

Consolidated Financial Statements of

**CORPORATION OF THE
TOWNSHIP OF NORTH FRONTENAC**

Year ended December 31, 2015

Consolidated Financial Statements of

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Year ended December 31, 2015

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

	Page
Management's Responsibility for the Consolidated Financial Statements	1
Independent Auditors' Report	2
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Change in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8
Schedule of Segment Disclosure	19

TRUST FUNDS

Independent Auditors' Report	20
Statement of Financial Position and Statement of Continuity	22
Notes to Financial Statements	23

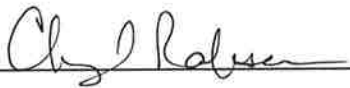
Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Township of North Frontenac (the "Township") 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. The significant accounting policies are described in summary in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, 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 the consolidated financial statements. These systems are monitored and evaluated by management.

Personnel and audit committee meet with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Township. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Township's consolidated financial statements.



Cheryl Robson
Chief Administrative Officer



Kelly Watkins
Treasurer



KPMG LLP
863 Princess Street Suite 400
Kingston ON K7L 5N4
Canada

Telephone (613) 549-1550
Fax (613) 549-6349
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Consolidated Financial Statements

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.

Auditors' 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 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 our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we 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, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the Township of North Frontenac as at December 31, 2015, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 29, 2016

Kingston, Canada

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Consolidated Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Financial assets:		
Cash	\$ 5,740,625	\$ 4,992,167
Taxes receivable	955,940	839,889
Trade and other receivables	1,013,162	1,096,906
Investments (note 3)	-	505,009
	<u>7,709,727</u>	<u>7,433,971</u>
Financial liabilities:		
Accounts payable and accrued liabilities	764,401	1,322,923
Deferred revenue - obligatory reserve funds (note 4)	574,587	548,796
Deferred revenue - other	166,480	603,568
Landfill closure and post-closure costs (note 5)	711,718	756,289
	<u>2,217,186</u>	<u>3,231,576</u>
Net financial assets	<u>5,492,541</u>	<u>4,202,395</u>
Non-financial assets:		
Tangible capital assets (note 12)	15,621,347	15,654,644
Prepaid expenses	8,392	6,490
	<u>15,629,739</u>	<u>15,661,134</u>
Accumulated municipal equity (note 13)	<u>\$ 21,122,280</u>	<u>\$ 19,863,529</u>

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

On behalf of Council:

 Councillor Gerry Martin, Chair of the Personnel-Audit Committee

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Consolidated Statement of Operations

Year ended December 31, 2015, with comparative information for 2014

	Budget (note 10)	2015	2014
Revenue:			
Net taxation and payments-in-lieu	\$ 5,608,675	\$ 5,628,632	\$ 5,267,367
Transfer payments	1,109,800	1,106,800	1,076,612
Government grants	1,561,236	1,376,297	1,707,063
User charges	214,000	428,373	393,076
Revenue from municipalities	31,275	30,961	31,106
Penalties and interest on taxes	120,000	159,849	163,439
Other	232,732	101,817	171,069
Investment income	15,000	61,028	69,876
	8,892,718	8,893,757	8,879,608
Expenses (note 6):			
General government	1,045,513	1,064,436	1,043,597
Protection to persons and property	1,128,930	1,198,322	1,050,965
Transportation services	2,636,291	4,038,565	4,019,084
Environmental services	589,906	614,323	655,127
Landfill closure and post-closure costs (recovery)	–	(44,571)	31,537
Cemeteries	–	–	1,678
Recreation and culture	464,421	474,965	460,872
Planning and development	219,229	288,966	258,407
Total expenses	6,084,290	7,635,006	7,521,267
Surplus for the year	2,808,428	1,258,751	1,358,341
Accumulated municipal equity, beginning of year		19,863,529	18,505,188
Accumulated municipal equity, end of year (note 13)		\$ 21,122,280	\$ 19,863,529

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

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2015, with comparative information for 2014

	Budget (note 10)	2015	2014
Surplus for the year	\$ 2,808,428	\$ 1,258,751	\$ 1,358,341
Acquisition of tangible capital assets	(2,492,874)	(2,469,704)	(3,559,379)
Amortization of tangible capital assets	–	2,318,387	2,322,832
Loss (gain) on disposal of tangible capital assets	–	176,258	(20,250)
Proceeds on disposal of tangible capital assets	–	8,356	20,250
	315,554	1,292,048	121,794
Change in prepaid expenses	–	(1,902)	(1,937)
Change in net financial assets	315,554	1,290,146	119,857
Net financial assets, beginning of year	–	4,202,395	4,082,538
Net financial assets, end of year	\$ 315,554	\$ 5,492,541	\$ 4,202,395

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

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Consolidated Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Surplus for the year	\$ 1,258,751	\$ 1,358,341
Items not involving cash:		
Amortization of tangible capital assets	2,318,387	2,322,832
Loss (gain) on disposal of tangible capital assets	176,258	(20,250)
Change in landfill liability	(44,571)	31,537
Change in non-cash assets and liabilities:		
Taxes receivable	(116,051)	28,727
Trade and other receivables	83,744	(551,681)
Accounts payable and accrued liabilities	(558,522)	422,334
Deferred revenue - obligatory reserve funds	25,791	(15,654)
Deferred revenue - other	(437,088)	558,414
Prepaid expenses	(1,902)	(1,937)
Net change in cash from operating activities	2,704,797	4,132,663
Capital activities:		
Cash used to acquire tangible capital assets	(2,469,704)	(3,559,379)
Proceeds on the disposition of tangible capital assets	8,356	20,250
	(2,461,348)	(3,539,129)
Investing activities:		
Decrease in investments	505,009	204,087
Increase in cash	748,458	797,621
Cash, beginning of year	4,992,167	4,194,546
Cash, end of year	\$ 5,740,625	\$ 4,992,167

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

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2015

1. Accounting policies:

The consolidated financial statements of the Corporation of the Township of North Frontenac (the "Township") are prepared by management, in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Township are as follows:

(a) Basis of consolidation:

- (i) The consolidated financial statements reflect the assets, liabilities, revenue and expenses and fund balances of the current, capital and reserves and reserve funds of the reporting entity. 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.

All interfund assets, liabilities and revenue and expenses have been eliminated.

- (ii) Accounting for upper tier and school board transactions:

The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the school boards and the County of Frontenac are not reflected in these consolidated financial statements.

- (iii) Trust funds:

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the Trust Funds statement of financial position and statement of continuity.

- (b) Deferred revenue - obligatory reserve funds:

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

- (c) Deferred revenue - other:

Deferred revenue represents government transfers, service charges and user fees which have been collected but for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the services are performed.

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

1. Accounting policies (continued):

(d) Landfill closure and post closure costs:

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 sixty year period using the best information available to management.

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

(e) Use of estimates:

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Significant estimates include the liabilities for landfill closure and post-closure costs. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the consolidated financial statements in the period in which they become known.

(f) Government transfers:

Government transfers are recognized as revenue in the consolidated financial statements when the transfer is authorized, any eligibility criteria are met and reasonable estimate of the amounts can be made except when and to the extent that stipulations by the transferor give rise to an obligation that meets the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

(g) Investments:

Long-term investments are recorded at cost plus accrued interest which approximates market value. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

(h) Basis of accounting:

Revenue and expenses are reported on the accrual basis of accounting. Revenue is recognized as it is earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

1. Accounting policies (continued):

(i) Non-financial assets:

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.

(i) Tangible capital assets:

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

Asset	Useful Life - Years
Land improvements	15 - 25
Buildings	50
Vehicles, machinery and equipment	7 - 25
Furniture and fixtures	5 - 20
Roads and bridge infrastructure	10 - 45

Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) 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.

(iv) Leased tangible capital assets:

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

(j) Property tax revenue:

Property tax revenue is recognized on the accrual basis using the approved tax rates and the anticipated assessment related to the current year.

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

2. Changes in accounting policies:

The Township has implemented Public Sector Accounting Board (PSAB) Section 3260 Liability for Contaminated Sites. Section 3260 requires governments to record a liability in their financial statements if they have a contaminated site that meets the requirements set out in the standard. The standard defines contamination as the introduction into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The standard generally applies to sites that are not in productive use. Sites that are in productive use are only considered contaminated if there was an unexpected event that resulted in contamination. This change has been applied retroactively without the restatement of prior periods.

The adoption of this standard did not have an impact on the Township's financial statements.

3. Investments:

In the prior year, investments, which consisted of government bonds were recorded on the consolidated statement of financial position at cost, plus accrued interest, which approximated market value. During the current year, investments came due and are now included in the cash balance. Future reinvestment is under review.

4. Deferred revenue - obligatory reserve funds:

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 and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the Township are summarized below:

	2015	2014
Balance, beginning of year	\$ 548,796	\$ 564,450
Federal gas tax county	121,104	251,295
Federal gas tax grant	53,336	54,895
Development contributions	50,416	34,332
Investment income	5,677	4,930
Utilization of funds	(204,742)	(361,106)
Balance, end of year	\$ 574,587	\$ 548,796
Analyzed as follows:		
Federal gasoline tax	\$ 366,009	\$ 389,303
Recreation land	208,578	159,493
	\$ 574,587	\$ 548,796

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

5. Landfill closure and post-closure costs:

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site 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, treatment and monitoring of leachate, monitoring ground water and surface water, gas monitoring and recovery, and ongoing maintenance of various control systems, drainage systems and final cover. The reported liability is based on estimates and assumptions with respect to events extending over a sixty year period using the best information available to management. Future events will result in changes to the estimated total expenses, capacity used or total capacity and the estimated liability and will be recognized prospectively, as a change in estimate, when applicable.

Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure monitoring activities using an assumed rate of 2% for inflation and a discount factor of 6%. The estimated total landfill closure and post-closure expenses are estimated to be \$1,086,333 (2014 - \$1,190,533). The Township currently has six active and two inactive landfill sites. For sites that are still active, the estimated liability for these expenses is recognized as the landfill sites' capacity is used. For sites that are inactive, the estimated liability for these expenses is recognized immediately. Included in liabilities at December 31, 2015 is an amount of \$711,718 (2014 - \$756,289) with respect to landfill closure and post-closure obligations recognized to date.

The estimated average remaining capacity of the landfill sites is 66% of the total estimated capacity and the estimated average remaining life of the landfill sites is 35 years, after which the period for post-closure care is estimated to be 25 years.

6. Expenses:

Expenses by object classification are as follows:

	2015	2014
Materials and supplies	\$ 1,932,775	\$ 2,140,506
Salaries, wages and benefits	2,562,733	2,484,860
Services, rents, contracted services and financial services	839,957	516,522
External transfers	25,725	25,010
Landfill closure and post-closure costs (recovery)	(44,571)	31,537
Amortization	2,318,387	2,322,832
	<u>\$ 7,635,006</u>	<u>\$ 7,521,267</u>

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

7. Operations of school boards and the County of Frontenac:

During 2015, requisitions were made by the school boards and the County of Frontenac requesting the Township to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	School Boards		County of Frontenac	
	2015	2014	2015	2014
Amounts requisitioned and collected	\$ 1,669,657	\$ 1,667,794	\$ 1,416,993	\$ 1,354,111

8. Pension agreement:

The Township makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer pension plan on behalf of 32 (2014 - 32) members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employee based on length of service and rates of pay.

Contributions for employees with a normal retirement age of 65 are being made at a rate of 9.0% (2014 - 9.0%) for earnings up to the annual maximum pensionable earnings and at a rate of 14.6% (2014 - 14.6%) for earnings greater than the annual maximum pensionable earnings.

The amount contributed to OMERS for 2015 current services was \$156,535 (2014 - \$168,101).

9. Trust funds:

Trust funds administered by the Township at year end amount to \$104,122 (2014 - \$123,499). Trust funds are reported separately on the Trust Funds statement of financial position and statement of continuity.

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

10. Budget figures:

The budget data presented in these consolidated financial statements is based upon the 2015 operating and capital budgets approved by Council on April 7, 2015. Amortization was not contemplated on development of the budget and, as such, has not been included. The approved budget to the budget figures reported in these consolidated financial statements is listed below.

	2015 Budget
Reported on consolidated statement of operations:	
Operating revenue	\$ 8,892,718
Operating expenses	(6,084,290)
Total budgeted surplus on consolidated financial statements	\$ 2,808,428
Budget not reported on consolidated statements:	
Capital costs	\$ (2,492,874)
Reserve and reserve fund transfers (net)	(405,104)
Total budgeted deficit not reported on consolidated financial statements	\$ (2,897,978)

11. Contingencies:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2015, management believes that the Township has valid defences and appropriate insurance coverage in place. In the opinion of management, the aggregate amount of any potential liability is not expected to have a material effect on the Township's financial position.

12. Tangible capital assets:

Cost	Balance at December 31, 2014	Additions	Disposals, transfers and adjustments	Balance at December 31, 2015
Land	\$ 890,746	\$ —	\$ —	\$ 890,746
Land improvements	678,201	114,637	—	792,838
Buildings	3,861,751	351,487	—	4,213,238
Vehicles and machinery	3,732,643	92,558	137,735	3,687,466
Equipment	1,975,377	109,992	—	2,085,369
Furniture and fixtures	210,023	11,282	—	221,305
Roads and bridge infrastructure	70,043,518	3,416,851	429,423	73,030,946
Assets under construction	1,948,795	1,382,683	3,009,784	321,694
Total	\$ 83,341,054	\$ 5,479,490	\$ 3,576,942	\$ 85,243,602

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

12. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2014	Amortization expense	Disposals transfers and adjustments	Balance at December 31, 2015
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	170,844	41,835	-	212,679
Buildings	1,417,137	103,543	-	1,520,680
Vehicles and machinery	1,927,067	324,964	124,889	2,127,142
Equipment	1,232,340	158,994	-	1,391,334
Furniture and fixtures	148,282	33,485	-	181,767
Roads and bridge infrastructure	62,790,740	1,655,566	257,653	64,188,653
Assets under construction	-	-	-	-
Total	\$ 67,686,410	\$ 2,318,387	\$ 382,542	\$ 69,622,255

	Net book value December 31, 2015	Net book value December 31, 2014
Land	\$ 890,746	\$ 890,746
Land improvements	580,159	507,357
Buildings	2,692,558	2,444,614
Vehicles and machinery	1,560,324	1,805,576
Equipment	694,035	743,037
Furniture and fixtures	39,538	61,741
Roads and bridge infrastructure	8,842,293	7,252,778
Assets under construction	321,694	1,948,795
Total	\$ 15,621,347	\$ 15,654,644

(a) Works of art and historical treasures:

The Township manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Township sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

13. Accumulated municipal equity:

Accumulated municipal equity consists of individual fund surplus and reserves and reserve funds as follows:

	2015	2014
Surplus	\$ 150,000	\$ 150,000
Invested in tangible capital assets	15,621,347	15,654,644
Unfinanced capital	-	(170,818)
Landfill and post-closure costs	(711,718)	(756,289)
	<u>15,059,629</u>	<u>14,877,537</u>
Reserves set aside for specific purposes by Council:		
Working capital	150,000	150,000
Other	61,372	106,271
Total reserves	<u>211,372</u>	<u>256,271</u>
Reserve funds set aside for specific purposes by Council:		
Protection	329,388	322,310
Roads	1,792,373	1,501,041
Environmental	479,847	435,811
Capital contingency/acquisition	636,771	381,728
General government contingency	39,062	32,185
Municipal complex contingency	339,048	317,568
Accessibility contingency	36,776	47,563
Cemeteries contingency	53,867	19,229
Waste and recycling	84,386	73,055
Other	1,509,588	1,097,028
Protection contingency	259,500	270,651
Parks and recreation contingency	278,492	222,468
Planning contingency	12,181	9,084
Total reserve funds	<u>5,851,279</u>	<u>4,729,721</u>
Accumulated municipal equity	<u>\$ 21,122,280</u>	<u>\$ 19,863,529</u>

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

14. Segmented information:

The Township is a municipal government institution that provides a 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.

Township 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) General Government:

Includes corporate services and governance of the Township. Administration is responsible for 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 is provided 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 police services 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 detection, 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 and is responsible for streetlights.

(d) Environmental Services:

Includes the management and maintenance of the six active and two inactive landfill sites.

(e) Parks and Recreation:

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

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

14. Segmented information (continued):

(f) Planning and Development:

Manages rural development for business interests, 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 building code, the zoning by-law and official plan, and the provision of geomatics services.

(g) Cemeteries:

Includes the management and maintenance of municipal cemeteries.

For each segment separately reported, the segment revenue and expenses 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 taxation such as property tax revenue. Taxation and payments-in-lieu of taxes, penalties and interest, investment income and unconditional grants apportioned to these services based on the net surplus. 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 1.

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

14. Segmented information (continued):

Year ended December 31, 2015

	General Government	Protection Services	Environmental Services	Transportation Services	Parks and Recreation	Planning and Development	Cemeteries	Total
Government conditional grants	\$ 212,373	\$ –	\$ 51,522	\$ 1,111,102	\$ 1,300	\$ –	\$ –	\$ 1,376,297
Revenue from other municipalities	–	1,883	29,078	–	–	–	–	30,961
User fees	7,405	1,855	46,714	880	192,789	154,390	24,340	428,373
Other	69,035	25,725	–	7,057	–	–	–	101,817
Total revenue	288,813	29,463	127,314	1,119,039	194,089	154,390	24,340	1,937,448
Salaries, wages and employee benefits	677,805	284,104	342,295	871,815	171,988	214,723	–	2,562,730
Materials	239,226	237,752	228,822	992,091	186,982	45,423	–	1,930,296
Contracted services	45,606	510,517	17,360	1,337	56,875	25,983	–	657,678
Transfer to others	–	25,725	–	–	–	–	–	25,725
Rents and financial expenses	7,921	–	–	–	582	–	–	8,503
Loss on disposals	–	–	–	176,258	–	–	–	176,258
Landfill closure and post-closure costs	–	–	(44,571)	–	–	–	–	(44,571)
Amortization	93,878	140,224	25,846	1,997,064	58,538	2,837	–	2,318,387
	1,064,436	1,198,322	569,752	4,038,565	474,965	288,966	–	7,635,006
Excess of revenue over expenses (expenses over revenue)	\$ (775,623)	\$ (1,168,859)	\$ (442,438)	\$ (2,919,526)	\$ (280,876)	\$ (134,576)	\$ 24,340	\$ (5,697,558)
Funding through:								
Taxation								5,628,632
Penalties and interest								159,849
Investment income								61,028
Transfer payments								1,106,800
								6,956,309
Excess of revenue over expenses								\$ 1,258,751

See accompanying notes to consolidated financial statements.



KPMG LLP
863 Princess Street Suite 400
Kingston ON K7L 5N4
Canada

Telephone (613) 549-1550
Fax (613) 549-6349
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements of the trust funds of the Corporation of the Township of North Frontenac, which comprise the statement of financial position as at December 31, 2015 and the statement of continuity of trust funds for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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.

Auditors' 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 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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, the financial statements present fairly, in all material respects, the financial position of the Corporation of the Township of North Frontenac trust funds as at December 31, 2015, and the statement of continuity of trust funds for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 29, 2016

Kingston, Canada

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC TRUST FUNDS

Statement of Financial Position

December 31, 2015, with comparative information for 2014

Name of Fund	Cemetery	Perpetual Care	2015 Total	2014 Total
Assets				
Current assets:				
Cash and short-term investments	\$ 10,809	\$ 90,556	\$ 101,365	\$ 123,849
Accounts receivable	333	2,424	2,757	-
	11,142	92,980	104,122	123,849

Liabilities

Due to Corporation of the Township of North Frontenac	-	-	-	350
---	---	---	---	-----

Fund Balances

Fund balances	\$ 11,142	\$ 92,980	\$ 104,122	\$ 123,499
---------------	-----------	-----------	------------	------------

Statement of Continuity

Year ended December 31, 2015, with comparative information for 2014

Name of Fund	Cemetery	Perpetual Care	2015 Total	2014 Total
Balance, beginning of year	\$ 33,542	\$ 89,957	\$ 123,499	\$ 118,495
Accrued investment income	-	95	95	116
Contributions	-	2,950	2,950	3,631
Interest earned	184	848	1,032	1,257
Disbursements	(1,005)	-	(1,005)	-
Transfer to Township	(21,579)	(870)	(22,449)	-
Balance, end of year	\$ 11,142	\$ 92,980	\$ 104,122	\$ 123,499

The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC TRUST FUNDS

Notes to Financial Statements

Year ended December 31, 2015

1. Significant accounting policies:

The financial statements of the Corporation of the Township of North Frontenac Trust Funds are prepared by management in accordance with Canadian public sector accounting standards.

(a) Basis of presentation:

These statements reflect the assets, liabilities, revenue and expenses of the Trust Funds.

(b) Basis of accounting:

Revenue 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.

(c) Use of estimates:

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 revenue 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. Statement of cash flows:

A statement of cash flows has not been included in these financial statements as it would not provide additional meaningful information.