

Consolidated Financial Statements of the

**CORPORATION OF THE COUNTY
OF LENNOX AND ADDINGTON**

Year ended December 31, 2016

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Year ended December 31, 2016

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the County of Lennox and Addington (the "County") are the responsibility of the County'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 County'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.

The County's 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 County. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the County's consolidated financial statements.



Larry Keech
Chief Administrative Officer/Clerk



Stephen Fox
Director, Financial and Physical Services



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the County of Lennox and Addington

We have audited the consolidated financial statements of the Corporation of the County of Lennox and Addington, 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 (debt) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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



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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the County of Lennox and Addington 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, 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

May 10, 2017

Kingston, Canada

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Consolidated Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Financial assets:		
Cash	\$ 11,702,042	\$ 6,181,479
Accounts receivable	1,929,988	2,609,915
Investments (note 3)	5,801,606	5,796,354
	19,433,636	14,587,748
Liabilities:		
Accounts payable and accrued liabilities	5,279,122	4,921,265
Workplace Safety and Insurance liabilities (note 4)	1,158,422	1,140,155
Employee future benefits (note 5)	1,357,896	1,226,561
Deferred revenue	831,485	425,546
Long-term liabilities (note 7)	8,955,438	10,228,728
	17,582,363	17,942,255
Net financial assets (debt)	1,851,273	(3,354,507)
Other non-financial assets:		
Tangible capital assets (note 8)	147,784,405	149,781,532
Inventories of supplies	37,316	37,368
Prepaid expenses	1,056,519	773,602
Total non-financial assets	148,878,240	150,592,502
Contingent liabilities (note 9)		
Commitments (note 10)		
Total accumulated surplus (note 11)	\$ 150,729,513	\$ 147,237,995

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

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Consolidated Statement of Operations and Accumulated Surplus

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

	Budget (note 12)	2016	2015
Revenue:			
Taxation from other governments	\$ 25,165,400	\$ 25,298,151	\$ 24,265,203
Fees and miscellaneous revenue	6,604,000	7,010,303	6,567,758
Government grants	32,719,800	31,588,012	32,210,470
Investment income	165,000	178,278	191,296
Fines and penalties (note 13)	2,505,500	3,044,332	2,498,285
Revenue from municipalities	2,324,700	2,279,254	2,384,815
Total revenue	69,484,400	69,398,330	68,117,827
Expenses (note 14):			
General government	1,000,400	972,478	916,779
Property services	680,600	637,334	703,519
Provincial offences (note 13)	1,166,900	1,336,897	1,104,906
Property assessment	676,300	676,282	675,367
Emergency Planning	26,700	20,921	28,311
Roadways and bridges	10,591,800	10,514,945	10,506,493
Public health services	4,673,900	4,674,008	4,739,029
Hospital support	150,000	150,000	150,000
Paramedic services	6,351,300	6,249,618	5,903,290
Social and family services	13,001,800	11,870,564	12,477,640
Assistance to aged persons	14,524,200	14,238,935	14,141,957
Assistance to children	4,935,800	4,782,314	4,432,411
Libraries	1,408,100	1,401,650	1,290,779
Museum and archives	924,600	863,683	854,363
Housing and homelessness	7,206,700	7,015,408	6,880,777
Economic development and planning	529,300	501,775	504,973
Total expenses	67,848,400	65,906,812	65,310,594
Annual surplus	1,636,000	3,491,518	2,807,233
Accumulated surplus, beginning of year	147,238,000	147,237,995	144,430,762
Accumulated surplus, end of year (note 11)	\$ 148,874,000	\$ 150,729,513	\$ 147,237,995

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

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Consolidated Statement of Change in Net Financial Assets (Debt)

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

	2016	2015
Annual surplus	\$ 3,491,518	\$ 2,807,233
Acquisition of capital assets	(8,604,040)	(10,215,306)
Amortization of capital assets	10,569,962	10,264,948
Loss (gain) on retirement of assets	(2,905)	2,213
Proceeds from sale of assets	34,110	6,591
	5,488,645	2,865,679
Change in prepaid expenses	(282,917)	217,038
Change in inventories of supplies	52	143,680
Change in net financial assets	5,205,780	3,226,397
Net debt, beginning of year	(3,354,507)	(6,580,904)
Net financial assets (debt), end of year	\$ 1,851,273	\$ (3,354,507)

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

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Consolidated Statement of Cash Flows

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

	2016	2015
Operating activities:		
Annual surplus	\$ 3,491,518	\$ 2,807,233
Items not involving cash:		
Amortization of assets	10,569,962	10,264,948
Loss (gain) on retirement of assets	(2,905)	2,213
Change in non-cash assets and liabilities:		
Change in employee future benefits	131,335	127,086
Change in Workplace Safety and Insurance liabilities	18,267	16,235
Change in accounts receivable	679,927	(1,238,575)
Change in accounts payable and accrued liabilities	357,857	(714,419)
Change in deferred revenue	405,939	(635,747)
Change in prepaid expenses	(282,917)	217,038
Change in inventories of supplies	52	143,680
Net change in cash from operating activities	15,369,035	10,989,692
Capital activities:		
Proceeds from sale of assets	34,110	6,591
Cash used to acquire assets	(8,604,040)	(10,215,306)
	(8,569,930)	(10,208,715)
Investing activities:		
Sale (purchase) of investments	(5,252)	2,259,269
Financing activities:		
Debt repaid	(1,273,290)	(1,221,912)
Increase in cash	5,520,563	1,818,334
Cash, beginning of year	6,181,479	4,363,145
Cash, end of year	\$ 11,702,042	\$ 6,181,479

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

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements

Year ended December 31, 2016

1. Significant accounting policies:

The consolidated financial statements of the Corporation of the County of Lennox and Addington (the "County") are prepared by management in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the County are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

These consolidated statements reflect the assets, liabilities, revenue and expenses of the County and include the activities of all committees of Council which are owned or controlled by the County.

Interdepartmental and inter-organizational transactions and balances between these organizations have been eliminated.

These consolidated financial statements include:

Prince Edward-Lennox and Addington Housing Corporation
Kingston, Frontenac and Lennox and Addington Public Health (proportionately consolidated).

Proportionate consolidation:

Kingston, Frontenac and Lennox and Addington Public Health is accounted for using the proportionate consolidation method of accounting and reporting, whereby the County's pro-rata share of each of the assets, liabilities, revenue and expenses is combined on a line-by-line basis in the financial statements.

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

(b) Accrual accounting:

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

(c) Deferred revenue:

The County 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.

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(d) Workplace Safety and Insurance liabilities:

The County bears the cost of certain insurance and pension benefits awarded under Workplace Safety and Insurance legislation and has accrued the actuarially determined cost of these obligations. Actuarial gains (losses), which can arise from changes in actuarial assumptions, will be amortized over the expected average remaining service life of the related employee groups.

(e) Employee future benefits:

The County provides extended healthcare, dental and life insurance benefits, as well as a retirement program to eligible employees. The cost of these future benefits earned by employees is actuarially determined using management's best estimate of expected health care costs and retirement ages. Actuarial gains (losses), which can arise from changes in actuarial assumptions, will be amortized over the expected average remaining service life of the related employee groups.

(f) Government transfers:

Government transfers are recognized as revenue in the consolidated financial statements when the transfer is authorized, any eligibility criteria are met and 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 meet the definition of a liability. Government transfers that give rise to a liability are recognized as revenue as the liability is extinguished.

(g) Investments:

Investments consist of guaranteed investment certificates which are recorded at cost plus accrued interest and bonds and debentures recorded at cost plus amortized purchase premiums and discounts. Premiums and discounts arising from the purchase of these investments are amortized over the term of the investments. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to reflect the loss.

(h) Use of estimates:

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the period. Items subject to such estimates and assumptions include the useful life of tangible capital assets, valuation for property tax write-offs and obligations related to employee future benefits and Workplace Safety and Insurance liabilities.

These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the consolidated financial statements in the period in which they become known.

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(i) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

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

Asset	Useful Life - Years
Bridges	20 to 75
Buildings	15 to 50
Equipment	5 to 20
Furnishings	10 to 20
Land improvements	15 to 25
Lending materials	4
Office equipment	4 to 20
Roads	6 to 40
Vehicles	4 to 20

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 the consolidated financial statements.

(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.

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(v) Interest capitalization:

Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets.

(vi) Inventories:

Inventories are recorded at the lower of cost and replacement cost.

(j) Taxation from other governments:

Taxation from other governments is recognized on the accrual basis using the approved tax rates and the anticipated assessment related to the current year.

2. Contributions to consolidated joint boards:

During the year, the following contributions were made by the County to this board:

	2016	2015
Kingston, Frontenac and Lennox and Addington Public Health	\$ 1,223,202	\$ 1,199,224

3. Investments:

Investments reported on the consolidated statement of financial position have cost and market values as follows:

	2016	2016
	Cost	Market Value
Canadian bank bonds and guaranteed investment certificates	\$ 5,801,606	\$ 5,819,423

	2015	2015
	Cost	Market Value
Canadian bank bonds and guaranteed investment certificates	\$ 5,796,354	\$ 5,808,979

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

4. Workplace Safety and Insurance (WSIB) liabilities:

In common with other Schedule 2 employers, the County funds its obligations to the Workplace Safety and Insurance Board on a self-funded basis for employees under Schedule 2.

An independent actuarial valuation of Workplace Safety and Insurance liabilities as at December 31, 2013 for future payments on Workplace Safety and Insurance Board claims occurring on or before December 31, 2013 has been undertaken. The next valuation will be effective December 31, 2016 and will be undertaken in fiscal 2017. As at December 31, 2013, there was an actuarial gain of \$299,530 to be amortized on a straight-line basis over the expected average remaining benefit lifetime of the related employee groups, which is estimated to be ten years.

The significant actuarial assumptions adopted in estimating the County's Workplace Safety and Insurance Board accrued benefit obligation are as follows:

Interest discount rate	4.5% per annum
Loss of earnings	2.0% per annum
Administration costs	38.0% of benefit costs

Information with respect to the County's Workplace Safety and Insurance Board accrued benefit liability is as follows:

	2016	2015
Accrued WSIB benefit obligation at January 1	\$ 900,531	\$ 854,343
Benefit cost for the year	152,535	146,978
Interest	40,693	38,616
Expected benefit payments	(145,008)	(139,406)
Accrued WSIB benefit obligation at December 31	948,751	900,531
Remaining unamortized actuarial gain	209,671	239,624
Accrued WSIB liability at December 31	\$ 1,158,422	\$ 1,140,155

Information with respect to the County's Workplace Safety and Insurance Board unamortized gain is as follows:

	2016	2015
Remaining unamortized gain at January 1	\$ 239,624	\$ 269,577
Amortization during the year	(29,953)	(29,953)
Remaining unamortized gain at December 31	\$ 209,671	\$ 239,624

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

5. Employee future benefits:

- (a) The County provides extended healthcare, dental and life insurance benefits up to the age of 65 for eligible employees who elect to take early retirement under the OMERS plan.

An independent actuarial valuation of the future benefits with respect to the post-retirement benefits continuation program has been undertaken and was completed at December 31, 2013. The next valuation will be effective December 31, 2016 and will be undertaken in fiscal 2017. As at December 31, 2013, there was an actuarial gain of \$28,483 to be amortized on a straight-line basis over the expected average remaining service life of the related employee groups, which is estimated to be fourteen years.

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

Interest discount rate	4.75% per annum
Medical rate of inflation	4.0% - 6.0% per annum
Dental rate of inflation	4.0% per annum
Retirement rate	25% at first unreduced early retirement age and 10% thereafter

Information with respect to the County's post-retirement benefit liability is as follows:

	2016	2015
Accrued post-retirement benefit obligation at January 1	\$ 973,140	\$ 931,146
Benefit cost for the year	46,687	43,696
Interest	46,112	44,179
Expected benefit payments	(51,426)	(45,881)
Accrued post-retirement benefit obligation at December 31	1,014,513	973,140
Remaining unamortized actuarial loss	(793)	(10,342)
Accrued post-retirement benefit liability at December 31	\$ 1,013,720	\$ 962,798

Information with respect to the County's post-retirement unamortized loss is as follows:

	2016	2015
Remaining unamortized loss at January 1	\$ (10,342)	\$ (27,826)
Amortization during the period	9,549	17,484
Remaining unamortized loss at December 31	\$ (793)	\$ (10,342)

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

5. Employee future benefits (continued):

(b) The County provides a retirement allowance to eligible employees.

An independent actuarial valuation of the future benefits with respect to the retirement allowance has been undertaken and was completed at December 31, 2013. The next valuation will be effective December 31, 2016 and will be undertaken in fiscal 2017. As at December 31, 2013, there was an actuarial loss of \$266,481 to be amortized on a straight-line basis over the expected average remaining service life of the related employee groups, which is estimated to be thirteen years.

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

Interest discount rate	4.75% per annum
Salary inflation	3.0% per annum
Retirement rate	25% at first unreduced early retirement age and 10% thereafter

Information with respect to the County's accrued retirement allowance liability is as follows:

	2016	2015
Accrued retirement benefit obligation at January 1	\$ 525,236	\$ 486,862
Benefit cost for the period	36,514	34,175
Interest	25,557	23,479
Expected benefit payments	(10,892)	(19,280)
Accrued retirement benefit obligation at December 31	576,415	525,236
Remaining unamortized actuarial loss	(232,239)	(261,473)
Accrued retirement allowance liability at December 31	\$ 344,176	\$ 263,763

Information with respect to the County's retirement allowance unamortized loss is as follows:

	2016	2015
Remaining unamortized loss at January 1	\$ (261,473)	\$ (290,707)
Amortization during the year	29,234	29,234
Remaining unamortized loss at December 31	\$ (232,239)	\$ (261,473)

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

6. Pension agreements:

The County makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 286 (2015 - 289) 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 their length of service and rates of pay.

The amount contributed to OMERS for 2016 current service was \$1,440,222 (2015 - \$1,424,273) and is included as an expense on the "Consolidated Statement of Operations and Accumulated Surplus".

7. Long-term liabilities:

(a) The long-term liabilities reported on the "Consolidated Statement of Financial Position" are as follows:

	2016	2015
OSIFA Debentures - infrastructure projects	\$ 1,680,112	\$ 1,865,304
OSIFA Debentures - The John M. Parrott Centre	4,501,068	5,381,037
Proportionate share of Kingston, Frontenac and Lennox and Addington Public Health debt	1,119,351	1,178,484
Meadow Lane mortgage	1,654,907	1,803,903
	\$ 8,955,438	\$ 10,228,728

(i) In 2004, the County issued debentures to the Ontario Strategic Infrastructure Financing Authority ("OSIFA") totalling \$3,599,000 to finance designated infrastructure projects. The debentures are repayable in equal semi-annual payments of \$117,794, principal and interest, over a twenty-year period until November 15, 2024 at an interest rate of 2.77%.

(ii) In 2006, the County issued debentures to the Ontario Strategic Infrastructure Financing Authority ("OSIFA") totalling \$12,000,000 to finance the construction of The John M. Parrott Centre. The debentures are repayable in equal semi-annual payments of \$560,038, principal and interest, over a fifteen-year period until February 15, 2021, at an interest rate of 4.65%.

(iii) The County's principal repayments due on the OSIFA debentures are as follows:

2017	\$ 1,111,722
2018	1,160,372
2019	1,211,209
2020	1,264,335
2021	759,813
2022 and thereafter	673,729
	\$ 6,181,180

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

7. Long-term liabilities (continued):

(a) (continued):

(iv) The Kingston, Frontenac and Lennox and Addington Public Health's debt matures on December 8, 2028 and has an interest rate of 6.09%. The County's proportionate share of the principal due on the debt is summarized as follows:

2017	\$ 63,261
2018	67,308
2019	72,633
2020	77,106
2021	82,431
2022 and thereafter	756,612
	\$ 1,119,351

(v) The Meadow Lane mortgage is repayable in blended monthly payments of \$15,620, due August 1, 2019 at an interest rate of 2.225%.

The principal repayment due on the mortgage is as follows:

2017	\$ 152,329
2018	155,737
2019	1,346,841
	\$ 1,654,907

(b) Total charges for the year for net long-term liabilities which are reported on the "Consolidated Statement of Operations and Accumulated Surplus" are as follows:

	2016	2015
Interest - Kingston, Frontenac and Lennox and Addington Public Health	\$ 75,796	\$ 79,108
Interest - Corporation of the County of Lennox and Addington	313,197	361,510
	\$ 388,993	\$ 440,618

(c) The long-term liabilities in note 7(a), issued in the name of the County, have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

8. Tangible capital assets:

Cost	Balance at December 31, 2015	Additions	Disposals	Balance at December 31, 2016
Bridges	\$ 20,601,364	\$ 516,354	\$ –	\$ 21,117,718
Buildings	75,681,752	441,633	–	76,123,385
Equipment	2,391,131	159,907	419,094	2,131,944
Furnishings	2,029,999	181,425	195,241	2,016,183
Land	746,976	6,986	–	753,962
Land improvements	1,511,263	25,982	–	1,537,245
Lending materials	397,197	70,483	71,835	395,845
Office equipment	1,697,953	439,550	132,460	2,005,043
Roads	155,886,684	6,442,521	3,810,915	158,518,290
Vehicles	1,394,272	84,442	31,520	1,447,194
Assets under construction	–	234,757	–	234,757
Total	\$ 262,338,591	\$ 8,604,040	\$ 4,661,065	\$ 266,281,566

Accumulated amortization	Balance at December 31, 2015	Amortization	Disposals and adjustments	Balance at December 31, 2016
Bridges	\$ 6,756,540	\$ 478,567	\$ –	7,235,107
Buildings	30,539,461	2,507,172	–	33,046,633
Equipment	1,255,181	196,669	419,094	1,032,756
Furnishings	905,035	134,399	195,241	844,193
Land improvements	658,944	76,565	–	735,509
Lending materials	236,050	79,809	71,835	244,024
Office equipment	802,944	305,388	130,527	977,805
Roads	70,490,580	6,595,069	3,781,643	73,304,006
Vehicles	912,324	196,324	31,520	1,077,128
Total	\$112,557,059	\$10,569,962	\$ 4,629,860	\$ 118,497,161

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

8. Tangible capital assets (continued):

	Net book value December 31, 2015	Net book value December 31, 2016
Bridges	\$ 13,844,824	\$ 13,882,611
Buildings	45,142,291	43,076,752
Equipment	1,135,950	1,099,188
Furnishings	1,124,964	1,171,990
Land	746,976	753,962
Land improvements	852,319	801,736
Lending materials	161,147	151,821
Office equipment	895,009	1,027,238
Roads	85,396,104	85,214,284
Vehicles	481,948	370,066
Assets under construction	—	234,757
Total	\$ 149,781,532	\$ 147,784,405

(a) Assets under construction:

Assets under construction having a value of \$234,757 (2015 - \$Nil) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$Nil (2015 - \$Nil).

(c) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(d) Works of art and historical treasures:

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

(e) Write-down of tangible capital assets:

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

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

9. Contingent liabilities:

The nature of the County's activities is such that there may be litigation pending or in prospect at any time. With respect to claims at December 31, 2016, management believes that the County has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the County's financial position.

10. Commitments:

- (a) The County has undertaken the following commitments to support community health care capital projects:
- i) Pine Meadow Nursing Home for \$25,000 per year for the years 2008 to 2017 inclusive.
 - ii) Lennox and Addington County General Hospital for \$50,000 per year for the years 2008 to 2017 inclusive.
 - iii) University Hospitals Kingston Foundation for \$100,000 per year for the years 2008 to 2017 inclusive.

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

11. Accumulated surplus:

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

	2016	2015
Surplus:		
Invested in tangible capital assets - general purposes	\$ 137,866,651	\$ 138,671,390
Invested in tangible capital assets - library purposes	315,627	240,032
Invested in tangible capital assets - Kingston, Frontenac and Lennox and Addington Public Health	646,689	641,382
Invested in inventories - general purpose	37,316	37,368
Other - general purposes	1,306,684	698,531
Other - library purposes	19,248	84,989
Other - Kingston, Frontenac and Lennox and Addington Public Health	652,185	603,561
Total surplus	140,844,400	140,977,253
Unfinanced Capital:		
Social services office building	(388,387)	(913,587)
Museum and archives	(1,311,346)	(1,534,846)
Total unfinanced capital	(1,699,733)	(2,448,433)
Reserves set aside by Council:		
Working capital - general purpose	937,555	937,555
Library expenditures	560,038	614,719
Roadways and bridges expenditures	3,323,618	1,454,017
Property capital projects	399,799	329,567
General expenditures	582,296	504,516
Social service expenditures	508,833	508,832
Economic development	81,517	81,517
Land use planning	33,873	33,873
Paramedic services expenditures	894,293	607,019
The John M. Parrott Centre	570,582	381,685
Rate stabilization	233,157	233,157
	8,125,561	5,686,457
Reserve funds set aside by Council:		
Meadow Lane	167,542	166,212
Child care	1,137,411	1,128,384
Social housing	1,765,006	1,728,122
Museum & Archives	389,326	-
	3,459,285	3,022,718
	\$ 150,729,513	\$ 147,237,995

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

12. 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 23, 2016.

The Corporation of the County of Lennox and Addington reviews its operating and capital budgets annually. The approved operating and capital budgets for 2016 are reflected on the "Consolidated Statement of Operations and Accumulated Surplus".

The chart below reconciles the approved budget to the budget figures reported on the "Consolidated Statement of Operations and Accumulated Surplus".

	Budget amount
Revenue:	
Original budget	\$ 65,982,600
Health Unit consolidation	3,504,700
Loss (gain) on sale of assets	(2,900)
	<u>69,484,400</u>
Expenses:	
Original budget	65,982,600
Health Unit consolidation	3,450,700
Assets capitalized	(11,985,600)
Amortization expense	10,504,000
Debt principal repayment	(1,963,200)
Transfer from other funds	1,859,900
	<u>67,848,400</u>
Annual surplus	<u>\$ 1,636,000</u>

13. Provincial Offences Administration:

The Provincial Offences Act 1997 (POA) is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor Licence Act, Municipal By-Laws and minor federal offences. The POA governs all aspects of the legal process from serving notice to a defendant, to conducting trials, including sentencing and appeals.

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

13. Provincial Offences Administration (continued):

Balances arising from the operation of the POA office have been consolidated with these financial statements. The revenue of the court office consists of fines levied under Parts I and III (including delay penalties) for POA charges filed in the Napanee Court. Offenders may pay their fines at any court office in Ontario, at which time their receipt is recorded in the Integrated Courts Operation Network System ("ICON") operated by the Province of Ontario. Revenue is recognized when receipt of funds is recorded by the provincial ICON system regardless of the location where payment is made. Total revenue and expenditures recorded as of December 31, 2016 are as follows:

	2016	2015
Gross revenue received	\$ 3,038,850	\$ 2,492,747
Gross expenditures	1,336,897	1,104,906
Net revenue	\$ 1,701,953	\$ 1,387,841

14. Supplementary information:

	2016	2015
Expenditures by object:		
Salaries, wages and employee benefits	\$ 28,354,693	\$ 27,273,721
Materials, services and rents	26,593,164	27,331,307
Debt services	388,993	440,618
Amortization	10,569,962	10,264,948
Total	\$ 65,906,812	\$ 65,310,594

15. Trust funds:

Trust funds administered by the County amounting to \$33,291 (2015 - \$18,525) 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 COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

16. Segmented information:

The Corporation of the County of Lennox and Addington is a municipal government institution that provides a range of services to its citizens as set out in the Schedule of Segment Disclosure. For management reporting purposes, the Corporation of the County of Lennox and Addington's operations and activities are organized and reported by department. Funds have been created for the purpose of recording specific activities in accordance with special regulations, restrictions or limitations.

The Corporation of the County of Lennox and Addington's services are provided by departments and their activities are reported in these funds. The following departments have been separately reported in the Schedule of Segment Disclosure.

(a) Roadways and Bridges:

The Corporation of the County of Lennox and Addington is responsible for 458 kilometres of arterial roads and 68 bridges and major culverts. The lower tier municipalities within the County provide maintenance services on these roads under a contract arrangement with the County.

(b) Assistance to Aged Persons:

The Corporation of the County of Lennox and Addington operates The John M. Parrott Centre, a 168 bed long-term care facility. The County has also committed to provide capital funding support to the Pine Meadow Nursing Home.

(c) Paramedic Services:

The Corporation of the County of Lennox and Addington provides paramedic services to its residents from four ambulance bases located in Napanee, Loyalist, Northbrook and Denbigh.

(d) Social Assistance, Housing & Homelessness and Child Care:

The Corporation of the County of Lennox and Addington is the Consolidated Municipal Service Manager for the Counties of Lennox and Addington and Prince Edward for the provision of social services.

(e) Libraries:

The Corporation of the County of Lennox and Addington provides library services to its residents at library branches located in the Town of Greater Napanee, Loyalist Township and the Township of Stone Mills.

(f) Museums and Archives:

The Corporation of the County of Lennox and Addington's Museum and Archives, which is located in Napanee, has over 10,000 artifacts in its collection.

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

16. Segmented information (continued):

(g) Economic Development & Planning:

The Corporation of the County of Lennox and Addington is responsible for business attraction, retention and promotion, as well as land use planning initiatives.

(h) Provincial Offences:

The Corporation of the County of Lennox and Addington administers the collection of approximately 15,000 Provincial Offences fines per year.

(i) General Government and Other Services:

General Government and Other Services includes County Council operations, Administration & Finance, Property Services, funding support for the Municipal Property Assessment Corporation, capital support for local hospitals and miscellaneous revenues such as investment income, payments-in-lieu of taxation and non-specific government grants, which have not been allocated to the County's various departments.

(j) Public Health Services:

The Kingston, Frontenac and Lennox and Addington Health Unit provides public health services to the residents of Lennox and Addington and is proportionately funded by participating Municipalities and the Province of Ontario.

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.

County services are funded in part from Property Taxation. Taxation is apportioned to these services based on the amounts established as part of the 2016 budget process.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 1.

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

16. Segmented information (continued):

	Roadways & Bridges	Assistance to Aged Persons	Paramedic Services	Social Assistance	Housing & Homelessness	Child Care	Libraries
Revenue:							
Taxation	\$ 11,047,000	\$ 2,475,300	\$ 3,364,100	\$ 1,353,100	\$ 2,042,900	\$ 280,300	\$ 1,225,500
Fees and other revenue	65,500	4,155,779	8,748	2,645	1,749,761	–	21,194
Government grants	1,457,776	8,393,408	2,916,602	9,736,975	1,246,377	4,330,957	104,639
Investment income	–	–	–	–	–	–	–
Fine revenue	–	–	–	–	–	–	5,490
Recoveries from Municipalities	–	–	87,574	806,063	1,214,430	171,109	–
Total revenue	12,570,276	15,024,487	6,377,024	11,898,783	6,253,468	4,782,366	1,356,823
Expenses:							
Salaries and benefits	420,456	10,477,068	4,827,947	3,096,734	1,174,555	334,419	1,016,983
Materials	245,153	1,467,817	590,798	239,965	1,868,951	17,641	130,064
Contracted services	2,533,793	552,860	182,242	172,143	272,061	4,271,899	65,842
Rents and financial expenses	–	–	31,476	65,857	–	–	–
External transfers	–	105,579	–	7,681,787	2,071,547	42,119	–
Debt services	49,921	225,105	–	–	38,171	–	–
Interfunctional adjustments	176,668	505,843	273,695	512,535	175,748	116,236	87,762
Amortization	7,088,954	904,663	343,460	101,543	1,414,375	–	100,999
Total expenses	10,514,945	14,238,935	6,249,618	11,870,564	7,015,408	4,782,314	1,401,650
Net revenue (expenses)	\$ 2,055,331	\$ 785,552	\$ 127,406	\$ 28,219	\$ (761,940)	\$ 52	\$ (44,827)

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

16. Segmented information (continued):

	Museum & Archives	Economic Development & Planning	Provincial Offences	General Government & Other Services	Sub Total	Public Health Services	Total
Revenue:							
Taxation	\$ 991,700	\$ 495,500	\$ (1,333,100)	\$ 2,132,651	\$ 24,074,951	\$ 1,223,200	\$ 25,298,151
Fees and other revenue	313,047	15,176	8	505,970	6,837,828	172,475	7,010,303
Government grants	28,803	14,314	–	25,977	28,255,828	3,332,184	31,588,012
Investment income	–	–	–	178,278	178,278	–	178,278
Fine revenue	–	–	3,038,842	–	3,044,332	–	3,044,332
Recoveries from Municipalities	–	–	–	–	2,279,176	78	2,279,254
Total revenue	1,333,550	524,990	1,705,750	2,842,876	64,670,393	4,727,937	69,398,330
Expenses:							
Salaries and benefits	409,833	285,394	384,083	2,303,747	24,731,219	3,623,474	28,354,693
Materials	98,704	157,882	767,278	791,700	6,375,953	765,513	7,141,466
Contracted services	5,699	34,087	115,890	994,192	9,200,708	85,981	9,286,689
Rents and financial expenses	–	–	–	16,644	113,977	–	113,977
External transfers	–	–	–	150,000	10,051,032	–	10,051,032
Debt services	–	–	–	–	313,197	75,796	388,993
Interfunctional adjustments	204,513	23,852	69,646	(2,146,498)	–	–	–
Amortization	144,934	560	–	347,230	10,446,718	123,244	10,569,962
Total expenses	863,683	501,775	1,336,897	2,457,015	61,232,804	4,674,008	65,906,812
Net revenue (expenses)	\$ 469,867	\$ 23,215	\$ 368,853	\$ 385,861	\$ 3,437,589	\$ 53,929	\$ 3,491,518

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

17. Comparative information:

Certain 2015 comparative information has been reclassified to conform to the financial statement presentation adopted for the current year.