liabilities	5,573,134	2,639,699
Other current liabilities	134,692	489,793
Deferred revenue - obligatory reserve funds (note 7)	5,214,523	4,369,016
Sydenham Water Works debenture payable (note 14)	204,682	227,841
Employee future benefit obligations (note 8)	244,700	213,000
Accrued landfill closure and post-closure (note 10)	3,611,533	3,174,171
	<u>14,983,264</u>	<u>11,113,520</u>
Net financial assets	22,241,542	18,236,991
Non-financial assets:		
Tangible capital assets (note 15)	96,409,720	95,144,519
Inventories	220,123	166,600
Prepaid expenses	112,157	57,745
Total non-financial assets	<u>96,742,000</u>	<u>95,368,864</u>
Contingent liabilities (note 12)		
Contractual obligations (note 13)		
Municipal equity (note 11)	<u>\$ 118,983,542</u>	<u>\$ 113,605,855</u>
Municipal equity consists of (note 11):		
Municipal equity	\$ 118,656,148	\$ 113,087,496
Accumulated remeasurement gain	327,394	518,359
	<u>\$ 118,983,542</u>	<u>\$ 113,605,855</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, 2021, with comparative information for 2020

	Budget 2021	Actual 2021	Actual 2020
	(note 17)		
Revenue:			
Property taxation	\$ 20,821,043	\$ 20,856,102	\$ 20,500,924
User charges	1,193,699	1,445,714	1,124,018
Licences, permits and rents	1,381,835	1,479,417	924,576
Government grants	3,132,673	3,610,041	3,074,260
Grants from other municipalities	568,919	445,201	474,154
Investment income	353,000	599,556	300,261
Penalties and interest on taxes	370,000	456,203	183,463
Donations	16,000	92,131	52,589
Other	42,740	403,320	171,329
Total revenue	27,879,909	29,387,685	26,805,574
Expenses (note 16):			
General government	2,775,510	2,539,265	2,094,029
Fire	2,076,092	2,000,615	1,742,593
Police	3,063,362	2,982,618	3,076,896
Conservation authority	244,380	247,621	226,110
Protective inspections and control	1,104,002	974,459	640,223
Emergency measures	1,668	629	442
Roadways and winter control	12,433,000	10,390,033	10,967,103
Street lighting	47,467	42,507	47,244
Waterworks	433,262	498,028	418,525
Garbage collection and disposal	3,173,105	2,861,759	2,640,029
Landfill closure and post-closure costs	–	437,362	587,991
Cemeteries	70,681	82,578	76,397
Parks, recreation and cultural services	1,500,559	1,181,941	1,112,312
Planning and development	712,842	744,850	533,373
Total expenses	27,635,930	24,984,265	24,163,267
Annual operating surplus before the undernoted	243,979	4,403,420	2,642,307
Other:			
Deferred revenues earned (note 7)	2,592,000	1,165,232	1,581,972
Annual surplus	2,835,979	5,568,652	4,224,279
Municipal equity, beginning of year	113,087,496	113,087,496	108,863,217
Municipal equity, end of year	\$ 115,923,475	\$ 118,656,148	\$ 113,087,496

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, 2021, with comparative information for 2020

	Budget 2021 (note 17)	Actual 2021	Actual 2020
Annual surplus	\$ 2,835,979	\$ 5,568,652	\$ 4,224,279
Amortization of tangible capital assets	7,831,925	6,378,043	6,268,305
Acquisition of tangible capital assets	(13,513,111)	(7,643,245)	(9,461,811)
Proceeds from the disposal of tangible capital assets	–	117,206	–
Gain on disposal of tangible capital assets	–	(117,206)	–
Disposal of inventories of supplies	–	–	5,786
Reduction (acquisition) of prepaid expenses	–	(54,410)	9,346
Reduction (acquisition) of supplies inventories	–	(53,524)	29,407
Change in accumulated remeasurement gains	–	(190,965)	233,248
Change in net financial assets	(2,845,207)	4,004,551	1,308,560
Net financial assets, beginning of year	18,236,991	18,236,991	16,928,431
Net financial assets, end of year	\$ 15,391,784	\$ 22,241,542	\$ 18,236,991

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, 2021, with comparative information for 2020

	2021	2020
Accumulated remeasurement gains, beginning of year	\$ 518,359	\$ 285,111
Unrealized gains (losses) attributable to long-term investments	(190,965)	233,248
Change in accumulated remeasurement gains	(190,965)	233,248
Accumulated remeasurement gains, end of year	\$ 327,394	\$ 518,359
Accumulated remeasurement gains comprised of:		
Long-term investments	\$ 327,394	\$ 518,359

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, 2021, with comparative information for 2020

	2021	2020
Operating activities:		
Annual surplus	\$ 5,568,652	\$ 4,224,279
Item not involving cash:		
Amortization of tangible capital assets	6,378,043	6,268,305
Change in landfill liability	437,362	587,991
Change in employee benefit obligations	31,700	24,500
Change in non-cash operating working capital:		
Taxes receivable	320,590	(189,276)
Accounts receivable	(933,825)	(134,965)
Accounts payable and accrued liabilities	2,933,435	229,397
Other current liabilities	(355,101)	321,468
Deferred revenues	845,506	(158,632)
Prepaid expenses	(54,410)	9,346
Inventories	(53,524)	29,407
Net change in cash from operations	15,118,428	11,211,820
Capital activities:		
Acquisition of tangible capital assets	(7,643,245)	(9,461,811)
Gain on sale of tangible capital assets	(117,206)	-
Proceeds from disposal of capital assets	117,206	5,786
Net change in cash from capital activities	(7,643,245)	(9,456,025)
Investing activities:		
Increase (decrease) in long-term investments	275,646	(9,142,639)
Decrease in long-term receivables	2,460	4,915
Net change in cash from investing activities	278,106	(9,137,724)
Increase (decrease) in cash	7,753,289	(7,381,929)
Cash, beginning of year	11,703,624	19,085,553
Cash, end of year	\$ 19,456,913	\$ 11,703,624

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, 2021

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
- 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, 2021

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.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(d) 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 in the year of disposal. Transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

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

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(d) Tangible capital assets (continued):

(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.

(e) 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.

(f) Inventories and prepaid expenses:

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

(g) 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.

(h) 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 a period of 11 years, the average remaining service period of active employees.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(i) 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.

(j) 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.

Deferred revenue represents certain user charges and fees which have been collected but for which the related services have yet to be performed. Deferred revenue also represents contributions that the Township has received pursuant to legislation, regulation or agreement that may only be used for certain programs or in the completion of specific work. These amounts are recognized as revenue in the fiscal year the services are performed or related expenses incurred.

(k) Investments:

Long-term Investments are recorded at cost plus accrual interest. Investment income consists of interest, dividends and realized gains or losses on sale of investments is recognized as revenue in the period when it is earned. Unrealized gains and losses on investments are recognized in the accumulated remeasurement gains and losses until settlement. Once realized, these gains and losses are recognized as revenue or expenses in the consolidated statement of operations. When required by funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance. Valuation of financial assets and liabilities.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(k) Investments (continued):

The Township's financial assets and liabilities are measured as follows:

- (i) Cash at fair value:
- (ii) Portfolio investments at fair value
- (iii) Accounts receivable at amortized cost
- (iv) Accounts payable and accrued liabilities at amortized cost
- (v) Debt at amortized cost

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the consolidated statement of remeasurement gains and losses. When the restricted nature of a financial instrument and any related changes in fair value create a liability, unrealized gains and losses are recognized as deferred revenue.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement of operations.

For financial instruments measure using amortized cost, the effective interest rate method is used to determine interest revenue or expenses. Transaction costs are a component of cost for financial instruments measured using cost or amortized costs. Transaction costs are expensed for financial instruments measured at fair value. Investment management fees are expensed as incurred. The purchase and sale of cash equivalents and portfolio investments are accounted for using trade-date accounting. The Township does not use foreign currency contracts or any other type of derivative financial instruments of trading or speculative purposes.

(l) Landfill closure and post-closure liabilities:

The Township accrues landfill closure and post-closure care requirements that 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 liability is based on estimates and assumptions derived from selected years, on 2021 monitoring and reporting costs and assuming a 25-year contaminating life period commencing after site closure, 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 CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(m) Liability for contaminated sites:

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

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

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

(n) 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. Actual results could differ from these estimates.

2. 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 County of Frontenac and School Boards as follows:

	2021	2021	2020	2020
	School Boards	County	School Boards	County
Amounts requisitioned and paid	\$ 5,546,779	\$ 6,494,732	\$ 5,566,990	\$ 6,345,632

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

3. Contributions to consolidated joint board:

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

	2021	2020
Frontenac Community Arena	\$ 327,546	\$ 326,383

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:

	2021	2020
Frontenac Community Arena	\$ 1,502,316	\$ 798,761

4. Long-term investments:

	2021 Cost	2021 Market Value	2020 Cost	2020 Market Value
For Township purposes:				
CIBC Wood Gundy	\$ 12,016,556	\$ 11,936,412	\$ 12,295,038	\$ 12,515,569
One Investments – equity portfolio	794,521	1,202,059	698,750	996,578
	12,811,077	13,138,471	12,993,788	13,512,147
For obligatory reserve funds:				
CIBC Wood Gundy	983,497	1,010,852	1,110,135	1,161,130
One Investment – equity portfolio	221,727	335,458	195,000	278,115
	1,205,224	1,346,310	1,305,135	1,439,245
	\$ 14,016,301	\$ 14,484,781	\$ 14,298,923	\$ 14,951,392

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, 2021

5. Long-term receivables:

Long-term receivables are comprised of:

	2021	2020
Community improvement loans	\$ 4,090	\$ 6,550

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

6. Trust funds:

Trust funds administered by the Township amounting to \$757,048 (2020 - \$718,265) are presented in a separate financial statement of trust fund balances and operations. As such balances are held in trust by the Township for the benefit of others, they are not presented as part of the Township's financial position or financial activities.

7. Deferred revenues:

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.

	2021	2020
Balance, beginning of year	\$ 4,369,016	\$ 4,527,648
Development contributions	760,555	740,433
Subdivider contributions	3,750	3,000
Investment income	81,374	114,258
Federal gas tax funding	1,159,854	565,649
Cannabis legalization funding	5,206	-
Utilization	(1,165,232)	(1,581,972)
Balance, end of year	\$ 5,214,523	\$ 4,369,016

Analyzed as follows:

	2021	2020
Federal gas tax funding	\$ 1,828,086	\$ 1,157,995
Cannabis legalization funding	42,740	37,533
Development charges	2,907,788	2,789,371
Cash-in-lieu of parkland	247,820	199,777
Subdivider contributions	188,089	184,340
	\$ 5,214,523	\$ 4,369,016

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

8. Employee post-employment benefit liability:

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

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

An independent actuarial study of the employee non-pension retirement benefit has been undertaken. The most recent valuation of the employee future benefits was completed for 2021 and will be applied 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, 2021, based on an actuarial update, the accrued benefit obligation was \$318,200 (2020 - \$252,600).

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

Discount Rate - 2.60% per annum (2020 - 3.40%)

Salary Rate - 3.00% (2020 - 3.00%)

Health Benefits Escalation - 7.84% per annum (2020 - 7.44%), scaling down over 15 years to 4.00% thereafter

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

	2021	2020
Accrued benefit liability, beginning of year	\$ 213,000	\$ 188,500
Expense recognized for the year	35,600	28,900
Interest cost	9,900	8,500
Benefits paid for the year	(13,800)	(12,900)
Accrued benefit liability, end of year	\$ 244,700	\$ 213,000

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

	2021	2020
Accrued benefit obligation	\$ 318,200	\$ 252,600
Unamortized actuarial loss	(73,500)	(39,600)
Accrued benefit liability	\$ 244,700	\$ 213,000

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

9. Pension contributions:

The Township makes contributions to the Ontario Municipal Employees Retirement System (“OMERS”), which is a multi-employer plan, on behalf of all permanent members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employers and employees contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Village 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, 2021 and at that time, the plan reported a \$3.1 billion actuarial deficit (2020 - \$3.2 billion actuarial deficit).

The amount contributed to OMERS was \$419,938 (2020 - \$377,147) for current services and is included as an expense on the Consolidated Statement of Operations classified under the appropriate functional expenditure.

10. Landfill closure and post-closure liability:

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Closure and post-closure cost requirements are to be provided over the estimated remaining life of the landfill sites based on usage.

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 period of up to sixty years 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 5% to 41% of the total estimated capacity and the estimated remaining life of the active landfill sites ranges from five years to thirty-four years. The period for post-closure care for all sites is estimated to be fifteen to twenty-five years, depending on the site.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

10. Landfill closure and post-closure liability:

Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities using an estimated inflation rate of 2.69% (2020 - 2.56%) and discounted at the Township's average long term borrowing rate of 2.31% (2020 - 2.57%). The estimated total landfill closure and post-closure care expense are calculated at approximately \$4,676,290 (2020 - \$4,329,504). For sites that are still active, the estimated liability for these expenses is recognized as the landfill site's capacity is used. For sites that are inactive, the estimated liability for these expenses is recognized immediately. Included in liabilities at December 31, 2021 is an amount of \$3,611,533 (2020 - \$3,174,171) with respect to landfill closure and post-closure liabilities recognized to date.

11. Municipal equity:

	2021	2020
Investment in tangible capital assets:		
Tangible capital assets	\$ 96,409,720	\$ 95,144,519
Unfunded capital projects	(350,563)	(357,977)
	96,059,157	94,786,542
Unrestricted surplus:		
Frontenac Community Arena	20,348	6,777
Land closure and post-closure to be recovered Reserves (Schedule 1)	(3,611,533)	(3,174,171)
	26,515,570	21,986,707
Municipal equity	\$ 118,983,542	\$ 113,605,855

12. Contingent liabilities:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2021, management believes that the Township has valid defenses and appropriate insurance coverages in place.

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

13. Commitments:

- 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.
- The Township entered into an Agreement with 1425445 Ontario Limited operating as Utilities Kingston for the operation and maintenance of the water system. The term of the Agreement expires December 31, 2026. The annual cost as at December 31, 2021 was \$222,215 (2020 - \$148,321).

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

13. Commitments (continued):

- (c) During the year the town committed to the construction of a new fire hall in the amount of \$3,360,896. The project will occur in 2022 and will be funded from reserves.
- (d) During the year the Township committed funding to the Grace Centre in the amount of \$750,000 for an addition to the building. It is expected the construction will occur in 2022.

14. Sydenham water works debenture receivable and payable:

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

	2021	2020
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.	\$ 204,682	\$ 227,841
Long-term liabilities at the end of the year	\$ 204,682	\$ 227,841

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

	Individuals
2022	\$ 24,510
2023	25,939
2024	27,452
2025	29,053
2026	30,748
Thereafter	66,980
	\$ 204,682

- (c) Interest expense on long-term liabilities amounted to \$12,773 (2020 - \$14,049).
- (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, 2021

15. Tangible capital assets:

Cost	Balance at December 31, 2020	Additions	Disposals	Balance at December 31, 2021
Land	\$ 3,541,605	\$ 83,124	\$ –	\$ 3,624,729
Land improvements	2,482,486	189,974	–	2,672,460
Buildings and building improvements	16,134,543	440,647	–	16,575,190
Vehicles, machinery and equipment	16,502,817	657,317	300,078	16,860,056
Linear assets:				
Roads	155,963,062	2,042,465	–	158,005,527
Bridges	13,194,179	373,447	19,542	13,548,084
Sidewalks	248,500	–	–	248,500
Water infrastructure	9,448,043	–	–	9,448,043
Construction in progress	2,782,422	3,110,408	–	5,892,830
Frontenac Community Arena	1,195,325	745,863	–	1,941,188
Total	\$ 221,492,982	\$ 7,643,245	\$ 319,620	\$ 228,816,607

Accumulated amortization	Balance at December 31, 2020	Amortization	Disposals	Balance at December 31, 2021
Land	\$ –	\$ –	\$ –	\$ –
Land improvements	1,016,036	113,914	–	1,129,950
Buildings and building improvements	4,545,514	439,336	–	4,984,850
Vehicles, machinery and equipment	9,578,424	877,652	300,078	10,155,998
Linear assets:				
Roads	102,712,659	4,490,520	–	107,203,179
Bridges	5,848,434	209,584	19,542	6,038,476
Sidewalks	97,870	3,800	–	101,670
Water infrastructure	2,146,184	187,359	–	2,333,543
Construction in progress	–	–	–	–
Frontenac Community Arena	403,342	55,878	–	459,220
Total	\$ 126,348,463	\$ 6,378,043	\$ 319,620	\$ 132,406,886

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

15. Tangible capital assets (continued):

	Net book value 2020	Net book value 2021
Land	\$ 3,541,605	\$ 3,624,729
Land improvements	1,466,450	1,542,510
Buildings and building improvements	11,589,029	11,590,340
Vehicles, machinery and equipment	6,924,393	6,704,058
Linear assets:		
Roads	53,250,403	50,802,347
Bridges	7,345,745	7,509,608
Sidewalks	150,630	146,830
Water infrastructure	7,301,859	7,114,500
Construction in progress	2,782,422	5,892,830
Frontenac Community Arena	791,983	1,481,968
Total	\$ 95,144,519	\$ 96,409,720

Assets under construction having a value of \$5,892,830 (2020 - \$2,782,422) have not been amortized. Amortization of these assets will commence when the asset is put into service.

16. 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.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

16. Segmented information (continued):

(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.

(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, 2021

16. Segmented information (continued):

	Administration	Protective Services	Transportation Services	Environmental Services	Health Services	Parks, Recreation and Culture	Planning and Development	2021 Total
Revenue:								
Taxation	\$20,856,102	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,856,102
Penalties and interest	456,203	-	-	-	-	-	-	456,203
Government grants:								
Unconditional	1,573,100	-	-	236,165	-	-	-	1,809,265
Conditional	675,757	35,238	508,412	-	-	581,369	-	1,800,776
Other municipalities	-	-	494,808	-	-	(49,607)	-	445,201
Licenses, permits and rent	193,817	1,123,944	91,296	2,400	-	67,963	-	1,479,420
User fees and service charges	44,668	94,878	7,668	974,862	60,541	41,271	221,826	1,445,714
Other	459,331	190,304	1,121,199	62,575	9,636	335,468	81,723	2,260,236
Total revenue	24,258,978	1,444,364	2,223,383	1,276,002	70,177	976,464	303,549	30,552,917
Expenses:								
Salaries, wages and employee benefi	1,379,741	1,465,383	2,429,353	568,996	559	278,284	533,389	6,655,705
Interest on long-term debt	-	-	-	12,773	-	-	-	12,773
Materials	623,436	920,793	3,099,036	255,556	10,071	198,838	36,322	5,144,052
Contracted services	84,610	3,135,672	(422,943)	2,740,877	71,948	419,153	175,138	6,204,455
Rents and financial expenses	8,083	-	-	-	-	-	-	8,083
External transfers	347,285	252,317	-	-	-	-	-	599,602
Amortization of tangible capital assets	96,109	431,777	5,327,095	218,948	-	285,666	-	6,359,595
Total expenses	2,539,264	6,205,942	10,432,541	3,797,150	82,578	1,181,941	744,849	24,984,265
Annual surplus (deficit)	\$21,719,714	\$(4,761,578)	\$(8,209,158)	\$(2,521,148)	\$ (12,401)	\$(205,477)	\$(441,300)	\$ 5,568,652

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

16. Segmented information (continued):

	Administration	Protective Services	Transportation Services	Environmental Services	Health Services	Parks, Recreation and Culture	Planning and Development	2020 Total
Revenue:								
Taxation	\$ 20,500,924	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,500,924
Penalties and interest	183,463	-	-	-	-	-	-	183,463
Government grants:								
Unconditional	1,552,500	-	-	235,305	-	-	-	1,787,805
Conditional	456,489	267,413	562,553	-	-	-	-	1,286,455
Other municipalities	-	-	472,091	-	-	2,063	-	474,154
Licenses, permits and rent	198,854	581,973	92,666	2,400	-	48,682	-	924,575
User fees and service charges	23,525	59,693	34,920	780,036	43,025	40,865	141,954	1,124,018
Other	251,538	30,351	1,177,857	58,841	12,537	564,673	10,355	2,106,152
Total revenue	23,167,293	939,430	2,340,087	1,076,582	55,562	656,283	152,309	28,387,546
Expenses:								
Salaries, wages and employee benefits	1,254,970	1,199,409	2,292,828	547,731	989	199,596	380,686	5,876,209
Interest on long-term debt	-	-	-	14,049	-	-	-	14,049
Materials	825,063	1,318,029	3,143,689	240,384	7,493	170,273	47,531	5,752,462
Contracted services	(236,627)	2,514,128	301,351	2,625,417	67,915	484,681	105,155	5,862,020
Rents and financial expenses	7,958	-	-	-	-	-	-	7,958
External transfers	154,342	227,922	-	-	-	-	-	382,264
Amortization of tangible capital assets	88,326	426,775	5,276,479	218,963	-	257,762	-	6,268,305
Total expenses	2,094,032	5,686,263	11,014,347	3,646,544	76,397	1,112,312	533,372	24,163,267
Annual surplus (deficit)	\$ 21,073,261	\$ (4,746,833)	\$ (8,674,260)	\$ (2,569,962)	\$ (20,835)	\$ (456,029)	\$ (381,063)	\$ 4,224,279

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

17. Budget figures:

The 2021 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 Statement of Operations and Accumulated Municipal Equity . The revenues attributable to these items continue to be included in the 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	\$ 27,879,909	\$ 29,387,685
Total expenses	27,635,930	24,984,265
Net revenues	243,979	4,403,420
Amortization	7,831,925	6,378,043
Adjusted net revenue	8,075,904	10,781,463
Capital revenue	2,592,000	1,165,232
Funds available	10,667,904	11,946,695
Capital expenses	(13,513,111)	(7,643,245)
Disposal of tangible capital assets	–	–
Unfunded landfill liability	–	437,362
Decrease in unfinanced capital	–	(7,413)
Remeasurement loss	–	(190,965)
Increase (decrease) in operating surplus	\$ (2,845,207)	\$ 4,542,434
Allocated as follows:		
Net transfers from (to) reserves	\$ (2,864,517)	\$ 4,528,863
Change in Frontenac Community Arena	19,310	13,571
	\$ (2,845,207)	\$ 4,542,434

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Schedule 1 – Continuity of Reserves and Reserve Funds

Year ended December 31, 2021, with comparative information for 2020

	Budget 2021 (note 17)	Actual 2021	Actual 2020
Net transfer from (to) other funds:			
Transfers from operations	\$ 4,039,706	\$ 8,525,730	\$ 4,933,750
Transfer to capital acquisitions	(6,904,223)	(3,996,867)	(3,100,999)
Reserves and reserve fund balances, change in year	(2,864,517)	4,528,863	1,832,751
Reserves and reserve fund balances, beginning of year	21,986,707	21,986,707	20,153,956
Reserves and reserve fund balances, end of year	\$ 19,122,190	\$ 26,515,570	\$ 21,986,707

Composition of Reserves and Reserve Funds:

	2021	2020
Reserves set aside for specific purposes by Council:		
Fiscal:		
Working capital	\$ 6,640,066	\$ 5,871,207
COVID-19	351,592	–
Election	82,841	57,389
Building inspection rate stabilization	1,142,269	895,589
	8,216,768	6,824,185
Equipment and infrastructure:		
Global	7,582,536	6,755,678
Vertical	1,370,114	1,259,324
Roadways	927,391	892,623
Linear	1,143,538	743,538
Rolling stock	2,958,379	2,063,795
Future landfill closing	564,797	500,956
Water infrastructure	1,301,496	1,243,116
Stabilization	2,450,551	1,703,492
	18,298,802	15,162,522
Total reserves	\$ 26,515,570	\$ 21,986,707



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

INDEPENDENT AUDITORS' 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, 2021
- the statement of financial activities and changes in fund balances 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, 2021, 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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.



Other Matter – Comparative Information

The financial statements as at and for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 15, 2021.

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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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



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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, stylized font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

October 11, 2022

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds Statement of Financial Position

December 31, 2021, with comparative information for 2020

	Fire Trust	Portland Historical Trust	Cemetery Perpetual Care	Monument Perpetual Care	Muriel Burns	OHRP	Grant Family Memorial Endowment	Total 2021	Total 2020
ASSETS									
Cash	\$ 21,386	\$ 20,899	\$ 211,157	\$ 47,889	\$ 25,000	\$ -	\$ 26,940	\$ 353,271	\$ 130,113
Investments	-	-	338,548	54,406	-	-	-	392,954	577,362
Term deposits	-	6,648	-	-	-	-	-	6,648	6,615
Long-term notes receivable	-	-	-	-	-	4,175	-	4,175	4,175
	\$ 21,386	\$ 27,547	\$ 549,705	\$ 102,295	\$ 25,000	\$ 4,175	\$ 26,940	\$ 757,048	\$ 718,265
LIABILITIES AND FUND BALANCE									
Fund balance	\$ 21,386	\$ 27,547	\$ 549,705	\$ 102,295	\$ 25,000	\$ 4,175	\$ 26,940	\$ 757,048	\$ 718,265

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, 2021, with comparative information for 2020

	Fire Trust	Portland Historical Trust	Cemetery Perpetual Care	Monument Perpetual Care	Muriel Burns	OHRP	Grant Family Memorial Endowment	Total 2021	Total 2020
Revenue:									
Sales of perpetual care	\$ -	\$ -	\$ 17,000	\$ 2,500	\$ -	\$ -	\$ -	\$ 19,500	\$ 14,700
Transfer from reserve	-	7,541	8,141	-	-	-	-	15,682	-
Donations	2,208	-	-	-	-	-	-	2,208	5,253
Interest earned	164	129	8,999	1,483	-	-	204	10,979	15,112
	2,372	7,670	34,140	3,983	-	-	204	48,369	35,065
Expenses:									
Transfer to operating fund	-	-	9,586	-	-	-	-	9,586	12,490
Net earnings for the year	2,372	7,670	24,554	3,983	-	-	204	38,783	22,575
Fund balance, beginning of year	19,014	19,877	525,151	98,312	25,000	4,175	26,736	718,265	695,690
Fund balance, end of year	\$ 21,386	\$ 27,547	\$ 549,705	\$ 102,295	\$ 25,000	\$ 4,175	\$ 26,940	\$ 757,048	\$ 718,265

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds
Notes to Financial Statements

Year ended December 31, 2021

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.

(c) 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.

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

The Ontario Home Renewal Program was established by the Ontario Ministry of Housing 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, 2021 are comprised of repayable loans of \$4,175 (2020 - \$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 Ontario Ministry of Housing in July 1993. At that time the Ministry requested the repayment of all trust funds held by the Township. The cash accumulated in the trust fund is being repaid to the Ministry on an annual basis.

THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds
Notes to Financial Statements

Year ended December 31, 2021

3. 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 \$29,237 (2020 - \$27,754) is available for future expenses related to monument perpetual care.