

**CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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**Township of  
South Frontenac  
Consolidated  
Financial Statements  
December 31, 2017**

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

December 31	2017	2016	2015	2014	2013
<b>Population</b> (Statistics Canada)	<b>18,646</b>	18,646	18,100	18,100	18,100
<b>Number of Households</b> (MPAC)	<b>10,336</b>	10,336	10,297	10,215	10,149
<hr/>					
<b>Taxable Assessment</b> (000's)	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Residential and farm	<b>3,141,748</b>	3,130,056	2,959,495	2,730,315	2,560,405
Commercial and industrial	<b>31,182</b>	30,995	30,369	29,141	27,814
<b>Total</b>	<b>3,172,930</b>	3,161,051	2,989,864	2,759,456	2,588,219
Commercial, industrial as % of assessment	<b>0.98%</b>	0.98%	1.02%	1.06%	1.07%
<hr/>					
<b>Rates of Taxation</b>					
▸ for general municipal purposes	<b>0.597198</b>	0.531548	0.527039	0.522137	0.495363
▸ for county purposes	<b>0.175201</b>	0.166857	0.170059	0.171918	0.178401
▸ for school board purposes	<b>0.179000</b>	0.188000	0.195000	0.203000	0.212000
<b>Total</b>	<b>0.951399</b>	0.886405	0.892098	0.897055	0.885764
Multi-Residential (total)	<b>0.951399</b>	0.886405	0.892098	0.897055	0.885764
Commercial (total)	<b>2.162399</b>	2.098405	2.127098	2.154055	2.163764
Industrial (total)	<b>2.162399</b>	2.198405	2.227098	2.254055	2.263764
<b>Tax Arrears</b> ▸ percentage of current levy (<10%)**	<b>7.55%</b>	6.71%	6.58%	8.55%	10.84%
<b>Taxes Transferred</b> (000's)					
▸ County	<b>5,489</b>	5,216	5,038	4,802	4,759
▸ School Boards	<b>5,942</b>	6,223	6,072	5,982	5,996
<hr/>					
<b>Revenues</b> (000's)	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
▸ Property taxation	<b>18,733</b>	17,933	16,944	15,894	14,461
▸ Government grants	<b>2,687</b>	2,473	2,726	3,111	3,272
▸ User charges	<b>1,228</b>	1,115	1,078	1,115	951
▸ Other	<b>1,740</b>	1,747	1,511	1,443	1,432
▸ Revenues related to capital assets	<b>916</b>	1,405	2,293	2,546	(354)
<b>Total</b>	<b>25,304</b>	24,673	24,552	24,109	19,762
<hr/>					
<b>Expenditures</b> (000's)					
▸ Operations	<b>22,465</b>	21,397	21,564	21,331	19,573
▸ Amortization	<b>5,911</b>	5,868	5,572	6,009	6,082
<hr/>					
<b>Net Financial Assets (Net Debt)</b>					
▸ % of Operating Revenue (>(20%)) **	<b>60.02%</b>	48.62%	36.85%	44.59%	40.66%
▸ % of Taxation and User Charges (>(50%)) **	<b>73.34%</b>	56.72%	45.51%	56.94%	53.07%

\*\* 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	2017	2016	2015	2014	2013
	\$	\$	\$	\$	\$
<b>Long Term Debt</b>					
▶ Long term debt (000's)	290	308	326	342	358
▶ Long term debt charges (000's)	36	36	36	36	36
▶ Total annual repayment limit (000's)	4,873	4,744	4,204	4,035	3,729
▶ Long term debt per household	28	30	32	33	35
▶ Debt charges (000's)					
▶ user charges	36	36	36	36	36
<b>Municipal Equity (000's)</b>					
▶ Surplus and Reserves	15,314	12,000	9,117	10,630	9,084
▶ Invested in capital assets	86,706	87,189	86,794	82,294	81,062
▶ Asset consumption ratio	55.50%	54.00%	52.74%	52.66%	51.53%
▶ Reserves as % of operating expenses (> 20%) **	74.11%	62.08%	47.92%	55.90%	54.80%
<b>Financial Indicators</b>					
▶ Sustainability					
▶ financial assets to liabilities	2.67	2.33	1.82	2.37	1.95
▶ financial assets to liabilities excluding long term debt	2.76	2.41	1.88	2.49	2.03
▶ long term debt to tangible capital assets	0.33%	0.35%	0.37%	0.41%	0.44%
▶ capital reserves to accumulated amortization	9.75%	9.35%	9.00%	8.98%	9.44%
▶ Flexibility					
▶ Debt charges to total operating revenue (<5%)**	0.14%	0.15%	0.16%	0.17%	0.18%
▶ Total operating revenue to taxable assessment	0.77%	0.74%	0.74%	0.78%	0.78%
▶ Working capital to operating expenses (>10%) **	66.45%	54.32%	39.54%	46.68%	41.79%
▶ Vulnerability					
▶ Operating government transfers ▶ to operating revenue	8.61%	7.78%	8.91%	10.52%	11.56%
▶ Total government transfers ▶ to total revenues	9.59%	7.99%	9.78%	13.98%	11.39%



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### Management's Responsibility for the Consolidated Financial Statements

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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**

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### **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, 2017 and the consolidated statement of operations, changes in net financial assets, remeasurement of gains and losses and its consolidated 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, 2017 and its consolidated results of operations, changes in net financial assets, remeasurement of gains and losses and its consolidated cash flows 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,  
June 5, 2018.

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

December 31	2017	2016
	\$	\$
<b>ASSETS</b>		
<b>Financial Assets</b>		
Cash and short term deposits	14,595,844	11,685,376
Taxes receivable (net of allowance \$92,652)	2,277,442	1,968,832
Accounts receivable	1,019,647	722,168
Long term investments (note 6)	5,222,727	5,142,451
Sydenham Water Works debenture receivable (note 19)	289,937	308,398
Long term receivables (note 7)	17,005	11,702
	<b>23,422,602</b>	<b>19,838,927</b>
<b>LIABILITIES</b>		
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	2,803,547	2,785,893
Other current liabilities	196,647	215,172
Employee future benefit obligations (note 10)	143,600	127,400
Deferred revenues (note 9)	3,912,255	3,696,634
Sydenham Water Works debenture payable (note 19)	289,937	308,397
Accrued landfill closure and post closure (note 12)	1,438,037	1,392,506
	<b>8,784,023</b>	<b>8,526,002</b>
<b>NET FINANCIAL ASSETS</b>	<b>14,638,579</b>	<b>11,312,925</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 20)	87,132,903	87,630,259
Inventories	169,220	181,543
Prepaid expenses	79,593	64,139
	<b>87,381,716</b>	<b>87,875,941</b>
Contingent Liabilities (note 14)		
<b>MUNICIPAL EQUITY (note 13)</b>	<b>102,020,295</b>	<b>99,188,866</b>
<b>Municipal Equity Consists of: (note 13)</b>		
Accumulated Surplus	102,028,391	99,188,866
Accumulated Remeasurement Loss	(8,096)	---
	<b>102,020,295</b>	<b>99,188,866</b>

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	2017	2016
	\$	\$	\$
<b>REVENUES</b>			
Property taxation	18,774,258	<b>18,733,406</b>	17,932,775
User charges	1,072,469	<b>1,227,578</b>	1,115,482
Licences, permits and rents	826,232	<b>957,236</b>	895,789
Government grants	1,954,668	<b>2,100,632</b>	1,809,796
Grants from other municipalities	652,379	<b>586,025</b>	663,720
Investment income	251,000	<b>249,940</b>	169,324
Penalties and interest on taxes	360,000	<b>380,932</b>	367,919
Donations	24,500	<b>60,038</b>	97,305
Other	3,894	<b>92,138</b>	217,007
<b>TOTAL REVENUES</b>	23,919,400	<b>24,387,925</b>	23,269,117
<b>EXPENDITURES</b>			
General government	1,972,017	<b>1,769,178</b>	1,545,356
Fire	1,402,805	<b>1,370,497</b>	1,248,332
Police	3,022,718	<b>3,034,578</b>	2,947,094
Conservation authority	220,392	<b>234,463</b>	254,527
Protective inspections and control	614,540	<b>423,032</b>	386,578
Emergency measures	1,951	<b>50</b>	---
Roadways and winter control	11,723,394	<b>10,969,422</b>	10,775,689
Street lighting	83,333	<b>28,051</b>	52,323
Waterworks	422,043	<b>445,518</b>	417,312
Garbage collection and disposal	2,425,451	<b>2,502,808</b>	2,295,133
Landfill closure and post-closure costs	---	<b>45,531</b>	19,186
Cemeteries	35,615	<b>69,618</b>	70,671
Parks, recreation and cultural services	1,008,395	<b>1,108,126</b>	1,093,687
Planning and development	422,171	<b>463,662</b>	290,710
<b>TOTAL EXPENDITURES</b>	23,354,825	<b>22,464,534</b>	21,396,598
<b>NET REVENUES FROM OPERATIONS</b>	564,575	<b>1,923,391</b>	1,872,519
<b>OTHER</b>			
Grants and transfers related to capital			
Deferred revenues earned (note 9)	1,415,824	<b>925,899</b>	1,165,008
Contributed assets	---	---	254,525
Write down of tangible capital assets	---	<b>(9,765)</b>	(14,800)
	1,415,824	<b>916,134</b>	1,404,733
<b>ANNUAL SURPLUS</b>	1,980,399	<b>2,839,525</b>	3,277,252
<b>MUNICIPAL EQUITY, BEGINNING OF YEAR</b>	99,188,866	<b>99,188,866</b>	95,911,614
<b>MUNICIPAL EQUITY, END OF YEAR</b>	101,169,265	<b>102,028,391</b>	99,188,866

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	2017	2016
	\$	\$	\$
<b>ANNUAL SURPLUS</b>	1,980,399	<b>2,839,525</b>	3,277,252
Amortization of tangible capital assets	7,198,017	<b>5,911,200</b>	5,867,645
Acquisition of tangible capital assets	(10,156,034)	<b>(5,423,609)</b>	(6,269,155)
Acquisition of tangible capital assets	---	<b>9,765</b>	14,800
(Reduction) acquisition of prepaid expenses	---	<b>(15,454)</b>	153,847
Acquisition of supplies inventories	---	<b>12,323</b>	66,846
Change in accumulated remeasurement losses	---	<b>(8,096)</b>	---
	(2,958,037)	<b>486,129</b>	(166,017)
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(977,638)	<b>3,325,654</b>	3,111,235
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	11,312,925	<b>11,312,925</b>	8,201,690
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	10,335,287	<b>14,638,579</b>	11,312,925

**Consolidated Statement of Remeasurement Gains and Losses**

For the year ended December 31	2017	2016
	\$	\$
<b>Accumulated Remeasurement Losses Beginning of Year</b>	---	---
Unrealized losses attributable to investments	<b>(8,096)</b>	---
Change in accumulated remeasurement losses	<b>(8,096)</b>	---
<b>Accumulated Remeasurement Losses End of Year</b>	<b>(8,096)</b>	---
<b>Accumulated Remeasurement Losses Comprised of:</b>		
Investments	<b>(8,096)</b>	---

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	2017	2016
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Annual surplus for the year	2,839,525	3,277,252
Amortization	5,911,200	5,867,645
Loss on sale of tangible capital assets	9,765	14,800
Change in landfill liability	45,531	19,186
Change in employee benefit obligations	16,200	13,500
	<b>8,822,221</b>	<b>9,192,383</b>
Net Change in Non-Cash Working Capital Balances		
Taxes receivable	(308,610)	(123,284)
Accounts receivable	(297,479)	943
Accounts payable and accrued liabilities	17,654	(1,657,317)
Other current liabilities	(18,525)	8,455
Deferred revenues	215,621	126,404
Prepaid expenses	(15,454)	153,847
Inventory not for resale	12,323	66,846
	<b>(394,470)</b>	<b>(1,424,106)</b>
<b>Working Capital from Operations</b>	<b>8,427,751</b>	<b>7,768,277</b>
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(5,423,609)	(6,269,155)
<b>Net investment in tangible capital assets</b>	<b>(5,423,609)</b>	<b>(6,269,155)</b>
<b>INVESTING ACTIVITIES</b>		
Increase in long term investments	(88,371)	(4,604,235)
(Increase) decrease in long term receivables	(5,303)	30,983
<b>Net increase in cash from investing activities</b>	<b>(93,674)</b>	<b>(4,573,252)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>2,910,468</b>	<b>(3,074,130)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>11,685,376</b>	<b>14,759,506</b>
<b>CASH, END OF YEAR</b>	<b>14,595,844</b>	<b>11,685,376</b>

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

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# Township of South Frontenac

## Notes to the Consolidated Financial Statements

December 31, 2017

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### 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.

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### 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.

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

December 31, 2017

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**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.

**Taxation and Related Revenues**

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation ('MPAC'). Tax rates are established by the Township Council, incorporating amounts to be raised for local services, amounts to be raised on behalf of County of Frontenac for regional services, and amounts the Township is required to collect on behalf of the Province of Ontario in respect of education taxes. Taxation revenues are recorded at the time tax billings are issued. Adjustments to taxation revenue can occur during the year related to the issuance of supplementary tax billings and/or assessment appeals. These adjustments are recorded when the amount of the adjustments can be quantified. The Township is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period in which the interest and penalties are applied.

**Tangible Capital Assets**

Tangible capital assets are recorded at cost, which include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight line basis over their estimated useful lives as follows:

Land	
Land Improvements	15 - 20 years
Buildings and Building Improvements	20 - 50 years
Vehicles, Machinery and Equipment	3 - 25 years
Linear Assets	
Roads	7 - 50 years
Bridges	7 - 50 years
Sidewalks	20 years
Water Infrastructure	50 - 70 years

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

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

December 31, 2017

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### 2. Significant Accounting Policies / continued

#### Tangible Capital Assets / continued

The Township has a capitalization threshold of \$5,000 for vehicles and equipment and \$10,000 for buildings and \$15,000 for linear assets so that individual capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operations reasons.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of other asset as of the date of transfer.

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the consolidated statement of operations in the year of disposal. Transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

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

(i) Natural Resources

Natural resources that have not been purchased are not recognized as assets in the consolidated financial statements.

(ii) Works of Art and Cultural and Historic Assets

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

#### Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

#### Inventories and Prepaid Expenses

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

#### Pension and Employee Benefits

The Township accounts for its participation in the Ontario Municipal Employees Retirement System ('OMERS'), a multi-employer public sector pension fund, as a defined benefit plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

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# Township of South Frontenac

## Notes to the Consolidated Financial Statements

December 31, 2017

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### 2. Significant Accounting Policies / continued

#### Pension and Employee Benefits / continued

Employee benefits include vacation entitlement and sick leave benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave benefits are accrued in accordance with the Township's policy.

#### Employee Future Benefit Obligations

The Township accrues its obligation for employee benefit plans. The cost of post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Actual gains (losses) which can arise from changes in the actuarial assumptions used to determine the accrued benefit obligation will be amortized over the average remaining service period of active employees.

#### Cash and Cash Equivalents

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

#### Government Transfers

Government transfers are recognized in the consolidated financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

#### Deferred Revenues ▶ Obligatory Reserve Funds

The Township defers recognition of user charges and fees which have been collected but for which the related services have yet to be performed. Government transfers of gas taxes, development charges collected under the *Development Charges Act, 1997*, and recreational land collected under the Planning Act are reported as deferred revenues in the Consolidated Statement of Financial Position. These amounts will be recognized as revenues in the fiscal year the services are performed.

The Township receives restricted contributions under the authority of provincial legislation and Township bylaws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

The Township receives restricted contributions under the authority of Federal and Provincial legislation and Township by-laws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

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

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# Township of South Frontenac

## Notes to the Consolidated Financial Statements

December 31, 2017

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### 2. Significant Accounting Policies / continued

#### Investments

Short-term and long-term investments are recorded at fair market value.

Investment income consists of interest and realized gains or losses on sale of investments and is recognized as revenue in the period when it is earned. Unrealized gains and losses on investments are recognized in the accumulated remeasurement gains and losses until settlement. Once realized, these gains and losses are recognized as revenue or expenses in the consolidated statement of operations. Investment income earned on development charges and parkland obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balances.

#### Landfill Closure and Post-Closure Liabilities

The Township accrues landfill closure and post-closure care requirements that have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a fifty year period using the best information available to management.

Future events may result in significant changes to the estimated total 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 post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

#### Financial Instruments

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. The Township has classified each financial instrument into one of the following categories: cash and cash equivalents, 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.

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

**December 31, 2017**

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**2. Significant Accounting Policies / continued**

**Financial Instruments / continued**

**Valuation of Financial Assets and Liabilities**

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

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

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

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

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

**Measurement Uncertainty**

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and 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.

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**3. Change in Accounting Policy**

At January 1, 2017 the Township adopted Public Sector Accounting Standard 3450 which records financial instruments at fair market value at year end. As this did not result in a material adjustment the amount has not been reflected retroactively and the prior year has not been restated.

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

December 31, 2017

**4. Operations of the School Boards and County of Frontenac**

During 2017, the Township collected and made property tax transfers including payments in lieu of property taxes, to the County of Frontenac and School Boards as follows:

	School Boards \$	County \$
Amounts requisitioned and paid	5,941,500	5,488,922

**5. Contributions to Consolidated Joint Board**

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

	2017 \$	2016 \$
Frontenac Community Arena	73,354	69,076

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:

	2017 \$	2016 \$
Frontenac Community Arena	648,944	652,226

**6. Long Term Investments**

One Investment Program	2017		2016	
	Cost \$	Market \$	Cost \$	(Note 3) Market \$
For Township Purposes				
▶ pooled bond portfolio	2,356,431	2,267,863	2,303,090	2,271,308
▶ pooled universe corporate bond portfolio	850,059	814,729	829,462	798,376
▶ equity portfolio	698,750	814,550	698,750	740,391
	<b>3,905,240</b>	<b>3,897,142</b>	<b>3,831,302</b>	<b>3,810,075</b>

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

**December 31, 2017**

**6. Long Term Investments / continued**

One Investment Program	2017		2016	
	Cost	Market	Cost	Market
	\$	\$	\$	\$
For Obligatory Reserve Funds				
▸ pooled bond portfolio	806,147	775,850	787,899	777,027
▸ pooled universe corporate bond portfolio	336,401	322,419	328,250	315,948
▸ equity portfolio	195,000	227,316	195,000	206,621
	<b>1,337,548</b>	<b>1,325,585</b>	1,311,149	1,299,596
	<b>5,242,788</b>	<b>5,222,727</b>	5,142,451	5,109,671

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

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

**7. Long Term Receivables**

Long term receivables are comprised of:

	2017	2016
	\$	\$
Community Improvement Loans	17,005	11,702

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

**8. Trust Funds**

Trust funds administered by the Township amounting to \$653,320 (2016 \$640,069) 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, 2017**

**9. 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:

	2017	2016
	\$	\$
Balance, Beginning of Year	3,696,634	3,570,230
Development contributions	95,388	489,905
Subdivider contributions	---	187,161
Investment income	43,759	44,822
Federal Gas Tax funding	234,791	(160,792)
Other revenue utilized	(158,317)	(434,692)
<b>Balance, End of Year</b>	<b>3,912,255</b>	<b>3,696,634</b>

	2017	2016
	\$	\$
Analyzed as follows:		
Federal Gas Tax funding	653,155	411,988
Development charges	2,393,528	2,270,456
Cash in lieu of parkland	689,533	838,153
Subdivider contributions	176,039	176,037
	<b>3,912,255</b>	<b>3,696,634</b>

**10. 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, 2017, based on an actuarial update, the accrued benefit obligation was \$143,600 (2016 \$127,400).

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

**December 31, 2017**

**10. 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	7.20% 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:

	2017	2016
	\$	\$
Accrued benefit obligation at beginning of year	127,400	113,900
Expense recognized for the year	20,200	19,700
Interest cost	5,500	5,300
Benefits paid for the year	(9,500)	(11,500)
Accrued benefit obligation at end of year	143,600	127,400

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

	2017	2016
	\$	\$
Accrued benefit obligation end of year	198,300	188,400
Unamortized actuarial loss	(54,700)	(61,000)
Accrued benefit obligation end of year	143,600	127,400

**11. 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 \$293,390 (2016 \$279,141) 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, 2017**

**12. 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 16% to 46% of the total estimated capacity and the estimated remaining life of the active landfill sites ranges from nine years to twenty-seven 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% (2016 6%). The estimated total landfill closure and post-closure care expense are calculated at approximately \$1,905,074 (2016 \$1,884,410). 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, 2017 is an amount of \$1,438,037 (2016 \$1,392,506) with respect to landfill closure and post-closure liabilities recognized to date.

**13. Municipal Equity**

Municipal equity consists of:

	2017	2016
	\$	\$
Invested in Tangible Capital Assets		
Tangible capital assets	87,132,903	87,630,259
Unfinanced capital expense	(426,833)	(441,634)
	<b>86,706,070</b>	87,188,625
Unrestricted Surplus		
Frontenac Community Arena	103,151	109,001
Landfill Closure and Post-Closure To Be Recovered	(1,438,037)	(1,392,506)
Reserves	16,649,111	13,283,746
<b>Total Municipal Equity</b>	<b>102,020,295</b>	99,188,866

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

**December 31, 2017**

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**14. 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, 2017, 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.

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**15. 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, 2021. The annual cost as at December 31, 2017 was \$170,398 (2016 \$118,798).
- (c) The Township has entered into road construction contracts with approximately \$510,000 of work to be completed in 2018. The expenditure will be funded from reserves, grants and taxation.

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**16. Supplementary Information**

	2017	2016
	\$	\$
Expenses by Object		
Salaries, wages and employee benefits	4,872,533	4,636,172
Materials, services, rents and financial expenses	11,262,534	10,511,571
Transfers to others	443,117	381,210
Amortization	5,886,350	5,867,645
	<b>22,464,539</b>	<b>21,396,598</b>

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

December 31, 2017

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### 17. 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, 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, 2016.

#### Market Risk

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

#### Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Township is exposed to price risk through its investment in quoted One Fund investments. The following details the Township's portfolio sensitivity to a 1.0% increase or decrease in the market prices. At December 31, 2017, if market prices had a 1.0% increase or decrease with all other variables remaining the same the increase or decrease in accumulated remeasurement gains and losses on the investments for the year would have totalled \$52,428.

#### 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.

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

December 31, 2017

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**18. 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 6.

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**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.

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**20. Tangible Capital Assets**

	2017	2016
	\$	\$
Land	3,163,307	3,163,307
Land improvements	1,497,706	1,329,419
Buildings and building improvements	9,356,143	8,706,123
Vehicles, machinery and equipment	6,146,363	6,751,016
Linear Assets		
Roads	49,450,509	51,204,875
Bridges	6,789,079	6,870,365
Sidewalks	162,549	166,522
Water infrastructure	7,631,147	7,796,570
Construction in progress	2,390,307	1,098,837
Frontenac Community Arena	545,793	543,225
	<b>87,132,903</b>	<b>87,630,259</b>

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

Assets under construction having a value of \$2,390,307 (2016 \$1,098,837) have not been amortized. Amortization of these assets will commence when the asset is put into service.

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

December 31, 2017

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### 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.

(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.

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

December 31, 2017

**21. Segmented Information / continued**

(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.

2017	Adminis- -tration	Protective Services	Transport -ation Services	Environmen- -tal Services	Health Services	Parks, Recreation & Culture	Planning & Development	Total
	\$	\$	\$	\$	\$		\$	\$
<b>Revenues</b>								
Taxation	18,733,406	---	---	---	---	---	---	18,733,406
Penalties & interest	380,932	---	---	---	---	---	---	380,932
Government Grants								
▸ unconditional	1,482,900	---	---	238,444	---	7,310	---	1,728,654
▸ conditional	---	22,397	222,568	---	---	112,920	14,093	371,978
Other municipalities	11,824	---	561,601	---	---	12,600	---	586,025
Licenses, permits & rents	218,149	536,421	61,915	2,400	---	138,351	---	957,236
User fees & service charges	23,632	105,637	35,715	785,121	59,742	71,992	145,739	1,227,578
Other	190,168	429,001	315,452	48,656	16,008	310,869	---	1,310,154
	21,041,011	1,093,456	1,197,251	1,074,621	75,750	654,042	159,832	25,295,963
<b>Expenses</b>								
Salaries, wages & employee benefits	1,014,257	747,151	2,023,637	603,718	621	253,928	229,221	4,872,533
Interest on long term debt	---	---	---	17,471	---	---	---	17,471
Materials	283,284	559,073	3,181,422	264,788	5,805	256,335	34,524	4,585,231
Contracted services	116,938	3,219,719	682,086	1,917,834	63,191	450,174	199,918	6,649,860
Rents & financial expenses	9,972	---	---	---	---	---	---	9,972
External transfers	205,037	238,080	---	---	---	---	---	443,117
Amortization	139,689	298,597	5,110,329	190,046	---	147,689	---	5,886,350
	1,769,177	5,062,620	10,997,474	2,993,857	69,617	1,108,126	463,663	22,464,534
<b>Excess of Revenues Over Expenses</b>	<b>19,271,834</b>	<b>(3,969,164)</b>	<b>(9,800,223)</b>	<b>(1,919,236)</b>	<b>6,133</b>	<b>(454,084)</b>	<b>(303,831)</b>	<b>2,831,429</b>

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

**December 31, 2017**

**21. Segmented Information / continued**

2016	Adminis- -tration	Protective Services	Transport -ation Services	Environmen- -tal Services	Health Services	Parks, Recreation & Culture	Planning & Development	Total
	\$	\$	\$	\$	\$		\$	\$
<b>Revenues</b>								
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
<b>Expenses</b>								
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
<b>Excess of Revenues Over Expenses</b>	<b>17,397,381</b>	<b>(4,206,858)</b>	<b>(8,921,455)</b>	<b>(501,978)</b>	<b>(22,414)</b>	<b>(322,016)</b>	<b>(145,408)</b>	<b>3,277,252</b>

**22. Budget Figures**

The 2017 budget amounts that were approved were not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Board Standards). The budget included capital items such as infrastructure replacements and estimated costs for constructed assets, as program expenses, but the actual expenses have been removed in the Statement of Operations. The revenues attributable to these items continue to be included in the Statement of Operations, resulting in a significant variance.

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

**December 31, 2017**

**22. Budget Figures**

The following analysis is provided to assist readers in their understanding of differences between the approved budget and the audited financial statements:

	Budget	Actual
	\$	\$
Total Revenues	23,919,400	24,387,925
Total Expenditures	23,354,823	22,464,534
Net Revenues	564,577	1,923,391
Amortization	7,198,017	5,911,200
Adjusted Net Revenues	7,762,594	7,834,591
Capital Revenues	1,415,824	916,134
Funds Available	9,178,418	8,750,725
Capital Expenditures	(10,156,054)	(5,423,609)
Disposal of tangible capital assets	---	9,765
Unfunded landfill liability	---	45,531
Remeasurement gain (loss)	---	(8,096)
(Decrease) Increase in Operating Surplus	(977,636)	3,374,316
<b>Allocated as follows:</b>		
Net transfers (to) from reserves	(953,878)	3,365,365
Net decrease in unfinanced capital	---	14,801
Change in Frontenac Community Arena	(23,758)	(5,850)
	(977,636)	3,374,316

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

For the year ended December 31	(Note 22) Budget	2017	2016
	\$	\$	\$
<b>Net Transfers From / (To) Other Funds</b>			
Transfers from operations	3,070,860	5,457,337	4,329,158
Transfers to capital acquisitions	(4,024,738)	(2,091,972)	(1,378,965)
<b>Total Net Transfers</b>	(953,878)	<b>3,365,365</b>	2,950,193
<b>Reserves and Reserve Fund Balances, Change in Year</b>	(953,878)	<b>3,365,365</b>	2,950,193
<b>Reserves and Reserve Fund Balances, Beginning of Year</b>	13,283,746	<b>13,283,746</b>	10,333,553
<b>Reserves and Reserve Fund Balances, End of Year</b>	12,329,868	<b>16,649,111</b>	13,283,746

**Composition of Reserves and Reserve Funds**

For the year ended December 31	2017	2016
	\$	\$
<b>Reserves set aside for specific purposes by Council:</b>		
Fiscal		
▶ for working capital	5,392,205	3,206,843
▶ for election	83,992	58,110
▶ for building inspection	577,601	398,085
	<b>6,053,798</b>	3,663,038
Equipment and Infrastructure		
▶ for global	4,123,302	3,399,524
▶ for vertical	1,029,528	1,576,173
▶ for roadways	759,557	743,620
▶ for linear	424,035	231,395
▶ for rolling stock	1,422,281	544,072
▶ for future landfill closing	745,528	710,930
▶ for water infrastructure	741,045	617,599
▶ for stabilization	1,350,037	1,797,395
	<b>10,595,313</b>	9,620,708
<b>Total Reserves</b>	<b>16,649,111</b>	13,283,746

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

**Township of South Frontenac  
Schedule 2 ▶ 2017 Tangible Capital Assets**

Asset Class	Cost 01/01/17	Additions	(Disposals)	Cost 31/12/17
	\$	\$	\$	\$
Land	3,163,307	---	---	3,163,307
Land Improvements	1,553,664	234,744	---	1,788,408
Buildings & Building Improvements	11,864,867	964,159	---	12,826,026
Vehicles, Machinery & Equipment	13,993,866	251,561	(116,587)	14,128,840
Linear Assets				
Roads	136,531,487	2,556,635	---	139,088,122
Bridges	11,969,182	97,622	---	12,066,804
Sidewalks	248,500	---	---	248,500
Water infrastructure	9,256,784	---	---	9,256,784
Construction in Progress	1,098,837	1,291,470	---	2,390,307
Frontenac Community Arena	825,460	27,418	---	852,878
	190,505,954	5,423,609	(116,587)	195,812,976

Asset Class	Accumulated Amortization 01/01/17	Amortization	(Disposals)	Accumulated Amortization 31/12/17	Net Book Value 31/12/17
	\$	\$	\$	\$	\$
Land	---	---	---	---	3,163,307
Land Improvements	224,245	66,457	---	290,702	1,497,706
Buildings & Building Improvements	3,158,744	314,139	---	3,472,883	9,356,143
Vehicles, Machinery & Equipment	7,242,850	846,449	(106,822)	7,982,477	6,146,363
Linear Assets					
Roads	85,326,612	4,311,001	---	89,637,613	49,450,509
Bridges	5,098,817	178,908	---	5,277,725	6,789,079
Sidewalks	81,978	3,973	---	85,951	162,549
Water infrastructure	1,460,214	165,423	---	1,625,637	7,631,147
Construction in Progress	---	---	---	---	2,390,307
Frontenac Community Arena	282,235	24,850	---	307,085	545,793
	102,875,695	5,911,200	(106,822)	108,680,073	87,132,903

The accompanying 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.



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## **INDEPENDENT AUDITOR'S REPORT**

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### **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, 2017 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, 2017 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,  
June 5, 2018.

**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	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>									
Cash	8,665	15,941	---	5,056	25,000	---	25,322	79,984	60,204
Investments	6,370	---	475,856	80,000	---	---	---	562,226	568,754
Long term notes receivable	---	---	---	---	---	11,110	---	11,110	11,110
	15,035	15,941	475,856	85,056	25,000	11,110	25,322	653,320	640,068
<b>LIABILITIES</b>									
Fund Balance	15,035	15,941	475,856	85,056	25,000	11,110	25,322	653,320	640,068

**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	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>REVENUES</b>									
Sales of Perpetual Care	---	---	12,500	2,450	---	---	---	14,950	12,150
Donations	---	1,179	---	---	---	---	---	1,179	300
Interest earned	243	183	12,031	1,966	---	---	322	14,745	9,189
	243	1,362	24,531	4,416	---	---	322	30,874	21,639
<b>EXPENDITURES</b>									
Transfer to Operating Fund	---	---	16,007	---	---	---	1,615	17,622	9,111
<b>NET REVENUES (EXPENDITURES) FOR THE YEAR</b>									
	243	1,362	8,524	4,416	---	---	(1,293)	13,252	12,528
<b>BALANCE AT THE BEGINNING OF THE YEAR</b>									
	14,792	14,579	467,332	80,640	25,000	11,110	26,615	640,068	627,540
<b>BALANCE AT THE END OF THE YEAR</b>									
	15,035	15,941	475,856	85,056	25,000	11,110	25,322	653,320	640,068

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

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

December 31, 2017

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**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.

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**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, 2017 are comprised of repayable loans of \$11,110 (2016 \$11,110) and forgivable loans of \$Nil (2016 \$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.

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**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 \$20,548 (2016 \$18,582) is available for future expenses related to monument perpetual care.