

Consolidated Financial Statements of

**CORPORATION OF THE
TOWNSHIP OF NORTH
FRONTENAC**

Year ended December 31, 2019

Consolidated Financial Statements of

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Year ended December 31, 2019

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.

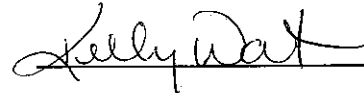
The Township's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely 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



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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 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, 2019;
- 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 "consolidated 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, 2019, 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

June 19, 2020

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Consolidated Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Financial assets:		
Cash	\$ 9,627,052	\$ 8,216,497
Taxes receivable	802,086	774,115
Trade and other receivables	607,653	567,155
	<u>11,036,791</u>	<u>9,557,767</u>
Financial liabilities:		
Accounts payable and accrued liabilities	1,248,743	1,196,209
Deferred revenue - obligatory reserve funds (note 2)	1,108,002	820,011
Deferred revenue - other	65,723	7,555
Long-term debt (note 3)	647,905	676,075
Landfill closure and post-closure costs (note 4)	1,780,355	1,768,958
	<u>4,850,728</u>	<u>4,468,808</u>
Net financial assets	6,186,063	5,088,959
Non-financial assets:		
Tangible capital assets (note 12)	19,032,878	18,688,466
Prepaid expenses	32,326	27,965
	<u>19,065,204</u>	<u>18,716,431</u>
Contingencies (note 10)		
Commitments (note 11)		
Subsequent event (note 15)		
Subsequent event and contingencies (note 16)		
Accumulated municipal equity (note 13)	\$ 25,251,267	\$ 23,805,390

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, 2019, with comparative information for 2018

	Budget (note 9)	2019	2018
Revenue:			
Net taxation and payments-in-lieu	\$ 6,149,635	\$ 6,096,172	\$ 5,917,524
Transfer payments	1,705,200	1,705,200	1,601,000
User charges	405,472	449,741	515,717
Government grants	428,719	887,937	332,620
Penalties and interest on taxes	39,365	144,557	156,213
Investment income	140,000	194,152	144,286
Other	83,950	284,042	96,836
Revenue from municipalities	20,000	37,055	38,558
	<u>8,972,341</u>	<u>9,798,856</u>	<u>8,802,754</u>
Expenses (note 5):			
General government	1,193,685	1,315,596	1,276,501
Protection to persons and property	1,707,409	1,864,361	1,821,783
Environmental services	2,595,863	576,647	562,904
Transportation services	597,002	3,707,470	3,462,111
Recreation and culture	–	518,750	539,991
Planning and development	17,360	326,606	335,545
Cemeteries	413,478	32,152	27,348
Landfill closure and post-closure	390,435	11,397	33,141
Total expenses	<u>6,915,232</u>	<u>8,352,979</u>	<u>8,059,324</u>
Surplus for the year	2,057,109	1,445,877	743,430
Accumulated municipal equity, beginning of year		23,805,390	23,061,960
Accumulated municipal equity, end of year (note 13)		\$ 25,251,267	\$ 23,805,390

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, 2019, with comparative information for 2018

	Budget (note 9)	2019	2018
Surplus for the year	\$ 2,057,109	\$ 1,445,877	\$ 743,430
Acquisition of tangible capital assets	(2,484,102)	(1,817,785)	(1,903,510)
Amortization of tangible capital assets	–	1,472,741	1,443,055
Loss on disposal of tangible capital assets	–	631	–
	(426,993)	1,101,464	282,975
Change in prepaid expenses	–	(4,360)	(19,054)
Change in net financial assets	(426,993)	1,097,104	263,921
Net financial assets, beginning of year	–	5,088,959	4,825,038
Net financial assets, end of year	\$ (426,993)	\$ 6,186,063	\$ 5,088,959

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, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Surplus for the year	\$ 1,445,877	\$ 743,430
Items not involving cash:		
Amortization of tangible capital assets	1,472,741	1,443,055
Loss on disposal of tangible capital assets	631	-
Change in landfill closure and post-closure costs	11,397	33,141
Change in non-cash assets and liabilities:		
Taxes receivable	(27,971)	138,229
Trade and other receivables	(40,498)	211,674
Accounts payable and accrued liabilities	52,534	(5,860)
Deferred revenue - obligatory reserve funds	287,991	148,258
Deferred revenue - other	58,168	(17,353)
Prepaid expenses	(4,360)	(19,054)
Net change in cash from operating activities	3,256,510	2,675,520
Capital activities:		
Cash used to acquire tangible capital assets	(1,817,785)	(1,903,510)
Financing activities:		
Repayments of long-term debt	(28,170)	(28,168)
Increase in cash	1,410,555	743,842
Cash, beginning of year	8,216,497	7,472,655
Cash, end of year	\$ 9,627,052	\$ 8,216,497

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, 2019

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, 2019

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.

(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, 2019

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, 2019

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:

	2019	2018
Balance, beginning of year	\$ 820,011	\$ 671,752
Federal gas tax county	246,372	137,720
Federal gas tax grant	–	58,660
Development contributions	23,559	22,586
Investment income	18,060	10,951
Utilization of funds	–	(81,658)
Balance, end of year	\$ 1,108,002	\$ 820,011
		2019
Analyzed as follows:		
Federal gasoline tax	\$ 901,025	\$ 640,397
Recreation land	206,977	179,614
Building department	–	–
	\$ 1,108,002	\$ 820,011

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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:

	2019	2018
Loan for the municipal building, repayable in semi-annual payments bearing interest at 3.24% and due December 2042	\$ 647,905	\$ 676,075

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

2020	\$ 28,170
2021	28,170
2022	28,170
2023	28,170
2024	28,170
Thereafter	507,055
	\$ 647,905

- (c) Interest expense on long-term debt in 2019 amounted to \$21,676 (2018 - \$22,589).
- (d) The long-term debt issued in the name of the Township, has 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, 2019

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 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.

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 (2018 - \$2,722,667). 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, 2019 is an amount of \$1,780,355 (2018 - \$1,768,958) with respect to landfill closure and post-closure obligations recognized to date.

The estimated average remaining capacity of the landfill sites is 62% (2018 - 62%) of the total estimated capacity and the estimated average remaining life of the landfill sites is 32 years (2018 - 33 years), after which the period for post-closure care is estimated to be 25 years.

5. Expenses:

Expenses by object classification are as follows:

	2019	2018
Salaries, wages and benefits	\$ 2,973,004	\$ 2,792,621
Materials and supplies	2,464,762	2,307,783
Services, rents, contracted services and financial services	1,430,444	1,482,724
Loss on disposal of assets	631	-
Landfill closure and post-closure costs	11,397	33,141
Amortization	1,472,741	1,443,055
	\$ 8,352,979	\$ 8,059,324

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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

During 2019, 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	
	2019	2018	2019	2018
Amounts requisitioned and collected	\$ 1,539,108	\$ 1,578,104	\$ 1,667,037	\$ 1,579,475

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 (2018 - 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, 2019, at that time, the plan reported a \$3.3 billion actuarial deficit (2018 - \$4.2 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% (2018 - 9.0%) for earnings up to the annual maximum pensionable earnings and at a rate of 14.6% (2018 - 14.6%) for earnings greater than the annual maximum pensionable earnings.

The amount contributed to OMERS for 2019 current services was \$177,031 (2018 - \$166,315) and is included on the consolidated statement of operations.

8. Trust funds:

Trust funds administered by the Township at year end amount to \$110,084 (2018 - \$107,834). 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, 2019

9. Budget figures:

The budget data presented in these consolidated financial statements is based upon the 2019 operating and capital budgets approved by Council on April 12, 2019. 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.

	2019 Budget
Reported on consolidated statement of operations:	
Operating revenue	\$ 8,972,341
Operating expenses	6,915,232
<hr/>	
Total budgeted surplus on consolidated financial statements	\$ 2,057,109
<hr/>	
Budget not reported on consolidated statements:	
Capital costs	\$ 2,484,102
Reserve and reserve fund transfers, net	(426,993)
<hr/>	
Total budgeted deficit not reported on consolidated financial statements	\$ 2,057,109

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, 2019, 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, 2019

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, 2019 is \$832,186 (2018 - \$841,984). 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.
- (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, 2018 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 \$293,345 (2018 - \$288,823).

12. Tangible capital assets:

Cost	Balance at December 31, 2018	Additions	Disposals, transfers and adjustments	Balance at December 31, 2019
Land	\$ 966,913	\$ 9,882	\$ -	\$ 976,795
Land improvements	849,568	-	-	849,568
Buildings	5,874,788	61,802	-	5,936,590
Vehicles and machinery	4,784,320	606,835	327,752	5,063,403
Equipment	2,074,057	121,457	39,225	2,156,289
Furniture and fixtures	248,956	9,724	-	258,680
Roads and bridge infrastructure	76,793,613	1,008,448	-	77,802,061
Assets under construction	220,475	220,106	220,469	220,112
Total	\$ 91,812,690	\$ 2,038,254	\$ 587,446	\$ 93,263,498

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

12. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2018	Amortization expense	Disposals transfers and adjustments	Balance at December 31, 2019
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	280,751	42,511	-	323,262
Buildings	1,846,397	115,244	-	1,961,641
Vehicles and machinery	2,448,638	274,218	327,752	2,395,104
Equipment	1,511,767	115,948	38,593	1,589,122
Furniture and fixtures	156,154	12,323	-	168,477
Roads and bridge infrastructure	66,880,517	912,497	-	67,793,014
Assets under construction	-	-	-	-
Total	\$ 73,124,224	\$ 1,472,741	\$ 366,345	\$ 74,230,620

	Net book value December 31, 2019	Net book value December 31, 2018
Land	\$ 976,795	\$ 966,913
Land improvements	526,306	568,817
Buildings	3,974,949	4,028,391
Vehicles and machinery	2,668,299	2,335,682
Equipment	567,167	562,290
Furniture and fixtures	90,203	92,802
Roads and bridge infrastructure	10,009,047	9,913,096
Assets under construction	220,112	220,475
Total	\$ 19,032,878	\$ 18,688,466

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

13. Accumulated municipal equity:

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

	2019	2018
Surplus	\$ 150,000	\$ 150,000
Invested in tangible capital assets	19,032,878	18,688,466
Long-term debt	(647,905)	(676,075)
Landfill and post-closure costs	(1,780,355)	(1,768,958)
	16,754,618	16,393,433
Reserves set aside for specific purposes by Council:		
Working capital	150,000	150,000
Other	3,611	3,611
Total reserves	153,611	153,611
Reserve funds set aside for specific purposes by Council:		
Protection	318,095	397,213
Roads	2,323,691	2,075,762
Environmental	606,000	557,411
Capital contingency/acquisition	971,061	818,051
General government contingency	527,138	91,893
Accessibility contingency	21,070	20,654
Cemeteries contingency	63,030	60,498
Waste and recycling	135,308	115,482
Infrastructure sustainability	2,739,005	2,509,639
Protection contingency	298,464	296,037
Parks and recreation contingency	325,595	306,396
Planning contingency	14,581	9,310
Total reserve funds	8,343,038	7,258,346
Accumulated municipal equity	\$ 25,251,267	\$ 23,805,390

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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, 2019

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, 2019

14. Segmented information (continued):

Year ended December 31, 2019

	General government	Protection services	Environmental services	Transportation services	Parks and recreation	Planning and development	Cemeteries	Total
Revenue:								
Government conditional grants	\$ 499,186	\$ -	\$ 57,168	\$ 333,935	\$ -	\$ (2,352)	\$ -	\$ 887,937
Revenue from other municipalities	-	1,609	35,446	-	-	-	-	37,055
User charges	22,078	108,706	56,599	20,783	196,936	37,939	6,700	449,741
Other	123,745	42,446	1,525	86,679	11,309	7,871	10,467	284,042
	645,009	152,761	150,738	441,397	208,245	43,458	17,167	1,658,775
Expenses:								
Salaries, wages and employee benefits	836,533	312,995	316,505	1,053,886	186,784	252,287	14,014	2,973,004
Materials and supplies	285,885	303,610	100,990	1,457,989	257,251	42,149	16,888	2,464,762
Contracted services	63,295	1,096,748	129,148	72,828	2,350	27,517	793	1,392,678
Transfer to others	-	30,138	-	-	-	-	-	30,138
Rents and financial expenses	7,628	-	-	-	-	-	-	7,628
Loss on disposal of assets	-	-	-	631	-	-	-	631
Landfill closure and post-closure costs	-	-	11,397	-	-	-	-	11,397
Amortization	122,254	120,870	30,004	1,122,136	72,366	4,653	458	1,472,741
	1,315,595	1,864,361	588,044	3,707,470	518,751	326,606	32,153	8,352,979
Excess of expenses over revenue	(670,586)	(1,711,600)	(437,306)	(3,266,073)	(310,506)	(283,148)	(14,986)	(6,694,204)
Funding through:								
Taxation								6,096,172
Penalties and interest								144,557
Investment income								194,152
Transfer payments								1,705,200
								8,140,081
Excess of revenue over expenses								\$ 1,445,877

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

15. Subsequent event:

On January 17, 2020, Council approved a by-law authorizing the Township to execute a Transfer Payment Agreement with the Minister of Agriculture, Food and Rural Affairs for funding related to an Investing in Canada Infrastructure Program (“ICIP”): Rural and Northern Steam Project.

Total project funding is \$1,476,348 and must be spent on eligible costs incurred on or after July 23, 2019, with substantial completion on or before October 31, 2026. The Township has been approved to use these funds on the Myers Cave Road and Harlowe Road Reconstruction project. Eligible costs incurred as at December 31, 2019 were nil.

16. Subsequent event and contingencies:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social distancing impact. At the time of approval of these financial statements, the entity has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Closure of administrative buildings from March 17, 2020 to the date of the auditors’ report based on public health recommendations
- Mandatory working from home requirements for those administrative staff able to do so

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

17. Adoption of new accounting policy:

On January 1, 2019, the Township adopted Canadian public sector accounting standard PS 3430 Restructuring transactions.

The adoption of this standard did not result in an accounting policy change for the Township and did not result in any adjustments to the financial statements as at January 1, 2019.



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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, 2019;
- 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, 2019, 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

June 19, 2020

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

TRUST FUNDS

Statement of Financial Position

December 31, 2019, with comparative information for 2018

Name of Fund	Cemetery	Perpetual Care	2019 Total	2018 Total
Assets				
Current assets:				
Cash and short-term investments	\$ —	\$ 110,084	\$ 110,084	\$ 107,834
Transfer from Cemetery	—	—	—	—
	—	110,084	110,084	107,834
Liabilities				
Transfer to Perpetual Care	—	—	—	—
Fund Balances				
Fund balances	\$ —	\$ 110,084	\$ 110,084	\$ 107,834

Statement of Continuity

Year ended December 31, 2019, with comparative information for 2018

Name of Fund	Cemetery	Perpetual Care	2019 Total	2018 Total
Balance, beginning of year	\$ —	\$ 107,834	\$ 107,834	\$ 110,297
Contributions	—	2,250	2,250	900
Interest earned	—	2,238	2,238	1,868
Dividend income reinvested	—	—	—	42
Transfer to Township	—	(2,238)	(2,238)	(5,273)
Balance, end of year	\$ —	\$ 110,084	\$ 110,084	\$ 107,834

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, 2019

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.