

Consolidated Financial Statements of

**CORPORATION OF THE TOWNSHIP
OF CENTRAL FRONTENAC**

Year ended December 31, 2017

Consolidated Financial Statements of

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Year ended December 31, 2017

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

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CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC TRUST FUNDS

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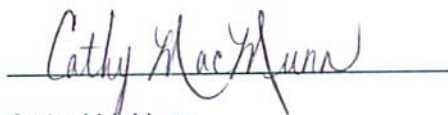
Management's Responsibility for the Consolidated Financial Statements

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.

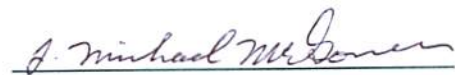
The Township's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely 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
863 Princess Street, Suite 400
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, 2017, 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, 2017, 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, slightly 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

Kingston, Canada

April 24, 2018

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

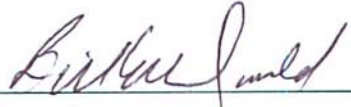
Consolidated Statement of Financial Position

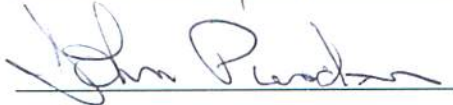
December 31, 2017, with comparative information for 2016

	2017	2016
Financial assets:		
Cash	\$ 3,747,687	\$ 3,212,305
Investments (note 2)	552,373	538,633
Taxes receivable	1,130,875	1,280,778
Accounts receivable	783,757	717,361
	6,214,692	5,749,077
Liabilities:		
Accounts payable and accrued liabilities	1,842,598	1,620,087
Deferred revenue	175,208	19,040
Deferred revenue - obligatory reserve funds (note 9)	(18,372)	(31,293)
Long-term liabilities (note 3)	966,861	1,204,489
Landfill closure and post-closure liability (note 11)	786,065	933,131
Employee post-employment benefits (note 6)	214,960	212,398
	3,967,320	3,957,852
Net financial assets	2,247,372	1,791,225
Non-financial assets:		
Tangible capital assets (note 14)	34,353,098	33,666,273
Other assets	52,642	39,847
	34,405,740	33,706,120
Contingent liabilities (note 13)		
Commitment (note 17)		
Accumulated municipal surplus (note 15)	\$ 36,653,112	\$ 35,497,345

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, 2017, with comparative information for 2016

	Budget 2017 <small>(note 8)</small>	Actual 2017	Actual 2016
Revenue:			
Property taxation	\$ 7,419,368	\$ 7,331,271	\$ 7,170,007
User charges	213,550	379,395	384,217
Licenses, permits and rents	129,912	204,913	166,504
Government grants	2,241,005	2,096,522	2,083,356
Other municipalities	125,581	130,906	131,141
Penalties and interest on taxes	248,000	201,611	260,763
Investment income	25,100	60,409	51,724
Other	70,943	132,451	141,494
Contributed capital asset	-	303,002	-
Loss on disposal of tangible capital assets	-	(142,714)	(22,384)
Total revenue	10,473,459	10,697,766	10,366,822
Expenses (note 12):			
General government	1,281,314	1,179,256	1,340,340
Protection to persons and property	2,357,496	2,304,424	2,237,990
Transportation services	5,114,648	5,120,002	4,692,116
Environmental services (recovery)	462,338	239,386	(1,227,507)
Health services	178,631	154,130	138,275
Recreation and cultural services	406,501	471,002	572,305
Planning and development	49,988	73,799	35,967
Total expenses	9,850,916	9,541,999	7,789,486
Annual surplus	622,543	1,155,767	2,577,336
Accumulated municipal surplus, beginning of year		35,497,345	32,920,009
Accumulated municipal surplus, end of year		\$ 36,653,112	\$ 35,497,345

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, 2017, with comparative information for 2016

	2017	2016
Annual surplus	\$ 1,155,767	\$ 2,577,336
Acquisition of tangible capital assets	(2,502,801)	(1,716,885)
Proceeds on sale of tangible capital assets	–	26,528
Amortization of tangible capital assets	1,673,262	1,566,505
Loss on disposal of tangible capital assets	142,714	22,384
	468,942	2,475,868
Increase (decrease) in other assets	(12,795)	5,537
Change in net financial assets	456,147	2,481,405
Net financial assets (liabilities), beginning of year	1,791,225	(690,180)
Net financial assets, end of year	\$ 2,247,372	\$ 1,791,225

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, 2017, with comparative information for 2016

	2017	2016
Operating activities:		
Annual surplus	\$ 1,155,767	\$ 2,577,336
Items not involving cash:		
Amortization	1,673,262	1,566,505
Loss on disposal of tangible capital assets	142,714	22,384
Change in non-cash assets and liabilities:		
Taxes receivable	149,903	664,131
Accounts receivable	(66,396)	868,176
Accounts payable and accrued liabilities	222,512	(426,170)
Deferred revenue	156,168	17,354
Deferred revenue - obligatory reserve funds	12,921	(6,180)
Landfill closure and post-closure liability	(147,066)	(1,656,852)
Employee post-employment benefits	2,561	1,469
Other assets	(12,795)	5,537
Net change in cash from operating activities	3,289,551	3,633,690
Capital activities:		
Proceeds on sale of tangible capital assets	-	26,528
Acquisition of tangible capital assets	(2,502,801)	(1,716,885)
Net change in cash from capital activities	(2,502,801)	(1,690,357)
Financing activities:		
Principal repayments on long-term liabilities	(237,628)	(259,967)
Investing activities:		
Decrease (increase) in investments	(13,740)	56,085
Increase in cash	535,382	1,739,451
Cash, beginning of year	3,212,305	1,472,854
Cash, end of year	\$ 3,747,687	\$ 3,212,305

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, 2017

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, 2017

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, 2017

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, 2017

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 \$522,208 at December 31, 2017 (2016 - \$519,715).

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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:

	2017	2016
Bank loan for the medical centre, repayable in blended monthly payments of \$2,781, bearing interest at 2.37% and due April 2021	\$ 327,141	\$ 351,626
Bank loan for the solar panel project, repayable in blended monthly payments of \$868, bearing interest at 4.19% and due July 2021	34,639	43,407
Bank loan for 5 th Lake Road, repayable in blended monthly payments of \$18,383, bearing interest at 2.28% and due October 2020	605,081	809,456
	\$ 966,861	\$ 1,204,489

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

2018	\$ 241,763
2019	247,949
2020	217,484
2021	259,665
	\$ 966,861

- (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, 2017

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, 2017, there was \$Nil (2016 - \$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	
	2017	2016	2017	2016
Amounts requisitioned and collected	\$ 1,708,662	\$ 1,793,306	\$ 1,522,099	\$ 1,469,150

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 2017.

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, 2017, based on an actuarial update, the accrued benefit obligation was \$95,570 (2016 - \$113,515).

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
Expected average remaining service life	12 years

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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

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

	2017	2016
Accrued benefit liability, beginning of year	\$ 212,398	\$ 210,929
Current service cost	7,686	7,056
Interest cost	4,694	4,231
Amortization of actuarial gain	(9,818)	(9,818)
Accrued benefit liability, end of year	\$ 214,960	\$ 212,398

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

Accrued benefit obligation, end of year	\$ 95,570	\$ 113,515
Actuarial gain	30,325	98,883
Pre-existing unamortized actuarial gain	89,065	-
Accrued benefit liability, end of year	\$ 214,960	\$ 212,398

7. Trust funds:

Trust funds administered by the Township amounting to \$237,369 (2016 - \$247,929) 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, 2017

8. Budget figures:

The budget data presented in these consolidated financial statements is based upon the 2017 operating and capital budgets approved by Council on April 11, 2017. 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.

	2017 Budget
Reported on Consolidated Statement of Operations:	
Revenue, approved budget, reported on the Consolidated Statement of Operations	\$ 10,473,459
Expenses reported on the Consolidated Statement of Operations	9,850,916
Add: capital budget	\$ 2,195,164
Less: amortization estimate	(1,655,000)
Expenses, approved budget	10,391,080
	\$ 622,543
Budget adjustments:	
Capital budget	\$ (2,195,164)
Amortization expense	1,655,000
Budget not reported on statements:	
Debt repayments	(235,740)
Net reserve and reserve fund transfers	153,361
	\$ (622,543)

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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:

	2017	2016
Balance, beginning of year	\$ (31,293)	\$ (25,113)
Parkland	12,921	(6,180)
Federal gas tax receipts	140,969	138,517
Utilization of reserve funds	(140,969)	(138,517)
Balance, end of year	\$ (18,372)	\$ (31,293)
Analyzed as follows:		
Parkland	\$ (18,372)	\$ (31,293)

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 30 (2016 - 26) 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 2017 was \$138,518 (2016 - \$127,932).

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, 2017

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 \$1,110,906 (2016 - \$1,214,233). 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, 2017, an amount of \$786,065 (2016 - \$933,131) 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 21% to 72% of total estimated capacity and the estimated remaining life ranges from 5 to 35 years, after which the period for post-closure care is estimated to be 25 years.

12. Supplementary information:

	2017	2016
Expenses by object:		
Salaries, wages and employee benefits	\$ 2,873,586	\$ 2,733,132
Materials, services, rents and financial expenses	3,096,293	3,156,967
Contracted services – policing	1,300,121	1,176,823
Contracted services – other	586,613	622,001
Transfers to others	156,630	189,441
Change in landfill closure and post-closure liability	(147,066)	(1,656,852)
Change to employee post-employment benefits	2,561	1,469
Amortization	1,673,261	1,566,505
Total	\$ 9,541,999	\$ 7,789,486

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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, 2017, 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, 2016	Additions/ Transfers	Disposals/ adjustments	Balance at December 31, 2017
Land	\$ 1,043,259	\$ 18,730	\$ –	\$ 1,061,989
Landfill and land improvements	215,606	31,096	(5,508)	241,194
Buildings and building improvements	6,932,627	45,746	(20,264)	6,958,109
Vehicles, machinery, equipment and furniture	6,139,829	861,627	(169,069)	6,832,387
Computer software	157,463	13,781	–	171,244
Roads and bridges infrastructure	82,282,746	1,612,861	(1,369,700)	82,525,907
Frontenac Community Arena	570,825	19,053	–	589,878
Assets under construction	676,670	180,201	(280,294)	576,577
Total	\$ 98,019,025	\$ 2,783,095	\$(1,844,835)	\$ 98,957,285

Accumulated amortization	Balance at December 31, 2016	Amortization expense	Disposals	Balance at December 31, 2017
Landfill and land improvements	\$ 60,034	\$ 9,672	\$ (2,103)	\$ 67,603
Buildings and building improvements	2,259,821	260,404	(7,272)	2,512,953
Vehicles, machinery, equipment and furniture	2,680,955	412,953	(141,641)	2,952,267
Computer software	38,943	32,182	–	71,125
Roads and bridges infrastructure	59,119,669	940,782	(1,270,811)	58,789,640
Frontenac Community Arena	193,330	17,269	–	210,599
Total	\$ 64,352,752	\$ 1,673,262	\$(1,421,827)	\$ 64,604,187

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

14. Tangible capital assets (continued):

	Net book value December 31, 2016	Net book value December 31, 2017
Land	\$ 1,043,259	\$ 1,061,989
Landfill and land improvements	155,572	173,591
Buildings and building improvements	4,672,806	4,445,156
Vehicles, machinery, equipment and furniture	3,458,874	3,880,120
Computer software	118,520	100,119
Roads and bridges infrastructure	23,163,077	23,736,267
Frontenac Community Arena	377,495	379,279
Assets under construction	676,670	576,577
Total	\$ 33,666,273	\$ 34,353,098

(a) Assets under construction:

Assets under construction having a value of \$576,577 (2016 - \$676,670) 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 (2016 - \$Nil).

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

15. Accumulated municipal surplus:

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

	2017	2016
Surplus	\$ 1,871,822	\$ 2,418,868
Frontenac Community Arena	–	(1,986)
Recreation operations	51,756	60,076
Investment in tangible capital assets:		
Tangible capital assets	33,973,819	33,288,777
Long-term liabilities	(966,861)	(1,204,489)
Frontenac Community Arena	379,279	377,496
Unfunded landfill closure and post-closure liability	(786,065)	(933,131)
Employee post-employment benefits	(214,960)	(212,398)
Reserves set aside for specific purposes by Council for:		
Working capital	356,797	332,332
Contingencies	855,778	409,025
Roads equipment	386,561	291,155
General government	52,000	52,000
Recreation and culture	191,220	136,503
Environmental	46,694	32,894
Protection	28,674	32,024
Health	92,571	82,571
Total reserves	2,010,295	1,368,504
Reserve funds set aside for specific purpose by legislation, regulation or agreement for:		
Roads	116,666	115,673
Recreation	35,447	32,413
Health Services	172,284	170,818
Other	9,630	16,724
Total reserve funds	334,027	335,628
Accumulated municipal surplus	\$ 36,653,112	\$ 35,497,345

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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, 2017

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, 2017 was \$1,262,908 (2016 - \$1,176,823).

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, 2017

	Administration	Protection Services	Transportation Services	Environmental Services	Parks, Recreation, and Culture	Health and Cemetery Services	Planning and Development	2017 Total
Revenue:								
Property taxation	\$ 1,213,843	\$ 1,676,966	\$ 3,602,060	\$ 306,334	\$ 401,334	\$ 95,763	\$ 34,971	\$ 7,331,271
User charges	6,739	10,883	–	176,378	138,857	17,938	28,600	379,395
Government grants	1,931,700	1,711	140,969	22,142	–	–	–	2,096,522
Licenses, permits, and rents	272	–	130,634	–	–	–	–	130,906
Other municipalities	60,042	–	–	–	–	367	–	60,409
Investment income	201,611	–	–	–	–	–	–	201,611
Penalties and interest or taxes	6,284	167,252	1,700	–	10,705	18,972	–	204,913
Other	42,979	29,860	23,914	1,809	31,123	150	2,616	132,451
Revenue for contributed capital property	–	–	303,002	–	–	–	–	303,002
Loss on disposal of tangible capital assets	–	–	(142,714)	–	–	–	–	(142,714)
Total Revenue	3,463,470	1,886,672	4,059,565	506,663	582,019	133,190	66,187	10,697,766
Expenses:								
Salaries, wages, and employee benefits	684,689	425,453	1,522,536	138,762	76,732	240	27,735	2,876,147
Contracted service	–	1,300,121	418,661	77,767	–	56,657	33,528	1,886,734
Rents and financial	27,564	–	–	–	–	–	–	27,564
Materials	396,301	304,614	1,939,331	135,654	229,782	24,517	11,649	3,041,848
Change in landfill liability	–	–	–	(147,066)	–	–	–	(147,066)
External transfers to others	927	72,455	–	–	83,248	–	–	156,630
Long-term debt interest	1,628	–	16,364	–	–	8,889	–	26,881
Amortization	68,147	201,781	1,223,110	34,269	81,240	63,827	887	1,673,261
Total Expenses	1,179,256	2,304,424	5,120,002	239,386	471,002	154,130	73,799	9,541,999
Annual surplus (deficit)	\$ 2,284,214	\$ (417,752)	\$ (1,060,437)	\$ 267,277	\$ 111,017	\$ (20,940)	\$ (7,612)	\$ 1,155,767



KPMG LLP
863 Princess Street, Suite 400
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 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, 2017 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, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

April 24, 2018

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Trust Funds

Statements of Financial Position

December 31, 2017, with comparative information for 2016

	Cemetery Perpetual Care	Ontario Boarding Home Contract Program	Ontario Home Renewal Program	Total 2017	Total 2016
Assets					
Cash	\$ 220,673	\$ –	\$ 213	\$ 220,886	\$ 200,567
Investments (note 2)	16,696	–	–	16,696	16,683
Due from revenue fund	–	24,466	–	24,466	30,666
	<u>\$ 237,369</u>	<u>\$ 24,466</u>	<u>\$ 213</u>	<u>\$ 262,048</u>	<u>\$ 247,916</u>
Liabilities and Capital Balances					
Due to revenue fund	\$ –	\$ 24,466	\$ 213	\$ 24,679	\$ (13)
Capital	237,369	–	–	237,369	247,929
	<u>\$ 237,369</u>	<u>\$ 24,466</u>	<u>\$ 213</u>	<u>\$ 262,048</u>	<u>\$ 247,916</u>

See accompanying notes to financial statements.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Trust Funds

Statements of Continuity

Year ended December 31, 2017, with comparative information for 2016

	Cemetery Perpetual Care	Ontario Boarding Home Contract Program	Ontario Home Renewal Program	Total 2017	Total 2016
Balance, beginning of year	\$ 223,250	\$ 24,466	\$ 213	\$ 247,929	\$ 247,312
Monument donations	1,400	–	–	1,400	400
Sale of cemetery plots	3,050	–	–	3,050	8,050
Interest earned	1,820	–	–	1,820	2,417
Bad debt expense	–	–	–	–	(10,250)
Transfer from (to) operations	7,849	(24,466)	(213)	(16,830)	–
Balance, end of year	\$ 237,369	\$ –	\$ –	\$ 237,369	\$ 247,929

See accompanying notes to financial statements.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Trust Funds
Notes to Financial Statements

Year ended December 31, 2017

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.

2. Investments:

The total investments held by the trust funds in the amount of \$16,696 (2016 - \$16,683) reported on the Statement of Financial Position at cost, have a market value of \$17,187 (2016 - \$17,176) as at December 31, 2017.

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.

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. This account has been closed and transferred to the operation of the Township.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Trust Funds
Notes to Financial Statements (continued)

Year ended December 31, 2017

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 and is no longer active. Remaining funds have been transferred to the working fund reserves in the Township's accounts.

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.