

Consolidated Financial Statements of

**CORPORATION OF THE  
TOWNSHIP OF NORTH FRONTENAC**

Year ended December 31, 2011

Consolidated Financial Statements of

# **CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC**

Year ended December 31, 2011

## **CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC**

	Page
Management's Responsibility for the Consolidated Financial Statements	1
Independent Auditors' Report	2
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Change in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8
Schedule of Segment Disclosure	19

## **TRUST FUNDS**

Independent Auditors' Report	20
Statement of Financial Position and Statement of Continuity	22
Notes to Financial Statements	23

## **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 generally accepted accounting principles. The significant accounting policies are described in summary in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

The Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

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

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Cheryl Robson  
Chief Administrative Officer

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Angela Millar  
Treasurer



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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the consolidated financial statements of the Corporation of the Township of North Frontenac, which comprise the consolidated statement of financial position as at December 31, 2011, the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

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

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

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



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the Township of North Frontenac as at December 31, 2011, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

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Chartered Accountants, Licensed Public Accountants

May 14, 2012

Kingston, Canada

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

## Consolidated Statement of Financial Position

December 31, 2011, with comparative figures for 2010

	2011	2010
Financial assets:		
Cash	\$ 2,723,344	\$ 1,713,579
Taxes receivable	804,066	673,332
Trade and other receivables	438,353	858,610
Long-term investments (note 2)	561,250	655,010
	<u>4,527,013</u>	<u>3,900,531</u>
Financial liabilities:		
Accounts payable and accrued liabilities	771,128	619,263
Deferred revenue – obligatory reserve funds (note 3)	406,492	369,806
Deferred revenue – other	71,308	67,513
Long-term liabilities	–	42,000
Solid waste management facility liabilities (note 4)	582,289	557,256
	<u>1,831,217</u>	<u>1,655,838</u>
Net financial assets	2,695,796	2,244,693
Non-financial assets:		
Tangible capital assets (note 11)	18,742,749	22,611,850
Prepaid expenses	5,889	12,176
	<u>18,748,638</u>	<u>22,624,026</u>
Contingencies (note 10)		
Accumulated municipal equity (note 12)	<u>\$ 21,444,434</u>	<u>\$ 24,868,719</u>

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

On behalf of the Board:

\_\_\_\_\_ Council

\_\_\_\_\_ Council

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

## Consolidated Statement of Operations

Year ended December 31, 2011, with comparative figures for 2010

	Budget (Unaudited, note 9)	2011	2010
<b>Revenue:</b>			
Net taxation and payments-in-lieu	\$ 4,312,051	\$ 4,309,490	\$ 3,892,938
Transfer payments	1,059,000	1,059,000	1,176,601
Government grants	195,926	162,464	686,013
Revenue from municipalities	115,897	111,429	100,242
Other	397,670	196,688	135,369
User charges	368,950	368,313	363,096
Investment income	7,500	51,786	32,129
	<u>6,456,994</u>	<u>6,259,170</u>	<u>6,386,388</u>
<b>Expenses (note 5):</b>			
General government	971,226	961,923	822,405
Protection to persons and property	920,228	1,051,674	722,293
Transportation services	2,273,280	6,484,124	7,655,348
Environmental services	534,960	560,449	517,976
Health services	18,745	12,977	25,260
Recreation and culture	440,161	418,155	402,705
Planning and development	209,515	194,153	198,783
Total expenses	<u>5,368,115</u>	<u>9,683,455</u>	<u>10,344,770</u>
Surplus (deficit) for the year	1,088,879	(3,424,285)	(3,958,382)
Accumulated municipal equity, beginning of year	–	24,868,719	28,827,101
Accumulated municipal equity, end of year	\$ –	\$ 21,444,434	\$ 24,868,719

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

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

## Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Deficit for the year	\$ (3,424,285)	\$ (3,958,382)
Acquisition of tangible capital assets	(1,024,743)	(1,882,011)
Amortization of tangible capital assets	4,832,812	5,715,787
Loss on disposal of assets	61,032	240,456
	444,816	115,850
Use of prepaid expenses	6,287	4,810
Change in net financial assets	451,103	120,660
Net financial assets, beginning of year	2,244,693	2,124,033
Net financial assets, end of year	\$ 2,695,796	\$ 2,244,693

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



# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

## Consolidated Statement of Cash Flows

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operating activities:		
Deficit for the year	\$(3,424,285)	\$(3,958,382)
Items not involving cash:		
Amortization	4,832,812	5,715,787
Loss on disposal of assets	61,032	240,456
Change in landfill liability	25,033	19,827
Change in non-cash assets and liabilities:		
Taxes receivable	(130,734)	(61,161)
Trade and other receivables	420,257	(102,951)
Accounts payable and accrued liabilities	151,865	(23,071)
Deferred revenue – obligatory reserve funds	36,686	150,119
Deferred revenue – other	3,795	60,801
Prepaid expenses	6,287	4,810
Net change in cash from operating activities	1,982,748	2,046,235
Capital activities:		
Cash used to acquire tangible capital assets	(1,024,743)	(1,882,011)
Investing activities:		
Investments	93,760	(55,010)
Financing activities:		
Long-term debt repaid	(42,000)	(42,000)
Net change in cash	1,009,765	67,214
Cash, beginning of year	1,713,579	1,646,365
Cash, end of year	\$ 2,723,344	\$ 1,713,579

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, 2011

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## 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 generally accepted accounting principles. 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 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 Fund 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, 2011

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## 1. Accounting policies (continued):

### (d) Solid waste management facility liabilities:

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 fifty-five 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 financial statements in conformity with Canadian generally accepted accounting principles 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. Significant estimates include the liabilities for solid waste management facilities. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

### (f) Government transfers:

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

### (g) Investments:

Short-term and long-term investments are recorded at cost plus accrued interest and amortization of purchase premiums and discounts. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

### (h) 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.

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 1. Accounting policies (continued):

### (i) Non-financial assets:

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

### (i) Tangible capital assets:

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

Asset	Useful Life - Years
Land improvements	15 - 25
Buildings and building improvements	50
Vehicles, machinery and equipment	7 - 25
Roads and bridges infrastructure	10 - 45

Annual amortization is charged 50% in the year of acquisition and in the year of disposal. 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 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.

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 2. Long-term investments:

Long-term investments, which consist primarily of government bonds and guaranteed investment certificates, are recorded on the Consolidated Statement of Financial Position at cost, plus accrued interest, which approximates market value.

## 3. Deferred revenue – obligatory reserve funds:

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants 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:

	2011	2010
Balance, beginning of year	\$ 369,806	\$ 219,687
Federal gas tax grant	58,405	58,567
Development contributions	48,243	73,031
Building department surplus	–	19,792
Investment income	5,385	2,261
Utilization of funds	(75,347)	(3,532)
<b>Balance, end of year</b>	<b>\$ 406,492</b>	<b>\$ 369,806</b>
Analyzed as follows:		
Recreation land	\$ 244,583	\$ 200,829
Federal gasoline tax	160,910	149,185
Building department surplus	999	19,792
	<b>\$ 406,492</b>	<b>\$ 369,806</b>

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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#### 4. Solid waste management facility liabilities:

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

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, treatment and monitoring of leachate, monitoring ground water and surface water, gas monitoring and recovery, and ongoing maintenance of various control systems, drainage systems and final cover. The reported liability is based on estimates and assumptions with respect to events extending over a fifty-six 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 2% for inflation and a discount factor of 6%. The estimated total landfill closure and post-closure expenses are estimated to be \$1,005,724 (2010 - \$912,631). The Township currently has five active and three inactive landfill sites. For sites that are still active, the estimated liability for these expenses is recognized as the landfill sites' capacity is used. For sites that are inactive, the estimated liability for these expenses is recognized immediately. Included in liabilities at December 31, 2011 is an amount of \$582,289 (2010 - \$557,256) with respect to landfill closure and post-closure obligations recognized to date.

The estimated average remaining capacity of the landfill sites is 68% of the total estimated capacity and the estimated average remaining life of the landfill sites is 32 years, after which the period for post-closure care is estimated to be 25 years.

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 5. Expenses:

Expenses by object classification are as follows:

	2011	2010
Materials and supplies	\$ 1,937,180	\$ 1,672,068
Salaries, wages and benefits	2,215,800	2,087,026
Services, rents and financial services	612,851	587,882
External transfers	-	21,724
Solid waste management facility	23,780	19,827
Amortization	4,832,812	5,715,787
Loss on disposals	61,032	240,456
	<b>\$ 9,683,455</b>	<b>\$10,344,770</b>

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

During 2011, 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	
	2011	2010	2011	2010
Amounts requisitioned and collected	\$ 1,517,518	\$ 1,472,421	\$ 1,342,270	\$ 1,418,790

## 7. Pension agreement:

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer pension plan which covers substantially all of its employees. 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.

The amount contributed to OMERS for 2011 current services was \$103,198 (2010 - \$81,245).

## 8. Trust funds:

Trust funds administered by the municipality at year end amount to \$105,998 (2010 - \$101,279). Trust funds are reported separately on the Trust Funds Statements of Financial Position and Statements of Continuity.

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 9. Budget figures:

The unaudited budget data presented in these consolidated financial statements is based upon the 2011 operating and capital budgets approved by Council on May 24, 2011. 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.

	2011 Budget
Reported on statement of operations:	
Operating revenue	\$ 6,456,994
Operating expenses	5,368,115
<b>Total budgeted surplus on statements</b>	<b>\$ 1,088,879</b>
Budget not reported on statements:	
Capital costs	\$ 998,052
Reserve and reserve fund transfers (net)	90,827
<b>Total budgeted deficit not reported on statements</b>	<b>\$ 1,088,879</b>

## 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, 2011, 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, 2011

## 11. Tangible capital assets:

Cost	Balance at December 31, 2010	Additions	Disposals, transfers and adjustments	Balance at December 31, 2011
Land	\$ 860,928	\$ —	\$ —	\$ 860,928
Land improvements	357,490	—	—	357,490
Buildings	3,168,467	289,273	—	3,457,740
Vehicles and machinery	2,152,645	453,601	106,373	2,499,873
Equipment	1,949,642	101,651	—	2,051,293
Furniture and fixtures	185,990	—	—	185,990
Roads	77,322,732	242,644	485,285	77,080,091
Assets under construction	73,636	7,005	69,431	11,210
<b>Total</b>	<b>\$ 86,071,530</b>	<b>\$ 1,094,174</b>	<b>\$ 661,089</b>	<b>\$ 86,504,615</b>

Accumulated amortization	Balance at December 31, 2010	Disposals, transfers and Adjustments	Amortization expense	Balance at December 31, 2011
Land	\$ —	\$ —	\$ —	\$ —
Land improvements	78,683	—	17,382	96,065
Buildings	1,065,512	—	79,931	1,145,443
Vehicles and machinery	1,139,247	(77,972)	200,000	1,261,275
Equipment	876,338	—	135,626	1,011,964
Furniture and fixtures	96,037	—	16,089	112,126
Roads	60,203,863	(452,654)	4,383,784	64,134,993
Assets under construction	—	—	—	—
<b>Total</b>	<b>\$ 63,459,680</b>	<b>\$ (530,626)</b>	<b>\$ 4,832,812</b>	<b>\$ 67,761,866</b>

	Net book value December 31, 2010	Net book value December 31, 2011
Land	\$ 860,928	\$ 860,928
Land improvements	278,807	261,425
Buildings	2,102,955	2,312,297
Vehicles and machinery	1,013,398	1,238,598
Equipment	1,073,304	1,039,329
Furniture and fixtures	89,953	73,864
Roads	17,118,869	12,945,098
Assets under construction	73,636	11,210
<b>Total</b>	<b>\$ 22,611,850</b>	<b>\$ 18,742,749</b>

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 11. Tangible capital assets (continued):

### (a) Works of art and historical treasures:

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

## 12. Accumulated municipal equity:

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

	2011	2010
Surplus	\$ 162,085	\$ 150,000
Invested in tangible capital assets	18,742,752	22,611,850
Unfinanced capital	(45,524)	(263,552)
Landfill cost closure	(558,509)	(557,256)
	<u>\$ 18,300,804</u>	<u>\$ 21,941,042</u>
Reserves set aside for specific purposes by Council:		
Working capital	\$ 150,000	\$ 150,000
Other	125,872	34,310
Total reserves	275,872	184,310
Reserve funds set aside for specific purposes by Council:		
Protection	565,521	559,416
Roads	609,180	939,792
Environmental	412,401	357,839
Other	1,280,656	886,320
Total reserve funds	2,867,758	2,743,367
Accumulated municipal equity	<u>\$ 21,444,434</u>	<u>\$ 24,868,719</u>

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 13. Segmented information:

The Township of North Frontenac 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) Administration:

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 the police services contract is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. Fire protection includes 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.

(d) Environmental Services:

Includes the management and maintenance of the six active and two inactive landfill sites.

(e) Parks and Recreation:

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

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 13. 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 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 are apportioned to these services based on the net surplus. Certain government transfers, transfer from other funds, and other revenue have been apportioned based on a percentage of budgeted expenses.

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

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 13. Segmented information (continued):

Year ended December 31, 2011

	Administration	Protection Services	Transportation Services	Environmental Services	Parks and Recreation	Planning and Development	Cemeteries	Total
Taxation	\$ 224,042	\$ 1,254,124	\$ 1,926,476	\$ 525,074	\$ 333,393	\$ 32,218	\$ 14,163	\$ 4,309,490
Penalties and interest	118,749	—	—	—	—	—	—	118,749
Investment income	51,786	—	—	—	—	—	—	51,786
Government unconditional grants	1,059,000	—	—	—	—	—	—	1,059,000
Government conditional grants	308	1,076	67,829	69,675	—	—	—	138,888
Revenue from other municipalities	796	—	85,780	24,853	23,576	—	—	135,005
User fees	—	—	145	44,610	135,210	34,815	—	214,780
Other	231,472	—	—	—	—	—	—	231,472
<b>Total revenue</b>	<b>1,686,153</b>	<b>1,255,200</b>	<b>2,080,230</b>	<b>664,212</b>	<b>492,179</b>	<b>67,033</b>	<b>14,163</b>	<b>6,259,170</b>
Salaries, wages and employee benefits	669,765	255,767	713,138	287,468	138,479	145,962	5,221	2,215,800
Materials	164,342	269,907	1,117,035	210,392	157,651	39,522	2,111	1,960,960
Contracted services	67,988	388,707	20,458	23,210	93,343	5,832	5,645	605,183
Rents and financial expenses	7,086	13,940	32,631	14,461	582	—	—	68,700
Amortization	52,742	123,353	4,600,862	24,918	28,100	2,837	—	4,832,812
<b>Total expenses</b>	<b>961,923</b>	<b>1,051,674</b>	<b>6,484,124</b>	<b>560,449</b>	<b>418,155</b>	<b>194,153</b>	<b>12,977</b>	<b>9,683,455</b>
<b>Net revenue (expenses)</b>	<b>\$ 724,230</b>	<b>\$ 203,526</b>	<b>\$ (4,403,894)</b>	<b>\$ 103,763</b>	<b>\$ 74,024</b>	<b>\$ (127,120)</b>	<b>\$ 1,186</b>	<b>\$ (3,424,285)</b>

See accompanying notes to financial statements.



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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the financial statements of the trust fund of the Corporation of the Township of North Frontenac, which comprise the statement of financial position as at December 31, 2011 and the statement of continuity of trust fund for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation of the Township of North Frontenac trust fund as at December 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a long, horizontal, slightly wavy line that extends to the right.

Chartered Accountants, Licensed Public Accountants

May 14, 2012

Kingston, Canada

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC TRUST FUNDS

## Statement of Financial Position

December 31, 2011, with comparative figures for 2010

Name of Fund	Cemetery	Perpetual Care	2011 Total	2010 Total
<b>Assets</b>				
Current assets:				
Cash and short-term investments	\$ 27,637	\$ 78,361	\$ 105,998	\$ 101,279
<b>Fund Balances</b>				
Fund balances	\$ 27,637	\$ 78,361	\$ 105,998	\$ 101,279

## Statement of Continuity

Year ended December 31, 2011, with comparative figures for 2010

Name of Fund	Cemetery	Perpetual Care	2011 Total	2010 Total
Balance, beginning of year	\$ 26,145	\$ 75,134	\$ 101,279	\$ 98,834
Accrued investment income	-	164	164	180
Contributions	1,224	2,219	3,443	1,613
Interest earned	268	844	1,112	652
	1,492	3,227	4,719	2,445
Balance, end of year	\$ 27,637	\$ 78,361	\$ 105,998	\$ 101,279

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, 2011

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## 1. Significant accounting policies:

The financial statements of the Corporation of the Township of North Frontenac Trust Funds are prepared by management in accordance with Canadian generally accepted accounting principles.

(a) Basis of presentation:

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

(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 generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

## 2. Statement of cash flow:

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