

Consolidated Financial Statements of

**CORPORATION OF THE
TOWNSHIP OF NORTH
FRONTENAC**

Year ended December 31, 2022

Consolidated Financial Statements of

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Year ended December 31, 2022

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

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TRUST FUNDS

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Township of North Frontenac (the "Township") are the responsibility of the Township's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. The significant accounting policies are described in summary in note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

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

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

Corey Klatt
Chief Administrative Officer

Kelly Watkins
Treasurer



KPMG LLP
863 Princess Street, Suite 400
Kingston ON K7L 5N4
Canada
Tel 613-549-1550
Fax 613-549-6349

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of the Corporation of the Township of North Frontenac (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2022;
- the consolidated statement of operations for the year then ended;
- the consolidated statement of changes in net financial assets for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

July 20, 2023

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets:		
Cash	\$ 6,492,735	\$ 8,330,087
Investments (note 16)	2,000,000	–
Taxes receivable	862,504	769,928
Trade and other receivables	1,284,192	2,357,412
	<u>10,639,431</u>	<u>11,457,427</u>
Financial liabilities:		
Accounts payable and accrued liabilities	685,588	621,794
Deferred revenue - obligatory reserve funds (note 2)	1,441,891	1,473,098
Deferred revenue - other	127,984	120,137
Employee future benefit obligation (note 15)	77,200	–
Long-term debt (note 3)	563,395	591,565
Landfill closure and post-closure costs (note 4)	1,630,066	1,630,549
	<u>4,526,124</u>	<u>4,437,143</u>
Net financial assets	6,113,307	7,020,284
Non-financial assets:		
Tangible capital assets (note 12)	24,485,891	22,611,284
Prepaid expenses	107,556	38,419
	<u>24,593,447</u>	<u>22,649,703</u>
Contingencies (note 10)		
Commitments (note 11)		
Accumulated municipal equity (note 13)	<u>\$ 30,706,754</u>	<u>\$ 29,669,987</u>

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

On behalf of Council:

_____ Councillor John Inglis, Chair of the Personnel-Audit Committee

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Consolidated Statement of Operations

Year ended December 31, 2022, with comparative information for 2021

	Budget (note 9)	2022	2021
Revenue:			
Net taxation and payments-in-lieu	\$ 6,663,642	\$ 6,619,337	\$ 6,391,411
Transfer payments	1,828,400	1,828,400	1,817,100
Government grants	1,611,208	1,237,229	850,962
User charges	596,755	700,510	675,393
Revenue from municipalities	34,500	32,798	41,384
Penalties and interest on taxes	140,000	144,804	136,725
Other	49,885	512,334	93,548
Investment income	15,000	239,902	72,515
	<u>10,939,390</u>	<u>11,315,314</u>	<u>10,079,038</u>
Expenses (notes 5 and 14):			
General government	1,906,715	1,626,004	1,445,789
Protection to persons and property	1,869,927	2,040,597	1,944,133
Transportation services	2,788,077	4,243,885	3,516,592
Environmental services	720,162	782,949	633,753
Landfill closure and post-closure recovery	–	(483)	(26,339)
Cemeteries	7,600	5,839	21,745
Recreation and culture	1,349,640	697,018	588,146
Planning and development	425,325	882,738	508,461
	<u>9,067,446</u>	<u>10,278,547</u>	<u>8,632,280</u>
Surplus for the year	1,871,944	1,036,767	1,446,758
Accumulated municipal equity, beginning of year		29,669,987	28,223,229
Accumulated municipal equity, end of year (note 13)		\$ 30,706,754	\$ 29,669,987

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

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2022, with comparative information for 2021

	Budget (note 9)	2022	2021
Surplus for the year	\$ 1,871,944	\$ 1,036,767	\$ 1,446,758
Acquisition of tangible capital assets	(4,548,664)	(3,778,791)	(4,078,114)
Amortization of tangible capital assets	–	1,904,184	1,721,010
Loss on disposal of tangible capital assets	–	–	484,491
	(2,676,720)	(837,840)	(425,855)
Change in prepaid expenses	–	(69,137)	(27,761)
Change in net financial assets	(2,676,720)	(906,977)	(453,616)
Net financial assets, beginning of year	–	7,020,284	7,473,900
Net financial assets, end of year	\$ (2,676,720)	\$ 6,113,307	\$ 7,020,284

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

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Consolidated Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Surplus for the year	\$ 1,036,767	\$ 1,446,758
Items not involving cash:		
Amortization of tangible capital assets	1,904,184	1,721,010
Loss on disposal of tangible capital assets	—	484,491
Change in landfill closure and post-closure costs	(483)	(26,339)
Change in employee future benefit obligation	77,200	—
Change in non-cash assets and liabilities:		
Taxes receivable	(92,576)	83,100
Trade and other receivables	1,073,220	(32,350)
Accounts payable and accrued liabilities	63,793	(544,872)
Deferred revenue - obligatory reserve funds	(31,207)	247,550
Deferred revenue - other	7,847	16,335
Prepaid expenses	(69,136)	(27,761)
Net change in cash from operating activities	3,969,609	3,367,922
Capital activities:		
Cash used to acquire tangible capital assets	(3,778,791)	(4,078,114)
Investing activities:		
Purchase of investments	(2,000,000)	—
Financing activities:		
Repayments of long-term debt	(28,170)	(28,170)
Decrease in cash	(1,837,352)	(738,362)
Cash, beginning of year	8,330,087	9,068,449
Cash, end of year	\$ 6,492,735	\$ 8,330,087

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

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2022

1. Accounting policies:

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

(a) Basis of consolidation:

- (i) The consolidated financial statements reflect the assets, liabilities, revenue and expenses and fund balances of the current, capital and reserves and reserve funds of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Township and which are owned or controlled by the Township. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

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

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

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

- (iii) Trust funds:

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

- (b) Deferred revenue - obligatory reserve funds:

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

- (c) Deferred revenue - other:

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

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Accounting policies (continued):

(d) Landfill closure and post closure costs:

The Township accrues landfill closure and post-closure care requirements that have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a seventy-year period using the best information available to management.

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

(e) Use of estimates:

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

(f) Government transfers:

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

(g) Basis of accounting:

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

(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.

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Accounting policies (continued):

(h) Non-financial assets (continued):

(i) Tangible capital assets:

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

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

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

(ii) Contributions of tangible capital assets:

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

(iii) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

(iv) Leased tangible capital assets:

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

(i) Property tax revenue:

Property tax revenue is recognized on the accrual basis using the approved tax rates and the anticipated assessment related to the current year. Taxes levied on behalf of others in a flow-through arrangement are not reported on the consolidated statement of operations.

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Accounting policies (continued):

(j) Pension benefits:

The Township accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a contributory defined benefit plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

(k) Employee future benefits:

The Township accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the retirement benefits. The actuarial determination of the accrued benefit obligations for retirement benefits uses the projected benefit method prorated on service (which incorporates management's best estimate of retirement ages of employees and other actuarial factors).

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the other retirement benefits plan is 11 years (2021 – Nil).

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

2. Deferred revenue - obligatory reserve funds:

A requirement of the Canadian public sector accounting standards is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the Township are summarized below:

	2022	2021
Balance, beginning of year	\$ 1,473,098	\$ 1,225,547
Federal gas tax county	231,182	252,230
Development contributions	85,600	62,730
Ontario community infrastructure fund	650,690	304,907
Building fund	6,816	30,460
Investment income	36,750	8,900
Utilization of funds	(1,042,245)	(411,676)
Balance, end of year	\$ 1,441,891	\$ 1,473,098

	2022	2021
Analyzed as follows:		
Federal gasoline tax	\$ 1,348,113	\$ 1,113,109
Recreation land	14,000	275,113
Ontario community infrastructure fund	41,766	54,416
Building department	38,012	30,460
	\$ 1,441,891	\$ 1,473,098

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

3. Long-term debt:

- (a) The balance of long-term debt reported on the consolidated statement of financial position is made up of the following:

	2022	2021
Loan for the municipal building, repayable in semi-annual payments bearing interest at 3.24% and due December 2042	\$ 563,395	\$ 591,565

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

2023	\$ 28,170
2024	28,170
2025	28,170
2026	28,170
2027	28,170
Thereafter	422,545
	\$ 563,395

- (c) Interest expense on long-term debt in 2022 amounted to \$18,938 (2021 - \$19,851).
- (d) The long-term debt issued in the name of the Township, has been approved by by-law. The annual principal and interest payments required to service this debt are within the annual debt replacement limit prescribed by the Ministry of Municipal Affairs.

4. Landfill closure and post-closure costs:

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

4. Landfill closure and post-closure costs (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, treatment and monitoring of leachate, monitoring ground water and surface water, gas monitoring and recovery, and ongoing maintenance of various control systems, drainage systems and final cover. The reported liability is based on estimates and assumptions with respect to events extending over a seventy year period using the best information available to management. Future events will result in changes to the estimated total expenses, capacity used or total capacity and the estimated liability and will be recognized prospectively, as a change in estimate, when applicable.

Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure monitoring activities using an assumed rate of 4.0% (2021 - 1.7%) for inflation and a discount factor of 4.0% (2021 - 4.0%). The estimated total landfill closure and post-closure expenses are estimated to be \$3,123,089 (2021 - \$2,335,498). The Township currently has five active and two inactive landfill sites, as well as two transfer sites. For sites that are still active, the estimated liability for these expenses is recognized as the landfill sites' capacity is used. For sites that are inactive, the estimated liability for these expenses is recognized immediately. Included in liabilities at December 31, 2022 is an amount of \$1,630,066 (2021 - \$1,630,549) with respect to landfill closure and post-closure obligations recognized to date.

The estimated average remaining capacity of the landfill sites is 59% (2021 - 60%) of the total estimated capacity and the estimated average remaining life of the landfill sites is 52 years (2021 - 45 years), after which the period for post-closure care is estimated to be 25 years.

5. Expenses:

Expenses by object classification are as follows:

	2022	2021
Salaries, wages and benefits	\$ 3,654,148	\$ 3,236,330
Materials and supplies	3,041,244	2,184,217
Services, rents, contracted services and financial services	1,679,454	1,517,062
Landfill closure and post-closure recovery	(483)	(26,339)
Amortization	1,904,184	1,721,010
	\$ 10,278,547	\$ 8,632,280

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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

During 2022, requisitions were made by the school boards and the County of Frontenac requesting the Township to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	School Boards		County of Frontenac	
	2022	2021	2022	2021
Amounts requisitioned and collected	\$ 1,495,081	\$ 1,484,408	\$ 1,832,931	\$ 1,765,594

7. Pension agreement:

The Township makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer pension plan on behalf of its employees. As a result, the Township does not recognize any share of the OMERS pension surplus or deficit. The last available report was as at December 31, 2022, at that time, the plan reported a \$6.7 billion actuarial deficit (2021 - \$3.1 billion actuarial deficit).

The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employee based on length of service and rates of pay. Employers and employees contribute to the plan.

The amount contributed to OMERS for 2022 current services was \$202,567 (2021 - \$195,522) and is included on the consolidated statement of operations.

8. Trust funds:

Trust funds administered by the Township at year end amount to \$114,721 (2021 - \$110,423). Trust funds are reported separately on the Trust Funds statement of financial position and statement of continuity.

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

9. Budget figures:

The budget data presented in these consolidated financial statements is based upon the 2022 operating and capital budgets approved by Council. 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.

	2022 Budget
Reported on consolidated statement of operations:	
Operating revenue	\$ 10,939,390
Operating expenses	9,067,446
<hr/>	
Total budgeted surplus on consolidated financial statements	\$ 1,871,944
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Budget not reported on consolidated statements:	
Capital costs	\$ 4,548,664
Reserve and reserve fund transfers, net	(2,676,720)
<hr/>	
Total budgeted deficit not reported on consolidated financial statements	\$ 1,871,944

10. Contingencies:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2022, 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.

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

11. Commitments:

- (a) The Township entered into an agreement with the Ontario Provincial Police for the provision of police services. The total expense included on the consolidated statement of operations for the year ended December 31, 2022 is \$809,803 (2021 - \$834,275). The Ministry of Community and Safety and Correctional Services has developed a new cost-recovery billing model that was implemented January 1, 2015, that includes two components, base policing for items such as crime prevention, proactive policing, officer training and administrative duties that will make up approximately 60%, with the second component for reactive calls for services that make up the remaining 40% of the cost invoiced.
- (b) The Township entered an agreement to create and govern the Joint Fire Committee for the Kaladar/Barrie Fire Department with the Township of Addington Highlands on September 22, 2018 for the provision of shared fire services to both townships. Each year by March 1, a budget will be submitted for approval from both Councils and an apportionment of costs to each will be included at a formula of 50%. Assets purchased under this agreement will be owned jointly at 50%. This agreement will be in effect until a new agreement is undertaken. The 50% costs are included as part of the Protection to Persons and Property expense on the consolidated statement of operations in the amount of \$257,545 (2021 - \$252,095).

12. Tangible capital assets:

Cost	Balance at December 31, 2021	Additions	Disposals, transfers and adjustments	Balance at December 31, 2022
Land	\$ 976,795	\$ -	\$ -	\$ 976,795
Land improvements	849,569	-	-	849,569
Buildings	6,307,383	485,593	-	6,792,976
Vehicles and machinery	5,521,966	881,353	-	6,403,319
Equipment	2,312,953	214,216	(82,821)	2,444,348
Furniture and fixtures	264,170	16,790	-	280,960
Roads and bridge infrastructure	82,915,196	2,332,891	-	85,248,087
Assets under construction	849,452	881,354	(1,033,406)	697,400
Total	\$ 99,997,484	\$ 4,812,197	\$ (1,116,227)	\$ 103,693,454

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

12. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2021	Amortization expense	Disposals transfers and adjustments	Balance at December 31, 2022
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	408,283	41,758	-	450,041
Buildings	2,319,781	170,775	-	2,490,556
Vehicles and machinery	2,818,502	378,118	-	3,196,620
Equipment	1,717,898	111,053	(82,821)	1,746,130
Furniture and fixtures	195,413	16,564	-	211,977
Roads and bridge infrastructure	69,926,323	1,185,916	-	71,112,239
Assets under construction	-	-	-	-
Total	\$ 77,386,200	\$ 1,904,184	\$ (82,821)	\$ 79,207,563

	Net book value December 31, 2022	Net book value December 31, 2021
Land	\$ 976,795	\$ 976,795
Land improvements	399,528	441,286
Buildings	4,302,420	3,987,602
Vehicles and machinery	3,206,699	2,703,464
Equipment	698,218	595,055
Furniture and fixtures	68,983	68,757
Roads and bridge infrastructure	14,135,848	12,988,873
Assets under construction	697,400	849,452
Total	\$ 24,485,891	\$ 22,611,284

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

13. Accumulated municipal equity:

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

	2022	2021
Surplus	\$ 150,000	\$ 150,000
Invested in tangible capital assets	24,485,891	22,611,284
Long-term debt	(563,395)	(591,565)
Landfill and post-closure costs	(1,630,066)	(1,630,549)
	22,442,430	20,539,170
Reserves set aside for specific purposes by Council:		
Working capital	150,000	150,000
Other	—	—
Total reserves	150,000	150,000
Reserve funds set aside for specific purposes by Council:		
Protection	153,803	104,667
Roads	1,457,290	1,867,430
Environmental	718,327	675,411
Capital contingency/acquisition	1,077,694	1,378,164
General government contingency	328,250	639,152
Accessibility contingency	21,927	21,410
Cemeteries contingency	61,895	54,861
Waste and recycling	34,025	95,018
Infrastructure sustainability	3,052,930	3,356,745
Protection contingency	303,241	295,110
Parks and recreation contingency	874,491	467,997
Planning contingency	30,451	24,852
Total reserve funds	8,114,324	8,980,817
Accumulated municipal equity	\$ 30,706,754	\$ 29,669,987

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

14. Segmented information:

The Township is a municipal government institution that provides a range of services to its citizens, including police, fire, transportation, recreational and environmental. For management reporting purposes the Township's operations and activities are organized and reported by department. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Township services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(a) General Government:

Includes corporate services and governance of the Township. Administration is responsible for human resource management. Support to Council for policy development, by-law development in compliance with the Municipal Act, tax billing and collection responsibilities, financial management reporting, monitoring and overall budget status is provided as well as frontline reception and customer service.

(b) Protection Services:

Includes policing, fire protection, conservation authority, protective inspection and control and emergency measures. The mandate of police services is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. Fire protection includes detection, extinguishing and suppression services; emergency medical first response; and prevention education and training programs. Inspection and control includes building inspection, by-law enforcement and dog control services.

(c) Transportation Services:

This department provides the winter and summer maintenance, the repair and the construction of the municipal roads system including bridges and culverts and is responsible for streetlights.

(d) Environmental Services:

Includes the management and maintenance of the five active and two transfer stations, and two inactive landfill sites.

(e) Parks and Recreation:

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

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

14. Segmented information (continued):

(f) Planning and Development:

Manages rural development for business interests, environmental concerns, heritage matters, local neighbourhoods and community development. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of the building code, the zoning by-law and official plan, and the provision of geomatics services.

(g) Cemeteries:

Includes the management and maintenance of municipal cemeteries.

For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. These municipal services are funded primarily by taxation such as property tax revenue. Taxation and payments-in-lieu of taxes, penalties and interest, investment income and unconditional grants apportioned to these services based on the net surplus. Certain government transfers, transfer from other funds, and other revenue have been apportioned based on a percentage of budgeted expenses.

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

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

14. Segmented information (continued):

2022

	General government	Protection services	Environmental services	Transportation services	Parks and recreation	Planning and development	Cemeteries	Total
Revenue:								
Government conditional grants	\$ 300,970	\$ -	\$ 122,708	\$ 690,551	\$ 123,000	\$ -	\$ -	\$ 1,237,229
Revenue from other municipalities	-	1,207	31,591	-	-	-	-	32,798
User fees	16,675	223,981	78,527	1,190	317,585	56,952	5,600	700,510
Other	(2,589)	43,802	-	455,790	100	10,345	4,886	512,334
	315,056	268,990	232,826	1,147,531	440,685	67,297	10,486	2,482,871
Expenses:								
Salaries, wages and employee benefits	1,012,349	395,421	438,384	1,147,508	154,356	506,010	120	3,654,148
Materials	388,881	346,192	94,196	1,576,583	447,750	183,680	3,962	3,041,244
Contracted services	74,767	1,108,948	197,971	68,922	-	188,438	1,299	1,640,345
Transfer to others	-	32,666	-	-	-	-	-	32,666
Rents and financial expenses	6,443	-	-	-	-	-	-	6,443
Loss (gain) on disposals	-	-	-	-	-	-	-	-
Landfill closure and post-closure recovery	-	-	(483)	-	-	-	-	(483)
Amortization	143,564	157,370	52,398	1,450,872	94,912	4,610	458	1,904,184
	1,626,004	2,040,597	782,466	4,243,885	697,018	882,738	5,839	10,278,547
Excess of expenses over revenue	(1,310,948)	(1,771,607)	(549,640)	(3,096,354)	(256,333)	(815,441)	4,647	(7,795,676)
Funding through:								
Taxation								6,619,337
Penalties and interest								144,804
Investment income								239,902
Transfer payments								1,828,400
								8,832,443
Surplus for the year								\$ 1,036,767

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

14. Segmented information (continued):

2021

	General government	Protection services	Environmental services	Transportation services	Parks and recreation	Planning and development	Cemeteries	Total
Revenue:								
Government conditional grants	\$ 164,876	\$ -	\$ 61,657	\$ 620,706	\$ 3,723	\$ -	\$ -	\$ 850,962
Revenue from other municipalities	-	3,863	37,521	-	-	-	-	41,384
User fees	12,370	176,580	69,836	28,445	324,338	59,474	4,350	675,393
Other	6,872	27,112	6,522	45,478	42	6,166	1,356	93,548
	184,118	207,555	175,536	694,629	328,103	65,640	5,706	1,661,287
Expenses:								
Salaries, wages and employee benefits	895,689	369,616	377,883	1,044,860	204,717	338,983	4,582	3,236,330
Materials	322,063	322,778	69,025	1,099,513	301,490	52,843	16,505	2,184,217
Contracted services	81,052	1,090,997	154,727	20,805	4,885	111,982	200	1,464,648
Transfer to others	-	44,060	-	-	-	-	-	44,060
Rents and financial expenses	8,354	-	-	-	-	-	-	8,354
Loss (gain) on disposals	-	-	-	-	-	-	-	-
Landfill closure and post-closure recovery	-	-	(26,339)	-	-	-	-	(26,339)
Amortization	138,631	116,682	32,118	1,351,414	77,054	4,653	458	1,721,010
	1,445,789	1,944,133	607,414	3,516,592	588,146	508,461	21,745	8,632,280
Excess of expenses over revenue	(1,261,671)	(1,736,578)	(431,878)	(2,821,963)	(260,043)	(442,821)	(16,039)	(6,970,993)
Funding through:								
Taxation								6,391,411
Penalties and interest								136,725
Investment income								72,515
Transfer payments								1,817,100
								8,417,751
Surplus for the year								\$ 1,446,758

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

15. Employee future benefit obligation:

During 2022, the Township implemented extended life insurance, health care and dental benefits to certain eligible retirees. An independent actuarial study of the post-retirement benefits was undertaken. The most recent valuation of the employee future benefits was completed as at December 31, 2022. The next valuation of the plan is effective December 31, 2025.

At December 31, 2022 the Township's accrued benefit liabilities relating to post-retirement benefit plans are \$77,200 (2021 - Nil).

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

	2022	2021
Discount rate	4.60%	–
Dental benefits escalation	4.50%	–
Health benefits escalation	7.53% to an ultimate rate of 4.50% in 2043	–

The continuity of the Township's accrued benefit obligation is as follows:

	2023	2022
Accrued benefit obligation, opening balance	\$ –	\$ –
Transitional obligation	77,200	–
Current service costs	–	–
Interest on accrued benefit obligation	–	–
Benefits paid	–	–
Actuarial gain	–	–
Accrued benefit obligation, closing balance	\$ 77,200	\$ –

16. Investments:

Investments are recorded at cost and consist of guaranteed investment certificates yielding interest at rates between 4.10% - 4.50%, with maturities ranging between August 2023 and August 2025.



KPMG LLP
863 Princess Street, Suite 400
Kingston ON K7L 5N4
Canada
Tel 613-549-1550
Fax 613-549-6349

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the trust funds of the Corporation of the Township of North Frontenac (the "trust funds"), which comprise:

- the statement of financial position as at December 31, 2022;
- the statement of continuity for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the trust funds as at December 31, 2022, and its statement of continuity for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the trust funds in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the trust funds' ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the trust funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the trust funds' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit 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 trust funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the trust funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the trust funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

July 20, 2023

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

TRUST FUNDS

Statement of Financial Position

December 31, 2022, with comparative information for 2021

Name of Fund	Cemetery	Perpetual Care	2022 Total	2021 Total
Assets				
Current assets:				
Cash and short-term investments	\$ –	\$ 114,721	\$ 114,721	\$ 110,423
Fund Balances				
Fund balances	\$ –	\$ 114,721	\$ 114,721	\$ 110,423

Statement of Continuity

Year ended December 31, 2022, with comparative information for 2021

Name of Fund	Cemetery	Perpetual Care	2022 Total	2021 Total
Balance, beginning of year	\$ –	\$ 110,423	\$ 110,423	\$ 112,514
Contributions	–	4,110	4,110	–
Interest earned	–	2,972	2,972	1,025
Transfer to Township	–	(2,784)	(2,784)	(866)
Disbursements	–	–	–	(2,250)
Balance, end of year	\$ –	\$ 114,721	\$ 114,721	\$ 110,423

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

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC TRUST FUNDS

Notes to Financial Statements

Year ended December 31, 2022

1. Significant accounting policies:

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

(a) Basis of presentation:

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

(b) Basis of accounting:

Revenue and expenses are recorded on an accrual basis.

The accrual basis recognizes revenue as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

(c) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

2. Statement of cash flows:

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