

Consolidated Financial Statements of

**CORPORATION OF THE
TOWNSHIP OF NORTH FRONTENAC**

Year ended December 31, 2016

Consolidated Financial Statements of

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Year ended December 31, 2016

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

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TRUST FUNDS

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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
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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, 2016, 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, 2016, 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

May 19, 2017

Kingston, Canada

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

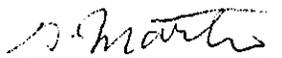
Consolidated Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Financial assets:		
Cash	\$ 6,443,712	\$ 5,740,625
Taxes receivable	988,369	955,940
Trade and other receivables	861,596	1,013,162
	<u>8,293,677</u>	<u>7,709,727</u>
Financial liabilities:		
Accounts payable and accrued liabilities	710,398	764,401
Deferred revenue - obligatory reserve funds (note 2)	747,921	574,587
Deferred revenue - other	184,404	166,480
Landfill closure and post-closure costs (note 3)	1,653,219	711,718
	<u>3,295,942</u>	<u>2,217,186</u>
Net financial assets	4,997,735	5,492,541
Non-financial assets:		
Tangible capital assets (note 10)	16,891,008	15,621,347
Prepaid expenses	10,992	8,392
	<u>16,902,000</u>	<u>15,629,739</u>
Accumulated municipal equity (note 11)	\$ 21,899,735	\$ 21,122,280

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, 2016, with comparative information for 2015

	Budget (note 8)	2016	2015
Revenue:			
Net taxation and payments-in-lieu	\$ 5,781,726	\$ 5,782,940	\$ 5,628,632
Transfer payments	1,183,200	1,183,200	1,106,800
Government grants	750,491	536,620	1,376,297
User charges	369,566	446,291	428,373
Penalties and interest on taxes	130,000	160,443	159,849
Other	118,575	132,608	101,817
Revenue from municipalities	46,330	45,768	30,961
Investment income	15,000	63,657	61,028
	<u>8,394,888</u>	<u>8,351,527</u>	<u>8,893,757</u>
Expenses (note 4):			
Protection to persons and property	1,315,911	1,348,421	1,151,251
Transportation services	2,169,415	2,864,136	4,038,565
General government	1,154,888	1,177,932	1,190,102
Environmental services	542,783	561,778	614,323
Planning and development	529,798	305,115	210,371
Recreation and culture	296,100	362,302	474,965
Landfill closure and post-closure (recovery)	–	941,501	(44,571)
Cemeteries	–	12,887	–
Total expenses	<u>6,008,895</u>	<u>7,574,072</u>	<u>7,635,006</u>
Surplus for the year	2,385,993	777,455	1,258,751
Accumulated municipal equity, beginning of year		21,122,280	19,863,529
Accumulated municipal equity, end of year (note 11)		<u>\$ 21,899,735</u>	<u>\$ 21,122,280</u>

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, 2016, with comparative information for 2015

	2016	2015
Surplus for the year	\$ 777,455	\$ 1,258,751
Acquisition of tangible capital assets	(2,421,389)	(2,469,704)
Amortization of tangible capital assets	1,137,199	2,318,387
Loss on disposal of tangible capital assets	14,529	176,258
Proceeds on disposal of tangible capital assets	–	8,356
	(492,206)	1,292,048
Change in prepaid expenses	(2,600)	(1,902)
Change in net financial assets	(494,806)	1,290,146
Net financial assets, beginning of year	5,492,541	4,202,395
Net financial assets, end of year	\$ 4,997,735	\$ 5,492,541

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, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Surplus for the year	\$ 777,455	\$ 1,258,751
Items not involving cash:		
Amortization of tangible capital assets	1,137,199	2,318,387
Loss on disposal of tangible capital assets	14,529	176,258
Change in landfill closure and post-closure costs	941,501	(44,571)
Change in non-cash assets and liabilities:		
Taxes receivable	(32,428)	(116,051)
Trade and other receivables	151,565	83,744
Accounts payable and accrued liabilities	(54,003)	(558,522)
Deferred revenue - obligatory reserve funds	173,334	25,791
Deferred revenue - other	17,924	(437,088)
Prepaid expenses	(2,600)	(1,902)
Net change in cash from operating activities	3,124,476	2,704,797
Capital activities:		
Cash used to acquire tangible capital assets	(2,421,389)	(2,469,704)
Proceeds on the disposition of tangible capital assets	-	8,356
	(2,421,389)	(2,461,348)
Investing activities:		
Decrease in investments	-	505,009
Increase in cash	703,087	748,458
Cash, beginning of year	5,740,625	4,992,167
Cash, end of year	\$ 6,443,712	\$ 5,740,625

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, 2016

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, 2016

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, 2016

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 to 25
Buildings	50
Vehicles, machinery and equipment	7 to 25
Furniture and fixtures	5 to 20
Roads and bridge infrastructure	10 to 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, 2016

2. 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:

	2016	2015
Balance, beginning of year	\$ 574,587	\$ 548,796
Federal gas tax county	166,135	121,104
Federal gas tax grant	56,003	53,336
Development contributions	14,853	50,416
Building department surplus	20,055	-
Investment income	4,531	5,677
Utilization of funds	(88,243)	(204,742)
Balance, end of year	\$ 747,921	\$ 574,587

	2016	2015
Analyzed as follows:		
Federal gasoline tax	\$ 524,521	\$ 366,009
Recreation land	203,345	208,578
Building department	20,055	-
	\$ 747,921	\$ 574,587

3. 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.

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

3. Landfill closure and post-closure costs (continued):

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 4%. The estimated total landfill closure and post-closure expenses are estimated to be \$2,549,725 (2015 - \$1,086,333). 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, 2016 is an amount of \$1,653,219 (2015 - \$711,718) 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.

4. Expenses:

Expenses by object classification are as follows:

	2016	2015
Salaries, wages and benefits	\$ 2,560,434	\$ 2,562,733
Materials and supplies	2,052,747	1,932,775
Services, rents, contracted services and financial services	882,191	839,957
External transfers	-	25,725
Landfill closure and post-closure costs (recovery)	941,501	(44,571)
Amortization	1,137,199	2,318,387
	\$ 7,574,072	\$ 7,635,006

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

During 2016, 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	
	2016	2015	2016	2015
Amounts requisitioned and collected	\$ 1,731,021	\$ 1,669,657	\$ 1,470,709	\$ 1,416,993

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

6. 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 (2015 - 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% (2015 - 9.0%) for earnings up to the annual maximum pensionable earnings and at a rate of 14.6% (2015 - 14.6%) for earnings greater than the annual maximum pensionable earnings.

The amount contributed to OMERS for 2016 current services was \$161,100 (2015 - \$156,535) and is included on the "Consolidated Statement of Operations".

7. Trust funds:

Trust funds administered by the Township at year end amount to \$106,710 (2015 - \$104,122). Trust funds are reported separately on the Trust Funds statement of financial position and statement of continuity.

8. Budget figures:

The budget data presented in these consolidated financial statements is based upon the 2016 operating and capital budgets approved by Council on March 18, 2016. 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.

	2016 Budget
Reported on consolidated statement of operations:	
Operating revenue	\$ 8,394,888
Operating expenses	6,008,895
Total budgeted surplus on consolidated financial statements	\$ 2,385,993
Budget not reported on consolidated statements:	
Capital costs	\$ (3,160,006)
Reserve and reserve fund transfers (net)	774,013
Total budgeted deficit not reported on consolidated financial statements	\$ (2,385,993)

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

9. 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, 2016, 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.

10. Tangible capital assets:

Cost	Balance at December 31, 2015	Additions	Disposals, transfers and adjustments	Balance at December 31, 2016
Land	\$ 890,746	\$ 76,167	\$ –	\$ 966,913
Land improvements	792,838	108,560	51,830	849,568
Buildings	4,213,238	132,489	–	4,345,727
Vehicles and machinery	3,687,466	718,055	80,281	4,325,240
Equipment	2,085,369	78,908	76,487	2,087,790
Furniture and fixtures	221,305	29,128	42,030	208,403
Roads and bridge infrastructure	73,030,946	1,399,231	40,402	74,389,775
Assets under construction	321,694	184,676	305,825	200,545
Total	\$ 85,243,602	\$ 2,727,214	\$ 596,855	\$ 87,373,961

Accumulated amortization	Balance at December 31, 2015	Amortization expense	Disposals transfers and adjustments	Balance at December 31, 2016
Land	\$ –	\$ –	\$ –	\$ –
Land improvements	212,679	34,880	51,830	195,729
Buildings	1,520,680	104,808	–	1,625,488
Vehicles and machinery	2,127,142	207,344	-80,282	2,254,204
Equipment	1,391,334	86,485	69,278	1,408,541
Furniture and fixtures	181,767	(12,875)	34,709	134,183
Roads and bridge infrastructure	64,188,653	716,557	40,402	64,864,808
Assets under construction	–	–	–	–
Total	\$ 69,622,255	\$ 1,137,199	\$ 276,501	\$ 70,482,953

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

10. Tangible capital assets (continued):

	Net book value December 31, 2016	Net book value December 31, 2015
Land	\$ 966,913	\$ 890,746
Land improvements	653,839	580,159
Buildings	2,720,239	2,692,558
Vehicles and machinery	2,071,036	1,560,324
Equipment	679,249	694,035
Furniture and fixtures	74,220	39,538
Roads and bridge infrastructure	9,524,967	8,842,293
Assets under construction	200,545	321,694
Total	\$ 16,891,008	\$ 15,621,347

(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, 2016

11. Accumulated municipal equity:

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

	2016	2015
Surplus	\$ 150,000	\$ 150,000
Invested in tangible capital assets	16,891,008	15,621,347
Landfill and post-closure costs	(1,653,219)	(711,718)
	15,387,789	15,059,629
Reserves set aside for specific purposes by Council:		
Working capital	150,000	150,000
Other	52,326	61,372
Total reserves	202,326	211,372
Reserve funds set aside for specific purposes by Council:		
Protection	430,195	329,388
Roads	1,633,687	1,792,373
Environmental	477,771	479,847
Capital contingency/acquisition	796,639	636,771
General government contingency	48,841	39,062
Municipal complex contingency	265,207	339,048
Accessibility contingency	37,029	36,776
Cemeteries contingency	52,563	53,867
Waste and recycling	100,772	84,386
Other	1,890,283	1,509,588
Protection contingency	266,596	259,500
Parks and recreation contingency	294,763	278,492
Planning contingency	15,274	12,181
Total reserve funds	6,309,620	5,851,279
Accumulated municipal equity	\$ 21,899,735	\$ 21,122,280

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

12. 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, 2016

12. 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, 2016

12. Segmented information (continued):

Year ended December 31, 2016

	General Government	Protection Services	Environmental Services	Transportation Services	Parks and Recreation	Planning and Development	Cemeteries	Total
Government conditional grants	\$ 89,807	\$ –	\$ 46,381	\$ 400,432	\$ –	\$ –	\$ –	\$ 536,620
Revenue from other municipalities	–	11,027	34,741	–	–	–	–	45,768
User fees	395	176,592	41,217	360	201,942	25,785	–	446,291
Other	41,518	26,363	–	45,291	10,688	6,409	2,339	132,608
Total revenue	131,720	213,982	122,339	446,083	212,630	32,194	2,339	1,161,287
Salaries, wages and employee benefits	784,120	294,296	291,474	839,393	117,797	233,354	–	2,560,434
Materials	262,163	173,572	228,537	1,138,440	186,361	51,246	12,429	2,052,748
Contracted services	52,579	758,781	15,840	24,964	646	21,262	–	874,072
Transfer to others	–	–	–	–	–	–	–	–
Rents and financial expenses	7,536	–	–	–	582	–	–	8,118
Loss on disposals	–	–	–	–	–	–	–	–
Landfill closure and post-closure costs	–	–	941,501	–	–	–	–	941,501
Amortization	71,534	121,772	25,927	861,339	56,916	(747)	458	1,137,199
	1,177,932	1,348,421	1,503,279	2,864,136	362,302	305,115	12,887	7,574,072
Excess of expenses over revenue	\$ (1,046,212)	\$ (1,134,439)	\$ (1,380,940)	\$ (2,418,053)	\$ (149,672)	\$ (272,921)	\$ (10,548)	\$ (6,412,785)
Funding through:								
Taxation								5,782,940
Penalties and interest								160,443
Investment income								63,657
Transfer payments								1,183,200
								7,190,240
Excess of revenue over expenses								\$ 777,455

See accompanying notes to consolidated financial statements.

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

13. Subsequent event:

The Township has entered into a financing agreement with the Ontario Infrastructure and Lands Corporation for a loan of \$704,244, dated March 28, 2017 to be used to assist with financing the capital costs of the Municipal Building Renovation, Addition and Retrofit with an estimate of total capital costs to be \$1,325,292.



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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, 2016 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, 2016, 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

May 19, 2017

Kingston, Canada

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC TRUST FUNDS

Statement of Financial Position

December 31, 2016, with comparative information for 2015

Name of Fund	Cemetery	Perpetual Care	2016 Total	2015 Total
Assets				
Current assets:				
Cash and short-term investments	\$ 12,160	\$ 94,550	\$ 106,710	\$ 101,365
Accounts receivable	-	-	-	2,757
	12,160	94,550	106,710	104,122
Liabilities				
Due to Corporation of the Township of North Frontenac	-	-	-	-
Fund Balances				
Fund balances	\$ 12,160	\$ 94,550	\$ 106,710	\$ 104,122

Statement of Continuity

Year ended December 31, 2016, with comparative information for 2015

Name of Fund	Cemetery	Perpetual Care	2016 Total	2015 Total
Balance, beginning of year	\$ 11,142	\$ 92,980	\$ 104,122	\$ 123,499
Accrued investment income	-	-	-	95
Contributions	1,233	588	1,821	2,950
Interest earned	119	801	920	1,032
Dividend income reinvested	-	181	181	-
Disbursements	(334)	-	(334)	(1,005)
Transfer to Township	-	-	-	(22,449)
Balance, end of year	\$ 12,160	\$ 94,550	\$ 106,710	\$ 104,122

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, 2016

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.