

Consolidated Financial Statements of

**CORPORATION OF THE  
TOWNSHIP OF NORTH FRONTENAC**

Year ended December 31, 2017

Consolidated Financial Statements of

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

Year ended December 31, 2017

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

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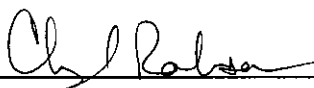
## **Management's Responsibility for the Consolidated Financial Statements**

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 consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

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

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Township. The accompanying Independent 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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Kelly Watkins  
Treasurer



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

## **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, 2017, 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, 2017, 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

Kingston, Canada

June 22, 2018

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

## Consolidated Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
<b>Financial assets:</b>		
Cash	\$ 7,472,655	\$ 6,443,712
Taxes receivable	912,344	988,369
Trade and other receivables	778,830	861,596
	<u>9,163,829</u>	<u>8,293,677</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	1,202,069	710,398
Deferred revenue - obligatory reserve funds (note 2)	671,752	747,921
Deferred revenue - other	24,909	184,404
Long-term debt (note 3)	704,244	-
Landfill closure and post-closure costs (note 4)	1,735,817	1,653,219
	<u>4,338,791</u>	<u>3,295,942</u>
<b>Net financial assets</b>	<b>4,825,038</b>	<b>4,997,735</b>
<b>Non-financial assets:</b>		
Tangible capital assets (note 11)	18,228,014	16,891,008
Prepaid expenses	8,908	10,992
	<u>18,236,922</u>	<u>16,902,000</u>
<b>Accumulated municipal equity (note 12)</b>	<b>\$ 23,061,960</b>	<b>\$ 21,899,735</b>

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, 2017, with comparative information for 2016

	Budget (note 9)	2017	2016
<b>Revenue:</b>			
Net taxation and payments-in-lieu	\$ 5,856,057	\$ 5,824,402	\$ 5,782,940
Transfer payments	1,358,300	1,358,300	1,183,200
Government grants	635,101	845,007	536,620
User charges	397,858	454,374	446,291
Other	91,625	196,689	132,608
Penalties and interest on taxes	130,000	161,223	160,443
Investment income	15,000	67,683	63,657
Revenue from municipalities	41,364	34,264	45,768
	<u>8,525,305</u>	<u>8,941,942</u>	<u>8,351,527</u>
<b>Expenses (note 5):</b>			
General government	1,097,740	1,345,043	1,177,932
Protection to persons and property	1,480,082	1,668,658	1,348,421
Environmental services	527,178	504,587	561,778
Transportation services	2,098,778	3,488,156	2,864,136
Recreation and culture	275,675	376,686	362,302
Planning and development	349,380	296,311	305,115
Cemeteries	4,000	17,678	12,887
Landfill closure and post-closure	–	82,598	941,501
Total expenses	<u>5,832,833</u>	<u>7,779,717</u>	<u>7,574,072</u>
Surplus for the year	2,692,472	1,162,225	777,455
Accumulated municipal equity, beginning of year		21,899,735	21,122,280
Accumulated municipal equity, end of year (note 12)		<u>\$ 23,061,960</u>	<u>\$ 21,899,735</u>

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, 2017, with comparative information for 2016

	2017	2016
Surplus for the year	\$ 1,162,225	\$ 777,455
Acquisition of tangible capital assets	(3,055,574)	(2,421,389)
Amortization of tangible capital assets	1,692,579	1,137,199
Loss on disposal of tangible capital assets	25,989	14,529
	(174,781)	(492,206)
Change in prepaid expenses	2,084	(2,600)
Change in net financial assets	(172,697)	(494,806)
Net financial assets, beginning of year	4,997,735	5,492,541
Net financial assets, end of year	\$ 4,825,038	\$ 4,997,735

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, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Surplus for the year	\$ 1,162,225	\$ 777,455
Items not involving cash:		
Amortization of tangible capital assets	1,692,579	1,137,199
Loss on disposal of tangible capital assets	25,989	14,529
Change in landfill closure and post-closure costs	82,598	941,501
Change in non-cash assets and liabilities:		
Taxes receivable	76,025	(32,428)
Trade and other receivables	82,766	151,565
Accounts payable and accrued liabilities	491,671	(54,003)
Deferred revenue - obligatory reserve funds	(76,169)	173,334
Deferred revenue - other	(159,495)	17,924
Prepaid expenses	2,084	(2,600)
Net change in cash from operating activities	3,380,273	3,124,476
Capital activities:		
Cash used to acquire tangible capital assets	(3,055,574)	(2,421,389)
Financing activities:		
Proceeds from long-term debt	704,244	-
Increase in cash	1,028,943	703,087
Cash, beginning of year	6,443,712	5,740,625
Cash, end of year	\$ 7,472,655	\$ 6,443,712

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, 2017

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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 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, 2017

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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 sixty 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, 2017

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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 to 25
Buildings	50
Vehicles, machinery and equipment	7 to 25
Furniture and fixtures	5 to 20
Roads and bridge infrastructure	10 to 45

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

(ii) Contributions of tangible capital assets:

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

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

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

(iv) Leased tangible capital assets:

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

(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, 2017

## 2. Deferred revenue - obligatory reserve funds:

A requirement of the public sector accounting standards of the Chartered Professional Accountants of Canada 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:

	2017	2016
Balance, beginning of year	\$ 747,921	\$ 574,587
Federal gas tax county	133,355	166,135
Federal gas tax grant	56,994	56,003
Development contributions	22,672	14,853
Building department surplus	-	20,055
Investment income	7,265	4,531
Utilization of funds	(296,455)	(88,243)
<b>Balance, end of year</b>	<b>\$ 671,752</b>	<b>\$ 747,921</b>
	2017	2016
Analyzed as follows:		
Federal gasoline tax	\$ 451,357	\$ 524,521
Recreation land	215,930	203,345
Building department	4,465	20,055
	<b>\$ 671,752</b>	<b>\$ 747,921</b>

## 3. Long-term debt:

(a) The balance of long-term debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2016	2015
Loan for the municipal building, repayable in semi-annual payments bearing interest at 3.24% and due December 2042	\$ 704,244	\$ -

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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### 3. Long-term debt (continued):

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

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2018	\$	28,170
2019		28,170
2020		28,170
2021		28,170
2022		28,170
Thereafter		563,394
	\$	704,244

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(c) The long-term debt issued in the name of the Township, have been approved by by-law. The annual principal and interest payments required to service this debt are within the annual debt replacement limit prescribed by the Ministry of Municipal Affairs.

### 4. Landfill closure and post-closure costs:

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

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 sixty 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 4%. The estimated total landfill closure and post-closure expenses are estimated to be \$2,717,590 (2016 - \$2,549,725). 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, 2017 is an amount of \$1,735,817 (2016 - \$1,653,219) with respect to landfill closure and post-closure obligations recognized to date.

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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

The estimated average remaining capacity of the landfill sites is 63% of the total estimated capacity and the estimated average remaining life of the landfill sites is 34 years, after which the period for post-closure care is estimated to be 25 years.

#### 5. Expenses:

Expenses by object classification are as follows:

	2017	2016
Salaries, wages and benefits	\$ 2,603,336	\$ 2,560,434
Materials and supplies	2,061,629	2,052,747
Services, rents, contracted services and financial services	1,313,591	882,191
Loss on disposal of assets	25,984	-
Landfill closure and post-closure costs	82,598	941,501
Amortization	1,692,579	1,137,199
	<b>\$ 7,779,717</b>	<b>\$ 7,574,072</b>

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

During 2017, 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	
	2017	2016	2017	2016
Amounts requisitioned and collected	\$ 1,627,256	\$ 1,731,021	\$ 1,519,914	\$ 1,470,709

#### 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 31 (2016 - 32) 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% (2016 - 9.0%) for earnings up to the annual maximum pensionable earnings and at a rate of 14.6% (2016 - 14.6%) for earnings greater than the annual maximum pensionable earnings.

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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## 7. Pension agreement (continued):

The amount contributed to OMERS for 2017 current services was \$145,724 (2016 - \$161,100) and is included on the "Consolidated Statement of Operations".

## 8. Trust funds:

Trust funds administered by the Township at year end amount to \$110,297 (2016 - \$106,710). 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 2017 operating and capital budgets approved by Council on February 24, 2017. 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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	2017 Budget
Reported on consolidated statement of operations:	
Operating revenue	\$ 8,525,305
Operating expenses	5,832,833
<hr/>	
Total budgeted surplus on consolidated financial statements	\$ 2,692,472
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Budget not reported on consolidated statements:	
Capital costs	\$ (2,824,229)
Reserve and reserve fund transfers (net)	131,757
<hr/>	
Total budgeted deficit not reported on consolidated financial statements	\$ (2,692,472)

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## 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, 2017, 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, 2017

## 11. Tangible capital assets:

Cost	Balance at December 31, 2016	Additions	Disposals, transfers and adjustments	Balance at December 31, 2017
Land	\$ 966,913	\$ –	\$ –	\$ 966,913
Land improvements	849,568	–	–	849,568
Buildings	4,345,727	175,006	–	4,520,733
Vehicles and machinery	4,325,240	449,206	379,480	4,394,966
Equipment	2,087,790	98,448	27,451	2,158,787
Furniture and fixtures	208,403	4,789	–	213,192
Roads and bridge infrastructure	74,389,775	1,458,203	–	75,847,978
Assets under construction	200,545	1,420,226	550,304	1,070,467
<b>Total</b>	<b>\$ 87,373,961</b>	<b>\$ 3,605,878</b>	<b>\$ 957,235</b>	<b>\$ 90,022,604</b>

Accumulated amortization	Balance at December 31, 2016	Amortization expense	Disposals transfers and adjustments	Balance at December 31, 2017
Land	\$ –	\$ –	\$ –	\$ –
Land improvements	195,729	42,511	–	238,240
Buildings	1,625,488	106,266	–	1,731,754
Vehicles and machinery	2,254,204	264,138	353,491	2,164,851
Equipment	1,408,541	118,391	27,451	1,499,481
Furniture and fixtures	134,183	10,999	–	145,182
Roads and bridge infrastructure	64,864,808	1,150,274	–	66,015,082
Assets under construction	–	–	–	–
<b>Total</b>	<b>\$ 70,482,953</b>	<b>\$ 1,692,579</b>	<b>\$ 380,942</b>	<b>\$ 71,794,590</b>

	Net book value December 31, 2017	Net book value December 31, 2016
Land	\$ 966,913	\$ 966,913
Land improvements	611,328	653,839
Buildings	2,788,979	2,720,239
Vehicles and machinery	2,230,115	2,071,036
Equipment	659,306	679,249
Furniture and fixtures	68,010	74,220
Roads and bridge infrastructure	9,832,896	9,524,967
Assets under construction	1,070,467	200,545
<b>Total</b>	<b>\$ 18,228,014</b>	<b>\$ 16,891,008</b>

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

## 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:

	2017	2016
Surplus	\$ 150,000	\$ 150,000
Invested in tangible capital assets	18,228,014	16,891,008
Long-term debt	(704,244)	-
Landfill and post-closure costs	(1,735,817)	(1,653,219)
	15,937,953	15,387,789
Reserves set aside for specific purposes by Council:		
Working capital	150,000	150,000
Other	46,412	52,326
Total reserves	196,412	202,326
Reserve funds set aside for specific purposes by Council:		
Protection	467,190	430,195
Roads	1,830,126	1,633,687
Environmental	517,897	477,771
Capital contingency/acquisition	916,779	796,639
General government contingency	52,890	48,841
Municipal complex contingency	481,450	265,207
Accessibility contingency	37,382	37,029
Cemeteries contingency	54,747	52,563
Waste and recycling	88,563	100,772
Other	1,893,410	1,890,283
Protection contingency	282,430	266,596
Parks and recreation contingency	287,312	294,763
Planning contingency	17,419	15,274
Total reserve funds	6,927,595	6,309,620
Accumulated municipal equity	\$ 23,061,960	\$ 21,899,735

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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## 12. Segmented information:

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

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

(a) General Government:

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

(b) Protection Services:

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

(c) Transportation Services:

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

(d) Environmental Services:

Includes the management and maintenance of the 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, 2017

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## 12. Segmented information (continued):

(f) Planning and Development:

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

(g) Cemeteries:

Includes the management and maintenance of municipal cemeteries.

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

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

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

## 12. Segmented information (continued):

Year ended December 31, 2017

	General Government	Protection Services	Environmental Services	Transportation Services	Recreation and Culture	Planning and Development	Cemeteries	Total
Government conditional grants	\$ 10,697	–	65,701	729,500	12,016	\$ 27,093	\$ –	\$ 845,007
Revenue from other municipalities	–	3,692	30,572	–	–	–	–	34,264
User fees	345	145,300	49,511	340	205,514	45,214	8,150	454,374
Other	68,013	11,941	–	96,187	14,766	4,150	1,632	196,689
<b>Total revenue</b>	<b>79,055</b>	<b>160,933</b>	<b>145,784</b>	<b>826,027</b>	<b>232,296</b>	<b>76,457</b>	<b>9,782</b>	<b>1,530,334</b>
Salaries, wages and employee benefits	838,678	229,731	265,755	954,773	100,765	213,634	–	2,603,336
Materials	324,436	273,071	71,634	1,111,058	208,922	55,288	17,220	2,061,629
Contracted services	53,382	1,013,314	140,375	43,680	3,741	22,736	–	1,277,228
Transfer to others	–	27,710	–	–	–	–	–	27,710
Rents and financial expenses	8,653	–	–	–	–	–	–	8,653
Loss on disposals	–	–	–	25,984	–	–	–	25,984
Landfill closure and post-closure costs	–	–	82,598	–	–	–	–	82,598
Amortization	119,894	124,832	26,823	1,352,661	63,258	4,653	458	1,692,579
	<b>1,345,043</b>	<b>1,668,658</b>	<b>587,185</b>	<b>3,488,156</b>	<b>376,686</b>	<b>296,311</b>	<b>17,678</b>	<b>7,779,717</b>
Excess of expenses over revenue	\$ (1,265,988)	\$ (1,507,725)	\$ (441,401)	\$ (2,662,129)	\$ (144,390)	\$ (219,854)	\$ (7,896)	\$ (6,249,383)
Funding through:								
Taxation								5,824,402
Penalties and interest								161,223
Investment income								67,683
Transfer payments								1,358,300
								<b>7,411,608</b>
Excess of revenue over expenses								\$ 1,162,225

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, 2017 and the statement of continuity of trust funds 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, 2017, and the statement of continuity of trust funds 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

Kingston, Canada

June 22, 2018

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC TRUST FUNDS

## Statement of Financial Position

December 31, 2017, with comparative information for 2016

Name of Fund	Cemetery	Perpetual Care	2017 Total	2016 Total
<b>Assets</b>				
Current assets:				
Cash and short-term investments	\$ 15,747	\$ 94,550	\$ 110,297	\$ 106,710
Transfer from Cemetery	–	15,747	15,747	–
	15,747	110,297	126,044	106,710
<b>Liabilities</b>				
Transfer to Perpetual Care	15,747	–	15,747	–
<b>Fund Balances</b>				
Fund balances	\$ –	\$ 110,297	\$ 110,297	\$ 106,710

## Statement of Continuity

Year ended December 31, 2017, with comparative information for 2016

Name of Fund	Cemetery	Perpetual Care	2017 Total	2016 Total
Balance, beginning of year	\$ 12,160	\$ 94,550	\$ 106,710	\$ 104,122
Contributions	–	2,450	2,450	1,821
Interest earned	1,137	–	1,137	920
Dividend income reinvested	–	–	–	181
Disbursements	–	–	–	(334)
Transfer to Perpetual Care	(13,297)	13,297	–	–
Balance, end of year	\$ –	\$ 110,297	\$ 110,297	\$ 106,710

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, 2017

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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 flows:

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