

Consolidated Financial Statements of

**CORPORATION OF THE  
TOWNSHIP OF NORTH FRONTENAC**

Year ended December 31, 2013

Consolidated Financial Statements of

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

Year ended December 31, 2013

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

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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 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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Canada

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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, 2013, 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, 2013, 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*

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Chartered Professional Accountants, Licensed Public Accountants

May 20, 2014

Kingston, Canada

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

## Consolidated Statement of Financial Position

December 31, 2013, with comparative information for 2012

	2013	2012
Financial assets:		
Cash	\$ 4,194,546	\$ 3,237,744
Taxes receivable	868,616	884,600
Trade and other receivables	545,225	479,575
Long-term investments (note 3)	709,096	691,072
	<u>6,317,483</u>	<u>5,292,991</u>
Financial liabilities:		
Accounts payable and accrued liabilities	900,589	647,814
Deferred revenue - obligatory reserve funds (note 4)	564,450	636,301
Deferred revenue - other	45,154	48,525
Landfill closure and post-closure costs (note 5)	724,752	660,310
	<u>2,234,945</u>	<u>1,992,950</u>
Net financial assets	4,082,538	3,300,041
Non-financial assets:		
Tangible capital assets (note 12)	14,418,097	15,596,715
Prepaid expenses	4,553	7,359
	<u>14,422,650</u>	<u>15,604,074</u>
Contingencies (note 11)		
Accumulated municipal equity (note 13)	<u>\$ 18,505,188</u>	<u>\$ 18,904,115</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, 2013, with comparative information for 2012

	Budget (note 10)	2013	2012
<b>Revenue:</b>			
Net taxation and payments-in-lieu	\$ 5,149,846	\$ 5,152,557	\$ 4,868,238
Transfer payments	1,053,600	1,054,412	1,053,600
Government grants	393,068	371,179	90,442
User charges	423,578	347,275	368,257
Revenue from municipalities	51,960	48,293	30,582
Penalties and interest on taxes	100,000	153,040	142,551
Other	474,045	328,125	95,445
Investment income	21,000	55,479	44,448
	<u>7,667,097</u>	<u>7,510,360</u>	<u>6,693,563</u>
<b>Expenses (note 6):</b>			
General government	1,106,012	1,093,005	1,004,431
Protection to persons and property	989,960	1,068,912	1,029,347
Transportation services	2,098,198	4,402,016	5,913,405
Environmental services	592,374	643,321	581,736
Landfill closure and post-closure costs	–	64,442	78,021
Cemeteries	4,350	1,827	4,432
Recreation and culture	364,142	431,150	412,314
Planning and development	232,228	204,614	210,196
Total expenses	<u>5,387,264</u>	<u>7,909,287</u>	<u>9,233,882</u>
Surplus (deficit) for the year	2,279,833	(398,927)	(2,540,319)
Accumulated municipal equity, beginning of year		18,904,115	21,444,434
Accumulated municipal equity, end of year (note 13)	\$	\$ 18,505,188	\$ 18,904,115

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, 2013, with comparative information for 2012

	2013	2012
Deficit for the year	\$ (398,927)	\$ (2,540,319)
Acquisition of tangible capital assets	(1,623,339)	(934,239)
Amortization of tangible capital assets	2,777,659	3,480,605
Loss on disposal of tangible capital assets	24,298	599,668
	<u>779,691</u>	<u>605,715</u>
Change in prepaid expenses	2,806	(1,470)
Change in net financial assets	<u>782,497</u>	<u>604,245</u>
Net financial assets, beginning of year	3,300,041	2,695,796
Net financial assets, end of year	<u>\$ 4,082,538</u>	<u>\$ 3,300,041</u>

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, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Deficit for the year	\$ (398,927)	\$(2,540,319)
Items not involving cash:		
Amortization of tangible capital assets	2,777,659	3,480,605
Loss on disposal of tangible capital assets	24,298	599,668
Change in landfill liability	64,442	78,021
Change in non-cash assets and liabilities:		
Taxes receivable	15,984	(80,534)
Trade and other receivables	(65,650)	(41,222)
Accounts payable and accrued liabilities	252,775	(123,314)
Deferred revenue - obligatory reserve funds	(71,851)	229,809
Deferred revenue - other	(3,371)	(22,783)
Prepaid expenses	2,806	(1,470)
Net change in cash from operating activities	2,598,165	1,578,461
Capital activities:		
Cash used to acquire tangible capital assets	(1,623,339)	(934,239)
Investing activities:		
Increase in investments	(18,024)	(129,822)
Net change in cash	956,802	514,400
Cash, beginning of year	3,237,744	2,723,344
Cash, end of year	\$ 4,194,546	\$ 3,237,744

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, 2013

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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 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, 2013

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## 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-seven 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 as revenue in the 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) 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, 2013

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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	50
Vehicles, machinery and equipment	7 - 25
Furniture and fixtures	5 - 20
Roads and bridge infrastructure	10 - 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 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.

### (j) 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.

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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## 2. Changes in accounting policies:

### (i) Property tax revenue:

The Township adopted Public Sector Accounting Standard *PS 3510, Tax Revenue* effective January 1, 2013. This standard was adopted on a prospective basis.

Under PS 3510, municipalities recognize property tax revenue using the approved tax rate and the anticipated assessment. The standard requires that property tax revenue be reported net of tax concessions. Tax transfers are reported as an expense and taxes levied on behalf of others in a flow through arrangement are not reported in the statement of operations. There were no adjustments as a result of the adoption of this standard.

### (ii) Government transfers:

On January 1, 2013 the Municipality adopted Public Sector Accounting Standards PS 3410, *Government Transfers*. This standard was adopted on a prospective basis from the date of adoption.

Under PS 3410, government transfers received or receivable are recognized in revenue once the eligibility criteria, if any, are met unless they meet the definition of a liability. Government transfers paid are recognized as a liability and an expense when the transfer is authorized and all eligibility criteria have been met by the recipient. There were no adjustments as a result of the adoption of this standard.

## 3. 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.

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

#### 4. 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:

	2013	2012
Balance, beginning of year	\$ 636,301	\$ 406,492
Federal gas tax county	130,481	100,000
Federal gas tax grant	58,405	58,331
Development contributions	31,192	75,056
Investment income	7,207	5,124
Utilization of funds	(299,136)	(8,702)
<b>Balance, end of year</b>	<b>\$ 564,450</b>	<b>\$ 636,301</b>
Analyzed as follows:		
Federal gasoline tax	\$ 426,031	\$ 315,261
Recreation land	138,419	321,040
	<b>\$ 564,450</b>	<b>\$ 636,301</b>

#### 5. 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-seven 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.

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

## 5. Landfill closure and post-closure costs (continued):

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 \$1,128,856 (2012 - \$985,507). 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, 2013 is an amount of \$724,752 (2012 - \$660,310) with respect to landfill closure and post-closure obligations recognized to date.

The estimated average remaining capacity of the landfill sites is 66% 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.

## 6. Expenses:

Expenses by object classification are as follows:

	2013	2012
Materials and supplies	\$ 2,078,726	\$ 2,201,810
Salaries, wages and benefits	2,465,088	2,380,339
Services, rents, contracted services and financial services	474,321	448,261
External transfers	24,752	45,180
Landfill closure and post-closure costs	64,442	78,021
Amortization	2,777,661	3,480,603
Loss on disposals	24,297	599,668
	\$ 7,909,287	\$ 9,233,882

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

During 2013, 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	
	2013	2012	2013	2012
Amounts requisitioned and collected	\$ 1,628,143	\$ 1,612,547	\$ 1,314,880	\$ 1,366,362

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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## 8. Pension agreement:

The Township makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer pension plan on behalf of 33 (2012 - 30) 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 9.0% (2012 – 8.3%) for earnings up to the annual maximum pensionable earnings and at a rate of 14.6% (2012 – 12.8%) for earnings greater than the annual maximum pensionable earnings.

The amount contributed to OMERS for 2013 current services was \$154,829 (2012 - \$130,883).

## 9. Trust funds:

Trust funds administered by the Township at year end amount to \$118,495 (2012 - \$112,938). Trust funds are reported separately on the Trust Funds Statement of Financial Position and Statement of Continuity.

## 10. Budget figures:

The budget data presented in these consolidated financial statements is based upon the 2013 operating and capital budgets approved by Council on April 29, 2013. 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.

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	2013 Budget
Reported on consolidated statement of operations:	
Operating revenue	\$ 7,667,097
Operating expenses	5,387,264
<hr/>	
Total budgeted surplus on consolidated financial statements	<hr/> \$ 2,279,833
Budget not reported on consolidated statements:	
Capital costs	\$ (2,478,133)
Reserve and reserve fund transfers (net)	198,300
<hr/>	
Total budgeted deficit not reported on consolidated financial statements	<hr/> \$ (2,279,833)



# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

## 11. 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, 2013, 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.

## 12. Tangible capital assets:

Cost	Balance at December 31, 2012	Additions	Disposals, transfers and adjustments	Balance at December 31, 2013
Land	\$ 866,509	\$ –	\$ –	\$ 866,509
Land improvements	371,121	92,214	–	463,335
Buildings	3,543,957	311,434	–	3,855,391
Vehicles and machinery	2,683,926	529,940	11,880	3,201,986
Equipment	2,087,081	33,818	–	2,120,899
Furniture and fixtures	185,990	4,922	–	190,912
Roads and bridge infrastructure	75,992,907	604,642	831,804	75,765,745
Assets under construction	61,629	55,549	9,180	107,998
<b>Total</b>	<b>\$ 85,793,120</b>	<b>\$ 1,632,519</b>	<b>\$ 852,864</b>	<b>\$ 86,572,775</b>

Accumulated amortization	Balance at December 31, 2012	Amortization expense	Disposals transfers and adjustments	Balance at December 31, 2013
Land	\$ –	\$ –	\$ –	\$ –
Land improvements	114,495	22,088	–	136,583
Buildings	1,227,661	94,579	–	1,322,240
Vehicles and machinery	1,468,509	239,270	11,880	1,695,899
Equipment	1,149,812	133,698	–	1,283,510
Furniture and fixtures	125,387	12,278	–	137,665
Roads and bridge infrastructure	66,110,541	2,275,747	807,507	67,578,781
Assets under construction	–	–	–	–
<b>Total</b>	<b>\$ 70,196,405</b>	<b>\$ 2,777,660</b>	<b>\$ 819,387</b>	<b>\$ 72,154,678</b>

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

## 12. Tangible capital assets (continued):

	Net book value December 31, 2012	Net book value December 31, 2013
Land	\$ 866,509	\$ 866,509
Land improvements	256,626	326,752
Buildings	2,316,296	2,533,151
Vehicles and machinery	1,215,417	1,506,087
Equipment	937,269	837,389
Furniture and fixtures	60,603	53,247
Roads and bridge infrastructure	9,882,366	8,186,964
Assets under construction	61,629	107,998
<b>Total</b>	<b>\$ 15,596,715</b>	<b>\$ 14,418,097</b>

### (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.

## 13. Accumulated municipal equity:

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

	2013	2012
Surplus	\$ 150,000	\$ 150,000
Invested in tangible capital assets	14,418,097	15,596,715
Unfinanced capital	(72,169)	(108,245)
Landfill and post-closure costs	(724,752)	(660,310)
	<b>\$ 13,771,176</b>	<b>\$ 14,978,160</b>

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

## 13. Accumulated municipal equity (continued):

	2013	2012
Reserves set aside for specific purposes by Council:		
Working capital	\$ 150,000	\$ 150,000
Other	152,873	130,078
<b>Total reserves</b>	<b>302,873</b>	<b>280,078</b>
Reserve funds set aside for specific purposes by Council:		
Protection	389,876	620,818
Roads	1,546,269	865,994
Environmental	427,003	475,824
Capital contingency/acquisition	443,902	915,244
Infrastructure sustainability	–	150,000
General government contingency	43,809	164,641
Municipal complex contingency	287,728	252,958
Accessibility contingency	53,230	52,654
Cemeteries contingency	18,549	18,348
Crown land stewardship contingency	–	69,060
Community halls/contingency	–	60,336
Waste and recycling	66,066	–
Other	708,394	–
Protection contingency	267,403	–
Parks and recreation contingency	172,877	–
Planning contingency	6,033	–
<b>Total reserve funds</b>	<b>4,431,139</b>	<b>3,645,877</b>
<b>Accumulated municipal equity</b>	<b>\$ 18,505,188</b>	<b>\$ 18,904,115</b>

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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## 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) 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 and parks.

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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## 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 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, 2013

## 14. Segmented information (continued):

Year ended December 31, 2013

	General Government	Protection Services	Environmental Services	Transportation Services	Parks and Recreation	Planning and Development	Cemeteries	Total
Government conditional grants	\$ 280,738	\$ —	\$ —	\$ —	\$ 90,441	\$ —	\$ —	\$ 371,179
Revenue from other municipalities	—	931	33,986	13,376	—	—	—	48,293
User fees	24,276	20,969	41,875	383	133,250	126,522	—	347,275
Other	170,182	14,759	69,198	41,913	32,073	—	—	328,125
<b>Total revenue</b>	<b>475,196</b>	<b>36,659</b>	<b>145,059</b>	<b>55,672</b>	<b>255,764</b>	<b>126,522</b>	<b>—</b>	<b>1,094,872</b>
Salaries, wages and employee benefits	694,241	294,743	312,659	850,853	159,828	152,239	525	2,465,088
Materials	274,826	306,914	297,182	981,606	175,426	42,595	177	2,078,726
Contracted services	62,467	311,897	11,129	17,383	55,205	6,945	1,125	466,151
Transfer to others	—	24,752	—	—	—	—	—	24,752
Rents and financial expenses	7,588	—	—	—	582	—	—	8,170
Loss on disposals	—	—	—	24,297	—	—	—	24,297
Landfill closure and post-closure costs	—	—	64,442	—	—	—	—	64,442
Amortization	53,883	130,606	22,351	2,527,877	40,109	2,835	—	2,777,661
	1,093,005	1,068,912	707,763	4,402,016	431,150	204,614	1,827	7,909,287
<b>Excess of expenses over revenue</b>	<b>(617,809)</b>	<b>(1,032,253)</b>	<b>(562,704)</b>	<b>(4,346,344)</b>	<b>(175,386)</b>	<b>(78,092)</b>	<b>(1,827)</b>	<b>(6,814,415)</b>
Funding through:								
Taxation	5,152,557	—	—	—	—	—	—	5,152,557
Penalties and interest	153,040	—	—	—	—	—	—	153,040
Investment income	55,479	—	—	—	—	—	—	55,479
Government unconditional grants	1,054,412	—	—	—	—	—	—	1,054,412
	6,415,488	—	—	—	—	—	—	6,415,488
<b>Excess of revenue over expenses (expenses over revenue)</b>	<b>\$ 5,797,679</b>	<b>\$ (1,032,253)</b>	<b>\$ (562,704)</b>	<b>\$ (4,346,344)</b>	<b>\$ (175,386)</b>	<b>\$ (78,092)</b>	<b>\$ (1,827)</b>	<b>\$ (398,927)</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 funds of the Corporation of the Township of North Frontenac, which comprise the statement of financial position as at December 31, 2013 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, 2013, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

May 20, 2014

Kingston, Canada



# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC TRUST FUNDS

Statement of Financial Position

December 31, 2013, with comparative information for 2012

Name of Fund	Cemetery	Perpetual Care	2013 Total	2012 Total
<b>Assets</b>				
Current assets:				
Cash and short-term investments	\$ 32,460	\$ 86,385	\$ 118,845	\$ 113,288
<b>Liabilities</b>				
Due to Township of North Frontenac	250	100	350	350
<b>Fund Balances</b>				
Fund balances	\$ 32,210	\$ 86,285	\$ 118,495	\$ 112,938

## Statement of Continuity

Year ended December 31, 2013, with comparative figures for 2012

Name of Fund	Cemetery	Perpetual Care	2013 Total	2012 Total
Balance, beginning of year	\$ 30,069	\$ 82,869	\$ 112,938	\$ 105,998
Accrued investment income	-	128	128	136
Contributions	1,830	2,236	4,066	5,970
Interest earned	311	1,052	1,363	1,184
	2,141	3,416	5,557	7,290
Expenses	-	-	-	350
Balance, end of year	\$ 32,210	\$ 86,285	\$ 118,495	\$ 112,938

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, 2013

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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 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.