

Consolidated Financial Statements of

**CORPORATION OF THE
TOWNSHIP OF NORTH FRONTENAC**

Year ended December 31, 2014

Consolidated Financial Statements of

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Year ended December 31, 2014

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

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TRUST FUNDS

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Management's Responsibility for the Consolidated Financial Statements

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

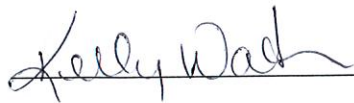
The Township's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely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

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/Treasurer
(appointed as Treasurer by By-Law,
only during the recruitment process)



Kelly Watkins
Deputy Treasurer



KPMG LLP
863 Princess Street Suite 400
Kingston ON K7L 5N4
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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, 2014, 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, 2014, 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 Professional Accountants, Licensed Public Accountants

June 29, 2015

Kingston, Canada

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Consolidated Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
Financial assets:		
Cash	\$ 4,992,167	\$ 4,194,546
Taxes receivable	839,889	868,616
Trade and other receivables	1,096,906	545,225
Investments (note 2)	505,009	709,096
	<u>7,433,971</u>	<u>6,317,483</u>
Financial liabilities:		
Accounts payable and accrued liabilities	1,322,923	900,589
Deferred revenue - obligatory reserve funds (note 3)	548,796	564,450
Deferred revenue - other	603,568	45,154
Landfill closure and post-closure costs (note 4)	756,289	724,752
	<u>3,231,576</u>	<u>2,234,945</u>
Net financial assets	4,202,395	4,082,538
Non-financial assets:		
Tangible capital assets (note 11)	15,654,644	14,418,097
Prepaid expenses	6,490	4,553
	<u>15,661,134</u>	<u>14,422,650</u>
Accumulated municipal equity (note 12)	<u>\$ 19,863,529</u>	<u>\$ 18,505,188</u>

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

On behalf of Council:

 Councillor Gerry Martin, Chair of the Personnel-Audit Committee

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Consolidated Statement of Operations

Year ended December 31, 2014, with comparative information for 2013

	Budget (note 9)	2014	2013
Revenue:			
Net taxation and payments-in-lieu	\$ 5,273,855	\$ 5,267,367	\$ 5,152,557
Transfer payments	1,076,600	1,076,612	1,054,412
Government grants	3,601,206	1,707,063	371,179
User charges	375,880	393,076	347,275
Revenue from municipalities	37,460	31,106	48,293
Penalties and interest on taxes	120,000	163,439	153,040
Other	77,500	171,069	328,125
Investment income	12,000	69,876	55,479
	10,574,501	8,879,608	7,510,360
Expenses (note 5):			
General government	1,060,972	1,102,171	1,093,005
Protection to persons and property	907,736	1,050,965	1,068,912
Transportation services	2,254,568	4,019,084	4,402,016
Environmental services	575,339	655,127	643,321
Landfill closure and post-closure costs	–	31,537	64,442
Cemeteries	–	1,678	1,827
Recreation and culture	322,641	460,872	431,150
Planning and development	286,230	199,833	204,614
Total expenses	5,407,486	7,521,267	7,909,287
Surplus (deficit) for the year	5,167,015	1,358,341	(398,927)
Accumulated municipal equity, beginning of year		18,505,188	18,904,115
Accumulated municipal equity, end of year (note 12)		\$ 19,863,529	\$ 18,505,188

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

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2014, with comparative information for 2013

	Budget (note 9)	2014	2013
Surplus (deficit) for the year	\$ -	\$ 1,358,341	\$ (398,927)
Acquisition of tangible capital assets	(4,963,397)	(3,559,379)	(1,623,339)
Amortization of tangible capital assets	-	2,322,832	2,777,659
Loss (gain) on disposal of tangible capital assets	-	(20,250)	24,297
Proceeds on disposal of tangible capital assets	-	20,250	-
	(4,963,397)	121,794	779,690
Change in prepaid expenses	-	(1,937)	2,806
Change in net financial assets	(4,963,397)	119,857	782,497
Net financial assets, beginning of year	-	4,082,538	3,300,041
Net financial assets, end of year	\$(4,963,397)	\$ 4,202,395	\$ 4,082,538

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

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Consolidated Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Surplus (deficit) for the year	\$ 1,358,341	\$ (398,927)
Items not involving cash:		
Amortization of tangible capital assets	2,322,832	2,777,659
Loss (gain) on disposal of tangible capital assets	(20,250)	24,298
Change in landfill liability	31,537	64,442
Change in non-cash assets and liabilities:		
Taxes receivable	28,727	15,984
Trade and other receivables	(551,681)	(65,650)
Accounts payable and accrued liabilities	422,334	252,775
Deferred revenue - obligatory reserve funds	(15,654)	(71,851)
Deferred revenue - other	558,414	(3,371)
Prepaid expenses	(1,937)	2,806
Net change in cash from operating activities	4,132,663	2,598,165
Capital activities:		
Cash used to acquire tangible capital assets	(3,559,379)	(1,623,339)
Proceeds on the disposition of tangible capital assets	20,250	-
	(3,539,129)	(1,623,339)
Investing activities:		
Decrease (increase) in long-term investments	204,087	(18,024)
Net change in cash	797,621	956,802
Cash, beginning of year	4,194,546	3,237,744
Cash, end of year	\$ 4,992,167	\$ 4,194,546

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, 2014

1. Accounting policies:

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

(a) Basis of consolidation:

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

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

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

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

- (iii) Trust funds:

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

- (b) Deferred revenue - obligatory reserve funds:

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

- (c) Deferred revenue - other:

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

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

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-six year period using the best information available to management.

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

(e) Use of estimates:

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

(f) Government transfers:

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

(g) 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, 2014

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 consolidated financial statements.

(iv) Leased tangible capital assets:

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

(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, 2014

2. Investments:

Investments, which consist of government bonds 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:

	2014	2013
Balance, beginning of year	\$ 564,450	\$ 636,301
Federal gas tax county	251,295	130,481
Federal gas tax grant	54,895	58,405
Development contributions	34,332	31,192
Investment income	4,930	7,207
Utilization of funds	(361,106)	(299,136)
Balance, end of year	\$ 548,796	\$ 564,450
Analyzed as follows:		
Federal gasoline tax	\$ 389,303	\$ 426,031
Recreation land	159,493	138,419
	\$ 548,796	\$ 564,450

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-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.

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

4. 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 \$1,190,533 (2013 - \$1,128,856). 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, 2014 is an amount of \$756,289 (2013 - \$724,752) 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 31 years, after which the period for post-closure care is estimated to be 25 years.

5. Expenses:

Expenses by object classification are as follows:

	2014	2013
Materials and supplies	\$ 2,140,506	\$ 2,078,726
Salaries, wages and benefits	2,484,860	2,465,088
Services, rents, contracted services and financial services	516,522	474,321
External transfers	25,010	24,752
Landfill closure and post-closure costs	31,537	64,442
Amortization	2,322,832	2,777,661
Loss on disposal of tangible capital assets	-	24,297
	\$ 7,521,267	\$ 7,909,287

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

During 2014, 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	
	2014	2013	2014	2013
Amounts requisitioned and collected	\$ 1,667,794	\$ 1,628,143	\$ 1,354,111	\$ 1,314,880

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

7. Pension agreement:

The Township makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer pension plan on behalf of 32 (2013 - 33) 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 are being made at a rate of 9.0% (2013 - 9.0%) for earnings up to the annual maximum pensionable earnings and at a rate of 14.6% (2013 - 14.6%) for earnings greater than the annual maximum pensionable earnings.

The amount contributed to OMERS for 2014 current services was \$168,101 (2013 - \$154,829).

8. Trust funds:

Trust funds administered by the Township at year end amount to \$123,499 (2013 - \$118,495). Trust funds are reported separately on the Trust Funds statement of financial position and statement of continuity.

9. Budget figures:

The budget data presented in these consolidated financial statements is based upon the 2014 operating and capital budgets approved by Council on April 7, 2014. 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.

	2014 Budget
Reported on consolidated statement of operations:	
Operating revenue	\$ 10,574,501
Operating expenses	(5,407,486)
<hr/>	
Total budgeted surplus on consolidated financial statements	<hr/> \$ 5,167,015
Budget not reported on consolidated statements:	
Capital costs	\$ (4,963,397)
Reserve and reserve fund transfers (net)	(203,618)
<hr/>	
Total budgeted deficit not reported on consolidated financial statements	<hr/> \$ (5,167,015)

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

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, 2014, 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.

11. Tangible capital assets:

Cost	Balance at December 31, 2013	Additions	Disposals, transfers and adjustments	Balance at December 31, 2014
Land	\$ 866,509	\$ 24,237	\$ –	\$ 890,746
Land improvements	463,335	214,866	–	678,201
Buildings	3,855,391	6,360	–	3,861,751
Vehicles and machinery	3,201,986	563,157	32,500	3,732,643
Equipment	2,120,899	35,680	181,202	1,975,377
Furniture and fixtures	190,912	19,111	–	210,023
Roads and bridge infrastructure	75,765,745	855,171	6,577,398	70,043,518
Assets under construction	107,998	1,840,797	–	1,948,795
Total	\$ 86,572,775	\$ 3,559,379	\$ 6,791,100	\$ 83,341,054

Accumulated amortization	Balance at December 31, 2013	Amortization expense	Disposals transfers and adjustments	Balance at December 31, 2014
Land	\$ –	\$ –	\$ –	\$ –
Land improvements	136,583	34,261	–	170,844
Buildings	1,322,240	94,897	–	1,417,137
Vehicles and machinery	1,695,899	263,668	32,500	1,927,067
Equipment	1,283,510	130,032	181,202	1,232,340
Furniture and fixtures	137,665	10,617	–	148,282
Roads and bridge infrastructure	67,578,781	1,789,357	6,577,398	62,790,740
Assets under construction	–	–	–	–
Total	\$ 72,154,678	\$ 2,322,832	\$ 6,791,100	\$ 67,686,410

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

11. Tangible capital assets (continued):

	Net book value December 31, 2014	Net book value December 31, 2013
Land	\$ 890,746	\$ 866,509
Land improvements	507,357	326,752
Buildings	2,444,614	2,533,151
Vehicles and machinery	1,805,576	1,506,087
Equipment	743,037	837,389
Furniture and fixtures	61,741	53,247
Roads and bridge infrastructure	7,252,778	8,186,964
Assets under construction	1,948,795	107,998
Total	\$ 15,654,644	\$ 14,418,097

(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:

	2014	2013
Surplus	\$ 150,000	\$ 150,000
Invested in tangible capital assets	15,654,644	14,418,097
Unfinanced capital	(170,818)	(72,169)
Landfill and post-closure costs	(756,289)	(724,752)
	\$ 14,877,537	\$ 13,771,176

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

12. Accumulated municipal equity (continued):

	2014	2013
Reserves set aside for specific purposes by Council:		
Working capital	\$ 150,000	\$ 150,000
Other	106,271	152,873
Total reserves	256,271	302,873
Reserve funds set aside for specific purposes by Council:		
Protection	322,310	389,876
Roads	1,501,041	1,546,269
Environmental	435,811	427,003
Capital contingency/acquisition	381,728	443,902
General government contingency	32,185	43,809
Municipal complex contingency	317,568	287,728
Accessibility contingency	47,563	53,230
Cemeteries contingency	19,229	18,549
Waste and recycling	73,055	66,066
Other	1,097,028	708,394
Protection contingency	270,651	267,403
Parks and recreation contingency	222,468	172,877
Planning contingency	9,084	6,033
Total reserve funds	4,729,721	4,431,139
Accumulated municipal equity	\$ 19,863,529	\$ 18,505,188

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

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) General Government:

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

(b) Protection Services:

Includes policing, fire protection, conservation authority, protective inspection and control and emergency measures. The mandate of 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, 2014

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, penalties and interest, investment income and unconditional grants apportioned to these services based on the net surplus. Certain government transfers, transfer from other funds, and other revenue have been apportioned based on a percentage of budgeted expenses.

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

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

13. Segmented information (continued):

Year ended December 31, 2014

	General Government	Protection Services	Environmental Services	Transportation Services	Parks and Recreation	Planning and Development	Cemeteries	Total
Government conditional grants	\$ 346,555	\$ –	\$ 54,024	\$ 1,291,736	\$ 14,748	\$ –	\$ –	\$ 1,707,063
Revenue from other municipalities	–	2,081	29,025	–	–	–	–	31,106
User fees	22,731	–	40,200	2,490	166,854	160,801	–	393,076
Other	30,592	67,609	–	33,300	37,366	–	2,202	171,069
Total revenue	399,878	69,690	123,249	1,327,526	218,968	160,801	2,202	2,302,314
Salaries, wages and employee benefits	726,733	286,180	317,719	828,543	164,808	160,877	–	2,484,860
Materials	276,654	258,413	283,339	1,095,116	193,327	31,979	1,678	2,140,506
Contracted services	33,623	349,096	31,717	33,918	56,325	4,138	–	508,817
Transfer to others	–	25,010	–	–	–	–	–	25,010
Rents and financial expenses	7,122	–	–	–	582	–	–	7,704
Loss on disposals	–	–	–	–	–	–	–	–
Landfill closure and post-closure costs	–	–	31,537	–	–	–	–	31,537
Amortization	58,039	132,266	22,351	2,061,510	45,830	2,837	–	2,322,833
	1,102,171	1,050,965	686,663	4,019,087	460,872	199,831	1,678	7,521,267
Excess of revenue over expenses (expenses over revenue)	\$ (702,293)	\$ (981,275)	\$ (563,414)	\$ (2,691,561)	\$ (241,904)	\$ (39,030)	\$ 524	\$ (5,218,953)
Funding through:								
Taxation								5,267,367
Penalties and interest								163,439
Investment income								69,876
Transfer payments								1,076,612
								6,577,294
Excess of revenue over expenses (expenses over revenue)								\$ 1,358,341

See accompanying notes to consolidated 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, 2014 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, 2014, 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 Professional Accountants, Licensed Public Accountants

June 29, 2015

Kingston, Canada

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC TRUST FUNDS

Statement of Financial Position

December 31, 2014, with comparative information for 2013

Name of Fund	Cemetery	Perpetual Care	2014 Total	2013 Total
Assets				
Current assets:				
Cash and short-term investments	\$ 33,792	\$ 90,057	\$ 123,849	\$ 118,845
Liabilities				
Due to Corporation of the Township of North Frontenac	250	100	350	350
Fund Balances				
Fund balances	\$ 33,542	\$ 89,957	\$ 123,499	\$ 118,495

Statement of Continuity

Year ended December 31, 2014, with comparative information for 2013

Name of Fund	Cemetery	Perpetual Care	2014 Total	2013 Total
Balance, beginning of year	\$ 32,210	\$ 86,285	\$ 118,495	\$ 112,938
Accrued investment income	-	116	116	128
Contributions	1,005	2,626	3,631	4,066
Interest earned	327	930	1,257	1,363
Balance, end of year	\$ 33,542	\$ 89,957	\$ 123,499	\$ 118,495

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, 2014

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 flows:

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