

Consolidated Financial Statements of

**CORPORATION OF THE  
TOWNSHIP OF NORTH  
FRONTENAC**

Year ended December 31, 2018

Consolidated Financial Statements of

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

Year ended December 31, 2018

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

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## **TRUST FUNDS**

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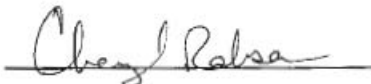
## Management's Responsibility for the Consolidated Financial Statements

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.

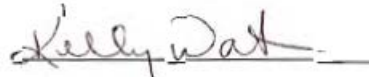
The Township's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely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

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.



Cheryl Robson  
Chief Administrative Officer



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

### *Opinion*

We have audited the consolidated financial statements of the Corporation of the Township of North Frontenac (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2018;
- the consolidated statement of operations for the year then ended;
- the consolidated statement of changes in net financial assets for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying consolidated financial statements, present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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



## ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

May 3, 2019

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

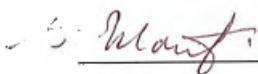
## Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
<b>Financial assets:</b>		
Cash	\$ 8,216,497	\$ 7,472,655
Taxes receivable	774,115	912,344
Trade and other receivables	567,155	778,830
	<u>9,557,767</u>	<u>9,163,829</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	1,196,209	1,202,069
Deferred revenue - obligatory reserve funds (note 2)	820,011	671,752
Deferred revenue - other	7,555	24,909
Long-term debt (note 3)	676,075	704,244
Landfill closure and post-closure costs (note 4)	1,768,958	1,735,817
	<u>4,468,808</u>	<u>4,338,791</u>
<b>Net financial assets</b>	<b>5,088,959</b>	<b>4,825,038</b>
<b>Non-financial assets:</b>		
Tangible capital assets (note 12)	18,688,466	18,228,014
Prepaid expenses	27,965	8,908
	<u>18,716,431</u>	<u>18,236,922</u>
Contingencies (note 10)		
Commitments (note 11)		
<b>Accumulated municipal equity (note 13)</b>	<b>\$ 23,805,390</b>	<b>\$ 23,061,960</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, 2018, with comparative information for 2017

	Budget (note 9)	2018	2017
<b>Revenue:</b>			
Net taxation and payments-in-lieu	\$ 5,929,897	\$ 5,917,524	\$ 5,824,402
Transfer payments	1,601,000	1,601,000	1,358,300
User charges	403,010	515,717	454,374
Government grants	489,696	332,620	845,007
Penalties and interest on taxes	130,000	156,213	161,223
Investment income	15,000	144,286	67,683
Other	85,650	96,836	196,689
Revenue from municipalities	38,865	38,558	34,264
	<u>8,693,118</u>	<u>8,802,754</u>	<u>8,941,942</u>
<b>Expenses (note 5):</b>			
General government	1,134,209	1,276,501	1,345,043
Protection to persons and property	1,678,061	1,821,783	1,668,658
Environmental services	539,227	562,904	504,587
Transportation services	2,188,026	3,462,111	3,488,156
Recreation and culture	280,915	539,991	376,686
Planning and development	368,992	335,545	296,311
Cemeteries	4,000	27,348	17,678
Landfill closure and post-closure	–	33,141	82,598
Total expenses	<u>6,193,430</u>	<u>8,059,324</u>	<u>7,779,717</u>
Surplus for the year	2,499,688	743,430	1,162,225
Accumulated municipal equity, beginning of year		23,061,960	21,899,735
Accumulated municipal equity, end of year (note 13)		\$ 23,805,390	\$ 23,061,960

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, 2018, with comparative information for 2017

	Budget (note 9)	2018	2017
Surplus for the year	\$ 2,499,688	\$ 743,430	\$ 1,162,225
Acquisition of tangible capital assets	(2,671,222)	(1,903,510)	(3,055,574)
Amortization of tangible capital assets	–	1,443,055	1,692,579
Loss (gain) on disposal of tangible capital assets	–	–	25,989
	(171,534)	282,975	(174,781)
Change in prepaid expenses	–	(19,054)	2,084
Change in net financial assets	(171,534)	263,921	(172,697)
Net financial assets, beginning of year	–	4,825,038	4,997,735
<b>Net financial assets, end of year</b>	<b>\$ (171,534)</b>	<b>\$ 5,088,959</b>	<b>\$ 4,825,038</b>

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, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Surplus for the year	\$ 743,430	\$ 1,162,225
Items not involving cash:		
Amortization of tangible capital assets	1,443,055	1,692,579
Loss on disposal of tangible capital assets	—	25,989
Change in landfill closure and post-closure costs	33,141	82,598
Change in non-cash assets and liabilities:		
Taxes receivable	138,229	76,025
Trade and other receivables	211,674	82,766
Accounts payable and accrued liabilities	(5,860)	491,671
Deferred revenue - obligatory reserve funds	148,258	(76,169)
Deferred revenue - other	(17,353)	(159,495)
Prepaid expenses	(19,054)	2,084
Net change in cash from operating activities	2,675,520	3,380,273
Capital activities:		
Cash used to acquire tangible capital assets	(1,903,510)	(3,055,574)
Financing activities:		
Proceeds from long-term debt	—	704,244
Repayments of long-term debt	(28,168)	—
	(28,168)	704,244
Increase in cash	743,842	1,028,943
Cash, beginning of year	7,472,655	6,443,712
Cash, end of year	\$ 8,216,497	\$ 7,472,655

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, 2018

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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, 2018

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

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

### (e) Use of estimates:

The preparation of 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.

### (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) 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.

### (h) 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.

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 1. Accounting policies (continued):

### (h) Non-financial assets (continued):

#### (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.

#### (i) 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. Taxes levied on behalf of others in a flow-through arrangement are not reported on the consolidated statement of operations.

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 2. Deferred revenue - obligatory reserve funds:

A requirement of the Canadian public sector accounting standards 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:

	2018	2017
Balance, beginning of year	\$ 671,752	\$ 747,921
Federal gas tax county	137,720	133,355
Federal gas tax grant	58,660	56,994
Development contributions	22,586	22,672
Investment income	10,951	7,265
Utilization of funds	(81,658)	(296,455)
Balance, end of year	\$ 820,011	\$ 671,752
	2018	2017
Analyzed as follows:		
Federal gasoline tax	\$ 640,397	\$ 451,357
Recreation land	179,614	215,930
Building department	-	4,465
	\$ 820,011	\$ 671,752

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

### 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:

	2018	2017
Loan for the municipal building, repayable in semi-annual payments bearing interest at 3.24% and due December 2042	\$ 676,075	\$ 704,244

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

2019	\$ 28,170
2020	28,170
2021	28,170
2022	28,170
2023	28,170
Thereafter	535,225
	<u>\$ 676,075</u>

- (c) Interest expense on long-term debt in 2018 amounted to \$22,589.
- (d) 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.

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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

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 \$2,755,515 (2017 - \$2,717,590). The Township currently has five active and two inactive landfill sites, as well as two transfer 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, 2018 is an amount of \$1,768,958 (2017 - \$1,735,817) with respect to landfill closure and post-closure obligations recognized to date.

The estimated average remaining capacity of the landfill sites is 62% (2017 - 63%) of the total estimated capacity and the estimated average remaining life of the landfill sites is 33 years (2017 - 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:

	2018	2017
Salaries, wages and benefits	\$ 2,792,621	\$ 2,603,336
Materials and supplies	2,307,783	2,061,629
Services, rents, contracted services and financial services	1,482,724	1,313,591
Loss on disposal of assets	-	25,984
Landfill closure and post-closure costs	33,141	82,598
Amortization	1,443,055	1,692,579
	<b>\$ 8,059,324</b>	<b>\$ 7,779,717</b>



# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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

During 2018, 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	
	2018	2017	2018	2017
Amounts requisitioned and collected	\$ 1,578,104	\$ 1,627,256	\$ 1,579,475	\$ 1,519,914

## 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 (2017 - 31) members of its staff. As a result, the Township does not recognize any share of the OMERS pension surplus or deficit. The last available report was as at December 31, 2018, at that time, the plan reported a \$4.2 billion actuarial deficit (2017 - \$5.4 billion actuarial deficit).

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% (2017 - 9.0%) for earnings up to the annual maximum pensionable earnings and at a rate of 14.6% (2017 - 14.6%) for earnings greater than the annual maximum pensionable earnings.

The amount contributed to OMERS for 2018 current services was \$166,315 (2017 - \$145,724) and is included on the consolidated statement of operations.

## 8. Trust funds:

Trust funds administered by the Township at year end amount to \$107,834 (2017 - \$110,297). Trust funds are reported separately on the Trust Funds statement of financial position and statement of continuity.

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 9. Budget figures:

The budget data presented in these consolidated financial statements is based upon the 2018 operating and capital budgets approved by Council on February 16, 2018. 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.

	2018 Budget
Reported on consolidated statement of operations:	
Operating revenue	\$ 8,693,118
Operating expenses	6,193,430
<hr/>	
Total budgeted surplus on consolidated financial statements	\$ 2,499,688
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Budget not reported on consolidated statements:	
Capital costs	\$ (2,671,222)
Reserve and reserve fund transfers, net	171,534
<hr/>	
Total budgeted deficit not reported on consolidated financial statements	\$ (2,499,688)

## 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, 2018, 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. Commitments:

- (a) The Township entered into an agreement with the Ontario Provincial Police for the provision of police services. The total expense included on the consolidated statement of operations for the year ended December 31, 2018 is \$841,984 (2017 - \$713,653). The Ministry of Community and Safety and Correctional Services has developed a new cost-recovery billing model that was implemented January 1, 2015, that includes two components, base policing for items such as crime prevention, proactive policing, officer training and administrative duties that will make up approximately 60%, with the second component for reactive calls for services that make up the remaining 40% of the cost invoiced.

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 11. Commitments (continued):

- (b) The Township entered an agreement to create and govern the Joint Fire Committee for the Kaladar/Barrie Fire Department with the Township of Addington Highlands on September 22, 2017 for the provision of shared fire services to both townships. Each year by March 1, a budget will be submitted for approval from both Councils and an apportionment of costs to each will be included at a formula of 50%. Assets purchased under this agreement will be owned jointly at 50%. This agreement will be in effect until a new agreement is undertaken. The 50% costs are included as part of the Protection to Persons and Property expense on the consolidated statement of operations in the amount of \$288,823 (2017-\$287,852).

## 12. Tangible capital assets:

Cost	Balance at December 31, 2017	Additions	Disposals, transfers and adjustments	Balance at December 31, 2018
Land	\$ 966,913	\$ –	\$ –	\$ 966,913
Land improvements	849,568	–	–	849,568
Buildings	4,520,733	1,354,055	–	5,874,788
Vehicles and machinery	4,394,966	389,354	–	4,784,320
Equipment	2,158,787	28,691	113,421	2,074,057
Furniture and fixtures	213,192	35,764	–	248,956
Roads and bridge infrastructure	75,847,978	945,635	–	76,793,613
Assets under construction	1,070,467	489,858	1,339,850	220,475
<b>Total</b>	<b>\$ 90,022,604</b>	<b>\$ 3,243,357</b>	<b>\$ 1,453,271</b>	<b>\$ 91,812,690</b>

Accumulated amortization	Balance at December 31, 2017	Amortization expense	Disposals transfers and adjustments	Balance at December 31, 2018
Land	\$ –	\$ –	\$ –	\$ –
Land improvements	238,240	42,511	–	280,751
Buildings	1,731,754	114,643	–	1,846,397
Vehicles and machinery	2,164,851	283,787	–	2,448,638
Equipment	1,499,481	125,707	113,421	1,511,767
Furniture and fixtures	145,182	10,972	–	156,154
Roads and bridge infrastructure	66,015,082	865,435	–	66,880,517
Assets under construction	–	–	–	–
<b>Total</b>	<b>\$ 71,794,590</b>	<b>\$ 1,443,055</b>	<b>\$ 113,421</b>	<b>\$ 73,124,224</b>

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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## 12. Tangible capital assets (continued):

	Net book value December 31, 2018	Net book value December 31, 2017
Land	\$ 966,913	\$ 966,913
Land improvements	568,817	611,328
Buildings	4,028,391	2,788,979
Vehicles and machinery	2,335,682	2,230,115
Equipment	562,290	659,306
Furniture and fixtures	92,802	68,010
Roads and bridge infrastructure	9,913,096	9,832,896
Assets under construction	220,475	1,070,467
Total	\$ 18,688,466	\$ 18,228,014

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 13. Accumulated municipal equity:

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

	2018	2017
Surplus	\$ 150,000	\$ 150,000
Invested in tangible capital assets	18,688,466	18,228,014
Long-term debt	(676,075)	(704,244)
Landfill and post-closure costs	(1,768,958)	(1,735,817)
	16,393,433	15,937,953
Reserves set aside for specific purposes by Council:		
Working capital	150,000	150,000
Other	3,611	46,412
Total reserves	153,611	196,412
Reserve funds set aside for specific purposes by Council:		
Protection	397,213	467,190
Roads	2,075,762	1,830,126
Environmental	557,411	517,897
Capital contingency/acquisition	818,051	916,779
General government contingency	91,893	52,890
Accessibility contingency	20,654	37,382
Cemeteries contingency	60,498	54,747
Waste and recycling	115,482	88,563
Infrastructure sustainability	2,509,639	2,374,860
Protection contingency	296,037	282,430
Parks and recreation contingency	306,396	287,312
Planning contingency	9,310	17,419
Total reserve funds	7,258,346	6,927,595
Accumulated municipal equity	\$ 23,805,390	\$ 23,061,960

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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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) 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 five active and two transfer stations, 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, 2018

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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 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, 2018

## 14. Segmented information (continued):

Year ended December 31, 2018

	General Government Administration	Protection Services	Environmental Services	Transportation Services	Recreation and Culture	Planning and Development	Cemerteries	Total
Revenue:								
Government conditional grants	\$ 54,406	\$ -	\$ 62,375	\$ 215,839	\$ -	\$ -	\$ -	\$ 332,620
Revenue from other municipalities	-	5,722	32,836	-	-	-	-	38,558
User fees	20,788	125,623	57,328	23,210	245,556	37,112	6,100	515,717
Other	43,981	20,823	-	25,440	-	29	6,563	96,836
	119,175	152,168	152,539	264,489	245,556	37,141	12,663	983,731
Expenses:								
Salaries, wages and employee benefits	788,244	281,392	312,538	1,008,125	156,261	237,821	8,240	2,792,621
Materials	286,118	247,185	79,271	1,324,941	304,371	47,245	18,652	2,307,783
Contracted services	72,642	1,138,348	140,405	40,759	8,508	45,826	-	1,446,488
Transfers to others	-	28,387	-	-	-	-	-	28,387
Rents and financial expenses	7,849	-	-	-	-	-	-	7,849
Loss on disposals	-	-	-	-	-	-	-	-
Landfill closure and post-closure costs	-	-	33,141	-	-	-	-	33,141
Amortization	121,648	126,471	30,690	1,088,286	70,851	4,653	456	1,443,055
	1,276,501	1,821,783	596,045	3,462,111	539,991	335,545	27,348	8,059,324
Excess of expenses over revenue	(1,157,326)	(1,669,615)	(443,506)	(3,197,622)	(294,435)	(298,404)	(14,685)	(7,075,593)
Funding through:								
Taxation								5,917,524
Penalties and interest								156,213
Investment income								144,286
Transfer payments								1,601,000
								7,819,023
Excess of revenue over expenses								\$ 743,430



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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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## **15. Adoption of new accounting standards:**

On September 1, 2017, the Township adopted Canadian public sector accounting standards PS 2200 Related party disclosures, PS 3420 Inter-entity transactions, PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual rights.

The adoption of these standards did not result in an accounting policy change for the Township, and did not result in any adjustments to the financial statements as at December 31, 2018.



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## INDEPENDENT AUDITORS' REPORT

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

### *Opinion*

We have audited the financial statements of the trust funds of the Corporation of the Township of North Frontenac (the "trust funds"), which comprise:

- the statement of financial position as at December 31, 2018;
- the statement of continuity of trust funds for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the trust funds as at December 31, 2018, and its statement of continuity for the year then ended in accordance with Canadian public sector accounting standards.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the trust funds in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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



## ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the trust funds' ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the trust funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the trust funds' financial reporting process.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit 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 trust funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the trust funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the trust funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

May 3, 2019

# CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

## TRUST FUNDS

### Statement of Financial Position

December 31, 2018, with comparative information for 2017

Name of Fund	Cemetery	Perpetual Care	2018 Total	2017 Total
<b>Assets</b>				
Current assets:				
Cash and short-term investments	\$ —	\$ 107,834	\$ 107,834	\$ 110,297
Transfer from Cemetery	—	—	—	15,747
	—	107,834	107,834	126,044
<b>Liabilities</b>				
Transfer to Perpetual Care	—	—	—	15,747
<b>Fund Balances</b>				
Fund balances	\$ —	\$ 107,834	\$ 107,834	\$ 110,297

### Statement of Continuity

Year ended December 31, 2018, with comparative information for 2017

Name of Fund	Cemetery	Perpetual Care	2018 Total	2017 Total
Balance, beginning of year	\$ 15,747	\$ 94,550	\$ 110,297	\$ 106,710
Contributions	900	—	900	2,450
Interest earned	1,868	—	1,868	1,137
Dividend income reinvested	—	42	42	—
Transfer to Township	(5,273)	—	(5,273)	—
Transfer between funds	(13,242)	13,242	—	—
Balance, end of year	\$ —	\$ 107,834	\$ 107,834	\$ 110,297

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, 2018

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## 1. Significant accounting policies:

The financial statements of the Corporation of the Township of North Frontenac Trust Funds (the "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.

## 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.