

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWNSHIP OF FRONTENAC
ISLANDS**

Year ended December 31, 2014

Consolidated Financial Statements of

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Year ended December 31, 2014

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

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THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS - FIRE BUILDING TRUST FUND

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Township of Frontenac Islands

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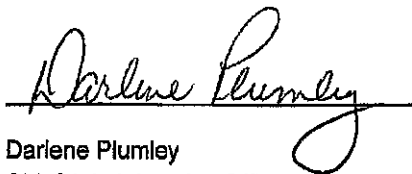
Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Township of Frontenac Islands (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. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

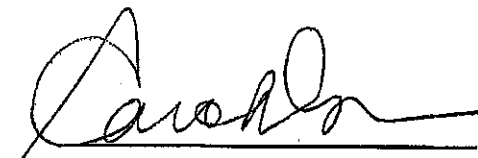
The Township's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely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

The Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Township. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Township's consolidated financial statements.



Darlene Plumley
Chief Administrative Officer


Carol Dwyre
Treasurer *DEPUTY*



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the Corporation of the Township of Frontenac Islands, which comprise the consolidated statement of financial position as at December 31, 2014, the consolidated statements of operations and accumulated municipal equity, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the Township of Frontenac Islands as at December 31, 2014, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in the Schedule is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

July 13, 2015

Kingston, Canada

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Consolidated Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
Financial assets:		
Cash	\$ 2,254,594	\$ 2,819,714
Investments, at cost	735,367	625,004
Funds held in trust	-	2,771
Taxes receivable	455,037	415,706
Accounts receivable	875,163	559,118
	4,320,161	4,422,313
Liabilities:		
Tile drainage loans (note 6)	9,538	14,548
Accounts payable and accrued liabilities	575,181	604,656
Long-term debt (note 3)	445,000	-
Deferred revenue - obligatory reserve funds (note 5)	527,115	542,492
Landfill closure and post-closure liability (note 12)	297,143	219,390
	1,853,977	1,381,086
Total net financial assets	2,466,184	3,041,227
Other non-financial assets:		
Tangible capital assets (note 14)	19,368,712	19,486,065
Prepaid expenses	1,089	5,253
Total non-financial assets	19,369,801	19,491,318
Contingent liabilities (note 10)		
Commitments (note 11)		
Accumulated municipal equity (note 4)	\$ 21,835,985	\$ 22,532,545

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

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Consolidated Statement of Operations and Accumulated Municipal Equity

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

	Budget 2014	Actual 2014	Actual 2013
	(note 13)		
Revenue:			
Taxation for municipal purposes	\$ 1,472,998	\$ 1,508,202	\$ 1,329,900
Federal grants	—	218,500	43,978
Government grants	414,309	695,418	717,568
Municipal transfer	70,264	56,141	96,176
User fees and service charges	165,205	108,029	136,050
Licences and permits	1,300	73,668	42,354
Fines and penalties	55,000	63,202	60,156
Investment income	12,000	29,551	33,948
Wolfe Island Wind Plant revenue	645,000	683,266	645,000
Donations	—	57,675	128,327
Loss on sale of assets	—	—	(7,380)
Other	59,653	134,327	150,638
	2,895,729	3,627,979	3,376,715
Expenses (note 9):			
General government	378,832	545,484	651,529
Protection to persons and property	318,862	314,107	291,295
Transportation services	2,547,708	2,819,626	2,583,655
Environmental services	236,488	212,607	192,390
Landfill closure and post-closure	—	77,753	5,065
Recreation and cultural services	(402,062)	283,189	159,043
Planning and development	27,300	69,002	65,939
Wolfe Island Wind Plant expense	645,000	2,771	—
Total expense	3,752,128	4,324,539	3,948,916
Annual operating deficit	(856,399)	(696,560)	(572,201)
Accumulated municipal equity, beginning of year	—	22,532,545	23,104,746
Accumulated municipal equity, end of year	\$ —	\$ 21,835,985	\$ 22,532,545

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

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Consolidated Statement of Change in Net Financial Assets

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

	2014	2013
Annual deficit	\$ (696,560)	\$ (572,201)
Acquisition of tangible capital assets	(1,163,987)	(693,602)
Amortization of tangible capital assets	1,281,339	1,284,309
Loss on disposal of tangible capital assets	-	7,380
Proceeds on sale of tangible capital assets	-	4,550
Change in prepaid expense	4,165	2,323
	121,517	604,960
Change in net financial assets	(575,043)	32,759
Net financial assets, beginning of year	3,041,227	3,008,468
Net financial assets, end of year	\$ 2,466,184	\$ 3,041,227

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

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Consolidated Statement of Cash Flows

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

	2014	2013
Operating transactions:		
Annual deficit	\$ (696,560)	\$ (572,201)
Items not involving cash:		
Amortization of tangible capital assets	1,281,339	1,284,309
Loss on disposal of tangible capital assets	-	7,380
Increase in landfill closure and post-closure costs	77,753	5,065
	<u>662,532</u>	<u>724,553</u>
Change in non-cash working capital items:		
Decrease (increase) in accounts receivable	(316,045)	25,758
Increase (decrease) in accounts payable and accrued liabilities	(29,474)	33,523
Increase in taxes receivable	(39,331)	(35,041)
Decrease in funds held in trust	2,771	-
Increase (decrease) in obligatory reserve fund	(15,376)	127,363
Decrease in prepaid expenses	4,164	2,323
	<u>(393,291)</u>	<u>153,926</u>
	<u>269,241</u>	<u>878,479</u>
Capital transactions:		
Proceeds on sale of tangible capital assets	-	4,550
Cash used to acquired tangible capital assets	(1,163,987)	(693,602)
	<u>(1,163,987)</u>	<u>(689,052)</u>
Investing transactions:		
Sale (purchase) of investments	(110,364)	341,017
Financing transactions:		
Increase (decrease) in long-term debt	439,990	(3,917)
Increase (decrease) in cash	<u>(565,120)</u>	<u>526,527</u>
Cash, beginning of year	2,819,714	2,293,187
Cash, end of year	<u>\$ 2,254,594</u>	<u>\$ 2,819,714</u>

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

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements

Year ended December 31, 2014

1. Accounting policies:

The consolidated financial statements of the Corporation of the Township of Frontenac Islands (the "Township") are the representation 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, revenues and expenses 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.

These consolidated financial statements include the Wolfe Island Community Centre Board.

(ii) Non-consolidated entities:

The Big Sandy Bay Management Area Stewardship Committee has not been consolidated within the Consolidated Financial Statements of the Corporation of the Township of Frontenac Islands, but is reported on separately.

(iii) Trust fund:

The Fire Building Trust fund and its related operations administered by the Township are not consolidated, but are reported separately on the "Trust Fund Statement of Financial Position and Statement of Continuity".

(iv) Accounting for school board and county transactions:

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

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

1. Accounting policies (continued):

(b) Accrual accounting:

Revenue and expenses are reported on the accrual basis of accounting. Revenue is recognized in the year in which 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.

(c) Landfill closure and post-closure liabilities:

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 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.

(d) Deferred revenue - obligatory reserve funds:

The Township receives restricted contributions under the authority of provincial legislation and Township by-laws. These funds by their 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.

(e) Investments:

Investments are recorded at cost plus accrued interest and amortization of purchase premiums and discounts. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

Investment income earned on available general funds and reserve funds (other than obligatory funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balance.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

1. Accounting policies (continued):

(f) Use of estimates:

The preparation of financial statements 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 revenues and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

(g) Financial instruments:

Unless otherwise noted, it is management's opinion that the Township is not exposed to significant interest, currency or credit risks arising from its financial instruments and the carrying amount of its financial instruments approximate their fair value.

(h) Government transfers:

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

(i) Taxation and related revenues:

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Township Council incorporating amounts to be raised for local services and amounts the Township is required to collect on behalf of the school boards and the County.

Property tax revenue is recognized on the accrual basis using the approved tax rates and the anticipated assessment related to the current year.

(j) 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.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

1. Accounting policies (continued):

(j) 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, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	30 - 50
Buildings	10 - 60
Vehicles	4 - 20
Machinery and equipment	3 - 20
Linear assets	30 - 50

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) Natural resources:

Natural resources that have not been purchased are not recognized as assets in the financial statements.

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

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

(v) Inventories of supplies:

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

2. Operations of school boards and County of Frontenac:

During 2014, requisitions were made by the school boards and County of Frontenac requesting the Township to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	School Boards		County of Frontenac	
	2014	2013	2014	2013
Amounts requisitioned and collected	\$ 1,104,581	\$ 1,114,585	\$ 812,276	\$ 806,486

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:

	2014	2013
Infrastructure Ontario loan for Arena Roof repayable in blended semi-annual payments of \$15,977 commencing December 2015 bearing interest at 2.23%. The loan is due June 2025	\$ 445,000	\$ -

(b) Principal due on total long-term debt from general municipal revenues and user fees is summarized as follows:

2015	\$ 172,799
2016	25,578
2017	26,612
2018	27,208
2019	27,818
Thereafter	164,985
	<u>445,000</u>

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

4. Accumulated municipal equity:

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

	2014	2013
Current operating	\$ (507,848)	\$ (277,738)
Wolfe Island Community Centre Board	245,881	285,059
Tangible capital assets	19,368,712	19,486,065
Long-term debt	(445,000)	-
Amounts to be recovered	(297,143)	(219,390)
	<u>18,364,602</u>	<u>19,273,996</u>
Reserves set aside for specific purposes by Council:		
Working capital	294,310	294,310
Capital	77,055	77,055
Insurance	15,000	15,000
Planning	20,000	20,000
Waste disposal	295,000	265,000
Community enhancement and recreation	92,064	82,064
Area rated services	-	47,000
Election	-	5,500
Computer equipment	12,500	15,000
Historical Society	1,450	1,425
Arena roof	100,000	100,000
Total reserves	<u>907,379</u>	<u>922,354</u>
Reserve funds set aside for specific purposes by Council:		
Roads	461,331	496,994
Ferries - environmental assessment	477,249	433,558
Mill rate stabilization	57,966	57,957
Protection	98,998	191,180
Recreation	345,780	338,831
Other	500,000	400,000
Lot levies	73,362	72,610
Wolfe Island Wind Plant	549,318	345,065
Total reserve funds	<u>2,564,004</u>	<u>2,336,195</u>
Total accumulated municipal equity	\$ 21,835,985	\$ 22,532,545

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

5. Deferred revenue - obligatory reserve funds:

A requirement of the CPA Canada Public Sector Accounting Handbook 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 municipality are summarized below:

	2014	2013
Balance, beginning of year	\$ 542,492	\$ 415,129
Wolfe and Howe building	-	-
Development charge revenue	29,859	32,109
Federal gas tax proceeds	55,499	57,117
Federal gas tax County proceeds	116,690	-
Funds transferred	(218,500)	36,936
Interest	1,075	1,201
Balance, end of year	\$ 527,115	\$ 542,492

Analyzed as follows:

Development charge	\$ 275,427	\$ 244,663
Federal gas tax	197,427	243,582
Wolfe building	10,077	10,063
Howe building	44,184	44,184
Balance, end of year	\$ 527,115	\$ 542,492

6. Tile drainage loans:

Outstanding tile drainage loans issued in the name of the Township are as follows:

	2014	2013
Debenture for tile drainage loans	\$ 9,538	\$ 14,548

The debenture has been approved by either the Ontario Municipal Board or by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs & Housing.

The responsibility for payment of principal and interest charges for tile drainage loans has been assumed by individuals and is recorded in the assets and liabilities on the Statement of Financial Position.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

7. Trust fund:

A trust fund of \$34,873 (2013 - \$34,859) and its related operations administered by the Township is not consolidated, but is recorded separately on the "Fire Building Trust Fund Statement of Continuity and Statement of Financial Position".

8. Pension agreements:

The Township makes contributions to the Ontario Municipal Employees Retirement Fund (O.M.E.R.S.) which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay.

The contributions to O.M.E.R.S. for current service in 2014 amounted to \$48,223 (2013 - \$50,745). These amounts are included as an expense on the "Consolidated Statement of Operations".

9. Supplementary information:

	2014	2013
Operating expenses by object:		
Salaries, wages and employee benefits	\$ 1,128,309	\$ 1,266,382
Materials	957,762	587,324
Contracted services	929,126	789,280
Amortization	1,281,339	1,284,309
Rents and financial expenses	25,232	21,621
Wind plant	2,771	-
Total	\$ 4,324,539	\$ 3,948,916

10. Contingent liabilities:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims at December 31, 2014, management believes that the Township has valid defences and appropriate and adequate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Township's financial position. Any adjustments, arising from these matters, will be recorded in future years.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

11. Commitments:

The Township has entered into an agreement with the County of Frontenac ("County") whereby the County will provide financial services to the Township for \$45,000 per year to December 31, 2019.

12. Landfill closure and post-closure liability:

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

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, 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 ten 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.

Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities using an estimated inflation rate of 2% and discounted at the Township's average long-term borrowing rate of 5.25%. The estimated total landfill closure and post-closure care expenses are calculated to be \$297,143 (2013 - \$259,520). The estimated liability for these expenses is recognized as the landfill site's capacity is used.

The estimated remaining capacity of the Wolfe Island Disposal Site is Nil (2013 - 3,900) cubic meters of its total estimated capacity and its estimated remaining life is four years, after which the period for post-closure care is estimated to be twenty-five years. At December 31, 2014, an amount of \$297,193 (2013 - \$219,390) has been recognized to date with respect to landfill closure and post-closure liability.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

13. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2014 operating and capital budgets approved by Council on May 12, 2014. Amortization was not contemplated on development of the budget. Reconciliation of the approved budget to the budget figures reported in these consolidated financial statements is as follows:

Budget data	Budget amount
Total budgeted revenue:	
Total	\$ 4,370,192
Capital budget	229,357
Prior year surplus	246,537
	3,894,298
Less:	
Transfers to other funds	998,569
Total revenue	\$ 2,895,729

Budget data	Budget amount
Total budget expenses:	
Operating budget	\$ 4,494,024
Capital budget	731,224
Capital expenses	68,198
	3,694,602
Add:	
Amortization	1,281,339
Less:	
Transfer from other funds	1,223,813
Total expenses	\$ 3,752,128
Annual deficit	\$ (856,399)

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

14. Tangible capital assets:

Cost	Balance at December 31, 2013	Additions	Disposals	Balance at December 31, 2014
Land	\$ 693,527	\$ -	\$ -	\$ 693,527
Land improvements	1,001,109	85,813	-	1,086,922
Buildings	1,989,862	643,912	-	2,633,774
Machinery and equipment	336,445	35,000	-	371,445
Vehicles	1,508,521	475,607	-	1,984,128
Linear assets	33,119,299	159,324	-	33,278,623
Assets under construction	317,334	-	(235,670)	81,664
Total	\$ 38,966,097	\$ 1,399,657	\$ (235,670)	\$ 40,130,083

Accumulated amortization	Balance at December 31, 2013	Disposals	Amortization expense	Balance at December 31, 2014
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	328,774	-	37,510	366,284
Buildings	907,520	-	62,957	970,477
Machinery and equipment	184,703	-	19,225	203,928
Vehicles	894,159	-	70,372	964,531
Linear assets	17,164,876	-	1,091,275	18,256,151
Assets under construction	-	-	-	-
Total	\$19,480,032	\$ -	\$ 1,281,339	\$ 20,761,371

	Net book value December 31, 2013	Net book value December 31, 2014
Land	\$ 693,527	\$ 693,527
Land improvements	672,335	720,638
Buildings	1,082,342	1,663,297
Machinery and equipment	151,742	167,517
Vehicles	614,362	1,019,597
Linear assets	15,954,423	15,022,472
Assets under construction	317,334	81,664
Total	\$19,486,065	\$ 19,368,712

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

14. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of \$81,664 (2013 - \$317,334) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Tangible capital assets disclosed at nominal values:

Where an estimate of historical cost could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

15. 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 services. 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) Administration:

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

(b) Protection services:

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

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

15. Segmented information (continued):

(c) Transportation services:

Includes the management of the winter and summer maintenance, the repair and the construction of the municipal roads system including bridges and culverts. Also includes the management and operation of all ferry services between Wolfe Island and the mainland and Hope Island and the mainland.

(d) Environmental services:

Includes the management and maintenance of the one landfill site.

(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, parks and recreation fields.

(f) Planning and development:

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

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 are 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 FRONTENAC ISLANDS

15. Segmented information (continued):

Year ended December 31, 2014

	Administration	Protection Services	Transportation Services	Environmental Services	Parks and Recreation	Planning and Development	Total
Revenue:							
Taxation	\$ 288,784	\$ 147,884	\$ 781,918	\$ 176,770	\$ 101,838	\$ 9,826	\$ 1,507,020
Payments in lieu of taxation	226	116	613	139	80	8	1,182
Penalties and interest on taxes	63,202	—	—	—	—	—	63,202
Government income	20,450	589	5,393	—	2,368	752	29,552
Government conditional grants	454,818	—	428,204	19,712	11,183	—	913,917
Other municipalities	—	—	56,141	—	—	—	56,141
Licenses, permits and rents	380	4,325	—	—	—	68,963	73,668
User charges	—	—	95,586	1,576	10,868	—	108,030
Wind plant	—	—	683,265	—	—	—	683,265
Donations	—	1,200	—	—	56,475	—	57,675
Other	44,651	21,264	58,900	—	112	9,400	134,327
Total revenue	872,511	175,378	2,110,020	198,197	182,924	88,949	3,627,979
Expenses:							
Salaries, wages and employee benefits	298,119	44,225	697,562	40,150	32,853	15,400	1,128,309
Materials	58,726	61,704	693,660	830	141,842	1,000	957,762
Contracted services	163,049	167,723	245,047	249,380	51,325	52,602	929,126
Rent and financial expenses	20,562	—	2,771	—	4,670	—	28,003
Amortization	5,028	40,455	1,183,357	—	52,499	—	1,281,339
Total expenses	545,484	314,107	2,822,397	290,360	283,189	69,002	4,324,539
Excess of revenue over expenses (expenses over revenue)	\$ 327,027	\$ (138,729)	\$ (712,377)	\$ (92,163)	\$ (100,265)	\$ 19,947	\$ (696,560)

CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Schedule A - Wolfe Island Community Centre Board
Statement of Operating Revenue and Expenses and Surplus

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

	2014	2013
Revenue:		
Fundraising	\$ 29,738	\$ 28,914
Grants - Township	-	151,000
Grants	-	98,800
User fees	8,438	12,192
Interest income	-	566
Donations	22,686	95,505
	60,862	386,977
Operating expenses:		
Fundraising	11,538	11,720
Repairs and maintenance	20,432	9,759
Supplies and professional fees	1,567	1,450
Utilities	38,549	39,236
Contracted services	7,553	4,275
Community initiatives	157	5,519
	79,796	71,959
Transfer capital to Township	20,244	72,561
Excess of revenue over expenses (expenses over revenue)	(39,178)	242,457
Accumulated surplus, beginning of year	285,059	42,602
Accumulated surplus, end of year	\$ 245,881	\$ 285,059



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Corporation of the Township of Frontenac Islands - Fire Building Trust Fund, which comprise the statement of financial position as at December 31, 2014, statements of operations and fund balance and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Corporation of the Township of Frontenac Islands - Fire Building Trust Fund as at December 31, 2014 and its results of operations for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

July 13, 2015

Kingston, Canada

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS - FIRE BUILDING TRUST FUND

Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
Assets		
Cash and cash equivalents	\$ 34,031	\$ 34,017
Due from own municipality	842	842
	\$ 34,873	\$ 34,859
 Fund Balance		
Fund balance	\$ 34,873	\$ 34,859

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

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS - FIRE BUILDING TRUST FUND

Statement of Operations and Fund Balance

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

	2014	2013
Contributions:		
Interest	\$ 14	\$ 14
Fund balance, beginning of year	34,859	34,845
Fund balance, end of year	\$ 34,873	\$ 34,859

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

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS - FIRE BUILDING TRUST FUND

Statement of Cash Flows

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

	2014	2013
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses	\$ 14	\$ 14
Net increase in cash and cash equivalent	14	14
Cash and cash equivalent, beginning of year	34,017	34,003
Cash and cash equivalent, end of year	\$ 34,031	\$ 34,017

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

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS - FIRE BUILDING TRUST FUND

Notes to Financial Statements

Year ended December 31, 2014

1. Significant accounting policies:

The financial statements of the Corporation of the Township of Frontenac Islands - Fire Building Trust Fund ("Trust Fund") are prepared by management in accordance with Canadian public sector accounting standards.

(a) Basis for accounting:

These statements reflect the assets, liabilities, revenue and expenses of the Trust Fund.

(b) Revenue recognition:

Revenue and expenses are recorded on an accrual basis.

The accrual basis recognizes revenue as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

(c) Use of estimates:

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