

Consolidated Financial Statements of

**CORPORATION OF THE
TOWNSHIP OF NORTH FRONTENAC**

Year ended December 31, 2012

Consolidated Financial Statements of

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Year ended December 31, 2012

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 public sector accounting standards. 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.

Cheryl Robson
Chief Administrative Officer

Angela Millar
Treasurer



KPMG LLP

Chartered Accountants

863 Princess Street Suite 400

Kingston ON K7L 5N4

Canada

Telephone (613) 549-1550

Telefax (613) 549-6349

www.kpmg.ca

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, 2012, 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 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 Township of North Frontenac as at December 31, 2012, 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

Chartered Accountants, Licensed Public Accountants

May 21, 2013

Kingston, Canada

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Consolidated Statement of Financial Position

December 31, 2012, with comparative figures for 2011

	2012	2011
Financial assets:		
Cash	\$ 3,237,744	\$ 2,723,344
Taxes receivable	884,600	804,066
Trade and other receivables	479,575	438,353
Long-term investments (note 2)	691,072	561,250
	<u>5,292,991</u>	<u>4,527,013</u>
Financial liabilities:		
Accounts payable and accrued liabilities	647,814	771,128
Deferred revenue - obligatory reserve funds (note 3)	636,301	406,492
Deferred revenue - other	48,525	71,308
Landfill closure and post-closure costs (note 4)	660,310	582,289
	<u>1,992,950</u>	<u>1,831,217</u>
Net financial assets	3,300,041	2,695,796
Non-financial assets:		
Tangible capital assets (note 11)	15,596,715	18,742,749
Prepaid expenses	7,359	5,889
	<u>15,604,074</u>	<u>18,748,638</u>
Contingencies (note 10)		
Accumulated municipal equity (note 12)	<u>\$ 18,904,115</u>	<u>\$ 21,444,434</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, 2012, with comparative figures for 2011

	Budget (Unaudited, note 9)	2012	2011
Revenue:			
Net taxation and payments-in-lieu	\$ 4,776,820	\$ 4,868,238	\$ 4,309,490
Transfer payments	1,053,600	1,053,600	1,059,000
Government grants	229,952	90,442	162,464
User charges	406,746	368,257	368,313
Revenue from municipalities	31,900	30,582	111,429
Penalties and interest on taxes	85,000	142,551	118,749
Other	407,965	95,445	77,939
Investment income	12,000	44,448	51,786
	<u>7,003,983</u>	<u>6,693,563</u>	<u>6,259,170</u>
Expenses (note 5):			
General government	981,040	1,004,431	961,923
Protection to persons and property	961,513	1,029,347	1,051,674
Transportation services	2,774,643	5,913,405	6,484,124
Environmental services	592,548	581,736	535,416
Landfill closure and post-closure costs	–	78,021	25,033
Cemeteries	10,250	4,432	12,977
Recreation and culture	499,585	412,314	418,155
Planning and development	221,406	210,196	194,153
Total expenses	<u>6,040,985</u>	<u>9,233,882</u>	<u>9,683,455</u>
Surplus (deficit) for the year	962,998	(2,540,319)	(3,424,285)
Accumulated municipal equity, beginning of year	–	21,444,434	24,868,719
Accumulated municipal equity, end of year (note 12)	\$ 962,998	\$ 18,904,115	\$ 21,444,434

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, 2012, with comparative figures for 2011

	2012	2011
Deficit for the year	\$ (2,540,319)	\$ (3,424,285)
Acquisition of tangible capital assets	(934,239)	(1,024,743)
Amortization of tangible capital assets	3,480,605	4,832,812
Loss on disposal of assets	599,668	61,032
	605,715	444,816
Change in prepaid expenses	(1,470)	6,287
Change in net financial assets	604,245	451,103
Net financial assets, beginning of year	2,695,796	2,244,693
Net financial assets, end of year	\$ 3,300,041	\$ 2,695,796

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, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Deficit for the year	\$(2,540,319)	\$(3,424,285)
Items not involving cash:		
Amortization	3,480,605	4,832,812
Loss on disposal of assets	599,668	61,032
Change in landfill liability	78,021	25,033
Change in non-cash assets and liabilities:		
Taxes receivable	(80,534)	(130,734)
Trade and other receivables	(41,222)	420,257
Accounts payable and accrued liabilities	(123,314)	151,865
Deferred revenue - obligatory reserve funds	229,809	36,686
Deferred revenue - other	(22,783)	3,795
Prepaid expenses	(1,470)	6,287
Net change in cash from operating activities	1,578,461	1,982,748
Capital activities:		
Cash used to acquire tangible capital assets	(934,239)	(1,024,743)
Investing activities:		
Investments	(129,822)	93,760
Financing activities:		
Long-term debt repaid	-	(42,000)
Net change in cash	514,400	1,009,765
Cash, beginning of year	2,723,344	1,713,579
Cash, end of year	\$ 3,237,744	\$ 2,723,344

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, 2012

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 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, 2012

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 fifty-eight 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 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. Significant estimates include the liabilities for landfill closure and post-closure costs. 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:

Long-term investments are recorded at cost plus accrued interest which approximates market value. 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) 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.

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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	50
Vehicles, machinery and equipment	7 - 25
Furniture and fixtures	5 - 20
Roads and bridge 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, 2012

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 standards 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:

	2012	2011
Balance, beginning of year	\$ 406,492	\$ 369,806
Federal gas tax county	100,000	–
Federal gas tax grant	58,331	58,405
Development contributions	75,056	48,243
Investment income	5,124	5,385
Utilization of funds	(8,702)	(75,347)
Balance, end of year	\$ 636,301	\$ 406,492
Analyzed as follows:		
Recreation land	\$ 315,261	\$ 244,583
Federal gasoline tax	321,040	160,910
Building department surplus	–	999
	\$ 636,301	\$ 406,492

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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.

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-eight 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 \$985,507 (2011 - \$1,005,724). The Township currently has six active and two 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, 2012 is an amount of \$660,310 (2011 - \$582,289) 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 33 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, 2012

5. Expenses:

Expenses by object classification are as follows:

	2012	2011
Materials and supplies	\$ 2,201,810	\$ 1,937,180
Salaries, wages and benefits	2,380,339	2,215,800
Services, rents, contracted services and financial services	448,261	612,851
External transfers	45,180	-
Landfill closure and post-closure costs	78,021	23,780
Amortization	3,480,603	4,832,812
Loss on disposals	599,668	61,032
	\$ 9,233,882	\$ 9,683,455

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

During 2012, 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	
	2012	2011	2012	2011
Amounts requisitioned and collected	\$ 1,612,547	\$ 1,517,518	\$ 1,366,362	\$ 1,342,270

7. Pension agreement:

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer pension plan on behalf of 30 (2011 - 27) members of its staff. 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.

Contributions for employees with a normal retirement age of 65 were being made at a rate of 8.3% (2011 - 7.4%) for earnings up to the annual maximum pensionable earnings and at a rate of 12.8% (2011 - 10.7%) for earnings greater than the annual maximum pensionable earnings.

The amount contributed to OMERS for 2012 current services was \$130,883 (2011 - \$103,198).

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

8. Trust funds:

Trust funds administered by the municipality at year end amount to \$112,938 (2011 - \$105,998). Trust funds are reported separately on the Trust Funds Statement of Financial Position and Statement of Continuity.

9. Budget figures:

The unaudited budget data presented in these consolidated financial statements is based upon the 2012 operating and capital budgets approved by Council on April 10, 2012. 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.

	2012 Budget
Reported on consolidated statement of operations:	
Revenue	\$ 7,003,983
Expenses	6,040,985
<hr/>	
Total budgeted surplus on consolidated financial statements	<hr/> \$ 962,998
Budget not reported on consolidated statements:	
Capital costs	\$ 1,070,683
Reserve and reserve fund transfers (net)	(107,685)
<hr/>	
Total budgeted deficit not reported on consolidated financial statements	<hr/> \$ 962,998

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, 2012, 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, 2012

11. Tangible capital assets:

Cost	Balance at December 31, 2011	Additions	Disposals, transfers and adjustments	Balance at December 31, 2012
Land	\$ 860,928	\$ 5,581	\$ -	\$ 866,509
Land improvements	357,490	13,631	-	371,121
Buildings	3,457,740	86,217	-	3,543,957
Vehicles and machinery	2,499,873	184,053	-	2,683,926
Equipment	2,051,293	29,857	(5,931)	2,087,081
Furniture and fixtures	185,990	-	-	185,990
Roads and bridge infrastructure	77,080,091	564,481	1,651,665	75,992,907
Assets under construction	11,210	50,419	-	61,629
Total	\$ 86,504,615	\$ 934,239	\$ 1,645,734	\$ 85,793,120

Accumulated amortization	Balance at December 31, 2011	Amortization expense	Disposals transfers and adjustments	Balance at December 31, 2012
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	96,065	18,430	-	114,495
Buildings	1,145,443	82,218	-	1,227,661
Vehicles and machinery	1,261,275	207,234	-	1,468,509
Equipment	1,011,964	137,848	-	1,149,812
Furniture and fixtures	112,126	13,261	-	125,387
Roads and bridge infrastructure	64,134,993	3,021,614	1,046,066	66,110,541
Assets under construction	-	-	-	-
Total	\$ 67,761,866	\$ 3,480,605	\$ 1,046,066	\$ 70,196,405

	Net book value December 31, 2011	Net book value December 31, 2012
Land	\$ 860,928	\$ 866,509
Land improvements	261,425	256,626
Buildings	2,312,297	2,316,296
Vehicles and machinery	1,238,598	1,215,417
Equipment	1,039,329	937,269
Furniture and fixtures	73,864	60,603
Roads and bridge infrastructure	12,945,098	9,882,366
Assets under construction	11,210	61,629
Total	\$ 18,742,749	\$ 15,596,715

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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:

	2012	2011
Surplus	\$ 150,000	\$ 185,868
Invested in tangible capital assets	15,596,715	18,742,749
Unfinanced capital	(108,245)	(45,524)
Landfill and post-closure costs	(660,310)	(582,289)
	<u>\$ 14,978,160</u>	<u>\$ 18,300,804</u>
Reserves set aside for specific purposes by Council:		
Working capital	\$ 150,000	\$ 150,000
Other	130,078	125,872
Total reserves	280,078	275,872
Reserve funds set aside for specific purposes by Council:		
Protection	620,818	565,521
Roads	865,994	609,180
Environmental	475,824	412,401
Capital contingency/acquisition	915,244	735,651
Infrastructure sustainability	150,000	-
General government contingency	164,641	149,915
Municipal complex contingency	252,958	218,514
Accessibility contingency	52,654	61,031
Cemeteries contingency	18,348	16,167
Crown land stewardship contingency	69,060	69,378
Community halls/contingency	60,336	30,000
Total reserve funds	<u>3,645,877</u>	<u>2,867,758</u>
Accumulated municipal equity	<u>\$ 18,904,115</u>	<u>\$ 21,444,434</u>

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

13. 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) 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, 2012

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, 2012

13. Segmented information (continued):

Year ended December 31, 2012

	General Government	Protection Services	Transportation Services	Environmental Services	Parks and Recreation	Planning and Development	Cemeteries	Total
Government conditional grants	\$ —	\$ —	\$ 15,729	\$ 72,381	\$ 2,332	\$ —	\$ —	\$ 90,442
Revenue from other municipalities	—	3,589	—	26,993	—	—	—	30,582
User fees	551	—	4,464	45,117	177,954	140,171	—	368,257
Other	95,445	—	—	—	—	—	—	95,445
Total revenue	95,996	3,589	20,193	144,491	180,286	140,171	—	584,726
Salaries, wages and employee benefits	661,093	287,795	795,978	335,608	152,558	147,307	—	2,380,339
Materials	213,757	289,908	1,260,082	213,138	177,534	46,873	518	2,201,810
Contracted services	61,596	305,780	2,454	—	53,540	13,179	3,914	440,463
Transfer to others	10,274	24,267	—	10,639	—	—	—	45,180
Rents and financial expenses	7,216	—	—	—	582	—	—	7,798
Loss on disposals	—	—	599,668	—	—	—	—	599,668
Landfill closure and post-closure costs	—	—	—	78,021	—	—	—	78,021
Amortization	50,495	121,597	3,255,223	22,351	28,100	2,837	—	3,480,603
	1,004,431	1,029,347	5,913,405	659,757	412,314	210,196	4,432	9,233,882
Excess of revenue over expenses (expenses over revenue)	(908,435)	(1,025,758)	(5,893,212)	(515,266)	(232,028)	(70,025)	(4,432)	(8,649,156)
Funding through:								
Taxation	4,868,238	—	—	—	—	—	—	4,868,238
Penalties and interest	142,551	—	—	—	—	—	—	142,551
Investment income	44,448	—	—	—	—	—	—	44,448
Government unconditional grants	1,053,600	—	—	—	—	—	—	1,053,600
	6,108,837	—	—	—	—	—	—	6,108,837
Excess of revenue over expenses (expenses over revenue)	\$ 5,200,402	\$ (1,025,758)	\$ (5,893,212)	\$ (515,266)	\$ (232,028)	\$ (70,025)	\$ (4,432)	\$ (2,540,319)

See accompanying notes to financial statements.



KPMG LLP

Chartered Accountants

863 Princess Street Suite 400

Kingston ON K7L 5N4

Canada

Telephone (613) 549-1550

Telefax (613) 549-6349

www.kpmg.ca

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 funds of the Corporation of the Township of North Frontenac, which comprise the statement of financial position as at December 31, 2012 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 public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation of the Township of North Frontenac trust funds as at December 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

May 21, 2013

Kingston, Canada

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC TRUST FUNDS

Statement of Financial Position

December 31, 2012, with comparative figures for 2011

Name of Fund	Cemetery	Perpetual Care	2012 Total	2011 Total
Assets				
Current assets:				
Cash and short-term investments	\$ 30,319	\$ 82,969	\$ 113,288	\$ 105,998
Liabilities				
Accounts payable	250	100	350	-
Fund Balances				
Fund balances	\$ 30,069	\$ 82,869	\$ 112,938	\$ 105,998

Statement of Continuity

Year ended December 31, 2012, with comparative figures for 2011

Name of Fund	Cemetery	Perpetual Care	2012 Total	2011 Total
Balance, beginning of year	\$ 27,637	\$ 78,361	\$ 105,998	\$ 101,279
Accrued investment income	-	136	136	164
Contributions	2,400	3,570	5,970	3,443
Interest earned	282	902	1,184	1,112
	2,682	4,608	7,290	4,719
Expenses	250	100	350	-
Balance, end of year	\$ 30,069	\$ 82,869	\$ 112,938	\$ 105,998

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, 2012

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 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. 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.