

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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**Township of
South Frontenac
Consolidated
Financial Statements
December 31, 2016**

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

December 31	2016	2015	2014	2013	2012
Population (Statistics Canada)	18,646	18,100	18,100	18,100	18,100
Number of Households (MPAC)	10,336	10,297	10,215	10,149	10,054
Taxable Assessment (000's)					
Residential and farm	3,130,056	2,959,495	2,730,315	2,560,405	2,389,855
Commercial and industrial	30,995	30,369	29,141	27,814	27,775
Total	3,161,051	2,989,864	2,759,456	2,588,219	2,417,630
Commercial, industrial as % of assessment	0.98%	1.02%	1.06%	1.07%	1.15%
Rates of Taxation					
▸ for general municipal purposes	0.531548	0.527039	0.522137	0.495363	0.499931
▸ for county purposes	0.166857	0.170059	0.171918	0.178401	0.193135
▸ for school board purposes	0.188000	0.195000	0.203000	0.212000	0.221000
Total	0.886405	0.892098	0.897055	0.885764	0.914066
Multi-Residential (total)	0.886405	0.892098	0.897055	0.885764	0.914066
Commercial (total)	2.098405	2.127098	2.154055	2.163764	2.183066
Industrial (total)	2.198405	2.227098	2.254055	2.263764	2.283066
Tax Arrears ▸ percentage of current levy (<10%)**	6.71%	6.58%	8.55%	10.84%	9.82%
Taxes Transferred (000's)					
▸ County	5,216	5,038	4,802	4,759	4,848
▸ School Boards	6,223	6,072	5,982	5,996	5,869
Revenues (000's)					
	\$	\$	\$	\$	\$
▸ Property taxation	17,933	16,944	15,894	14,461	13,953
▸ Government grants	2,473	2,726	3,111	3,272	3,442
▸ User charges	1,115	1,078	1,115	951	646
▸ Other	1,747	1,511	1,443	1,432	1,621
▸ Revenues related to capital assets	1,405	2,293	2,546	(354)	---
Total	24,673	24,552	24,109	19,762	19,662
Expenditures (000's)					
▸ Operations	21,397	21,564	21,331	19,573	20,155
▸ Amortization	5,868	5,572	6,009	6,082	6,360
Net Financial Assets (Net Debt)					
▸ % of Operating Revenue (>(20%)) **	48.62%	36.85%	44.59%	40.66%	41.64%
▸ % of Taxation and User Charges (>(50%)) **	56.72%	45.51%	56.94%	53.07%	56.08%

** 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	2016	2015	2014	2013	2012
	\$	\$	\$	\$	\$
Long Term Debt					
▶ Long term debt (000's)	308	326	342	358	373
▶ 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	30	32	33	35	37
▶ Debt charges (000's)					
▶ user charges	36	36	36	36	30
Municipal Equity (000's)					
▶ Surplus and Reserves	12,000	9,117	10,630	9,084	9,670
▶ Invested in capital assets	87,189	86,794	82,294	81,062	80,288
▶ Asset consumption ratio	54.00%	52.74%	52.66%	51.53%	50.75%
▶ Reserves as % of operating expenses (> 20%) **	62.08%	47.92%	55.90%	54.80%	54.12%
Financial Indicators					
▶ Sustainability					
▶ financial assets to liabilities	2.33	1.82	2.37	1.95	1.95
▶ financial assets to liabilities excluding long term debt	2.41	1.88	2.49	2.03	2.04
▶ long term debt to tangible capital assets	0.35%	0.37%	0.41%	0.44%	0.46%
▶ capital reserves to accumulated amortization	9.35%	9.00%	8.98%	9.44%	9.35%
▶ Flexibility					
▶ Debt charges to total operating revenue (<5%)**	0.15%	0.16%	0.17%	0.18%	0.18%
▶ Total operating revenue to taxable assessment	0.74%	0.74	0.78	0.78	0.81
▶ Working capital to operating expenses (>10%) **	54.32%	39.54%	46.68%	41.79%	40.62%
▶ Vulnerability					
▶ Operating government transfers ▶ to operating revenue	7.78%	8.91%	10.52%	11.56%	13.98%
▶ Total government transfers ▶ to total revenues	7.99%	9.78%	13.98%	11.39%	13.98%



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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.



Wayne Orr
Chief Administrative Officer



Louise Fragnito, CPA, CGA
Treasurer



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INDEPENDENT AUDITOR'S REPORT

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

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, 2016 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 the 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 about whether the consolidated financial statements are free from 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, 2016 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,
June 6, 2017.

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

December 31	2016	2015
	\$	\$
ASSETS		
Financial Assets		
Cash and short term deposits	11,685,376	14,759,506
Taxes receivable (net of allowance \$110,935)	1,968,832	1,845,548
Accounts receivable	722,168	723,111
Long term investments (note 5)	5,142,451	538,216
Tile drainage loan receivable (note 18)	---	1,948
Sydenham Water Works debenture receivable (note 19)	308,398	325,840
Long term receivables (note 6)	11,702	42,685
	19,838,927	18,236,854
LIABILITIES		
Financial Liabilities		
Accounts payable and accrued liabilities	2,785,893	4,443,209
Other current liabilities	215,172	206,717
Employee future benefit obligations (note 9)	127,400	113,900
Deferred revenues (note 8)	3,696,634	3,570,230
Tile drainage loan payable (note 18)	---	1,948
Sydenham Water Works debenture payable (note 19)	308,397	325,840
Accrued landfill closure and post closure (note 11)	1,392,506	1,373,320
	8,526,002	10,035,164
NET FINANCIAL ASSETS	11,312,925	8,201,690
NON-FINANCIAL ASSETS		
Tangible capital assets (note 20)	87,630,259	87,243,549
Inventories	181,543	248,389
Prepaid expenses	64,139	217,986
	87,875,941	87,709,924
Contingent Liabilities (note 13)		
MUNICIPAL EQUITY (note 12)	99,188,866	95,911,614

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	2016	2015
	\$	\$	\$
REVENUES			
Property taxation	17,991,641	17,932,775	16,943,997
User charges	1,015,684	1,115,482	1,078,360
Licences, permits and rents	849,670	895,789	864,359
Government grants	1,762,879	1,809,796	1,984,208
Grants from other municipalities	742,041	663,720	742,038
Investment income	151,600	169,324	165,022
Penalties and interest on taxes	360,000	367,919	358,510
Donations	158,500	97,305	53,048
Other	23,010	217,007	69,777
TOTAL REVENUES	23,055,025	23,269,117	22,259,319
EXPENDITURES			
General government	1,790,529	1,545,356	1,753,653
Fire	1,419,073	1,248,332	1,272,297
Police	2,958,010	2,947,094	2,904,416
Conservation authority	207,670	254,527	195,188
Protective inspections and control	563,040	386,578	550,753
Emergency measures	1,960	---	---
Roadways and winter control	10,900,836	10,775,689	10,567,174
Street lighting	122,512	52,323	71,820
Waterworks	387,781	417,312	387,821
Garbage collection and disposal	2,249,473	2,295,133	2,467,632
Landfill closure and post-closure costs	---	19,186	(69,560)
Cemeteries	75,527	70,671	76,206
Parks, recreation and cultural services	1,315,432	1,093,687	1,111,054
Planning and development	317,312	290,710	275,998
TOTAL EXPENDITURES	22,309,155	21,396,598	21,564,452
NET REVENUES FROM OPERATIONS	745,870	1,872,519	694,867
OTHER			
Grants and transfers related to capital			
Deferred revenues earned (note 8)	2,059,617	1,165,008	447,998
Contributed assets	---	254,525	2,025,215
Write down of tangible capital assets	---	(14,800)	(180,224)
	2,059,617	1,404,733	2,292,989
ANNUAL SURPLUS	2,805,487	3,277,252	2,987,856
MUNICIPAL EQUITY, BEGINNING OF YEAR	95,911,614	95,911,614	92,923,758
MUNICIPAL EQUITY, END OF YEAR	98,717,101	99,188,866	95,911,614

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	2016	2015
	\$	\$	\$
ANNUAL SURPLUS	2,805,487	3,277,252	2,987,856
Amortization of tangible capital assets	5,823,509	5,867,645	5,572,349
Acquisition of tangible capital assets	(8,508,915)	(6,269,155)	(10,230,320)
Disposal of tangible capital assets	---	14,800	180,224
Reduction of prepaid expenses	---	153,847	12,427
Reduction of supplies inventories	---	66,846	63,574
	(2,685,406)	(166,017)	(4,401,746)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	120,081	3,111,235	(1,413,890)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	8,201,690	8,201,690	9,615,580
NET FINANCIAL ASSETS, END OF YEAR	8,321,771	11,312,925	8,201,690

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	2016	2015
	\$	\$
OPERATING ACTIVITIES		
Annual surplus for the year	3,277,252	2,987,856
Amortization	5,867,645	5,572,349
Loss on sale of tangible capital assets	14,800	180,224
Change in landfill liability	19,186	(69,560)
Change in employee benefit obligations	13,500	15,983
	9,192,383	8,686,852
Net Change in Non-Cash Working Capital Balances		
Taxes receivable	(123,284)	436,285
Accounts receivable	943	603,676
Accounts payable and accrued liabilities	(1,657,317)	2,518,703
Other current liabilities	8,455	12,250
Deferred revenues	126,404	552,557
Prepaid expenses	153,847	12,427
Inventory not for resale	66,846	63,574
	(1,424,106)	4,199,472
Working Capital from Operations	7,768,277	12,886,324
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(6,269,155)	(10,230,320)
Net investment in tangible capital assets	(6,269,155)	(10,230,320)
INVESTING ACTIVITIES		
(Increase) decrease in long term investments	(4,604,235)	23,529
Decrease in long term receivables	30,983	32,317
Net (increase) decrease in cash from investing activities	(4,573,252)	55,846
NET (DECREASE) INCREASE IN CASH	(3,074,130)	2,711,850
CASH, BEGINNING OF YEAR	14,759,506	12,047,656
CASH, END OF YEAR	11,685,376	14,759,506

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

Township of South Frontenac

Notes to the Consolidated Financial Statements

December 31, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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.

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 pos-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.

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.

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

December 31, 2016

3. Operations of the School Boards and County of Frontenac

During 2016, 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	6,184,339	5,216,934

4. Contributions to Consolidated Joint Board

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

	2016	2015
	\$	\$
Frontenac Community Arena	69,076	67,287

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:

	2016	2015
	\$	\$
Frontenac Community Arena	652,226	645,956

5. Long Term Investments

Total long term investments of \$5,142,451 (2015 \$538,216) reported on the 'Consolidated Statement of Financial Position' at cost plus accrued interest, have a market value of \$5,109,671 (2015 \$540,271) at the end of the year.

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

December 31, 2016

6. Long Term Receivables

Long term receivables are comprised of:

	2016	2015
	\$	\$
Mortgage Receivable	---	17,375
Community Improvement Loans	11,702	25,310
Total	11,702	42,685

The mortgage receivable was from the sale of property and was repayable in blended monthly payments of \$1,502.73. The loan matured December 2016.

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 \$640,069 (2015 \$627,540) 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. The balances in the obligatory reserve funds of the Township are summarized below:

	2016	2015
	\$	\$
Balance, Beginning of Year	3,570,230	3,017,673
Development contributions	489,905	331,487
Subdivider contributions	187,161	108,318
Investment income	44,822	36,280
Federal Gas Tax funding	(160,792)	406,326
Other revenue utilized	(434,692)	(329,854)
Balance, End of Year	3,696,634	3,570,230

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

December 31, 2016

8. Deferred Revenues / continued

	2016	2015
Analyzed as follows:	\$	\$
Federal Gas Tax funding	411,988	566,508
Development charges	2,270,456	1,992,176
Cash in lieu of parkland	838,153	837,013
Subdivider contributions	176,037	174,533
	3,696,634	3,570,230

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 2016 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, 2016, based on an actuarial update, the accrued benefit obligation was \$127,400 (2015 \$113,900).

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:

	2016	2015
	\$	\$
Accrued benefit obligation at beginning of year	113,900	97,917
Expense recognized for the year	19,700	21,183
Interest cost	5,300	5,000
Benefits paid for the year	(11,500)	(10,200)
Accrued benefit obligation at end of year	127,400	113,900

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

December 31, 2016

9. Employee Post Employment Benefit Liability / continued

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

	2016	2015
	\$	\$
Accrued benefit obligation end of year	188,400	181,200
Unamortized actuarial loss	(61,000)	(87,300)
Accrued benefit obligation end of year	127,400	113,900

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 \$279,141 (2015 \$274,555) 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.

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.

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

December 31, 2016

11. Landfill Closure and Post Closure Liability / continued

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% (2015 6%). The estimated total landfill closure and post-closure care expense are calculated at approximately \$1,884,410 (2015 \$1,823,489). 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, 2016 is an amount of \$1,392,506 (2015 \$1,373,320) with respect to landfill closure and post-closure liabilities recognized to date.

12. Municipal Equity

Municipal equity consists of:

	2016	2015
	\$	\$
Invested in Tangible Capital Assets		
Tangible capital assets	87,630,259	87,243,549
Unfinanced capital expense	(441,634)	(449,100)
	87,188,625	86,794,449
Unrestricted Surplus		
Frontenac Community Arena	109,001	156,932
Landfill Closure and Post-Closure To Be Recovered	(1,392,506)	(1,373,320)
Reserves	13,283,746	10,333,553
Total Municipal Equity	99,188,866	95,911,614

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, 2016, 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.

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

December 31, 2016

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 2015 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, 2016 was \$118,798 (2015 \$116,114).
- (c) The Township has entered into road construction contracts with approximately \$510,000 of work to be completed in 2017. The expenditure will be funded from reserves, grants and taxation.

15. Supplementary Information

	2016	2015
	\$	\$
Expenses by Object		
Salaries, wages and employee benefits	4,636,172	4,834,178
Materials, services, rents and financial expenses	10,511,571	10,821,155
Transfers to others	381,210	356,159
Amortization	5,867,645	5,552,960
	21,396,598	21,564,452

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, 2015.

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.

Township of South Frontenac
Notes to the Consolidated Financial Statements

December 31, 2016

16. Risk Management / continued

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. The loan matured in 2016.

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.

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

December 31, 2016

20. Tangible Capital Assets

	2016	2015
	\$	\$
Land	3,163,307	3,163,307
Land improvements	1,329,419	704,829
Buildings and building improvements	8,706,123	8,782,152
Vehicles, machinery and equipment	6,751,016	6,816,764
Linear Assets		
Roads	51,204,875	51,163,896
Bridges	6,870,365	6,538,755
Sidewalks	166,522	171,173
Water infrastructure	7,796,570	7,961,993
Construction in progress	1,098,837	1,451,656
Frontenac Community Arena	543,225	489,024
	87,630,259	87,243,549

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

Assets under construction having a value of \$1,098,837 (2015 \$1,451,656) 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:

(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.

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

December 31, 2016

21. Segmented Information / continued

(b) Protection Services

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

(c) Transportation Services

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

(d) Environmental Services

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

(e) Cemetery Boards

Includes the management and maintenance of municipal cemeteries.

(f) Parks, Recreation and Culture

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

(g) Planning and Development

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

For each segment separately reported, the segment revenue and expense represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. These municipal services are funded primarily by property tax revenue. Taxation is apportioned to these services based on the funding requirement. Certain government transfers, transfer from other funds, and other revenue have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 2.

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

December 31, 2016

21. Segmented Information / continued

2016	Adminis- -tration	Protective Services	Transport -ation Services	Environmen- -tal Services	Health Services	Parks, Recreation & Culture	Planning & Development	Total
	\$	\$	\$	\$	\$		\$	\$
Revenues								
Taxation	16,647,293	---	---	1,285,482	---	---	---	17,932,775
Penalties & interest	367,919	---	---	---	---	---	---	367,919
Government Grants								
▶ unconditional	1,481,300	---	---	161,481	---	6,500	---	1,649,281
▶ conditional	2,875	22,976	109,279	---	---	9,885	15,500	160,515
Other municipalities	---	---	663,215	---	---	505	---	663,720
Licenses, permits & rents	219,812	479,421	64,213	2,400	---	129,943	---	895,789
User fees & service charges	30,542	81,265	35,071	736,791	44,938	57,190	129,685	1,115,482
Other	192,996	46,011	1,034,780	43,499	3,319	567,647	117	1,888,369
	18,942,737	629,673	1,906,558	2,229,653	48,257	771,670	145,302	24,673,850
Expenses								
Salaries, wages & employee benefits	910,591	697,374	2,187,098	439,153	177	229,821	171,958	4,636,172
Interest on long term debt	---	---	---	18,489	---	---	117	18,606
Materials	284,812	294,871	2,927,649	281,500	10,047	256,778	33,125	4,088,782
Contracted services	121,693	3,273,001	588,728	1,802,442	60,447	483,616	85,510	6,415,437
Rents & financial expenses	10,601	---	---	---	---	---	---	10,601
External transfers	118,531	262,679	---	---	---	---	---	381,210
Amortization	99,128	308,606	5,124,538	190,047	---	123,471	---	5,845,790
	1,545,356	4,836,531	10,828,013	2,731,631	70,671	1,093,686	290,710	21,396,598
Excess of Revenues Over Expenses								
	17,397,381	(4,206,858)	(8,921,455)	(501,978)	(22,414)	(322,016)	(145,408)	3,277,252

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

December 31, 2016

21. Segmented Information / continued

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

22. Budget Figures

The operating budget approved by Township Council, for 2016 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 PSAS reporting requirements.

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

For the year ended December 31	(Note 22) Budget	2016	2015
	\$	\$	\$
Net Transfers From / (To) Other Funds			
Transfers from operations	3,020,884	4,329,158	2,555,403
Transfers to capital acquisitions	(2,944,185)	(1,378,965)	(4,146,273)
Total Net Transfers	76,699	2,950,193	(1,590,870)
Reserves and Reserve Fund Balances, Change in Year	76,699	2,950,193	(1,590,870)
Reserves and Reserve Fund Balances, Beginning of Year	10,333,553	10,333,553	11,924,423
Reserves and Reserve Fund Balances, End of Year	10,410,252	13,283,746	10,333,553

Composition of Reserves and Reserve Funds

For the year ended December 31	2016	2015
	\$	\$
Reserves set aside for specific purposes by Council:		
Fiscal		
▶ for working capital	3,206,843	1,291,662
▶ for election	58,110	33,165
▶ for building inspection	398,085	241,811
	3,663,038	1,566,638
Equipment and Infrastructure		
▶ for global	3,399,524	2,781,465
▶ for vertical	1,576,173	1,360,107
▶ for roadways	743,620	729,314
▶ for linear	231,395	254,209
▶ for rolling stock	544,072	469,147
▶ for future landfill closing	710,930	683,463
▶ for water infrastructure	617,599	451,920
▶ for stabilization	1,797,395	2,037,290
	9,620,708	8,766,915
Total Reserves	13,283,746	10,333,553

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

**Township of South Frontenac
Schedule 2 ▶ 2016 Tangible Capital Assets**

Asset Class	Cost 01/01/16	Additions	(Disposals)	Cost 31/12/16
	\$	\$	\$	\$
Land	3,163,307	---	---	3,163,307
Land Improvements	838,375	715,289	---	1,553,664
Buildings & Building Improvements	11,669,431	230,911	(35,475)	11,864,867
Vehicles, Machinery & Equipment	13,570,154	761,124	(337,412)	13,993,866
Linear Assets				
Roads	132,195,354	4,336,133	---	136,531,487
Bridges	11,466,721	502,461	---	11,969,182
Sidewalks	248,500	---	---	248,500
Water infrastructure	9,256,784	---	---	9,256,784
Construction in Progress	1,451,656	(352,819)	---	1,098,837
Frontenac Community Arena	749,404	76,056	---	825,460
	184,609,686	6,269,155	(372,887)	190,505,954

Asset Class	Accumulated Amortization 01/01/16	Amortization	(Disposals)	Accumulated Amortization 31/12/16	Net Book Value 31/12/16
	\$	\$	\$	\$	\$
Land	---	---	---	---	3,163,307
Land Improvements	133,546	90,699	---	224,245	1,329,419
Buildings & Building Improvements	2,887,279	298,781	(27,316)	3,158,744	8,706,123
Vehicles, Machinery & Equipment	6,753,390	820,231	(330,771)	7,242,850	6,751,016
Linear Assets					
Roads	81,031,458	4,295,154	---	85,326,612	51,204,875
Bridges	4,927,966	170,851	---	5,098,817	6,870,365
Sidewalks	77,327	4,651	---	81,978	166,522
Water infrastructure	1,294,791	165,423	---	1,460,214	7,796,570
Construction in Progress	---	---	---	---	1,098,837
Frontenac Community Arena	260,380	21,855	---	282,235	543,225
	97,366,137	5,867,645	(358,087)	102,875,695	87,630,259

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.



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INDEPENDENT AUDITOR'S REPORT

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

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, 2016 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 the 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 about whether the financial statements are free from 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, 2016 and the financial activities 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,
June 6, 2017.

**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	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS									
Cash	8,545	14,579	8,455	2,010	---	---	26,615	60,204	563,793
Investments	6,247	---	458,877	78,630	25,000	---	---	568,754	63,747
Long term notes receivable	---	---	---	---	---	11,110	---	11,110	---
	14,792	14,579	467,332	80,640	25,000	11,110	26,615	640,068	627,540

LIABILITIES									
Fund Balance	14,792	14,579	467,332	80,640	25,000	11,110	26,615	640,068	627,540

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	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES									
Sales of Perpetual Care	---	---	9,000	3,150	---	---	---	12,150	12,100
Donations	---	300	---	---	---	---	---	300	741
Interest earned	148	137	7,441	1,185	---	---	278	9,189	6,701
	148	437	16,441	4,335	---	---	278	21,639	19,542
EXPENDITURES									
Transfer to Operating Fund	5,546	---	3,565	---	---	---	---	9,111	5,521
NET REVENUES (EXPENDITURES) FOR THE YEAR	(5,398)	437	12,876	4,335	---	---	278	12,528	14,021
BALANCE AT THE BEGINNING OF THE YEAR	20,190	14,142	454,456	76,305	25,000	11,110	26,337	627,540	613,519
BALANCE AT THE END OF THE YEAR	14,792	14,579	467,332	80,640	25,000	11,110	26,615	640,068	627,540

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

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

December 31, 2016

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, 2016 are comprised of repayable loans of \$11,110 (2015 \$22,400) and forgivable loans of \$Nil (2015 \$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 \$18,582 (2015 \$17,397) is available for future expenses related to monument perpetual care.