

Consolidated Financial Statements of

**CORPORATION OF THE TOWNSHIP
OF CENTRAL FRONTENAC**

Year ended December 31, 2016

Consolidated Financial Statements of

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Year ended December 31, 2016

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

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CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC 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 Central 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. A summary of the significant accounting policies are described in note 1 to the consolidated financial statements. The preparation of 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.

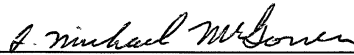
The Township's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Council meets 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.



Cathy MacMunn
Clerk - Administrator



J. Michael McGovern
Treasurer



KPMG LLP
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Kingston ON K7L 5N4
Canada
Telephone 613-549-1550
Fax 613-549-6349

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the Corporation of the Township of Central Frontenac, which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of operations and accumulated surplus, 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 Corporation of the Township of Central 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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a long, horizontal, slightly curved line that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

April 11, 2017

Kingston, Canada

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

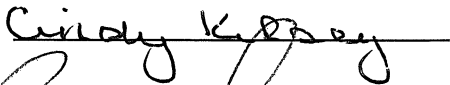
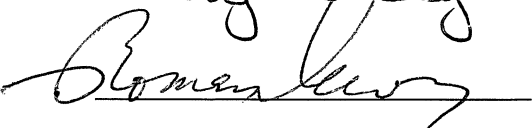
Consolidated Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Financial assets:		
Cash	\$ 3,212,305	\$ 1,472,854
Investments (note 2)	538,633	594,718
Taxes receivable	1,280,778	1,944,909
Accounts receivable	717,361	1,585,537
	5,749,077	5,598,018
Liabilities:		
Accounts payable and accrued liabilities	1,620,087	2,046,257
Deferred revenue	19,040	1,686
Deferred revenue - obligatory reserve funds (note 9)	(31,293)	(25,113)
Long-term liabilities (note 3)	1,204,489	1,464,456
Landfill closure and post-closure liability (note 11)	933,131	2,589,983
Employee post-employment benefits (note 6)	212,398	210,929
	3,957,852	6,288,198
Net financial assets (liabilities)	1,791,225	(690,180)
Non-financial assets:		
Tangible capital assets (note 14)	33,666,273	33,564,805
Other assets	39,847	45,384
	33,706,120	33,610,189
Contingent liabilities (note 13)		
Commitment (note 17)		
Accumulated municipal surplus (note 15)	\$ 35,497,345	\$ 32,920,009

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

Approved by The Corporation of the Township of Central Frontenac

 _____ Council Member
 _____ Council Member

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Consolidated Statement of Operations and Accumulated Surplus

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

	Budget 2016 (note 8)	Actual 2016	Actual 2015
Revenue:			
Property taxation	\$ 7,336,490	\$ 7,170,007	\$ 6,658,858
User charges	327,362	550,721	466,911
Government grants	2,162,830	2,083,356	4,726,330
Other municipalities	125,581	131,141	207,329
Penalties and interest on taxes	267,000	260,763	270,208
Investment income	25,100	51,724	40,030
Other	94,641	141,494	196,350
Loss on disposal of tangible capital assets	-	(22,384)	-
Total revenue	10,339,004	10,366,822	12,566,016
Expenses (note 12):			
General government	1,915,687	1,340,340	1,214,539
Protection to persons and property	2,160,840	2,237,990	1,850,232
Transportation services	4,785,901	4,692,116	4,217,726
Environmental services (recovery)	533,028	(1,227,507)	473,147
Health services	164,359	138,275	154,753
Recreation and cultural services	433,917	572,305	499,633
Planning and development	127,314	35,967	78,503
Total expenses	10,121,046	7,789,486	8,488,533
Annual surplus	217,958	2,577,336	4,077,483
Accumulated municipal surplus, beginning of year		32,920,009	28,842,526
Accumulated municipal surplus, end of year		\$ 35,497,345	\$ 32,920,009

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

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Consolidated Statement of Change in Net Financial Assets

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

	2016	2015
Annual surplus	\$ 2,577,336	\$ 4,077,483
Acquisition of tangible capital assets	(1,716,885)	(6,199,670)
Proceeds on sale of tangible capital assets	26,528	-
Amortization of tangible capital assets	1,566,505	1,354,210
Loss on disposal of tangible capital assets	22,384	8,787
	2,475,868	(759,190)
Decrease in other assets	5,537	11,555
Change in net financial assets	2,481,405	(747,635)
Net financial assets (liabilities), beginning of year	(690,180)	57,455
Net financial assets (liabilities), end of year	\$ 1,791,225	\$ (690,180)

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

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Consolidated Statement of Cash Flows

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

	2016	2015
Operating activities:		
Annual surplus	\$ 2,577,336	\$ 4,077,483
Items not involving cash:		
Amortization	1,566,505	1,354,210
Loss on disposal of tangible capital assets	22,384	8,787
Change in non-cash assets and liabilities:		
Taxes receivable	664,131	(87,168)
Accounts receivable	868,176	(504,664)
Accounts payable and accrued liabilities	(426,170)	810,827
Deferred revenue	17,354	(1,099,943)
Deferred revenue - obligatory reserve funds	(6,180)	(1,092)
Landfill closure and post-closure liability	(1,656,852)	127,860
Employee post-employment benefits	1,469	(436)
Other assets	5,537	11,555
Net change in cash from operating activities	3,633,690	4,697,419
Capital activities:		
Proceeds on sale of tangible capital assets	26,528	-
Acquisition of tangible capital assets	(1,716,885)	(6,199,670)
Net change in cash from capital activities	(1,690,357)	(6,199,670)
Financing activities:		
Principal repayments on long-term liabilities	(259,967)	(169,474)
Proceeds on long-term liabilities	-	1,042,032
Net change in cash from financing activities	(259,967)	872,558
Investing activities:		
Decrease (increase) in investments	56,085	(498,650)
Increase (decrease) in cash	1,739,451	(1,128,343)
Cash, beginning of year	1,472,854	2,601,197
Cash, end of year	\$ 3,212,305	\$ 1,472,854

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

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2016

1. Significant accounting policies:

The consolidated financial statements of the Corporation of the Township of Central 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) Consolidated entities:

The consolidated statements reflect the assets, liabilities, revenue and expenses 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.

These consolidated financial statements include:

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 Township's pro-rata share of each of the assets, liabilities, revenue and expenses is combined on a line-by-line basis in the consolidated financial statements.

(ii) Non-consolidated entities:

There are no entities owned or controlled by the Township that are not consolidated.

(iii) Accounting for County and School Board transactions:

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

(iv) Trust funds and their related operations administered by the Township are not consolidated, but are reported separately on the "Trust Funds Statements of Continuity and Statements of Financial Position".

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(b) Landfill closure and post-closure liability:

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 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.

(c) Deferred revenue:

The Township receives contributions pursuant to legislation, regulations or agreement that may only be used for certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

(d) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Significant items subject to such estimates and assumptions include landfill closure and post-closure liability, employee post-employment benefits, and the useful life of tangible capital assets. Actual results could differ from those estimates.

(e) Investments:

Investments are recorded at cost plus accrued interest and amortization of purchase premiums and discounts. 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.

(f) Government transfers:

Government transfers are recognized as revenue when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amount 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.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(g) 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.

(h) 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
Landfill and land improvements	3 to 50
Buildings and building improvements	10 to 60
Vehicles	4 to 12
Machinery and equipment	3 to 60
Computer software	5
Furniture	5 to 12
Roads and bridges infrastructure	14 to 40

Landfill sites are amortized using the units of production method based upon capacity used during the year.

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) Natural resources:

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

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(h) Non-financial assets (continued):

(iv) 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.

(v) Interest capitalization:

The Township does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(i) Employee post-employment benefits:

The Township accrues its obligations for the employee benefit plan. The cost of post-employment 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.

Actuarial gains (losses), which can arise from changes in actuarial assumptions used to determine the accrued benefit obligation, will be amortized over the average remaining service life of the related employee groups.

(j) Property taxation:

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

2. Investments:

Investments consist primarily of government and corporate bonds. Investments have a market value of \$519,715 at December 31, 2016 (2015 - \$592,099).

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

3. Long-term liabilities:

- (a) The balance of long-term liabilities reported on the Consolidated Statement of Financial Position is made up of the following:

	2016	2015
Bank loan for the medical centre, repayable in blended monthly payments of \$2,781, bearing interest at 2.37% and due April 2021	\$ 351,626	\$ 376,904
Bank loan for the solar panel project, repayable in blended monthly payments of \$868, bearing interest at 4.19% and due July 2021	43,407	50,341
Bank loan for 5 th Lake Road, repayable in blended monthly payments of \$18,383, bearing interest at 2.28% and due October 2020	809,456	1,008,281
Bank loan for a water tanker, repayable in blended monthly payments of \$3,647, bearing interest at 2.4% and due August 2016	-	28,930
	\$ 1,204,489	\$ 1,464,456

- (b) Principal due on long-term liabilities is summarized as follows:

2017	\$ 238,414
2018	244,218
2019	250,042
2020	219,342
2021	252,473
	\$ 1,204,489

- (c) The long-term liabilities in note 3(a), issued in the name of the Township, have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt replacement limit prescribed by the Ministry of Municipal Affairs.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

4. Line of credit:

The Township's financial agreement with its bank provides for an operating credit facility of up to \$4,000,000 to finance operating expenses. Interest on funds drawn is charged at the bank's prime rate less 0.5%. As at December 31, 2016, there was \$Nil (2015 - \$Nil) drawn on the operating credit facility.

5. Operations of School Boards and the Corporation of the County of Frontenac:

During the year, requisitions were made by the school boards and the Corporation of 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		Corporation of the County of Frontenac	
	2016	2015	2016	2015
Amounts requisitioned and collected	\$ 1,793,306	\$ 1,763,073	\$ 1,469,150	\$ 1,423,424

6. Employee post-employment benefits liability:

The Township provides extended health care ("employee non-pension retirement benefit") to its employees. Extended health care is available to early retirees up to the age of 65.

An independent actuarial study of the employee non-pension retirement benefit has been undertaken. The most recent valuation of the employee non-pension retirement benefit was completed at December 2014.

The accrued benefit obligation relating to employee non-pension retirement benefits has been actuarially determined using the projected benefit method pro-rated on services. At December 31, 2016, based on an actuarial update, the accrued benefit obligation was \$113,515 (2015 - \$102,229).

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

Discount rate	4.0% per annum
Health benefits escalation	10.0% per annum, scaling down over 15 years to 5.0% thereafter
Dental benefits escalation	5.0% per annum

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

6. Employee post-employment benefits liability (continued):

Information with respect to the Township's employee non-pension retirement benefits is as follows:

	2016	2015
Accrued benefit liability, beginning of year	\$ 210,929	\$ 211,365
Current service cost	7,056	7,182
Interest cost	4,231	3,825
Benefits paid	—	(1,625)
Amortization of actuarial gain	(9,818)	(9,818)
Accrued benefit liability, end of year	\$ 212,398	\$ 210,929

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

Accrued benefit obligation, end of year	\$ 113,515	\$ 102,229
Actuarial gain	98,883	108,700
Accrued benefit liability, end of year	\$ 212,398	\$ 210,929

7. Trust funds:

Trust funds administered by the Township amounting to \$247,929 (2015 - \$247,312) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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 24, 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:	
Revenue, approved budget, reported on the Consolidated Statement of Operations	\$ 10,339,004
Expenses reported on the Consolidated Statement of Operations	10,121,046
Add: capital budget	\$ 1,573,840
Less: amortization estimate	(1,500,000)
Expenses, approved budget	10,194,886
	\$ 217,958
Budget adjustments:	
Capital budget	\$ (1,573,840)
Amortization expense	1,500,000
Budget not reported on statements:	
Debt repayments	(258,910)
Net reserve and reserve fund transfers	114,792
	\$ (217,958)

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

9. Deferred revenue - obligatory reserve funds:

A requirement of Canadian public sector accounting standards is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as federal, 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	\$ (25,113)	\$ (24,021)
Parkland	(6,180)	(1,092)
Federal gas tax receipts	138,517	131,921
Utilization of reserve funds	(138,517)	(131,921)
Balance, end of year	\$ (31,293)	\$ (25,113)
Analyzed as follows:		
Parkland	\$ (31,293)	\$ (25,113)

10. Pension agreements:

The Township makes contributions to the Ontario Municipal Employees Retirement System Pension Fund (OMERS), which is a multi-employer plan, on behalf of 26 (2015 - 24) members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employers and employees contribute to the plan.

The amount contributed to OMERS for current services in 2016 was \$127,932 (2015 - \$105,838).

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. 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.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

11. Landfill closure and post-closure liability (continued):

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 liability is based on estimates and assumptions 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.

The Township currently has two active and three inactive landfill sites. 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 4%. The estimated total landfill closure and post-closure care expenses are calculated to be \$1,214,233 (2015 - \$3,200,929). 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. At December 31, 2016, an amount of \$933,131 (2015 - \$2,589,983) has been recognized to date with respect to landfill closure and post-closure liability.

The estimated remaining capacity of the active landfill sites ranges from 26% to 39% of total estimated capacity and the estimated remaining life ranges from 6 to 20 years, after which the period for post-closure care is estimated to be 25 years.

12. Supplementary information:

	2016	2015
Expenses by object:		
Salaries, wages and employee benefits	\$ 2,733,132	\$ 2,500,048
Materials, services, rents and financial expenses	3,156,967	3,025,419
Contracted services – policing	1,176,823	927,244
Contracted services – other	622,001	412,377
Transfers to others	189,441	141,806
Change in landfill closure and post-closure liability	(1,656,852)	127,860
Change to employee post-employment benefits	1,469	(436)
Amortization	1,566,505	1,354,215
Total	\$ 7,789,486	\$ 8,488,533

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

13. Contingent liabilities:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2016, management believes that the Township has valid defences and appropriate insurance 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.

14. Tangible capital assets:

Cost	Balance at December 31, 2015	Additions	Disposals/ adjustments	Balance at December 31, 2016
Land	\$ 989,606	\$ 53,653	\$ –	\$ 1,043,259
Landfill and land improvements	215,606	–	–	215,606
Buildings and building improvements	6,553,534	379,093	–	6,932,627
Vehicles, machinery, equipment and furniture	5,987,920	615,236	463,327	6,139,829
Computer software	–	157,463	–	157,463
Roads and bridges infrastructure	82,194,411	177,570	89,235	82,282,746
Frontenac Community Arena	517,973	52,852	–	570,825
Assets under construction	401,852	546,315	271,497	676,670
Total	\$ 96,860,902	\$ 1,982,182	\$ 824,059	\$ 98,019,025

Accumulated amortization	Balance at December 31, 2015	Amortization expense	Disposals	Balance at December 31, 2016
Landfill and land improvements	\$ 50,446	\$ 9,588	\$ –	\$ 60,034
Buildings and building improvements	2,016,058	243,763	–	2,259,821
Vehicles, machinery, equipment and furniture	2,749,629	356,003	424,677	2,680,955
Computer software	–	38,943	–	38,943
Roads and bridges infrastructure	58,301,821	903,021	85,173	59,119,669
Frontenac Community Arena	178,143	15,187	–	193,330
Total	\$ 63,296,097	\$ 1,566,505	\$ 509,850	\$ 64,352,752

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

14. Tangible capital assets (continued):

	Net book value December 31, 2015	Net book value December 31, 2016
Land	\$ 989,606	\$ 1,043,259
Landfill and land improvements	165,160	155,572
Buildings and building improvements	4,537,476	4,672,806
Vehicles, machinery, equipment and furniture	3,238,291	3,458,874
Computer software	-	118,520
Roads and bridges infrastructure	23,892,590	23,163,077
Frontenac Community Arena	339,830	377,495
Assets under construction	401,852	676,670
Total	\$ 33,564,805	\$ 33,666,273

(a) Assets under construction:

Assets under construction having a value of \$676,670 (2015 - \$401,852) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) 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.

(c) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$Nil (2015 - \$Nil).

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

15. Accumulated municipal surplus:

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

	2016	2015
Surplus	\$ 2,418,868	\$ 1,763,145
Frontenac Community Arena	(1,986)	(1,109)
Recreation operations	60,076	49,228
Investment in tangible capital assets:		
Tangible capital assets	33,288,777	33,224,975
Long-term liabilities	(1,204,489)	(1,464,455)
Frontenac Community Arena	377,496	339,830
Unfunded landfill closure and post-closure liability	(933,131)	(2,589,983)
Employee post-employment benefits	(212,398)	(210,929)
Reserves set aside for specific purposes by Council for:		
Working capital	332,332	332,332
Contingencies	409,025	453,078
Roads equipment	291,155	142,555
General government	52,000	52,000
Recreation and culture	136,503	163,468
Environmental	32,894	54,540
Protection	32,024	211,400
Health	82,571	67,571
Total reserves	1,368,504	1,476,944
Reserve funds set aside for specific purpose by legislation, regulation or agreement for:		
Roads	115,673	114,864
Recreation	32,413	29,379
Health Services	170,818	172,392
Other	16,724	15,728
Total reserve funds	335,628	332,363
Accumulated municipal surplus	\$ 35,497,345	\$ 32,920,009

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

16. 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.

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 waste disposal sites.

(e) 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 Frontenac Community Arena.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

16. Segmented information (continued):

(f) Health and Cemetery Services:

Includes the management and maintenance of municipal cemeteries and transfer of grants for local health services.

(g) Planning and Development:

Manages 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 zoning by-law and official plan, and the provision of geomatics services.

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 property tax revenue. Taxation and payments-in-lieu of taxes are 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.

17. Commitment:

The Township has an agreement with the Ontario Provincial Police for the provision of police services. The total expenses included on the Consolidated Statement of Operations for the year ended December 31, 2016 was \$1,176,823 (2015 - \$927,244).

18. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Schedule of Segment Disclosure

Year ended December 31, 2016

	Administration	Protection Services	Transportation Services	Environmental Services	Parks, Recreation, and Culture	Health and Cemetery Services	Planning and Development	2016 Total
Revenue:								
Property taxation	\$ 1,070,595	\$ 1,546,291	\$ 3,354,843	\$ 483,679	\$ 552,606	\$ 108,293	\$ 53,700	\$ 7,170,007
User charges	7,229	9,358	14,729	297,660	13,915	12,483	28,843	384,217
Government grants	1,736,900	3,326	230,130	–	113,000	–	–	2,083,356
Licenses, permits, and rents	2,524	126,565	2,100	–	12,254	18,972	4,089	166,504
Other municipalities	–	–	131,141	–	–	–	–	131,141
Investment income	51,705	–	–	–	–	19	–	51,724
Penalties and interest or taxes	260,763	–	–	–	–	–	–	260,763
Other	22,688	41,575	31,032	576	30,739	817	14,067	141,494
Loss on disposal of tangible capital assets	–	–	(22,384)	–	–	–	–	(22,384)
Total Revenue	3,152,404	1,727,115	3,741,591	781,915	722,514	140,584	100,699	10,366,822
Expenses:								
Salaries, wages, and employee benefits	658,969	391,259	1,448,329	144,009	81,812	1,419	8,804	2,734,601
Operating expenses	608,560	1,576,649	2,038,857	(1,402,883)	353,844	64,175	27,725	3,266,927
External transfers to others	4,142	88,753	–	–	96,546	–	–	189,441
Interest on long-term liabilities	1,853	212	21,093	–	–	8,854	–	32,012
Amortization	66,816	181,117	1,183,837	31,367	40,103	63,827	(562)	1,566,505
Total Expenses	1,340,340	2,237,990	4,692,116	(1,227,507)	572,305	138,275	35,967	7,789,486
Annual surplus (deficit)	\$ 1,812,064	\$ (510,875)	\$ (950,525)	\$ 2,009,422	\$ 150,209	\$ 2,309	\$ 64,732	\$ 2,577,336



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INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements of the trust funds of the Corporation of the Township of Central Frontenac, which comprise the statements of financial position as at December 31, 2016 and the statements 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 Central Frontenac Trust Funds as at December 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a long, horizontal, slightly curved line that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

April 11, 2017

Kingston, Canada

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Trust Funds

Statements of Financial Position

December 31, 2016, with comparative information for 2015

	Cemetery Perpetual Care	Ontario Boarding Home Contract Program	Ontario Home Renewal Program	Total 2016	Total 2015
Assets					
Cash	\$ 200,354	\$ –	\$ 213	\$ 200,567	\$ 196,919
Ontario Home Renewal Plan loans receivable (note 3)	–	–	–	–	10,250
Investments (note 2)	16,683	–	–	16,683	15,664
Due from revenue fund	6,200	24,466	–	30,666	24,466
	\$ 223,237	\$ 24,466	\$ 213	\$ 247,916	\$ 247,299
Liabilities and Capital Balances					
Due to reserve fund	\$ (13)	\$ –	\$ –	\$ (13)	\$ (13)
Capital	223,250	24,466	213	247,929	247,312
	\$ 223,237	\$ 24,466	\$ 213	\$ 247,916	\$ 247,299

See accompanying notes to financial statements.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Trust Funds

Statements of Continuity

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

	Cemetery Perpetual Care	Ontario Boarding Home Contract Program	Ontario Home Renewal Program	Total 2016	Total 2015
Balance, beginning of year	\$ 212,385	\$ 24,466	\$ 10,461	\$ 247,312	\$ 241,802
Monument donations	400	–	–	400	500
Sale of cemetery plots	8,050	–	–	8,050	2,850
Interest earned	2,415	–	2	2,417	2,160
Bad debt expense	–	–	(10,250)	(10,250)	–
Balance, end of year	\$ 223,250	\$ 24,466	\$ 213	\$ 247,929	\$ 247,312

See accompanying notes to financial statements.

CORPORATION OF THE TOWNSHIP OF CENTRAL 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 Central Frontenac (the "Township") Trust Funds are the representation of management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Township are as follows:

(a) Basis of accounting:

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

(b) Revenue recognition:

Revenue and expenses are recorded on an accrual basis.

The accrual basis recognizes revenue as it is earned 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 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. Investments:

The total investments held by the trust funds in the amount of \$16,683 (2015 - \$15,664) reported on the Statement of Financial Position at cost, have a market value of \$17,176 (2015 - \$17,084) as at December 31, 2016.

3. Ontario Home Renewal Program:

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.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Trust Funds
Notes to Financial Statements (continued)

Year ended December 31, 2016

3. Ontario Home Renewal Program (continued):

Ontario Home Renewal Program loans receivable at December 31, 2016 are comprised of repayable loans of \$Nil (2015 - \$10,250) and forgivable loans of \$Nil (2015 - \$Nil). Loan forgiveness is earned and recorded at a rate of up to \$600 per year of continued ownership and occupancy. In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balances of the repayable loan and the unearned forgivable loan immediately become due and payable by the homeowner.

The Ontario Home Renewal Program was cancelled on July 16, 1993 and municipalities were prohibited from issuing further Ontario Home Renewal Program loans effective on that date.

4. Ontario Boarding Home Contract Program:

The Ontario Boarding Home Contract Program was established for the purpose of providing loans to families to convert or improve their homes in order to care for mentally challenged people.

5. 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.