

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013**

CONTENTS

Three Year Financial Review	1 - 2
Management's Responsibility for the Consolidated Financial Statements	3
Independent Auditor's Report	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Operations	6
Consolidated Statement of Changes in Net Financial Assets	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9 - 22
Schedule 1 ▶ Continuity of Reserves and Reserve Funds	23
Schedule 2 ▶ Tangible Capital Assets	24 - 25
Independent Auditor's Report ▶ Trust Funds	26
Trust Funds ▶ Statement of Financial Position and Statement of Financial Activities	27
Trust Funds ▶ Notes to the Financial Statements	28

**Township of
South Frontenac
Consolidated
Financial Statements
December 31, 2013**

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

December 31	2013	2012	2011
Population (Statistics Canada)	18,100	18,100	18,100
Number of Households (MPAC)	10,149	10,054	9,684
Taxable Assessment (000's)			
Residential and farm	2,560,405	2,389,855	2,205,581
Commercial and industrial	27,814	27,775	26,470
Total	2,588,219	2,417,630	2,232,051
Commercial, industrial as % of assessment	1.07%	1.15%	1.19%
Rates of Taxation			
▸ for general municipal purposes	0.495363	0.499931	0.485812
▸ for county purposes	0.178401	0.193135	0.212540
▸ for school board purposes	0.212000	0.221000	0.231000
Total	0.885764	0.914066	0.929352
Multi-Residential (total)	0.885764	0.914066	0.929352
Commercial (total)	2.163764	2.183066	2.306790
Industrial (total)	2.263764	2.283066	2.496493
Tax Arrears ▸ percentage of current levy (<10%)**	10.84%	9.82%	10.77%
Taxes Transferred (000's)			
▸ County	4,759	4,848	4,886
▸ School Boards	5,996	5,869	5,654
Revenues (000's)			
▸ Property taxation	14,461	13,953	12,563
▸ Government grants	3,272	3,442	4,284
▸ User charges	951	646	1,192
▸ Other	1,432	1,621	1,529
▸ Revenues related to capital assets	(354)	---	---
Total	19,762	19,662	19,568
Expenditures (000's)			
▸ Operations	19,573	20,155	20,384
▸ Amortization	6,082	6,360	7,297
Net Assets (Net Debt)			
▸ % of Operating Revenue (>(20%)) **	40.66%	41.64%	45.39%
▸ % of Taxation (>(50%)) **	53.07%	56.08%	64.57%

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

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

December 31	2013	2012	2011
	\$	\$	\$
Long Term Debt			
▶ Long term debt (000's)	358	373	387
▶ Long term debt charges (000's)	36	36	36
▶ Annual repayment limit (000's)	4,035	3,729	3,737
▶ Long term debt per household	35	37	40
▶ Debt charges (000's)			
▶ user charges	36	30	36
<hr/>			
Municipal Equity (000's)			
▶ Surplus and Reserves	9,084	9,670	10,182
▶ Invested in capital assets	81,062	80,288	80,269
▶ Net book value to original cost	48.47%	49.25%	51.04%
▶ Reserves as % of operating expenses (> 20%) **	54.80%	54.12%	57.65%
<hr/>			
Financial Indicators			
▶ Sustainability			
▶ financial assets to liabilities	1.95	1.95	2.00
▶ financial assets to liabilities excluding long term debt	2.03	2.04	2.10
▶ long term debt to tangible capital assets	0.44%	0.46%	0.48%
▶ Flexibility			
▶ Debt charges to total operating revenue (<5%)**	0.18%	0.18%	0.18%
▶ Total operating revenue to taxable assessment	0.78	0.81	0.88
▶ Working capital to operating expenses (>10%) **	41.79%	40.62%	43.58%
▶ Vulnerability			
▶ Operating government transfers ▶ to operating revenue	11.56%	13.98%	17.08%
▶ Total government transfers ▶ to total revenues	11.39%	13.98%	17.08%



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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 established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. 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 Chartered Accountant Professional Corporation, 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, CGA
Treasurer

Allan

Chartered Accountant Professional Corporation

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 consolidated statement of financial position of the Corporation of the Township of South Frontenac as at December 31, 2013 and the consolidated statement of operations, changes in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Corporation of the Township of South Frontenac's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the Township of South Frontenac as at December 31, 2013 and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.



Chartered Accountants

Licensed Public Accountants

Allan Chartered Accountants Professional Corporation

Authorized to practice public accounting by the Institute of Chartered Accountants of Ontario


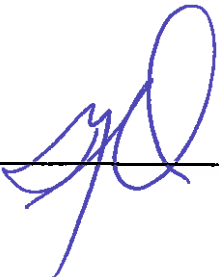
Perth, Ontario,

July 8, 2014.

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

December 31	2013	2012
	\$	\$
ASSETS		
Financial Assets		
Cash and short term deposits	12,079,376	12,452,353
Taxes receivable (net of allowance \$282,378)	2,732,652	2,422,269
Accounts receivable	964,421	890,459
Long term investments (note 5)	548,959	557,750
Tile drainage loan receivable (note 18)	5,520	7,156
Sydenham Water Works debenture receivable (note 19)	357,895	372,610
Long term receivables (note 6)	97,782	111,846
	16,786,605	16,814,443
LIABILITIES		
Financial Liabilities		
Accounts payable	2,137,695	1,874,697
Other current liabilities	120,304	552,111
Employee future benefit obligations (note 9)	103,540	110,495
Deferred revenues (note 8)	4,528,934	4,271,706
Tile drainage loan payable (note 18)	5,520	7,156
Sydenham Water Works debenture payable (note 19)	357,895	372,610
Accrued landfill closure and post closure (note 11)	1,353,514	1,438,972
	8,607,402	8,627,747
NET FINANCIAL ASSETS	8,179,203	8,186,696
NON-FINANCIAL ASSETS		
Tangible capital assets (note 20)	81,548,768	81,425,976
Inventories	213,291	157,635
Prepaid expenses	205,075	187,269
	81,967,134	81,770,880
Contingent Liabilities (note 13)		
MUNICIPAL EQUITY (note 12)	90,146,337	89,957,576

Approved On Behalf of Council:

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	2013	2012
	\$	\$	\$
REVENUES			
Property taxation	14,415,765	14,461,423	13,953,221
User charges	766,025	951,062	646,247
Licences and permits	642,018	774,318	750,475
Government grants	2,447,732	2,326,271	2,749,134
Grants from other municipalities	977,098	945,314	693,365
Investment income	109,450	151,837	165,394
Penalties and interest on taxes	390,000	439,211	417,003
Donations	6,000	37,686	25,194
Gain on sale of capital assets	---	7,097	120,090
Other	2,065	22,030	141,468
TOTAL REVENUES	19,756,153	20,116,249	19,661,591
EXPENDITURES			
General government	1,309,208	1,357,626	1,327,453
Fire	1,027,747	1,183,449	1,236,315
Police	2,498,898	2,377,296	2,356,164
Conservation authority	180,050	182,722	180,373
Protective inspections and control	530,842	433,378	384,670
Emergency measures	1,300	177	233
Roadways and winter control	4,831,614	10,219,650	10,936,920
Street lighting	88,561	77,171	4,456
Waterworks	186,009	382,037	382,405
Garbage collection and disposal	2,326,241	2,230,841	2,180,072
Landfill closure and post-closure costs	---	(85,458)	86,714
Cemeteries	61,225	85,988	63,426
Parks, recreation and cultural services	837,170	833,076	758,636
Planning and development	219,270	295,334	257,230
TOTAL EXPENDITURES	14,098,135	19,573,287	20,155,067
NET REVENUES (EXPENDITURES) FROM OPERATIONS	5,658,018	542,962	(493,476)
OTHER			
Grants and transfers related to capital			
Government transfers (note 8)	---	12,644	---
Deferred revenues earned (note 8)	---	415,953	---
Write down of tangible capital assets	---	(782,798)	---
	---	(354,201)	---
ANNUAL SURPLUS (DEFICIT)	5,658,018	188,761	(493,476)
MUNICIPAL EQUITY, BEGINNING OF YEAR	89,957,576	89,957,576	90,451,052
MUNICIPAL EQUITY, END OF YEAR	95,615,594	90,146,337	89,957,576

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

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

For the year ended December 31	(Note 16) Budget	2013	2012
	\$	\$	\$
ANNUAL SURPLUS (DEFICIT)	5,658,018	188,761	(493,476)
Amortization of tangible capital assets	—	6,082,192	6,359,980
Acquisition of tangible capital assets	(6,063,098)	(6,987,782)	(6,489,655)
Disposal of tangible capital assets	—	782,798	(8,473)
Acquisition of prepaid expenses	—	(17,806)	(973)
Acquisition of supplies inventories	—	(55,656)	(62,936)
DECREASE IN NET FINANCIAL ASSETS	(405,080)	(7,493)	(695,533)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	8,186,696	8,186,696	8,882,229
NET FINANCIAL ASSETS, END OF YEAR	7,781,616	8,179,203	8,186,696

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	2013	2012
	\$	\$
OPERATING		
Annual surplus (deficit) for the year	188,761	(493,476)
Amortization	6,082,192	6,359,980
Loss (gain) on sale of tangible capital assets	782,798	(8,472)
Change in landfill liability	(85,458)	86,714
Change in employee benefit obligations	(6,955)	(9,288)
	6,961,338	5,935,458
Net Change in Non-Cash Working Capital Balances		
Taxes receivable	(310,380)	65,443
Accounts receivable	(73,962)	108,650
Accounts payable	262,998	(1,301,181)
Other current liabilities	(431,810)	62,555
Deferred revenues	257,228	956,404
Prepaid expenses	(17,806)	(973)
Inventory not for resale	(55,656)	(62,936)
	(369,388)	(172,038)
Working Capital from Operations	6,591,950	5,763,420
CAPITAL		
Acquisition of tangible capital assets	(6,987,782)	(6,489,655)
Net investment in tangible capital assets	(6,987,782)	(6,489,655)
INVESTING		
Decrease (increase) in long term investments	8,791	(3,570)
Decrease (increase) in long term receivables	14,064	(35,775)
Net decrease (increase) in cash from investing activities	22,855	(39,345)
NET DECREASE IN CASH	(372,977)	(765,580)
CASH, BEGINNING OF YEAR	12,452,353	13,217,933
CASH, END OF YEAR	12,079,376	12,452,353

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

Township of South Frontenac Notes to the Consolidated Financial Statements

December 31, 2013

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 for local governments as recommended by the Public Sector Accounting Board ('PSAB') of the Canadian Institute of Chartered Accountants. 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 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.

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.

Township of South Frontenac
Notes to the Consolidated Financial Statements

December 31, 2013

2. Significant Accounting Policies / continued

Basis of Consolidation / continued

- (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.

(iv) Natural Resources

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

(v) 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.

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

December 31, 2013

2. Significant Accounting Policies / continued

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.

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.

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

December 31, 2013

2. Significant Accounting Policies / continued

Deferred Revenues ▶ Obligatory Reserve Funds / continued

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.

Investments

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

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

Landfill Closure and Post-Closure Liabilities

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

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

Financial Instruments

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

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

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

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

Measurement Uncertainty.

The preparation of consolidated financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions on such areas as employee benefits, assessment appeals and environmental provisions. These estimates and assumptions are based on the Township's best information and judgment and may differ significantly based on actual results.

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

December 31, 2013

3. Operations of the School Boards and County of Frontenac

During 2013, 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	5,995,665	4,758,939

4. Contributions to Consolidated Joint Board

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

	2013	2012
	\$	\$
Frontenac Community Arena	54,510	56,017

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:

	2013	2012
	\$	\$
Frontenac Community Arena	684,914	568,530

The Township paid \$490,643 on behalf of Frontenac Community Arena for expenses relating to Project End Zone. In the current year, \$192,612 (2012 \$6,811) has been repaid leaving a receivable balance of \$Nil (2012 \$192,612) at year end.

5. Long Term Investments

Total long term investments of \$548,959 (2012 \$557,750) reported on the 'Consolidated Statement of Financial Position' at cost plus accrued interest, have a market value of \$585,665 (2012 \$594,769) at the end of the year.

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

December 31, 2013

6. Long Term Receivable

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

7. Trust Funds

Trust funds administered by the Township amounting to \$605,140 (2012 \$578,775) 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 principles of the Canadian Institute of Chartered Accountants 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:

	2013	2012
	\$	\$
Balance, Beginning of Year	4,271,706	3,315,302
Department surplus	---	155,132
Development contributions	231,109	268,698
Subdivider contributions	122,893	180,186
Investment income	70,735	64,695
Federal Gas Tax funding	261,088	916,212
Transfers from other reserve funds	---	401,083
Grant utilized	(12,644)	(666,508)
Other revenue utilized	(415,953)	(363,094)
Balance, End of Year	4,528,934	4,271,706
Analyzed as follows:		
Federal Gas Tax funding	943,425	682,337
Investment in Ontario	304,469	300,950
Development charges	1,736,919	1,700,899
Cash in lieu of parkland	864,316	901,512
Subdivider contributions	170,634	166,612
Building permit department	188,343	190,330
Water reserve fund	320,828	329,066
	4,528,934	4,271,706

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

December 31, 2013

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 2011 and will be applied effective January 1, 2011.

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, 2013, based on an actuarial update, the accrued benefit obligation was \$110,164 (2012 \$118,120).

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

Discount Rate	4.25% per annum
Health Benefits Escalation	6.67% per annum, scaling down over 8 years to 4.00% thereafter

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

	2013	2012
	\$	\$
Accrued benefit obligation at beginning of year	110,495	119,793
Expense recognized for the year	4,239	4,036
Interest cost	4,750	5,130
Benefits paid for the year	(15,944)	(18,464)
Accrued benefit obligation at end of year	103,540	110,495

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

	2013	2012
	\$	\$
Accrued benefit obligation end of year	110,164	118,120
Unamortized actuarial loss	(6,624)	(7,625)
Accrued benefit obligation end of year	103,540	110,495

Township of South Frontenac
Notes to the Consolidated Financial Statements

December 31, 2013

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. The amount contributed to OMERS was \$240,739 (2012 \$205,828) 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 28% to 49% of the total estimated capacity and the estimated remaining life of the active landfill sites ranges from ten years to twenty-nine years. The period for post-closure care for all sites is estimated to be fifteen years.

Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities using an estimated inflation rate of 2% and discounted at the Township's average long term borrowing rate of 6% (2012 6%). The estimated total landfill closure and post-closure care expense are calculated at approximately \$1,812,186 (2012 \$1,903,999). 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, 2013 is an amount of \$1,353,514 (2012 \$1,438,972) with respect to landfill closure and post-closure liabilities recognized to date.

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

December 31, 2013

12. Municipal Equity

Municipal equity consists of:

	2013	2012
	\$	\$
Invested in Tangible Capital Assets		
Tangible capital assets	81,548,768	81,425,976
Unfinanced capital expense	(486,614)	(1,137,870)
	81,062,154	80,288,106
Unrestricted Surplus		
Surplus	---	224,748
Cemetery Boards	(17,598)	3,666
Frontenac Community Arena	179,646	(27,347)
	162,048	201,067
Landfill Closure and Post-Closure To Be Recovered	(1,353,514)	(1,438,972)
Reserves	8,382,873	9,085,036
Reserve Funds	1,892,776	1,822,339
Total Municipal Equity	90,146,337	89,957,576

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, 2013, management believes that the Township has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Township's financial position. As a result, no provision has been made in these consolidated financial statements for any settlement which may arise as a result of these claims.

14. Contractual Obligations

- (a) The Township has entered into an agreement with the Ontario Provincial Police for the provision of police services. The term of the agreement is five years, commencing April 1, 2008 at an annual cost of approximately \$2.3 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 that expired on April 1, 2009 was renegotiated on April 23, 2012 for a term ending December 31, 2014. The annual cost as at December 31, 2013 was \$114,007 (2012 \$118,427).

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

December 31, 2013

15. Supplementary Information

	2013	2012
	\$	\$
Expenses by Object		
Salaries, wages and employee benefits	3,893,096	3,940,554
Materials, services, rents and financial expenses	9,317,000	9,594,565
Transfers to others	280,999	259,969
Amortization	6,082,192	6,359,979
	19,573,287	20,155,067

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. The fair values of cash, accounts receivable, investments and accounts payable 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, 2012.

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.

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

December 31, 2013

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 financial statements as both a loan receivable and payable.

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 financial statements as both a loan receivable and payable.

20. Tangible Capital Assets

	2013	2012
	\$	\$
Land	3,092,261	3,067,254
Land improvements	580,533	261,710
Buildings and building improvements	5,425,253	5,111,804
Vehicles, machinery and equipment	6,310,562	6,008,442
Linear Assets		
Roads	51,037,716	51,558,722
Bridges	5,612,185	5,649,389
Sidewalks	181,831	9,252
Water infrastructure	8,290,015	8,455,438
Construction in progress	513,145	792,071
Frontenac Community Arena	505,267	511,894
	81,548,768	81,425,976

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

Assets under construction having a value of \$513,145 (2012 \$792,071) have not been amortized. Amortization of these assets will commence when the asset is put into service.

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

December 31, 2013

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.

(e) Cemetery Boards

Includes the management and maintenance of municipal cemeteries.

(f) Parks, Recreation and Culture

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

(g) Planning and Development

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

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

December 31, 2013

21. Segmented Information / continued

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

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

2013	Adminis- -tration	Protective Services	Transport -ation Services	Environmen- -tal Services	Health Services	Parks, Recreation & Culture	Planning & Development	Total
	\$	\$	\$	\$	\$		\$	\$
Revenues								
Taxation	14,461,423	---	---	---	---	---	---	14,461,423
Penalties & interest	439,211	---	---	---	---	---	---	439,211
Government Grants								
▶ unconditional	1,399,187	292,500	---	226,442	---	10,694	---	1,928,823
▶ conditional	338,923	14,402	1,400	3,665	---	7,004	44,699	410,092
Other municipalities	5,000	---	940,314	---	---	---	---	945,314
Licenses, permits & rents	199,737	366,663	67,433	2,600	---	137,885	---	774,318
User fees & service charges	25,734	86,125	29,352	530,402	97,376	60,340	121,734	951,062
Other	110,609	(30,640)	(567,493)	52,472	8,607	216,541	429	(148,195)
	16,979,823	790,330	471,006	815,581	105,983	432,463	166,862	19,762,048
Expenses								
Salaries, wages & employee benefits	717,652	628,920	1,866,485	368,468	---	157,211	154,358	3,893,094
Interest on long term debt	---	---	---	21,217	---	---	429	21,646
Materials	193,685	252,983	2,124,624	120,486	8,582	88,396	24,692	2,813,448
Contracted services	261,567	2,799,418	872,780	1,832,435	77,406	515,478	114,810	6,473,894
Rents & financial expenses	8,014	---	---	---	---	---	---	8,014
External transfers	92,923	188,076	---	---	---	---	---	280,999
Amortization	83,785	307,625	5,432,932	184,814	---	71,991	1,045	6,082,192
	1,357,626	4,177,022	10,296,821	2,527,420	85,988	833,076	295,334	19,573,287
Excess of Revenues Over Expenses								
	15,622,187	(3,386,692)	(9,825,805)	(1,711,839)	19,995	(400,612)	(128,472)	188,761

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

December 31, 2013

21. Segmented Information / continued

2012	Adminis- -tration	Protective Services	Transport -ation Services	Environmen- -tal Services	Health Services	Parks, Recreation & Culture	Planning & Development	Total
	\$	\$	\$	\$	\$		\$	\$
Revenues								
Taxation	13,953,221	---	---	---	---	---	---	13,953,221
Penalties & interest	417,003	---	---	---	---	---	---	417,003
Government Grants								
▸ unconditional	1,545,300	322,500	---	---	---	---	---	1,867,800
▸ conditional	---	21,412	---	829,025	---	23,834	---	874,271
Other municipalities	---	---	625,320	---	---	68,045	---	693,365
Licenses, permits & rents	209,090	342,295	17,968	15,188	---	124,663	---	709,204
User fees & service charges	13,661	23,280	4,350	332,624	33,957	107,683	75,167	590,722
Other	201,396	(359,969)	340,220	162,588	7,531	193,111	11,128	556,005
	16,339,671	349,518	987,858	1,339,425	41,488	517,336	86,295	19,661,591
Expenses								
Salaries, wages & employee benefits	751,318	706,455	1,869,467	223,417	---	229,745	160,152	3,940,554
Interest on long term debt	---	---	---	22,028	---	1,562	519	24,109
Materials	252,088	270,576	2,528,141	247,843	3,656	187,471	24,685	3,514,460
Contracted services	199,638	2,690,670	738,261	1,978,860	59,770	312,777	71,871	6,051,847
Rents & financial expenses	4,149	---	---	---	---	---	---	4,149
External transfers	42,542	191,946	21,070	---	---	4,411	---	259,969
Amortization	77,718	298,109	5,784,437	177,044	---	22,671	---	6,359,979
	1,327,453	4,157,756	10,941,376	2,649,192	63,426	758,637	257,227	20,155,067
Excess of Revenues Over Expenses	15,012,218	(3,808,238)	(9,953,518)	(1,309,767)	(21,938)	(241,301)	(170,932)	(493,476)

22. Budget Figures

The operating budget approved by Township Council, for 2013 is reflected on the Consolidated Statement of Operations. The Township does not budget activity within Reserves and Reserve Funds, with the exception being those transactions, which affect either operations or capital investments. Budget figures have been reclassified for the purposes of these consolidated financial statements to comply with PSAB reporting requirements.

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

For the year ended December 31	(Note 22) Budget	2013	2012
	\$	\$	\$
Net Transfers From / (To) Other Funds			
Transfers from operations	1,994,009	1,880,931	2,031,224
Transfers to capital acquisitions	(3,860,492)	(2,522,657)	(2,895,831)
Total Net Transfers	(1,866,483)	(631,726)	(864,607)
Reserves and Reserve Fund Balances, Change in Year	(1,866,483)	(631,726)	(864,607)
Reserves and Reserve Fund Balances, Beginning of Year	10,907,375	10,907,375	11,771,982
Reserves and Reserve Fund Balances, End of Year	9,040,892	10,275,649	10,907,375

Composition of Reserves and Reserve Funds

For the year ended December 31	2013	2012
	\$	\$
Reserves set aside for specific purposes by Council:		
Fiscal		
▶ for working capital	2,002,242	2,998,373
Equipment and Infrastructure		
▶ for global	1,294,018	832,002
▶ for vertical	1,006,533	934,461
▶ for rolling stock	876,320	844,954
▶ for linear	892,730	1,184,396
Stabilization	2,311,030	2,290,850
Total Reserves	8,382,873	9,085,036
Reserve Funds set aside for specific purposes by Council:		
▶ for election	81,974	63,027
▶ for roadways capital	709,998	701,792
▶ for future landfill closing	1,100,804	1,057,520
Total Reserve Funds	1,892,776	1,822,339
Total Reserves and Reserve Funds	10,275,649	10,907,375

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

**Township of South Frontenac
Schedule 2 ▶ 2013 Tangible Capital Assets**

Asset Class	Cost 01/01/13	Additions	(Disposals)	Cost 31/12/13
	\$	\$	\$	\$
Land	3,067,254	25,007	---	3,092,261
Land Improvements	297,075	350,763	---	647,828
Buildings & Building Improvements	7,448,503	477,792	---	7,926,295
Vehicles, Machinery & Equipment	11,870,127	1,265,987	(720,568)	12,415,546
Linear Assets				
Roads	121,933,907	4,612,178	(3,345,113)	123,200,972
Bridges	9,875,108	346,982	---	10,222,090
Sidewalks	72,643	175,542	---	248,185
Water infrastructure	9,253,960	---	---	9,253,960
Construction in Progress	792,071	(278,926)	---	513,145
Frontenac Community Arena	714,948	12,467	---	727,415
	165,325,596	6,987,782	(4,065,681)	168,247,697

Asset Class	Accumulated Amortization 01/01/13	Amortization	(Disposals)	Accumulated Amortization 31/12/13	Net Book Value 31/12/13
	\$	\$	\$	\$	\$
Land	---	---	---	---	3,092,261
Land Improvements	35,365	31,930	---	67,295	580,533
Buildings & Building Improvements	2,336,699	164,343	---	2,501,042	5,425,253
Vehicles, Machinery & Equipment	5,861,685	733,690	(490,391)	6,104,984	6,310,562
Linear Assets					
Roads	70,375,185	4,580,563	(2,792,492)	72,163,256	51,037,716
Bridges	4,225,719	384,186	---	4,609,905	5,612,185
Sidewalks	63,391	2,963	---	66,354	181,831
Water infrastructure	798,522	165,423	---	963,945	8,290,015
Construction in Progress	---	---	---	---	513,145
Frontenac Community Arena	203,054	19,094	---	222,148	505,267
	83,899,620	6,082,192	(3,282,883)	86,698,929	81,548,768

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

**Township of South Frontenac
Schedule 2 ▶ 2012 Tangible Capital Assets**

Asset Class	Cost 01/01/12	Additions	(Disposals)	Cost 31/12/12
	\$	\$	\$	\$
Land	3,071,503	---	(4,249)	3,067,254
Land Improvements	297,075	---	---	297,075
Buildings & Building Improvements	6,992,460	456,043	---	7,448,503
Vehicles, Machinery & Equipment	11,307,248	986,131	(423,252)	11,870,127
Roads & Bridges Infrastructure	127,400,340	4,408,675	---	131,809,015
Sidewalks	72,643	---	---	72,643
Water Infrastructure	9,253,960	---	---	9,253,960
Construction in Progress	141,903	792,071	(141,903)	792,071
Frontenac Community Arena	711,562	3,386	---	714,948
	159,248,694	6,646,308	(569,404)	165,325,596

Asset Class	Accumulated Amortization 01/01/12	Amortization	(Disposals)	Accumulated Amortization 31/12/12	Net Book Value 31/12/12
	\$	\$	\$	\$	\$
Land	---	---	---	---	3,067,254
Land Improvements	20,511	14,854	---	35,365	261,710
Buildings & Building Improvements	2,151,902	184,797	---	2,336,699	5,111,804
Vehicles, Machinery & Equipment	5,554,444	728,467	(421,226)	5,861,685	6,008,442
Roads & Bridges Infrastructure	69,354,882	5,246,022	---	74,600,904	57,208,111
Sidewalks	61,573	1,818	---	63,391	9,252
Water Infrastructure	633,099	165,423	---	798,522	8,455,438
Construction in Progress	---	---	---	---	792,071
Frontenac Community Arena	184,456	18,598	---	203,054	511,894
	77,960,867	6,359,979	(421,226)	83,899,620	81,425,976

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

Allan

Chartered Accountant Professional Corporation

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 statement of financial position of the trust funds of the Corporation of the Township of South Frontenac as at December 31, 2013 and the statement of financial activities of the trust funds for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Corporation of the Township of South Frontenac's management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust funds of the Corporation of the Township of South Frontenac as at December 31, 2013 and the financial activities for the year then ended in accordance with Canadian Public Sector Accounting Standards.



Chartered Accountants

Licensed Public Accountants

Allan Chartered Accountants Professional Corporation

Authorized to practice public accounting by the Institute of Chartered Accountants of Ontario

Perth, Ontario,
July 8, 2014.

**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	2013	2012
	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS									
Cash	13,558	11,421	398,856	69,507	---	62	25,702	519,106	492,784
Term deposits	6,134	---	32,500	---	25,000	---	---	63,634	57,500
Long term notes receivable	---	---	---	---	---	22,400	---	22,400	28,491
	19,692	11,421	431,356	69,507	25,000	22,462	25,702	605,140	578,775
LIABILITIES AND CAPITAL									
Capital (note 3)	19,692	11,421	431,356	69,507	25,000	22,462	25,702	605,140	578,775

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	2013	2012
	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES									
Sales of Perpetual Care	---	---	11,580	3,100	---	---	---	14,680	22,300
Transfer from reserve	---	---	---	---	---	---	---	---	14,339
Donations	19,385	1,235	---	100	---	---	---	20,720	2,631
Interest earned	307	272	4,555	832	313	7	328	6,614	6,439
	19,692	1,507	16,135	4,032	313	7	328	42,014	45,709
EXPENDITURES									
Transfer to Operating Fund	---	---	4,555	4,690	313	6,091	---	15,649	16,931
NET REVENUES (EXPENDITURES) FOR THE YEAR	19,692	1,507	11,580	(658)	---	(6,084)	328	26,365	28,778
BALANCE AT THE BEGINNING OF THE YEAR	---	9,914	419,776	70,165	25,000	28,546	25,374	578,775	549,997
BALANCE AT THE END OF THE YEAR	19,692	11,421	431,356	69,507	25,000	22,462	25,702	605,140	578,775

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

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

December 31, 2013

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, 2013 are comprised of repayable loans of \$22,400 (2012 \$28,492) and forgivable loans of \$Nil (2012 \$400). 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 \$832 (2012 \$868) is available for future expenses related to monument perpetual care.