

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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**Township of
South Frontenac
Consolidated
Financial Statements
December 31, 2020**

Township of South Frontenac
Five Year Financial Review
(not subject to audit)

December 31	2020	2019	2018	2017	2016
Population (Statistics Canada)	18,646	18,646	18,646	18,646	18,646
Number of Households (MPAC)	10,557	10,489	10,425	10,336	10,336
<hr/>					
Taxable Assessment (000's)	\$	\$	\$	\$	\$
Residential and farm	3,428,589	3,325,230	3,229,448	3,141,748	3,130,056
Commercial and industrial	35,940	34,207	31,820	31,182	30,995
Total	3,464,529	3,359,437	3,261,268	3,172,930	3,161,051
Commercial, industrial as % of assessment	1.04%	1.02%	0.98%	0.98%	0.98%
<hr/>					
Rates of Taxation					
▸ for general municipal purposes	0.601812	0.602546	0.599794	0.597198	0.531548
▸ for county purposes	0.186451	0.182728	0.178446	0.175201	0.166857
▸ for school board purposes	0.153000	0.161000	0.170000	0.179000	0.188000
Total	0.941263	0.946274	0.948240	0.951399	0.886405
Multi-Residential (total)	0.941263	0.946274	0.948240	0.951399	0.886405
Commercial (total)	2.038263	2.075274	2.118240	2.162399	2.098405
Industrial (total)	2.038263	2.075274	2.118240	2.162399	2.198405
Tax Arrears ▸ percentage of current levy (<10%)**	4.53%	4.05%	5.63%	7.55%	6.71%
Taxes Transferred (000's)					
▸ County	6,346	6,037	5,736	5,489	5,216
▸ School Boards	5,567	5,670	5,807	5,942	6,223
<hr/>					
Revenues (000's)	\$	\$	\$	\$	\$
▸ Property taxation	20,501	19,928	19,299	18,733	17,933
▸ Government grants	3,548	3,309	2,683	2,687	2,473
▸ User charges	1,124	1,199	1,231	1,228	1,115
▸ Other	1,632	2,049	1,983	1,740	1,747
▸ Revenues related to capital assets	1,582	1,009	1,571	916	1,405
Total	28,387	27,494	26,767	25,304	24,673
<hr/>					
Expenses (000's)					
▸ Operations	24,163	24,067	23,360	22,465	21,397
▸ Amortization	6,268	6,453	5,924	5,911	5,868
<hr/>					
Net Financial Assets (Net Debt)					
▸ % of Operating Revenue (>(20%)) **	68.03%	63.92%	53.19%	60.02%	48.62%
▸ % of Taxation and User Charges (>(50%)) **	84.33%	80.13%	65.53%	73.34%	56.72%

** Represents the Provincial Low Risk Indicator.
(Note: All dollar amounts are in thousands of dollars.)

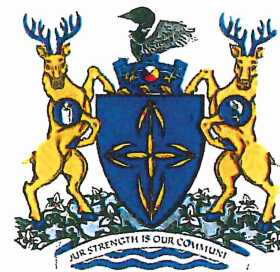
Township of South Frontenac
Five Year Financial Review
(not subject to audit)

December 31	2020	2019	2018	2017	2016
	\$	\$	\$	\$	\$
Long Term Debt					
▸ Long term debt (000's)	228	250	270	290	308
▸ Long term debt charges (000's)	36	36	36	36	36
▸ Total annual repayment limit (000's)	5,569	5,394	5,163	4,873	4,744
▸ Long term debt per household	21	24	26	28	30
▸ Debt charges (000's)					
▸ user charges	36	36	36	36	36
Municipal Equity (000's)					
▸ Surplus and Reserves	18,461	17,191	14,109	15,314	12,000
▸ Invested in capital assets	95,145	91,957	91,828	86,706	87,189
▸ Asset consumption ratio	57.04%	56.67%	55.45%	55.50%	54.00%
▸ Reserves as % of operating expenses (> 20%) **	90.99%	83.74%	71.41%	74.11%	62.08%
Financial Indicators					
▸ Sustainability					
▸ financial assets to liabilities	2.64	2.67	2.45	2.67	2.33
▸ financial assets to liabilities excluding long term debt	2.70	2.74	2.53	2.76	2.41
▸ long term debt to tangible capital assets	0.24%	0.27%	0.29%	0.33%	0.35%
▸ capital reserves to accumulated amortization	12.00%	10.63%	9.80%	9.75%	9.35%
▸ Flexibility					
▸ Debt charges to total operating revenue (<5%)**	0.13%	0.14%	0.14%	0.14%	0.15%
▸ Total operating revenue to taxable assessment	0.77%	0.79%	0.78%	0.77%	0.74%
▸ Working capital to operating expenses (>10%) **	76.42%	71.38%	58.75%	66.45%	54.32%
▸ Vulnerability					
▸ Operating government transfers ▸ to operating revenue	11.47%	10.67%	8.65%	8.61%	7.78%
▸ Total government transfers ▸ to total revenues	13.60%	12.06%	8.14%	9.59%	7.99%



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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Township of South Frontenac 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 2 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.

Management meets with 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 Allan and Partners LLP, independent external auditors appointed by the Township. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Township's consolidated financial statements.

A handwritten signature in blue ink, appearing to read "Neil Carbone".

Neil Carbone
Chief Administrative Officer / Deputy Clerk

A handwritten signature in blue ink, appearing to read "Louise Fragnito".

Louise Fragnito, CPA, CGA
Director of Corporate Services & Treasurer

www.southfrontenac.net

"Natural, Vibrant and Growing – a Progressive Rural Leader"



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, 2020;
- the consolidated statement of operations and accumulated surplus for the year then ended;
- the consolidated statement of changes in net financial assets for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- and the 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, 2020, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated 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 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 judgement 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 of 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.



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario
June 15, 2021.

**Township of South Frontenac
Consolidated Statement of Financial Position**

December 31	2020	2019
	\$	\$
ASSETS		
Financial Assets		
Cash and short term deposits	11,703,624	19,085,553
Taxes receivable (net of allowance \$95,928)	1,469,110	1,279,834
Accounts receivable	991,994	857,029
Long term investments (note 5)	14,951,392	5,575,505
Sydenham Water Works debenture receivable (note 17)	227,841	249,724
Long term receivables (note 6)	6,550	11,465
	29,350,511	27,059,110
LIABILITIES		
Financial Liabilities		
Accounts payable and accrued liabilities	2,639,699	2,410,302
Other current liabilities	489,793	168,325
Employee future benefit obligations (note 9)	213,000	188,500
Deferred revenues (note 8)	4,369,016	4,527,648
Sydenham Water Works debenture payable (note 17)	227,841	249,724
Accrued landfill closure and post closure (note 11)	3,174,171	2,586,180
	11,113,520	10,130,679
NET FINANCIAL ASSETS	18,236,991	16,928,431
NON-FINANCIAL ASSETS		
Tangible capital assets (note 18)	95,144,519	91,956,799
Inventories	166,600	196,007
Prepaid expenses	57,745	67,091
	95,368,864	92,219,897
Contingent Liabilities (note 13)		
MUNICIPAL EQUITY (note 12)	113,605,855	109,148,328
Municipal Equity Consists of: (note 12)		
Accumulated Surplus	113,087,496	108,863,217
Accumulated Remeasurement Gain	518,359	285,111
	113,605,855	109,148,328

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

**Township of South Frontenac
Consolidated Statement of Operations**

For the year ended December 31	(Note 20) Budget	2020	2019
	\$	\$	\$
REVENUES			
Property taxation	20,469,669	20,500,924	19,927,618
User charges	1,174,094	1,124,018	1,198,567
Licences, permits and rents	1,012,469	924,576	1,074,600
Government grants	2,596,321	3,074,260	2,826,497
Grants from other municipalities	543,919	474,154	482,760
Investment income	341,500	300,261	485,110
Penalties and interest on taxes	370,000	183,463	322,581
Donations	6,000	52,589	69,498
Other	49,491	171,329	97,250
TOTAL REVENUES	26,538,463	26,805,574	26,484,481
EXPENSES			
General government	2,360,336	2,094,029	2,005,867
Fire	1,971,573	1,742,593	1,663,822
Police	3,063,522	3,076,896	3,110,095
Conservation authority	240,875	226,110	232,053
Protective inspections and control	700,079	640,223	558,858
Emergency measures	1,559	442	864
Roadways and winter control	11,842,948	10,967,103	11,391,762
Street lighting	47,257	47,244	37,554
Waterworks	452,219	418,525	406,784
Garbage collection and disposal	2,947,437	2,640,029	2,948,719
Landfill closure and post-closure costs	---	587,991	(71,996)
Cemeteries	70,437	76,397	74,304
Parks, recreation and cultural services	1,114,417	1,112,312	1,311,535
Planning and development	760,141	533,373	396,326
TOTAL EXPENSES	25,572,800	24,163,267	24,066,547
NET REVENUES FROM OPERATIONS	965,663	2,642,307	2,417,934
OTHER			
Grants and transfers related to capital Deferred revenues earned (note 8)	2,286,835	1,581,972	1,008,576
ANNUAL SURPLUS	3,252,498	4,224,279	3,426,510
MUNICIPAL EQUITY, BEGINNING OF YEAR	108,863,217	108,863,217	105,436,707
MUNICIPAL EQUITY, END OF YEAR	112,115,715	113,087,496	108,863,217

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

**Township of South Frontenac
Consolidated Statement of Changes in Net Financial Assets**

For the year ended December 31	(Note 20) Budget	2020	2019
	\$	\$	\$
ANNUAL SURPLUS	3,252,498	4,224,279	3,426,510
Amortization of tangible capital assets	7,090,831	6,268,305	6,453,470
Acquisition of tangible capital assets	(12,727,889)	(9,461,811)	(6,654,510)
Disposal of tangible capital assets	---	5,786	72,536
Reduction of prepaid expenses	---	9,346	5,017
Reduction (acquisition) of supplies inventories	---	29,407	(25,470)
Change in accumulated remeasurement gains	---	233,248	196,603
	(5,637,058)	(2,915,719)	47,646
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(2,384,560)	1,308,560	3,474,156
NET FINANCIAL ASSETS, BEGINNING OF YEAR	16,928,431	16,928,431	13,454,275
NET FINANCIAL ASSETS, END OF YEAR	14,543,871	18,236,991	16,928,431

Consolidated Statement of Remeasurement Gains and Losses

For the year ended December 31	2020	2019
	\$	\$
Accumulated Remeasurement Gains Beginning of Year	285,111	88,508
Unrealized gains attributable to investments	233,248	196,603
Change in accumulated remeasurement gains	518,359	285,111
Accumulated Remeasurement Gains End of Year	518,359	285,111
Accumulated Remeasurement Gains Comprised of:		
Investments	518,359	285,111

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

**Township of South Frontenac
Consolidated Statement of Cash Flows**

For the year ended December 31	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Annual surplus for the year	4,224,279	3,426,510
Amortization	6,268,305	6,453,470
Change in landfill liability	587,991	(71,996)
Change in employee benefit obligations	24,500	22,800
	11,105,075	9,830,784
Net Change in Non-Cash Working Capital Balances		
Taxes receivable	(189,276)	456,502
Accounts receivable	(134,965)	417,540
Accounts payable and accrued liabilities	229,397	9,886
Other current liabilities	321,468	(80,466)
Deferred revenues	(158,632)	1,019,829
Prepaid expenses	9,346	5,017
Inventory not for resale	29,407	(25,470)
	106,745	1,802,838
Working Capital from Operations	11,211,820	11,633,622
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(9,461,811)	(6,654,510)
Proceeds from disposal of capital assets	5,786	72,536
Net investment in tangible capital assets	(9,456,025)	(6,581,974)
INVESTING ACTIVITIES		
Increase in long term investments	(9,142,639)	(159,106)
Decrease in long term receivables	4,915	10,380
Net increase in cash from investing activities	(9,137,724)	(148,726)
NET (DECREASE) INCREASE IN CASH	(7,381,929)	4,902,922
CASH, BEGINNING OF YEAR	19,085,553	14,182,631
CASH, END OF YEAR	11,703,624	19,085,553

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

Township of South Frontenac

Notes to the Consolidated Financial Statements

December 31, 2020

1. Status of the Township of South Frontenac

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.

2. Significant Accounting Policies

The consolidated financial statements of the Corporation of the Township of South Frontenac are the representations of management and have been prepared in all material respects in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies by the Township are as follows:

Reporting Entity

(i) The consolidated financial statements reflect financial assets, liabilities, operating revenues 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 municipality's pro-rata share of each of the assets, liabilities, revenues 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 revenues, 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.

Township of South Frontenac

Notes to the Consolidated Financial Statements

December 31, 2020

2. Significant Accounting Policies / continued

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 excess of revenues over expenses, 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.

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 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 revenue 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.

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:

Land	
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 year of acquisition. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

Township of South Frontenac

Notes to the Consolidated Financial Statements

December 31, 2020

2. Significant Accounting Policies / continued

Tangible Capital Assets / continued

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.

(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.

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.

Inventories and Prepaid Expenses

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

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 benefit plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

Township of South Frontenac

Notes to the Consolidated Financial Statements

December 31, 2020

2. Significant Accounting Policies / continued

Pension and Employee Benefits / continued

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.

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.

Actual 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.

Cash and Cash Equivalents

The Township considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

Government Transfers

Government transfers are recognized in the consolidated financial statements as revenues 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.

Deferred Revenues ▶ 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 revenues 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.

Township of South Frontenac

Notes to the Consolidated Financial Statements

December 31, 2020

2. Significant Accounting Policies / continued

Investments

Short-term and long-term investments are recorded at cost plus accrual interest. If the market value of investments become lower than cost and the decline in value is considered to be other than temporary, the investments are written down to market value.

Investment income earned on surplus, current funds, capital funds, reserves and reserve funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on development charges and parkland obligatory reserve funds is added to the fund balance and forms part of respective deferred revenue balances.

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 with respect to events extending over a fifty 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.

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.

Financial Instruments

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. The Township has classified each financial instrument into one of the following categories: held-for-trading financial assets and liabilities, loans and receivables, held-to-maturity financial assets and other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

**Township of South Frontenac
Notes to the Consolidated Financial Statements**

December 31, 2020

2. Significant Accounting Policies / continued

Financial Instruments / continued

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

- (i) Cash at fair value
- (ii) Portfolio investments as 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 measured 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 Municipality does not use foreign currency contracts or any other type of derivative financial instruments of trading or speculative purposes.

Measurement Uncertainty

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. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the consolidated financial statements in the period in which they become known.

3. Operations of the School Boards and County of Frontenac

During 2020, 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:

	School Boards	County
	\$	\$
Amounts requisitioned and paid	5,566,990	6,345,631

**Township of South Frontenac
Notes to the Consolidated Financial Statements**

December 31, 2020

4. Contributions to Consolidated Joint Board

The following contributions were made by the Township to the Board:

	2020	2019
	\$	\$
Frontenac Community Arena	326,383	87,958

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

	2020	2019
	\$	\$
Frontenac Community Arena	798,761	616,695

5. Long Term Investments

	2020		2019	
	Cost	Market	Cost	Market
	\$	\$	\$	\$
For Township Purposes				
▸ CIBC Wood Gundy	12,295,038	12,515,569	3,180,517	3,228,635
▸ One Investment ▸ equity portfolio	698,750	996,578	698,750	935,743
	12,993,788	13,512,147	3,879,267	4,164,378
For Obligatory Reserve Funds				
▸ CIBC	1,110,135	1,161,130	1,132,862	1,150,045
▸ One Investment ▸ equity portfolio	195,000	278,115	195,000	261,082
	1,305,135	1,439,245	1,327,862	1,411,127
Total	14,298,923	14,951,392	5,207,129	5,575,505

Township of South Frontenac

Notes to the Consolidated Financial Statements

December 31, 2020

5. Long Term Investments / continued

All of the above investments are valued as Level 1 investments. The investments are valued based on the degree to which the fair value is observable, as follows:

- (i) Level 1 Fair value measurements are those derived from quoted prices (in active)
- (ii) Level 2 Fair value measurements are those derived from inputs other than quoted included with Level 1 that are observable for the assets, either directly (ie: as prices) or indirectly (ie: derived from prices);
- (iii) Level 3 Fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable data (unobservable inputs).

6. Long Term Receivables

Long term receivables are comprised of:

	2020	2019
	\$	\$
Community Improvement Loans	6,550	11,465

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 \$718,265 (2019 \$695,690) 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 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.

**Township of South Frontenac
Notes to the Consolidated Financial Statements**

December 31, 2020

8. Deferred Revenues / continued

The balances in the obligatory reserve funds of the Township are summarized below:

	2020	2019
	\$	\$
Balance, Beginning of Year	4,527,648	3,507,819
Development contributions	740,433	689,212
Subdivider contributions	3,000	4,500
Investment income	114,258	145,050
Federal Gas Tax funding	565,649	1,153,311
Cannabis legalization funding	---	36,332
Grant utilized	(1,581,972)	(1,008,576)
Balance, End of Year	4,369,016	4,527,648

	2020	2019
	\$	\$
Analyzed as follows:		
Federal Gas Tax funding	1,157,995	1,359,796
Cannabis legalization funding	37,533	37,109
Development charges	2,789,371	2,701,141
Cash in lieu of parkland	199,777	248,262
Subdivider contributions	184,340	181,340
	4,369,016	4,527,648

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 for 2018 and will be applied effective January 1, 2018.

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, 2020, based on an actuarial update, the accrued benefit obligation was \$213,000 (2019 \$188,500).

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

Discount Rate	3.40% per annum
Health Benefits Escalation	7.44% per annum, scaling down over 15 years to 4.00% thereafter

**Township of South Frontenac
Notes to the Consolidated Financial Statements**

December 31, 2020

9. Employee Post Employment Benefit Liability / continued

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

	2020	2019
	\$	\$
Accrued benefit obligation at beginning of year	188,500	165,700
Expense recognized for the year	28,900	28,100
Interest cost	8,500	7,900
Benefits paid for the year	(12,900)	(13,200)
Accrued benefit obligation at end of year	213,000	188,500

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

	2020	2019
	\$	\$
Accrued benefit obligation end of year	252,600	234,000
Unamortized actuarial loss	(39,600)	(45,500)
Accrued benefit obligation end of year	213,000	188,500

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 Village does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

The amount contributed to OMERS was \$377,147 (2019 \$356,115) for current services and is included as an expenditure on the Consolidated Statement of Operations classified under the appropriate functional expenditure. Contributions by employees were a similar amount.

11. 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.

**Township of South Frontenac
Notes to the Consolidated Financial Statements**

December 31, 2020

11. Landfill Closure and Post Closure Liability / continued

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 fifty 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 14% to 43% of the total estimated capacity and the estimated remaining life of the active landfill sites ranges from seven years to thirty-six years. The period for post-closure care for all sites is estimated to be fifteen years.

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 2.56% and discounted at the Township's average long term borrowing rate of 2.57% (2019 2.03%). The estimated total landfill closure and post-closure care expense are calculated at approximately \$4,329,504 (2019 \$3,541,337). 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, 2020 is an amount of \$3,174,171 (2019 \$2,586,180) with respect to landfill closure and post-closure liabilities recognized to date.

12. Municipal Equity

Municipal equity consists of:

	2020	2019
	\$	\$
Invested in Tangible Capital Assets		
Tangible capital assets	95,144,519	91,956,799
Unfinanced capital expense	(357,977)	(365,621)
	94,786,542	91,591,178
Unrestricted Surplus		
Frontenac Community Arena	6,777	(10,626)
Landfill Closure and Post-Closure To Be Recovered	(3,174,171)	(2,586,180)
Reserves	21,986,707	20,153,956
Total Municipal Equity	113,605,855	109,148,328

Township of South Frontenac

Notes to the Consolidated Financial Statements

December 31, 2020

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, 2020, management believes that the Township has valid defences 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. Contractual Obligations

- (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) 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, 2021. The annual cost as at December 31, 2020 was \$148,321 (2019 \$166,863).
-

15. Risk Management

In the normal course of operations, the Township is exposed to a variety of financial risks which are actively managed by the Township.

The Township's financial instruments consist of cash, investments, accounts receivable and accounts payable and accrued liabilities. The fair values of cash, accounts receivable, investments and accounts payable and accrued liabilities approximate their carrying values because of their expected short term maturity and treatment on normal trade terms.

The Township's exposure to and management of risk has not changed materially from December 31, 2019.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Township is mainly exposed to interest and price risk.

Township of South Frontenac
Notes to the Consolidated Financial Statements

December 31, 2020

15. Risk Management

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Township is exposed to price risk through its investment in quoted One Fund investments. The following details the Township's portfolio sensitivity to a 1.0% increase or decrease in the market prices. At December 31, 2020, if market prices had a 1.0% increase or decrease with all other variables remaining the same the increase or decrease in accumulated remeasurement gains and losses on the investments for the year would have totalled \$14,951 (2019 \$11,966).

Credit Risk

Credit risk arises from the possibility that the entities to which the Township provides services to may experience difficulty and be unable to fulfill their obligations. The Township is exposed to financial risk that arises from the credit quality of the entities to which it provides services. The Township does not have a significant exposure to any individual customer or counter party. As a result, the requirement for credit risk related reserves for accounts receivable is minimal.

Interest Rate Risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Township is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates on its cash and cash equivalents and operating loan. Changes in variable interest rates could cause unanticipated fluctuations in the Township's operating results.

Liquidity Risk

Liquidity risk is the risk that the Township will not be able to meet its obligations as they fall due. The Township requires working capital to meet day-to-day operating activities. Management expects that the Township's cash flows from operating activities will be sufficient to meet these requirements.

16. Fair Value of Financial Assets and Financial Liabilities

The carrying value of taxes receivable, accounts receivable and accounts payable approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

The market value of long term investments is disclosed in note 5.

**Township of South Frontenac
Notes to the Consolidated Financial Statements**

December 31, 2020

17. Sydenham Water Works Debenture Receivable and Payable

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 responsibility of principal and interest 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.

18. Tangible Capital Assets

	2020	2019
	\$	\$
Land	3,541,605	3,194,772
Land improvements	1,466,450	1,474,128
Buildings and building improvements	11,589,029	11,206,653
Vehicles, machinery and equipment	6,924,393	6,704,103
Linear Assets		
Roads	53,250,403	52,558,363
Bridges	7,345,745	6,813,010
Sidewalks	150,630	154,603
Water infrastructure	7,301,859	7,483,569
Construction in progress	2,782,422	1,740,278
Frontenac Community Arena	791,983	627,320
	95,144,519	91,956,799

For additional information, see Schedule 2 ▶ Tangible Capital Assets.

Assets under construction having a value of \$2,782,422 (2019 \$1,740,278) have not been amortized. Amortization of these assets will commence when the asset is put into service.

19. 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.

**Township of South Frontenac
Notes to the Consolidated Financial Statements**

December 31, 2020

19. Segmented Information / continued

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.

(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.

**Township of South Frontenac
Notes to the Consolidated Financial Statements**

December 31, 2020

19. Segmented Information / continued

(g) Planning and Development / continued

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 2.

2020	Adminis- -tration	Protective Services	Transport -ation Services	Environ- -mental Services	Health Services	Parks, Recreation & Culture	Planning & Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Taxation	20,500,924	---	---	---	---	---	---	20,500,924
Penalties & 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 & rent User fees & service charges	198,854 23,525	581,973 59,693	92,666 34,920	2,400 780,036	43,025	48,682 40,865	141,954	924,575 1,124,018
Other	251,538	30,351	1,177,857	58,841	12,537	564,673	10,355	2,106,152
	23,167,293	939,430	2,340,087	1,076,582	55,562	656,283	152,309	28,387,546
Expenses								
Salaries, wages & 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 & financial expenses	7,958	---	---	---	---	---	---	7,958
External transfers	154,342	227,922	---	---	---	---	---	382,264
Amortization	88,326	426,775	5,276,479	218,963	---	257,762	---	6,268,305
	2,094,032	5,686,263	11,014,347	3,646,544	76,397	1,112,312	533,372	24,163,267
Excess of Revenues Over Expenses	21,073,261	(4,746,833)	(8,674,260)	(2,559,962)	(20,835)	(456,029)	(381,063)	4,224,279

**Township of South Frontenac
Notes to the Consolidated Financial Statements**

December 31, 2020

19. Segmented Information / continued

2019	Adminis- -tration	Protective Services	Transport -ation Services	Environmen- -tal Services	Health Services	Parks, Recreation & Culture	Planning & Development	Total
	\$	\$	\$	\$	\$		\$	\$
Revenues								
Taxation	19,927,618	---	---	---	---	---	---	19,927,618
Penalties & interest	322,581	---	---	---	---	---	---	322,581
Government Grants								
▸ unconditional	1,553,400	---	---	209,680	---	8,000	---	1,771,080
▸ conditional	517,129	34,300	499,738	---	---	4,250	---	1,055,417
Other municipalities	10,553	---	472,207	---	---	---	---	482,760
Licenses, permits & rents	207,596	633,771	96,035	2,400	---	134,798	---	1,074,600
User fees & service charges	43,441	55,025	33,106	757,081	87,521	116,285	106,109	1,198,568
Other	432,965	32,309	676,717	77,342	9,848	395,717	35,535	1,660,433
	23,015,283	755,405	1,777,803	1,046,503	97,369	659,050	141,644	27,493,057
Expenses								
Salaries, wages & employee benefits	1,177,420	1,075,729	2,510,302	479,235	346	269,432	292,862	5,805,326
Interest on long term debt	---	---	---	15,555	---	---	---	15,555
Materials	290,940	679,528	3,409,403	483,910	6,962	264,997	31,823	5,167,563
Contracted services	250,818	3,161,606	372,815	1,722,466	66,996	521,714	71,642	6,168,057
Rents & financial expenses	10,730	---	---	---	---	---	---	10,730
External transfers	209,405	236,441	---	---	---	---	---	445,846
Amortization	66,553	412,389	5,136,796	582,341	---	255,391	---	6,453,470
	2,005,866	5,565,693	11,429,316	3,283,507	74,304	1,311,534	396,327	24,066,547
Excess of Revenues Over Expenses	21,009,417	(4,810,288)	(9,651,513)	(2,237,004)	23,065	(652,484)	(254,683)	3,426,510

20. Budget Figures

The 2020 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. The revenues attributable to these items continue to be included in the Statement of Operations, resulting in a significant variance.

Township of South Frontenac Notes to the Consolidated Financial Statements

December 31, 2020

20. Budget Figures

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 Revenues	26,538,463	26,805,574
Total Expenses	29,729,773	24,163,267
Net (Expenses) Revenues	(3,191,310)	2,642,307
Amortization	7,090,831	6,268,305
Adjusted Net Revenues	3,899,521	8,910,612
Capital Revenues	2,286,835	1,581,972
Funds Available	6,186,356	10,492,584
Capital Expenses	(8,570,916)	(9,461,811)
Disposal of tangible capital assets	---	5,786
Unfunded landfill liability	---	587,991
Decrease in unfinanced capital	---	(7,643)
Remeasurement gain	---	233,248
(Decrease) Increase in Operating Surplus	(2,384,560)	1,850,155
Allocated as follows:		
Net transfers (to) from reserves	(2,640,458)	1,832,751
Change in Frontenac Community Arena	255,898	17,404
	(2,384,560)	1,850,155

21. Impact of COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ('COVID-19') as a pandemic. This resulted in governments worldwide, including the Canadian, Ontario and municipal governments, enacting emergency measures to combat the spread of the virus.

The pandemic has had significant operational and financial impacts including service reductions, declines in associated user fee revenues and additional costs. While impacts have been mitigated by associated funding and other cost saving measures, the pandemic has created uncertainty over current and future year operations and the financial position of the Municipality.

The duration and impact of COVID-19 are unknown at this time. It is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and conditions of the Municipality in future periods. The Municipality continues to closely monitor and assess the impact on its operations. It is management's assessment that the Municipality will have sufficient resources to mitigate the potential losses in 2021 as a result of COVID-19.

Township of South Frontenac
Schedule 1 ▶ Continuity of Reserves and Reserve Funds

For the year ended December 31	(Note 20) Budget	2020	2019
	\$	\$	\$
Net Transfers From / (To) Other Funds			
Transfers from operations	3,662,440	4,933,750	5,945,372
Transfers to capital acquisitions	(6,302,898)	(3,100,999)	(2,472,692)
Total Net Transfers	(2,640,458)	1,832,751	3,472,680
Reserves and Reserve Fund Balances, Change in Year	(2,640,458)	1,832,751	3,472,680
Reserves and Reserve Fund Balances, Beginning of Year	20,153,956	20,153,956	16,681,276
Reserves and Reserve Fund Balances, End of Year	17,513,498	21,986,707	20,153,956

Composition of Reserves and Reserve Funds

For the year ended December 31	2020	2019
	\$	\$
Reserves set aside for specific purposes by Council:		
Fiscal		
▶ for working capital	5,871,207	6,432,386
▶ for election	57,389	31,739
▶ for building inspection	895,589	906,863
	6,824,185	7,370,988
Equipment and Infrastructure		
▶ for global	6,755,678	6,132,396
▶ for vertical	1,259,324	1,190,383
▶ for roadways	892,623	839,249
▶ for linear	743,538	43,538
▶ for rolling stock	2,063,795	1,902,713
▶ for future landfill closing	500,956	426,307
▶ for water infrastructure	1,243,116	1,026,014
▶ for stabilization	1,703,492	1,222,368
	15,162,522	12,782,968
Total Reserves	21,986,707	20,153,956

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

Township of South Frontenac
Schedule 2 ▶ 2020 Tangible Capital Assets

Asset Class	Cost 01/01/20	Additions	(Disposals)	Cost 31/12/20
	\$	\$	\$	\$
Land	3,194,772	346,833	---	3,541,605
Land Improvements	2,368,362	114,124	---	2,482,486
Buildings & Building Improvements	15,359,458	775,085	---	16,134,543
Vehicles, Machinery & Equipment	15,586,311	1,094,955	(178,449)	16,502,817
Linear Assets				
Roads	150,804,410	5,158,652	---	155,963,062
Bridges	12,469,079	725,100	---	13,194,179
Sidewalks	248,500	---	---	248,500
Water infrastructure	9,445,218	2,825	---	9,448,043
Construction in Progress	1,740,278	1,042,144	---	2,782,422
Frontenac Community Arena	993,232	202,093	---	1,195,325
	212,209,620	9,461,811	(178,449)	221,492,982

Asset Class	Accumulated Amortization 01/01/20	Amortization	(Disposals)	Accumulated Amortization 31/12/20	Net Book Value 31/12/20
	\$	\$	\$	\$	\$
Land	---	---	---	---	3,541,605
Land Improvements	894,234	121,802	---	1,016,036	1,466,450
Buildings & Building Improvements	4,152,805	392,709	---	4,545,514	11,589,029
Vehicles, Machinery & Equipment	8,882,208	868,879	(172,663)	9,578,424	6,924,393
Linear Assets					
Roads	98,246,047	4,466,612	---	102,712,659	53,250,403
Bridges	5,656,069	192,365	---	5,848,434	7,345,745
Sidewalks	93,897	3,973	---	97,870	150,630
Water infrastructure	1,961,649	184,535	---	2,146,184	7,301,859
Construction in Progress	---	---	---	---	2,782,422
Frontenac Community Arena	365,912	37,430	---	403,342	791,983
	120,252,821	6,268,305	(172,663)	126,348,463	95,144,519

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

**Township of South Frontenac
Schedule 2 ▶ 2019 Tangible Capital Assets**

Asset Class	Cost 01/01/19	Additions	(Disposals)	Cost 31/12/19
	\$	\$	\$	\$
Land	3,194,772	---	---	3,194,772
Land Improvements	1,968,004	400,358	---	2,368,362
Buildings & Building Improvements	14,918,547	440,911	---	15,359,458
Vehicles, Machinery & Equipment	15,355,459	793,238	(562,386)	15,586,311
Linear Assets				
Roads	147,055,151	3,749,259	---	150,804,410
Bridges	12,068,375	400,704	---	12,469,079
Sidewalks	248,500	---	---	248,500
Water infrastructure	9,253,959	191,259	---	9,445,218
Construction in Progress	1,155,545	584,733	---	1,740,278
Frontenac Community Arena	899,184	94,048	---	993,232
	206,117,496	6,654,510	(562,386)	212,209,620

Asset Class	Accumulated Amortization 01/01/19	Amortization	(Disposals)	Accumulated Amortization 31/12/19	Net Book Value 31/12/19
	\$	\$	\$	\$	\$
Land	---	---	---	---	3,194,772
Land Improvements	380,344	513,890	---	894,234	1,474,128
Buildings & Building Improvements	3,773,348	379,457	---	4,152,805	11,206,653
Vehicles, Machinery & Equipment	8,521,333	850,725	(489,850)	8,882,208	6,704,103
Linear Assets					
Roads	93,930,888	4,315,159	---	98,246,047	52,558,363
Bridges	5,466,794	189,275	---	5,656,069	6,813,010
Sidewalks	89,924	3,973	---	93,897	154,603
Water infrastructure	1,791,060	170,589	---	1,961,649	7,483,569
Construction in Progress	---	---	---	---	1,740,278
Frontenac Community Arena	335,510	30,402	---	365,912	627,320
	114,289,201	6,453,470	(489,850)	120,252,821	91,956,799

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

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 Corporation of the Township of South Frontenac trust funds (the 'Entity'), which comprise:

- the statement of financial position as at December 31, 2020;
- the statement of financial activities for the year then ended;
- and the 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, 2020, and its financial activities 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 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 judgement 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 of 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.



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario
June 15, 2021.

**Township of South Frontenac
Trust Funds
Statement of Financial Position**

December 31	Portland Histor- ical Society	Fire	Cemete- ry Perpetu- al Care	Monument Perpetual Care	Muriel Burns	OHRP	Grant Family Memorial Endowment	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS									
Cash									
Investments	13,262	19,013	30,335	15,767	25,000	---	26,736	130,113	106,209
Term deposits	---	---	494,816	82,546	---	---	---	577,362	578,267
Long term notes receivable	6,615	---	---	---	---	---	---	6,615	7,039
	---	---	---	---	---	4,175	---	4,175	4,175
	19,877	19,013	525,151	98,313	25,000	4,175	26,736	718,265	695,690
LIABILITIES									
Fund Balance	19,877	19,013	525,151	98,313	25,000	4,175	26,736	718,265	695,690

Statement of Financial Activities

For the year ended December 31	Portland Histor- ical Society	Fire	Cemetery Perpetual Care	Monument Perpetual Care	Muriel Burns	OHRP	Grant Family Memorial Endowment	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES									
Sales of Perpetual Care	---	---	12,250	2,450	---	---	---	14,700	14,800
Donations	4,711	542	---	---	---	---	---	5,253	1,100
Interest earned	196	219	12,490	1,877	---	---	330	15,112	26,374
	4,907	761	24,740	4,327	---	---	330	35,065	42,274
EXPENSES									
Transfer to Operating Fund	---	---	12,490	---	---	---	---	12,490	13,093
NET REVENUES FOR THE YEAR	4,907	761	12,250	4,327	---	---	330	22,575	29,181
BALANCE AT THE BEGINNING OF THE YEAR	14,970	18,252	512,901	93,986	25,000	4,175	26,406	695,690	666,509
BALANCE AT THE END OF THE YEAR	19,877	19,013	525,151	98,313	25,000	4,175	26,736	718,265	695,690

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

**Township of South Frontenac
Trust Funds
Notes to the Financial Statements**

December 31, 2020

1. Significant Accounting Policies

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

Basis of Accounting

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

Revenue Recognition

Revenues 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.

Measurement Uncertainty

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. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

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, 2020 are comprised of repayable loans of \$4,175 (2019 \$4,175) and forgivable loans of \$Nil (2019 \$Nil). Loan forgiveness is earned and recorded at a rate of up to \$600 per year of continued ownership and occupancy. 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 and the unearned forgivable 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.

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 \$27,754 (2019 \$25,878) is available for future expenses related to monument perpetual care.