

Consolidated Financial Statements of

**CORPORATION OF THE
TOWNSHIP OF NORTH
FRONTENAC**

Year ended December 31, 2020

Consolidated Financial Statements of

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Year ended December 31, 2020

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
Tel 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, 2020;
- 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 financial statements, present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020, 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 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 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 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 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.



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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 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 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 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 28, 2021

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Consolidated Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial assets:		
Cash	\$ 9,068,449	\$ 9,627,052
Taxes receivable	853,028	802,086
Trade and other receivables	2,325,062	607,653
	<u>12,246,539</u>	<u>11,036,791</u>
Financial liabilities:		
Accounts payable and accrued liabilities	1,166,667	1,248,743
Deferred revenue - obligatory reserve funds (note 2)	1,225,547	1,108,002
Deferred revenue - other	103,802	65,723
Long-term debt (note 3)	619,735	647,905
Landfill closure and post-closure costs (note 4)	1,656,888	1,780,355
	<u>4,772,639</u>	<u>4,850,728</u>
Net financial assets	7,473,900	6,186,063
Non-financial assets:		
Tangible capital assets (note 12)	20,738,671	19,032,878
Prepaid expenses	10,658	32,326
	<u>20,749,329</u>	<u>19,065,204</u>
Contingencies (note 10)		
Commitments (note 11)		
Accumulated municipal equity (note 13)	<u>\$ 28,223,229</u>	<u>\$ 25,251,267</u>

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

On behalf of Council:

_____ Councillor Gerry Martin, Chair of the Personnel-Audit Committee

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Consolidated Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	Budget (note 9)	2020	2019
Revenue:			
Net taxation and payments-in-lieu	\$ 6,327,658	\$ 6,254,972	\$ 6,096,172
Transfer payments	1,777,700	1,777,700	1,705,200
Government grants	2,102,562	2,300,036	887,937
User charges	467,400	569,716	449,741
Revenue from municipalities	35,050	37,489	37,055
Penalties and interest on taxes	140,000	114,199	144,557
Other	56,900	40,515	284,042
Investment income	30,000	92,133	194,152
	<u>10,937,270</u>	<u>11,186,760</u>	<u>9,798,856</u>
Expenses (note 5):			
General government	1,569,307	1,379,558	1,315,596
Protection to persons and property	1,730,130	1,939,735	1,864,361
Environmental services	650,338	630,228	576,647
Transportation services	2,535,586	3,452,945	3,707,470
Recreation and culture	447,731	534,807	518,750
Planning and development	520,625	379,569	326,606
Cemeteries	8,800	21,423	32,152
Landfill closure and post-closure (recovery)	–	(123,467)	11,397
Total expenses	<u>7,462,517</u>	<u>8,214,798</u>	<u>8,352,979</u>
Surplus for the year	3,474,753	2,971,962	1,445,877
Accumulated municipal equity, beginning of year		25,251,267	23,805,390
Accumulated municipal equity, end of year (note 13)		\$ 28,223,229	\$ 25,251,267

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, 2020, with comparative information for 2019

	Budget (note 9)	2020	2019
Surplus for the year	\$ 3,474,753	\$ 2,971,962	\$ 1,445,877
Acquisition of tangible capital assets	(4,351,591)	(3,456,146)	(1,817,785)
Amortization of tangible capital assets	–	1,750,353	1,472,741
Loss on disposal of tangible capital assets	–	–	631
	(876,838)	1,266,169	1,101,464
Change in prepaid expenses	–	21,668	(4,360)
Change in net financial assets	(876,838)	1,287,837	1,097,104
Net financial assets, beginning of year	–	6,186,063	5,088,959
Net financial assets, end of year	\$ (876,838)	\$ 7,473,900	\$ 6,186,063

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, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Surplus for the year	\$ 2,971,962	\$ 1,445,877
Items not involving cash:		
Amortization of tangible capital assets	1,750,353	1,472,741
Loss on disposal of tangible capital assets	—	631
Change in landfill closure and post-closure costs	(123,467)	11,397
Change in non-cash assets and liabilities:		
Taxes receivable	(50,942)	(27,971)
Trade and other receivables	(1,717,409)	(40,498)
Accounts payable and accrued liabilities	(82,078)	52,534
Deferred revenue - obligatory reserve funds	117,546	287,991
Deferred revenue - other	38,079	58,168
Prepaid expenses	21,668	(4,360)
Net change in cash from operating activities	2,925,712	3,256,510
Capital activities:		
Cash used to acquire tangible capital assets	(3,456,146)	(1,817,785)
Financing activities:		
Repayments of long-term debt	(28,169)	(28,170)
Increase (decrease) in cash	(558,603)	1,410,555
Cash, beginning of year	9,627,052	8,216,497
Cash, end of year	\$ 9,068,449	\$ 9,627,052

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, 2020

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, 2020

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-five 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, 2020

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, 2020

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:

	2020	2019
Balance, beginning of year	\$ 1,108,002	\$ 820,011
Federal gas tax county	186,428	246,372
Development contributions	34,346	23,559
Ontario community infrastructure fund	304,907	-
Investment income	10,177	18,060
Utilization of funds	(418,313)	-
Balance, end of year	\$ 1,225,547	\$ 1,108,002

	2020	2019
Analyzed as follows:		
Federal gasoline tax	\$ 939,076	\$ 901,025
Recreation land	232,441	206,977
Ontario community infrastructure fund	54,030	-
	\$ 1,225,547	\$ 1,108,002

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

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:

	2020	2019
Loan for the municipal building, repayable in semi-annual payments bearing interest at 3.24% and due December 2042	\$ 619,735	\$ 647,905

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

2021	\$ 28,170
2022	28,170
2023	28,170
2024	28,170
2025	28,170
Thereafter	478,885
	<u>\$ 619,735</u>

- (c) Interest expense on long-term debt in 2020 amounted to \$20,821 (2019 - \$21,676).
- (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, 2020

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 1.7% (2019 - 2.0%) for inflation and a discount factor of 4% (2019 - 4%). The estimated total landfill closure and post-closure expenses are estimated to be \$2,462,994 (2019 - \$2,755,515). 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, 2020 is an amount of \$1,656,888 (2019 - \$1,780,355) with respect to landfill closure and post-closure obligations recognized to date.

The estimated average remaining capacity of the landfill sites is 61% (2019 - 62%) of the total estimated capacity and the estimated average remaining life of the landfill sites is 38 years (2019 - 32 years), after which the period for post-closure care is estimated to be 25 years.

5. Expenses:

Expenses by object classification are as follows:

	2020	2019
Salaries, wages and benefits	\$ 3,058,736	\$ 2,973,004
Materials and supplies	2,069,323	2,464,762
Services, rents, contracted services and financial services	1,459,853	1,430,444
Loss on disposal of assets	-	631
Landfill closure and post-closure costs (recovery)	(123,467)	11,397
Amortization	1,750,353	1,472,741
	\$ 8,214,798	\$ 8,352,979

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

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

During 2020, 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	
	2020	2019	2020	2019
Amounts requisitioned and collected	\$ 1,490,244	\$ 1,539,108	\$ 1,733,594	\$ 1,667,037

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 33 (2019 - 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, 2020, at that time, the plan reported a \$4.3 billion actuarial deficit (2019 - \$3.3 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% (2019 - 9.0%) for earnings up to the annual maximum pensionable earnings and at a rate of 14.6% (2019 - 14.6%) for earnings greater than the annual maximum pensionable earnings.

The amount contributed to OMERS for 2020 current services was \$188,376 (2019 - \$177,031) and is included on the consolidated statement of operations.

8. Trust funds:

Trust funds administered by the Township at year end amount to \$112,435 (2019 - \$110,084). 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, 2020

9. Budget figures:

The budget data presented in these consolidated financial statements is based upon the 2020 operating and capital budgets approved by Council on March 20, 2020. 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.

	2020 Budget
Reported on consolidated statement of operations:	
Operating revenue	\$ 10,937,270
Operating expenses	7,462,517
<hr/>	
Total budgeted surplus on consolidated financial statements	\$ 3,474,753
<hr/>	
Budget not reported on consolidated statements:	
Capital costs	\$ 4,351,591
Reserve and reserve fund transfers, net	(876,838)
<hr/>	
Total budgeted deficit not reported on consolidated financial statements	\$ 3,474,753

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, 2020, 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, 2020

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, 2020 is \$844,210 (2019 - \$832,186). 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 \$247,045 (2019 - \$293,345).

12. Tangible capital assets:

Cost	Balance at December 31, 2019	Additions	Disposals, transfers and adjustments	Balance at December 31, 2020
Land	\$ 976,795	\$ —	\$ —	\$ 976,795
Land improvements	849,568	—	—	849,568
Buildings	5,936,590	227,373	—	6,163,963
Vehicles and machinery	5,063,403	115,475	—	5,178,878
Equipment	2,156,289	149,742	—	2,306,031
Furniture and fixtures	258,680	—	—	258,680
Roads and bridge infrastructure	77,802,061	2,423,332	—	80,225,393
Assets under construction	220,112	540,224	—	760,336
Total	\$ 93,263,498	\$ 3,456,146	\$ —	\$ 96,719,644

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

12. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2019	Amortization expense	Disposals transfers and adjustments	Balance at December 31, 2020
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	323,262	42,511	-	365,773
Buildings	1,961,641	148,709	49,607	2,159,957
Vehicles and machinery	2,395,104	338,933	19,707	2,753,744
Equipment	1,589,122	101,950	3,297	1,694,369
Furniture and fixtures	168,477	14,011	-	182,488
Roads and bridge infrastructure	67,793,014	991,755	39,873	68,824,642
Assets under construction	-	-	-	-
Total	\$ 74,230,620	\$ 1,637,869	\$ 112,484	\$ 75,980,973

	Net book value December 31, 2020	Net book value December 31, 2019
Land	\$ 976,795	\$ 976,795
Land improvements	483,795	526,306
Buildings	4,004,006	3,974,949
Vehicles and machinery	2,425,134	2,668,299
Equipment	611,662	567,167
Furniture and fixtures	76,192	90,203
Roads and bridge infrastructure	11,400,751	10,009,047
Assets under construction	760,336	220,112
Total	\$ 20,738,671	\$ 19,032,878

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

13. Accumulated municipal equity:

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

	2020	2019
Surplus	\$ 150,000	\$ 150,000
Invested in tangible capital assets	20,738,671	19,032,878
Long-term debt	(619,735)	(647,905)
Landfill and post-closure costs	(1,656,888)	(1,780,355)
	18,612,048	16,754,618
Reserves set aside for specific purposes by Council:		
Working capital	150,000	150,000
Other	3,649	3,611
Total reserves	153,649	153,611
Reserve funds set aside for specific purposes by Council:		
Protection	154,771	318,095
Roads	2,834,005	2,323,691
Environmental	641,258	606,000
Capital contingency/acquisition	1,203,881	971,061
General government contingency	672,201	527,138
Accessibility contingency	21,258	21,070
Cemeteries contingency	61,534	63,030
Waste and recycling	110,565	135,308
Infrastructure sustainability	3,018,783	2,739,005
Protection contingency	298,875	298,464
Parks and recreation contingency	420,690	325,595
Planning contingency	19,711	14,581
Total reserve funds	9,457,532	8,343,038
Accumulated municipal equity	\$ 28,223,229	\$ 25,251,267

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

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, 2020

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, 2020

14. Segmented information (continued):

Year ended December 31, 2020

	General government	Protection services	Environmental services	Transportation services	Parks and recreation	Planning and development	Cemeteries	Total
Revenue:								
Government conditional grants	\$ 415,309	\$ -	\$ 75,775	\$ 1,805,294	\$ 3,658	\$ -	\$ -	\$ 2,300,036
Revenue from other municipalities	-	3,593	33,896	-	-	-	-	37,489
User fees	13,058	115,575	65,582	34,600	287,082	46,244	7,575	569,716
Other	13,632	17,888	-	719	-	5,452	2,824	40,515
	441,999	137,056	175,253	1,840,613	290,740	51,696	10,399	2,947,756
Expenses:								
Salaries, wages and employee benefits	872,209	313,694	359,953	1,048,864	183,719	278,312	1,985	3,058,736
Materials	265,344	347,014	70,162	1,053,625	272,936	42,749	17,493	2,069,323
Contracted services	45,760	1,094,933	169,638	54,687	1,616	53,855	1,487	1,421,976
Transfer to others	-	30,821	-	-	-	-	-	30,821
Rents and financial expenses	7,056	-	-	-	-	-	-	7,056
Loss (gain) on disposals	-	-	-	-	-	-	-	-
Landfill closure and post-closure costs	-	-	(123,467)	-	-	-	-	(123,467)
Amortization	189,189	153,273	30,475	1,295,769	76,536	4,653	458	1,750,353
	1,379,558	1,939,735	506,761	3,452,945	534,807	379,569	21,423	8,214,798
Excess of expenses over revenue	(937,559)	(1,802,679)	(331,508)	(1,612,332)	(244,067)	(327,873)	(11,024)	(5,267,042)
Funding through:								
Taxation								6,254,972
Penalties and interest								114,199
Investment income								92,133
Transfer payments								1,777,700
								8,239,004
Excess of revenue over expenses								\$ 2,971,962

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

15. Impact of COVID-19 pandemic:

In March 2020, 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 at various times throughout fiscal 2020, based on public health recommendations
- Working from home requirements for those administrative staff able to do so
- Decrease in user charges revenue as a result of waived penalties and interest for a portion of the year and reduction in activity
- Decrease in investment income as a result of market fluctuations
- Increase in government grants as a result of Safe Restart funding received in the amount of \$258,900

The Township continues to respond to the pandemic and plan for continued operational and financial impacts during the 2021 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues as the Township has access to sufficient financial resources to sustain operations in the coming year. The outcome and time frame to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its financial effect on future operations at this time.



KPMG LLP
863 Princess Street, Suite 400
Kingston ON K7L 5N4
Canada
Tel 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 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, 2020;
- the statement of continuity 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, 2020, 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 28, 2021

CORPORATION OF THE TOWNSHIP OF NORTH FRONTENAC

TRUST FUNDS

Statement of Financial Position

December 31, 2020, with comparative information for 2019

Name of Fund	Cemetery	Perpetual Care	2020 Total	2019 Total
Assets				
Current assets:				
Cash and short-term investments	\$ —	\$ 110,164	\$ 110,164	\$ 110,084
Accounts receivable	—	2,350	2,350	—
Transfer from Cemetery	—	—	—	—
	—	112,514	112,514	110,084
Liabilities				
Transfer to Perpetual Care	—	—	—	—
Fund Balances				
Fund balances	\$ —	\$ 112,514	\$ 112,514	\$ 110,084

Statement of Continuity

Year ended December 31, 2020, with comparative information for 2019

Name of Fund	Cemetery	Perpetual Care	2020 Total	2019 Total
Balance, beginning of year	\$ —	\$ 110,084	\$ 110,084	\$ 107,834
Contributions	—	3,100	3,100	2,250
Interest earned	—	1,072	1,072	2,238
Transfer to Township	—	(1,742)	(1,742)	(2,238)
Balance, end of year	\$ —	\$ 112,514	\$ 112,514	\$ 110,084

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, 2020

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.