

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015**

CONTENTS

Five Year Financial Review	1 - 2
Management's Responsibility for the Consolidated Financial Statements	3
Independent Auditor's Report	4 - 5
Consolidated Statement of Financial Position	6
Consolidated Statement of Operations	7
Consolidated Statement of Changes in Net Financial Assets	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements	10 - 24
Schedule 1 ▶ Continuity of Reserves	25
Schedule 2 ▶ Tangible Capital Assets	26 - 27
Independent Auditor's Report ▶ Trust Funds	28 - 29
Trust Funds ▶ Statement of Financial Position and Statement of Financial Activities	30
Trust Funds ▶ Notes to the Financial Statements	31

**Township of
South Frontenac
Consolidated
Financial Statements
December 31, 2015**

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015**

CONTENTS

Five Year Financial Review	1 - 2
Management's Responsibility for the Consolidated Financial Statements	3
Independent Auditor's Report	4 - 5
Consolidated Statement of Financial Position	6
Consolidated Statement of Operations	7
Consolidated Statement of Changes in Net Financial Assets	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements	10 - 24
Schedule 1 ▶ Continuity of Reserves	25
Schedule 2 ▶ Tangible Capital Assets	26 - 27
Independent Auditor's Report ▶ Trust Funds	28 - 29
Trust Funds ▶ Statement of Financial Position and Statement of Financial Activities	30
Trust Funds ▶ Notes to the Financial Statements	31

**Township of
South Frontenac
Consolidated
Financial Statements
December 31, 2015**

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

December 31	2015	2014	2013	2012	2011
Population (Statistics Canada)	18,100	18,100	18,100	18,100	18,100
Number of Households (MPAC)	10,297	10,215	10,149	10,054	9,684
Taxable Assessment (000's)					
Residential and farm	2,959,495	2,730,315	2,560,405	2,389,855	2,205,581
Commercial and industrial	30,369	29,141	27,814	27,775	26,470
Total	2,989,864	2,759,456	2,588,219	2,417,630	2,232,051
Commercial, industrial as % of assessment	1.02%	1.06%	1.07%	1.15%	1.19%
Rates of Taxation					
▸ for general municipal purposes	0.527039	0.522137	0.495363	0.499931	0.485812
▸ for county purposes	0.170059	0.171918	0.178401	0.193135	0.212540
▸ for school board purposes	0.195000	0.203000	0.212000	0.221000	0.231000
Total	0.892098	0.897055	0.885764	0.914066	0.929352
Multi-Residential (total)	0.892098	0.897055	0.885764	0.914066	0.929352
Commercial (total)	2.127098	2.154055	2.163764	2.183066	2.306790
Industrial (total)	2.227098	2.254055	2.263764	2.283066	2.496493
Tax Arrears ▸ percentage of current levy (10%)**	6.58%	8.55%	10.84%	9.82%	10.77%
Taxes Transferred (000's)					
▸ County	5,038	4,802	4,759	4,848	4,886
▸ School Boards	6,072	5,982	5,996	5,869	5,654
Revenues (000's)					
	\$	\$	\$	\$	\$
▸ Property taxation	16,944	15,894	14,461	13,953	12,563
▸ Government grants	2,726	3,111	3,272	3,442	4,284
▸ User charges	1,078	1,115	951	646	1,192
▸ Other	1,511	1,443	1,432	1,621	1,529
▸ Revenues related to capital assets	2,293	2,546	(354)	---	---
Total	24,552	24,109	19,762	19,662	19,568
Expenditures (000's)					
▸ Operations	21,564	21,331	19,573	20,155	20,384
▸ Amortization	5,572	6,009	6,082	6,360	7,297
Net Financial Assets (Net Debt)					
▸ % of Operating Revenue (>(20%)) **	36.85%	44.59%	40.66%	41.64%	45.39%
▸ % of Taxation and User Charges (>(50%)) **	45.51%	56.94%	53.07%	56.08%	64.57%

** 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	2015	2014	2013	2012	2011
	\$	\$	\$	\$	\$
Long Term Debt					
▶ Long term debt (000's)	326	342	358	373	387
▶ Long term debt charges (000's)	36	36	36	36	36
▶ Total annual repayment limit (000's)	4,744	4,204	4,035	3,729	3,737
▶ Long term debt per household	32	33	35	37	40
▶ Debt charges (000's)					
▶ user charges	36	36	36	30	36
Municipal Equity (000's)					
▶ Surplus and Reserves	11,257	10,630	9,084	9,670	10,182
▶ Invested in capital assets	86,794	82,294	81,062	80,288	80,269
▶ Asset consumption ratio	52.74%	52.66%	51.53%	50.75%	48.96%
▶ Reserves as % of operating expenses (> 20%) **	47.92%	55.90%	54.80%	54.12%	57.65%
Financial Indicators					
▶ Sustainability					
▶ financial assets to liabilities	1.82	2.37	1.95	1.95	2.00
▶ financial assets to liabilities excluding long term debt	1.88	2.49	2.03	2.04	2.10
▶ long term debt to tangible capital assets	0.37%	0.41%	0.44%	0.46%	0.48%
▶ capital reserves to accumulated amortization	9.00%	8.98%	9.44%	9.35%	11.30%
▶ Flexibility					
▶ Debt charges to total operating revenue (<5%)**	0.16%	0.17%	0.18%	0.18%	0.18%
▶ Total operating revenue to taxable assessment	0.74	0.78	0.78	0.81	0.88
▶ Working capital to operating expenses (>10%) **	39.54%	46.68%	41.79%	40.62%	43.58%
▶ Vulnerability					
▶ Operating government transfers ▶ to operating revenue	8.91%	10.52%	11.56%	13.98%	17.08%
▶ Total government transfers ▶ to total revenues	9.78%	13.98%	11.39%	13.98%	17.08%



TOWNSHIP OF SOUTH FRONTENAC

*P.O. Box 100
4432 George Street
Sydenham, ON
K0H 2T0*

*Telephone (613) 376-3027
1-800-559-5862
Fax (613) 376-6657
www.southfrontenac.net*

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.

Wayne Orr
Chief Administrative Officer

Louise Fragnito, CPA, CGA
Treasurer



22 Wilson Street West | Perth, Ontario | K7H 2M9
Phone: 613-267-6580 | Fax: 613-267-7563
info@allanandpartners.com
www.allanandpartners.com

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of the Corporation of the Township of South Frontenac which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statement of operations, changes in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Corporation of the Township of South Frontenac's management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the Township of South Frontenac as at December 31, 2015 and its consolidated results of operations, changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

A handwritten signature in cursive script, appearing to read "Allan".

Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario,
May 17, 2016.

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

December 31	2015	2014
	\$	\$
ASSETS		
Financial Assets		
Cash and short term deposits	14,759,506	12,047,656
Taxes receivable (net of allowance \$236,048)	1,845,548	2,281,833
Accounts receivable	723,111	1,326,787
Long term investments (note 5)	538,216	561,745
Tile drainage loan receivable (note 18)	1,948	3,786
Sydenham Water Works debenture receivable (note 19)	325,840	342,322
Long term receivables (note 6)	42,685	75,002
	18,236,854	16,639,131
LIABILITIES		
Financial Liabilities		
Accounts payable and accrued liabilities	4,443,209	1,924,506
Other current liabilities	206,717	194,467
Employee future benefit obligations (note 9)	113,900	97,917
Deferred revenues (note 8)	3,570,230	3,017,673
Tile drainage loan payable (note 18)	1,948	3,786
Sydenham Water Works debenture payable (note 19)	325,840	342,322
Accrued landfill closure and post closure (note 11)	1,373,320	1,442,880
	10,035,164	7,023,551
NET FINANCIAL ASSETS	8,201,690	9,615,580
NON-FINANCIAL ASSETS		
Tangible capital assets (note 20)	87,243,549	82,765,802
Inventories	248,389	311,963
Prepaid expenses	217,986	230,413
	87,709,924	83,308,178
Contingent Liabilities (note 13)		
MUNICIPAL EQUITY (note 12)	95,911,614	92,923,758

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 22) Budget	2015	2014
	\$	\$	\$
REVENUES			
Property taxation	16,934,868	16,943,997	15,893,739
User charges	964,345	1,078,360	1,114,936
Licences and permits	830,458	864,359	735,509
Government grants	1,788,041	1,984,208	2,268,142
Grants from other municipalities	825,169	742,038	842,683
Investment income	157,412	165,022	159,266
Penalties and interest on taxes	400,000	358,510	390,661
Donations	117,600	53,048	47,161
Other	2,242	69,777	110,913
TOTAL REVENUES	22,020,135	22,259,319	21,563,010
EXPENDITURES			
General government	1,890,866	1,753,653	1,474,138
Fire	1,317,447	1,272,297	1,335,015
Police	2,921,791	2,904,416	2,744,753
Conservation authority	201,575	195,188	196,463
Protective inspections and control	538,257	550,753	437,501
Emergency measures	1,960	---	134
Roadways and winter control	11,542,728	10,567,174	10,910,652
Street lighting	88,417	71,820	82,317
Waterworks	365,495	387,821	371,032
Garbage collection and disposal	2,818,445	2,467,632	2,512,606
Landfill closure and post-closure costs	---	(69,560)	89,366
Cemeteries	75,836	76,206	74,326
Parks, recreation and cultural services	969,084	1,111,054	844,077
Planning and development	328,131	275,998	258,794
TOTAL EXPENDITURES	23,060,032	21,564,452	21,331,174
NET REVENUES FROM OPERATIONS	(1,039,897)	694,867	231,836
OTHER			
Grants and transfers related to capital			
Deferred revenues earned (note 8)	1,124,500	447,998	1,990,320
Contributed assets	---	2,025,215	609,179
Write down of tangible capital assets	---	(180,224)	(53,914)
	1,124,500	2,292,989	2,545,585
ANNUAL SURPLUS	84,603	2,987,856	2,777,421
MUNICIPAL EQUITY, BEGINNING OF YEAR	92,923,758	92,923,758	90,146,337
MUNICIPAL EQUITY, END OF YEAR	93,008,361	95,911,614	92,923,758

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

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

For the year ended December 31	(Note 22) Budget	2015	2014
	\$	\$	\$
ANNUAL SURPLUS	84,603	2,987,856	2,777,421
Amortization of tangible capital assets	6,498,654	5,572,349	6,008,922
Acquisition of tangible capital assets	(7,829,000)	(10,230,320)	(7,279,870)
Disposal of tangible capital assets	---	180,224	53,914
Acquisition of prepaid expenses	---	12,427	(25,338)
Acquisition of supplies inventories	---	63,574	(98,672)
	(1,330,346)	(4,401,746)	(1,341,044)
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	(1,245,743)	(1,413,890)	1,436,377
NET FINANCIAL ASSETS, BEGINNING OF YEAR	9,615,580	9,615,580	8,179,203
NET FINANCIAL ASSETS, END OF YEAR	8,369,837	8,201,690	9,615,580

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	2015	2014
	\$	\$
OPERATING ACTIVITIES		
Annual surplus for the year	2,987,856	2,777,421
Amortization	5,572,349	6,008,922
Loss on sale of tangible capital assets	180,224	53,914
Change in landfill liability	(69,560)	89,366
Change in employee benefit obligations	15,983	(5,623)
	8,686,852	8,924,000
Net Change in Non-Cash Working Capital Balances		
Taxes receivable	436,285	450,819
Accounts receivable	603,676	(362,366)
Accounts payable and accrued liabilities	2,518,703	(213,189)
Other current liabilities	12,250	74,163
Deferred revenues	552,557	(1,511,261)
Prepaid expenses	12,427	(25,338)
Inventory not for resale	63,574	(98,672)
	4,199,472	(1,685,844)
Working Capital from Operations	12,886,324	7,238,156
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(10,230,320)	(7,279,870)
Net investment in tangible capital assets	(10,230,320)	(7,279,870)
INVESTING ACTIVITIES		
Decrease (increase) in long term investments	23,529	(12,786)
Decrease in long term receivables	32,317	22,780
Net decrease in cash from investing activities	55,846	9,994
NET INCREASE (DECREASE) IN CASH	2,711,850	(31,720)
CASH, BEGINNING OF YEAR	12,047,656	12,079,376
CASH, END OF YEAR	14,759,506	12,047,656

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

Township of South Frontenac

Notes to the Consolidated Financial Statements

December 31, 2015

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 expenditures, 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 and shoreline property assistance loans are reflected in the consolidated financial statements.
- (iii) The taxation, other revenues, expenditures, 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, 2015

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. Expenditures 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.

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.

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.

Township of South Frontenac Notes to the Consolidated Financial Statements

December 31, 2015

2. Significant Accounting Policies / continued

Tangible Capital Assets / continued

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

(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.

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.

Township of South Frontenac

Notes to the Consolidated Financial Statements

December 31, 2015

2. Significant Accounting Policies / continued

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.

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.

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

December 31, 2015

2. Significant Accounting Policies / continued

Landfill Closure and Post-Closure Liabilities / continued

Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

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.

Held-for-trading financial assets and liabilities are subsequently measured at fair value with changes in those fair values recognized in net revenues.

Loans and receivables, held-to-maturity financial assets and other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Township classifies cash and cash equivalents as held-for-trading financial assets, accounts receivable as loans and receivables, and accounts payable and accrued liabilities as other financial liabilities.

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 expenditures 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 2015, 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	6,071,802	5,038,375

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

December 31, 2015

4. Contributions to Consolidated Joint Board

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

	2015	2014
	\$	\$
Frontenac Community Arena	67,287	64,967

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:

	2015	2014
	\$	\$
Frontenac Community Arena	645,956	662,718

5. Long Term Investments

Total long term investments of \$538,216 (2014 \$561,745) reported on the 'Consolidated Statement of Financial Position' at cost plus accrued interest, have a market value of \$540,271 (2014 \$565,651) at the end of the year.

6. Long Term Receivable

The long term receivable is from the sale of Township property. The loan is secured by a mortgage on the property. The mortgage is repayable in blended monthly payments of \$1,502.73 and is due December 2016.

7. Trust Funds

Trust funds administered by the Township amounting to \$627,540 (2014 \$613,519) 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.

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

December 31, 2015

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

	2015	2014
	\$	\$
Balance, Beginning of Year	3,017,673	4,528,934
Development contributions	331,487	288,889
Subdivider contributions	108,318	139,965
Investment income	36,280	50,205
Federal Gas Tax funding	406,326	(797,344)
Transfers to reserve funds	---	(509,171)
Grant utilized	---	(304,469)
Other revenue utilized	(329,854)	(379,336)
Balance, End of Year	3,570,230	3,017,673

	2015	2014
	\$	\$
Analyzed as follows:		
Federal Gas Tax funding	566,508	157,722
Development charges	1,992,176	1,837,970
Cash in lieu of parkland	837,013	848,198
Subdivider contributions	174,533	173,783
	3,570,230	3,017,673

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 2015 and will be applied effective January 1, 2015.

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, 2015, based on an actuarial update, the accrued benefit obligation was \$113,900 (2014 \$97,917).

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

December 31, 2015

9. Employee Post Employment Benefit Liability / continued

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

Discount Rate	2.80% per annum
Health Benefits Escalation	7.50% per annum, scaling down over 15 years to 4.50% thereafter

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

	2015	2014
	\$	\$
Accrued benefit obligation at beginning of year	97,917	103,540
Expense recognized for the year	21,183	4,444
Interest cost	5,000	4,488
Benefits paid for the year	(10,200)	(14,555)
Accrued benefit obligation at end of year	113,900	97,917

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

	2015	2014
	\$	\$
Accrued benefit obligation end of year	181,200	103,540
Unamortized actuarial loss	(67,300)	(5,623)
Accrued benefit obligation end of year	113,900	97,917

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 \$274,555 (2014 \$255,719) 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.

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

December 31, 2015

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.

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 expenditures, 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 19% to 46% of the total estimated capacity and the estimated remaining life of the active landfill sites ranges from ten years to twenty-nine 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% and discounted at the Township's average long term borrowing rate of 6% (2014 6%). The estimated total landfill closure and post-closure care expense are calculated at approximately \$1,823,489 (2014 \$1,891,672). 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, 2015 is an amount of \$1,373,320 (2014 \$1,442,880) with respect to landfill closure and post-closure liabilities recognized to date.

12. Municipal Equity

Municipal equity consists of:

	2015	2014
	\$	\$
Invested in Tangible Capital Assets		
Tangible capital assets	87,243,549	82,765,802
Unfinanced capital expense	(449,100)	(471,455)
	86,794,449	82,294,347
Unrestricted Surplus		
Cemetery Boards	---	(28,427)
Frontenac Community Arena	156,932	176,295
	156,932	147,868
Landfill Closure and Post-Closure To Be Recovered	(1,373,320)	(1,442,880)
Reserves	10,333,553	11,924,423
Total Municipal Equity	95,911,614	92,923,758

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

December 31, 2015

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, 2015, 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 five years, commencing December 2019 at an annual cost of approximately \$2.9 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, 2016. The annual cost as at December 31, 2015 was \$116,114 (2014 \$107,950).
- (c) The Township has entered into road construction contracts with approximately \$555,000 of work to be completed in 2016. The expenditure will be funded from reserves, grants and taxation.

15. Supplementary Information

	2015	2014
	\$	\$
Expenses by Object		
Salaries, wages and employee benefits	4,834,178	4,178,444
Materials, services, rents and financial expenses	10,821,155	10,821,981
Transfers to others	356,159	321,827
Amortization	5,552,960	6,008,922
	21,564,452	21,331,174

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

December 31, 2015

16. 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, 2014.

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.

17. 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.

18. Tile Drainage Loan Receivable and Payable

The loan payable bears annual interest at 6% and is repayable in 10 equal instalments of principal and interest of \$2,065 commencing December 1, 2006. The responsibility for payment 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.

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

December 31, 2015

19. 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.

20. Tangible Capital Assets

	2015	2014
	\$	\$
Land	3,163,307	3,171,270
Land improvements	704,829	650,715
Buildings and building improvements	8,782,152	5,378,088
Vehicles, machinery and equipment	6,816,764	6,421,997
Linear Assets		
Roads	51,163,896	49,054,554
Bridges	6,538,755	5,461,548
Sidewalks	171,173	176,502
Water infrastructure	7,961,993	8,124,592
Construction in progress	1,451,656	3,837,112
Frontenac Community Arena	489,024	486,424
	87,243,549	82,765,802

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

Assets under construction having a value of \$1,451,656 (2014 \$3,837,112) have not been amortized. Amortization of these assets will commence when the asset is put into service.

21. 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:

Township of South Frontenac

Notes to the Consolidated Financial Statements

December 31, 2015

21. Segmented Information / continued

(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.

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.

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

December 31, 2015

21. Segmented Information / continued

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.

2015	Adminis- -tration	Protective Services	Transport -ation Services	Environmen- -tal Services	Health Services	Parks, Recreation & Culture	Planning & Development	Total
	\$	\$	\$	\$	\$		\$	\$
Revenues								
Taxation	15,671,739	---	---	1,272,258	---	---	---	16,943,997
Penalties & interest	358,510	---	---	---	---	---	---	358,510
Government Grants								
> unconditional	1,465,600	---	---	248,680	---	10,246	---	1,724,526
> conditional	---	35,223	115,039	3,598	---	68,821	37,000	259,681
Other municipalities	11,000	---	723,082	---	---	7,956	---	742,038
Licenses, permits & rents	225,109	441,080	66,349	2,400	---	129,421	---	864,359
User fees & service charges	70,945	82,794	42,053	654,251	61,452	45,026	122,589	1,079,110
Other	2,169,235	3,039	183,886	31,573	6,789	185,338	227	2,580,087
	19,972,138	562,136	1,130,409	2,212,760	68,241	446,808	159,816	24,552,308
Expenses								
Salaries, wages & employee benefits	840,592	793,437	2,373,612	395,281	909	272,021	158,326	4,834,178
Interest on long term debt	---	---	---	19,450	---	---	227	19,677
Materials	496,395	262,542	3,241,299	149,310	4,137	168,524	29,222	4,351,429
Contracted services	180,003	3,330,032	138,364	2,031,241	71,160	600,279	88,224	6,439,303
Rents & financial expenses	10,746	---	---	---	---	---	---	10,746
External transfers	133,798	222,361	---	---	---	---	---	356,159
Amortization	91,368	314,282	4,887,034	190,046	---	70,230	---	5,552,960
	1,752,902	4,922,654	10,640,309	2,785,328	76,206	1,111,054	275,999	21,564,452
Excess of Revenues Over Expenses	18,219,236	(4,360,518)	(9,509,900)	(572,568)	(7,965)	(664,246)	(116,183)	2,987,856

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

December 31, 2015

21. Segmented Information / continued

2014	Adminis- -tration	Protective Services	Transport -ation Services	Environmen- -tal Services	Health Services	Parks, Recreation & Culture	Planning & Development	Total
	\$	\$	\$	\$	\$		\$	\$
Revenues								
Taxation	14,643,489	---	---	1,250,250	---	---	---	15,893,739
Penalties & interest	390,661	---	---	---	---	---	---	390,661
Government Grants								
> unconditional	1,457,043	---	---	207,065	---	7,005	---	1,671,113
> conditional	800	28,565	1,341,064	---	---	13,233	10,708	1,394,370
Other municipalities	7,100	19,500	816,433	---	---	(350)	---	842,683
Licenses, permits & rents	217,390	435,293	66,695	2,400	---	134,618	---	856,396
User fees & service charges	24,556	94,872	60,375	574,891	70,408	48,080	120,868	994,050
Other	729,816	215,314	534,802	359,756	7,527	217,967	401	2,065,583
	17,470,855	793,544	2,819,369	2,394,362	77,935	420,553	131,977	24,108,595
Expenses								
Salaries, wages & employee benefits	800,474	700,448	1,967,585	382,834	48	170,069	156,986	4,178,444
Interest on long term debt	---	---	---	20,358	---	---	331	20,689
Materials	255,082	310,207	2,855,344	72,090	2,385	100,586	49,519	3,645,213
Contracted services	206,363	3,168,739	832,351	2,315,476	71,893	499,497	51,958	7,146,277
Rents & financial expenses	9,802	---	---	---	---	---	---	9,802
External transfers	106,715	215,112	---	---	---	---	---	321,827
Amortization	92,697	319,361	5,337,689	185,250	---	73,925	---	6,008,922
	1,471,133	4,713,867	10,992,969	2,976,008	74,326	844,077	258,794	21,331,174
Excess of Revenues Over Expenses	15,999,722	(3,920,323)	(8,173,600)	(581,646)	3,609	(423,524)	(126,817)	2,777,421

22. Budget Figures

The operating budget approved by Township Council, for 2015 is reflected on the Consolidated Statement of Operations. The Township does not budget activity within Reserves and Reserve Funds, with the exception being those transactions, which affect either operations or capital investments. Budget figures have been reclassified for the purposes of these consolidated financial statements to comply with PSAB reporting requirements.

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

For the year ended December 31	(Note 22) Budget	2015	2014
	\$	\$	\$
Net Transfers From / (To) Other Funds			
Transfers from operations	2,423,396	2,555,403	3,302,601
Transfers to capital acquisitions	(3,437,968)	(4,146,273)	(1,653,827)
Total Net Transfers	(1,014,572)	(1,590,870)	1,648,774
Reserves and Reserve Fund Balances, Change in Year	(1,014,572)	(1,590,870)	1,648,774
Reserves and Reserve Fund Balances, Beginning of Year	11,924,423	11,924,423	10,275,649
Reserves and Reserve Fund Balances, End of Year	10,909,851	10,333,553	11,924,423

Composition of Reserves and Reserve Funds

For the year ended December 31	2015	2014
	\$	\$
Reserves set aside for specific purposes by Council:		
Fiscal		
▶ for working capital	1,291,662	3,651,222
▶ for election	33,165	7,787
▶ for building inspection	241,811	246,234
Equipment and Infrastructure		
▶ for global	2,781,465	1,961,000
▶ for vertical	1,360,107	1,277,261
▶ for roadways	729,314	720,999
▶ for linear	254,209	342,487
▶ for rolling stock	469,147	567,486
▶ for future landfill closing	683,463	880,588
▶ for water infrastructure	451,920	333,344
▶ for stabilization	2,037,290	1,936,015
Total Reserves	10,333,553	11,924,423

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

**Township of South Frontenac
Schedule 2 ▶ 2015 Tangible Capital Assets**

Asset Class	Cost 01/01/15	Additions	(Disposals)	Cost 31/12/15
	\$	\$	\$	\$
Land	3,171,270	157,897	(165,860)	3,163,307
Land Improvements	748,737	89,638	---	838,375
Buildings & Building Improvements	8,049,289	3,620,142	---	11,669,431
Vehicles, Machinery & Equipment	12,661,553	1,193,751	(285,150)	13,570,154
Linear Assets				
Roads	125,899,850	6,295,504	---	132,195,354
Bridges	10,232,690	1,234,031	---	11,466,721
Sidewalks	248,500	---	---	248,500
Water infrastructure	9,253,960	2,824	---	9,256,784
Construction in Progress	3,837,112	(2,385,456)	---	1,451,656
Frontenac Community Arena	727,415	21,989	---	749,404
	174,830,376	10,230,320	(451,010)	184,609,686

Asset Class	Accumulated Amortization 01/01/15	Amortization	(Disposals)	Accumulated Amortization 31/12/15	Net Book Value 31/12/15
	\$	\$	\$	\$	\$
Land	---	---	---	---	3,163,307
Land Improvements	98,022	35,524	---	133,546	704,829
Buildings & Building Improvements	2,671,201	216,078	---	2,887,279	8,782,152
Vehicles, Machinery & Equipment	6,239,556	784,620	(270,786)	6,753,390	6,816,764
Linear Assets					
Roads	76,842,296	4,189,162	---	81,031,458	51,163,896
Bridges	4,771,142	156,824	---	4,927,966	6,538,755
Sidewalks	71,998	5,329	---	77,327	171,173
Water infrastructure	1,129,368	165,423	---	1,294,791	7,961,993
Construction in Progress	---	---	---	---	1,451,656
Frontenac Community Arena	240,991	19,389	---	260,380	489,024
	92,064,574	5,572,349	(270,786)	97,366,137	87,243,549

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

**Township of South Frontenac
Schedule 2 ▶ 2014 Tangible Capital Assets**

Asset Class	Cost 01/01/14	Additions	(Disposals)	Cost 31/12/14
	\$	\$	\$	\$
Land	3,092,261	79,009	---	3,171,270
Land Improvements	647,828	100,909	---	748,737
Buildings & Building Improvements	7,926,295	122,994	---	8,049,289
Vehicles, Machinery & Equipment	12,415,546	943,513	(697,506)	12,661,553
Linear Assets				
Roads	123,200,972	2,698,878	---	125,899,850
Bridges	10,222,090	10,600	---	10,232,690
Sidewalks	248,500	---	---	248,500
Water infrastructure	9,253,960	---	---	9,253,960
Construction in Progress	513,145	3,323,967	---	3,837,112
Frontenac Community Arena	727,415	---	---	727,415
	168,248,012	7,279,870	(697,506)	174,830,376

Asset Class	Accumulated Amortization 01/01/14	Amortization	(Disposals)	Accumulated Amortization 31/12/14	Net Book Value 31/12/14
	\$	\$	\$	\$	\$
Land	---	---	---	---	3,171,270
Land Improvements	67,295	30,727	---	98,022	650,715
Buildings & Building Improvements	2,501,042	170,159	---	2,671,201	5,378,088
Vehicles, Machinery & Equipment	6,104,984	778,164	(643,592)	6,239,556	6,421,997
Linear Assets					
Roads	72,163,256	4,679,040	---	76,842,296	49,057,554
Bridges	4,609,905	161,237	---	4,771,142	5,461,548
Sidewalks	66,669	5,329	---	71,998	176,502
Water infrastructure	963,945	165,423	---	1,129,368	8,124,592
Construction in Progress	---	---	---	---	3,837,112
Frontenac Community Arena	222,148	18,843	---	240,991	486,424
	86,699,244	6,008,922	(643,592)	92,064,574	82,766,802

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



22 Wilson Street West | Perth, Ontario | K7H 2M9
Phone: 613-267-6580 | Fax: 613-267-7563
info@allanandpartners.com
www.allanandpartners.com

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of the trust funds of the Corporation of the Township of South Frontenac as at December 31, 2015 and the statement of financial activities of the trust funds for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Corporation of the Township of South Frontenac's management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust funds of the Corporation of the Township of South Frontenac as at December 31, 2015 and the financial activities for the year then ended in accordance with Canadian Public Sector Accounting Standards.

A handwritten signature in cursive script that reads "Allan".

Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario,
May 17, 2016.

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

December 31	Portland Histor- ical Society	Fire	Cemetery Perpetual Care	Monument Perpetual Care	Muriel Burns	OHRP	Grant Family Memorial Endowment	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS									
Cash	13,943	14,142	421,956	76,305	---	11,110	26,337	563,793	538,713
Term deposits	6,247	---	32,500	---	25,000	---	---	63,747	63,696
Long term notes receivable	---	---	---	---	---	---	---	---	11,110
	20,190	14,142	454,456	76,305	25,000	11,110	26,337	627,540	613,519
LIABILITIES AND CAPITAL									
Capital (note 3)	20,190	14,142	454,456	76,305	25,000	11,110	26,337	627,540	613,519

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	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES									
Sales of Perpetual Care	---	---	10,000	2,100	---	---	---	12,100	15,900
Donations	---	741	---	---	---	---	---	741	1,660
Interest earned	212	170	5,099	914	---	---	306	6,701	7,179
	212	911	15,099	3,014	---	---	306	19,542	24,739
EXPENDITURES									
Transfer to Operating Fund	---	---	5,099	---	---	422	---	5,521	16,360
NET REVENUES (EXPENDITURES) FOR THE YEAR									
	212	911	10,000	3,014	---	(422)	306	14,021	8,379
BALANCE AT THE BEGINNING OF THE YEAR									
	19,978	13,231	444,456	73,291	25,000	11,532	26,031	613,519	605,140
BALANCE AT THE END OF THE YEAR									
	20,190	14,142	454,456	76,305	25,000	11,110	26,337	627,540	613,519

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

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

December 31, 2015

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, 2015 are comprised of repayable loans of \$11,110 (2014 \$22,400) and forgivable loans of \$Nil (2014 \$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 \$17,397 (2014 \$16,482) is available for future expenses related to monument perpetual care.