

Consolidated Financial Statements of

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

Year ended December 31, 2015

Consolidated Financial Statements of

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Year ended December 31, 2015

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

	Page
Management's Responsibility for the Consolidated Financial Statements	
Independent Auditors' Report	1
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Accumulated Municipal Equity	4
Consolidated Statement of Change in Net Financial Assets	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7

Other Supplementary Financial Information:

Schedule A - Wolfe Island Community Centre Board Statement of Operating Revenue and Expenses and Surplus	21
---	----

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

Independent Auditors' Report	22
Statement of Financial Position	24
Statement of Operations and Fund Balance	25
Statement of Cash Flows	26
Notes to Financial Statements	27

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation 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 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.

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



KPMG LLP
863 Princess Street Suite 400
Kingston ON K7L 5N4
Canada

Telephone (613) 549-1550
Fax (613) 549-6349
Internet www.kpmg.ca

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, 2015, 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, 2015, 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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

July 11, 2016

Kingston, Canada

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Consolidated Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Financial assets:		
Cash	\$ 2,915,795	\$ 2,472,057
Investments (note 3)	527,713	517,904
Taxes receivable	431,888	455,037
Accounts receivable	560,914	875,163
	4,436,310	4,320,161
Liabilities:		
Tile drainage loans (note 8)	7,948	9,538
Accounts payable and accrued liabilities	889,125	575,181
Long-term debt (note 5)	284,920	445,000
Deferred revenue - obligatory reserve funds (note 7)	448,240	527,115
Landfill closure and post-closure liability (note 14)	142,143	297,143
	1,772,376	1,853,977
Total net financial assets	2,663,934	2,466,184
Other non-financial assets:		
Tangible capital assets (note 16)	18,654,351	19,368,712
Prepaid expenses	9,308	1,089
Total non-financial assets	18,663,659	19,369,801
Contingent liabilities (note 12)		
Commitments (note 13)		
Accumulated municipal equity (note 6)	\$ 21,327,593	\$ 21,835,985

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, 2015, with comparative information for 2014

	Budget 2015	Actual 2015	Actual 2014
	(note 15)		
Revenue:			
Taxation for municipal purposes	\$ 1,873,660	\$ 1,885,245	\$ 1,508,202
Fines and penalties	55,000	67,427	63,202
Investment income	6,000	17,945	29,551
Federal grants	–	283,600	218,500
Government grants	514,937	704,026	695,418
Municipal transfer	42,106	42,106	56,141
Licences and permits	2,165	69,185	73,668
User fees and service charges	386,925	130,756	108,029
Wolfe Island Wind Plant revenue	683,266	645,000	683,266
Donations	–	57,037	57,675
Gain on sale of assets	–	12,000	–
Other	59,346	120,707	134,327
Transfer from developer charges	–	11,608	–
	3,623,405	4,046,642	3,627,979
Expenses (note 11):			
General government	388,614	553,111	545,484
Protection to persons and property	337,153	400,042	314,107
Transportation services	2,896,445	3,010,471	2,819,626
Environmental services	247,800	420,303	212,607
Landfill closure and post-closure	–	(155,000)	77,753
Recreation and cultural services	301,823	248,316	283,189
Planning and development	7,314	77,791	69,002
Wolfe Island Wind Plant expense	–	–	2,771
Total expense	4,179,149	4,555,034	4,324,539
Annual deficit	(555,744)	(508,392)	(696,560)
Accumulated municipal equity, beginning of year	21,835,985	21,835,985	22,532,545
Accumulated municipal equity, end of year	\$ 21,280,241	\$ 21,327,593	\$ 21,835,985

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, 2015, with comparative information for 2014

	2015	2014
Annual deficit	\$ (508,392)	\$ (696,560)
Acquisition of tangible capital assets	(616,370)	(1,163,987)
Amortization of tangible capital assets	1,330,731	1,281,339
Gain on disposal of tangible capital assets	(12,000)	-
Proceeds on sale of tangible capital assets	12,000	-
Change in prepaid expense	(8,220)	4,165
	706,141	121,517
Change in net financial assets	197,749	(575,043)
Net financial assets, beginning of year	2,466,184	3,041,227
Net financial assets, end of year	\$ 2,663,934	\$ 2,466,184

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, 2015, with comparative information for 2014

	2015	2014
Operating transactions:		
Annual deficit	\$ (508,392)	\$ (696,560)
Items not involving cash:		
Amortization of tangible capital assets	1,330,731	1,281,339
Gain on disposal of tangible capital assets	(12,000)	-
Increase (decrease) in landfill closure and post-closure costs	(155,000)	77,753
	<u>655,339</u>	<u>662,532</u>
Change in non-cash working capital items:		
Decrease (increase) in accounts receivable	314,249	(316,045)
Increase (decrease) in accounts payable and accrued liabilities	313,944	(29,474)
Decrease (increase) in taxes receivable	23,149	(39,331)
Decrease in funds held in trust	-	2,771
Decrease in obligatory reserve fund	(78,875)	(15,376)
Decrease (increase) in prepaid expenses	(8,219)	4,164
	<u>564,248</u>	<u>(393,291)</u>
	<u>1,219,587</u>	<u>269,241</u>
Capital transactions:		
Proceeds on sale of tangible capital assets	12,000	-
Cash used to acquired tangible capital assets	(616,370)	(1,163,987)
	<u>(604,370)</u>	<u>(1,163,987)</u>
Investing transactions:		
Sale (purchase) of investments	(9,809)	107,099
Financing transactions:		
Increase (decrease) in long-term debt	(161,670)	439,990
Increase (decrease) in cash	443,738	(347,657)
Cash, beginning of year	2,472,057	2,819,714
Cash, end of year	<u>\$ 2,915,795</u>	<u>\$ 2,472,057</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, 2015

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, expenses and fund balances 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. Overlevies (underlevies) are reported on the "Consolidated Statement of Financial Position".

(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.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

1. Accounting policies (continued):

(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.

(f) 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. Significant items subject to such estimates and assumptions include landfill closure and post-closure liability and useful lives of tangible capital assets. 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.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

1. Accounting policies (continued):

(g) Government transfers:

Government transfers are recognized as revenue in the consolidated 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.

(h) 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.

(i) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, 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

Annual amortization is charged for months in use. Assets under construction are not amortized until the asset is available for productive use.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

1. Accounting policies (continued):

(i) Non-financial assets (continued):

(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.

2. Changes in accounting policies:

The Township has implemented Public Sector Accounting Board (PSAB) Section 3260 Liability for Contaminated Sites. Section 3260 requires governments to record a liability in their consolidated financial statements if they have a contaminated site that meets the requirements set out in the standard. The standard defines contamination as the introduction into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The standard generally applies to sites that are not in productive use. Sites that are in productive use are only considered contaminated if there was an unexpected event that resulted in contamination. This change has been applied retroactively without the restatement of prior periods.

The adoption of this standard did not have an impact on the Township's consolidated financial statements.

3. Investments:

Investments, which consist primarily of money market, T-bills, bonds and equity funds, are recorded on the "Consolidated Statement of Financial Position" at cost plus accrued interest. They have a market value of \$583,563 at December 31, 2015 (2014 - \$575,798).

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

4. Operations of school boards and County of Frontenac:

During 2015, 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	
	2015	2014	2015	2014
Amounts requisitioned and collected	\$ 1,128,093	\$ 1,104,581	\$ 858,253	\$ 812,276

5. Long-term debt:

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

	2015	2014
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.	\$ 284,920	\$ 445,000

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

2016	\$ 38,827
2017	26,612
2018	27,208
2019	27,818
2020	28,431
Thereafter	136,024
	\$ 284,920

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

6. Accumulated municipal equity:

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

	2015	2014
Current operating	\$ (786,733)	\$ (507,848)
Wolfe Island Community Centre Board	–	245,881
Tangible capital assets	18,654,351	19,368,712
Long-term debt	(284,920)	(445,000)
Amounts to be recovered	(142,143)	(297,143)
	<u>17,440,555</u>	<u>18,364,602</u>
Reserves set aside for specific purposes by Council:		
Community Centre Board reserve	100,826	–
Working capital	294,310	294,310
Capital	77,055	77,055
Insurance	15,000	15,000
Planning	20,000	20,000
Waste disposal	84,990	295,000
Community enhancement and recreation	102,064	92,064
Election	2,000	–
Computer equipment	13,500	12,500
Historical Society	1,450	1,450
Arena roof	100,000	100,000
Asset management	19,541	–
Total reserves	<u>830,736</u>	<u>907,379</u>
Reserve funds set aside for specific purposes by Council:		
Roads	645,002	461,331
Ferries - environmental assessment	560,471	477,249
Mill rate stabilization	57,973	57,966
Protection	119,661	98,998
Recreation	378,694	345,780
Other	600,000	500,000
Lot levies	73,911	73,362
Wolfe Island Wind Plant	–	549,318
Gravel	25,000	–
Vehicle	75,000	–
Capital investment	475,590	–
Property infrastructure	45,000	–
Total reserve funds	<u>3,056,302</u>	<u>2,564,004</u>
Total accumulated municipal equity	\$ 21,327,593	\$ 21,835,985

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

7. Deferred revenue - obligatory reserve funds:

A requirement of the CPA Canada 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 municipality are summarized below:

	2015	2014
Balance, beginning of year	\$ 527,115	\$ 542,492
Development charge revenue	–	29,859
Federal gas tax proceeds	53,973	55,499
Federal gas tax County proceeds	157,987	116,690
Funds transferred	(295,208)	(218,500)
Interest	4,373	1,075
Balance, end of year	\$ 448,240	\$ 527,115

Analyzed as follows:

Development charge	\$ 264,118	\$ 275,427
Federal gas tax	129,497	197,427
Wolfe building	10,145	10,077
Howe building	44,480	44,184
Balance, end of year	\$ 448,240	\$ 527,115

8. Tile drainage loans:

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

	2015	2014
Debenture for tile drainage loans	\$ 7,948	\$ 9,538

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 Ontario Ministry of Municipal Affairs and 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 "Consolidated Statement of Financial Position".

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

9. Trust fund:

A trust fund of \$35,114 (2014 - \$34,873) 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".

10. 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 2015 amounted to \$59,307 (2014 - \$48,223). These amounts are included as an expense on the "Consolidated Statement of Operations".

11. Supplementary information:

	2015	2014
Operating expenses by object:		
Salaries, wages and employee benefits	\$ 1,205,108	\$ 1,128,309
Materials	1,162,907	957,762
Contracted services	981,722	929,126
Amortization	1,330,733	1,281,339
Rents and financial expenses	29,564	25,232
Wind plant	-	2,771
Adjustment to landfill obligation	(155,000)	-
Total	\$ 4,555,034	\$ 4,324,539

12. 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, 2015, 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 consolidated 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, 2015

13. Commitments:

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

14. 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 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 post-closure care expenses are calculated to be \$142,143 (2014 - \$297,143).

In 2015, the Township closed the Wolfe Island Disposal Site, therefore the estimated remaining capacity of the Wolfe Island Disposal Site is Nil (2014 - Nil) cubic meters of its total estimated capacity.

Since the closure, the period for post-closure care is estimated to be twenty-five years. At December 31, 2015, an amount of \$142,143 (2014 - \$297,193) has been recognized to date with respect to landfill post-closure liability.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

15. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2015 operating and capital budgets approved by Council on April 13, 2015. 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 budget before adjustment	\$ 4,659,219
Less:	
Capital budget	201,332
Prior year surplus	13,275
	<u>4,444,612</u>
Less:	
Transfers from other funds	821,207
<u>Total revenue</u>	<u>\$ 3,623,405</u>

Budget data	Budget amount
Total budget expenses:	
Operating budget before adjustment	\$ 4,496,719
Less:	
Capital budget	325,000
Capital expenses	132,506
<u>Total operating budget</u>	<u>4,039,213</u>
Add:	
Amortization	1,330,731
Less:	
Transfer to other funds	1,190,795
<u>Total expenses</u>	<u>\$ 4,179,149</u>
<u>Annual deficit</u>	<u>\$ (555,744)</u>

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

16. Tangible capital assets:

Cost	Balance at December 31, 2014	Additions	Disposals	Balance at December 31, 2015
Land	\$ 693,527	\$ -	\$ -	\$ 693,527
Land improvements	1,086,922	20,089	-	1,107,011
Buildings	2,633,774	-	-	2,633,774
Machinery and equipment	371,445	206,448	-	577,893
Vehicles	1,984,128	144,288	76,043	2,052,373
Linear assets	33,278,623	241,576	-	33,520,199
Assets under construction	81,664	3,969	-	85,633
Total	\$ 40,130,083	\$ 616,370	\$ 76,043	\$ 40,670,410

Accumulated amortization	Balance at December 31, 2014	Disposals	Amortization expense	Balance at December 31, 2015
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	366,284	-	41,620	407,904
Buildings	970,477	-	69,397	1,039,874
Machinery and equipment	203,928	-	22,023	225,951
Vehicles	964,531	76,043	88,338	976,826
Linear assets	18,256,151	-	1,109,353	19,365,504
Assets under construction	-	-	-	-
Total	\$20,761,371	\$ 76,043	\$ 1,330,731	\$ 22,016,059

	Net book value December 31, 2014	Net book value December 31, 2015
Land	\$ 693,527	\$ 693,527
Land improvements	720,638	699,107
Buildings	1,663,297	1,593,900
Machinery and equipment	167,517	351,942
Vehicles	1,019,597	1,075,547
Linear assets	15,022,472	14,154,695
Assets under construction	81,664	85,633
Total	\$19,368,712	\$ 18,654,351

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

16. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of \$85,633 (2014 - \$81,664) 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.

17. 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, 2015

17. 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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

17. Segmented information (continued):

	Administration	Protection Services	Transportation Services	Environmental Services	Parks and Recreation	Planning and Development	Total
Revenue:							
Taxation	\$ 339,581	\$ 197,569	\$ 960,158	\$ 237,671	\$ 115,993	\$ 27,811	\$ 1,878,783
Payments in lieu of taxation	1,168	680	3,302	817	399	96	6,462
Penalties and interest on taxes	67,427	—	—	—	—	—	67,427
Investment income	14,719	404	682	—	1,591	549	17,945
Government conditional grants	495,179	—	471,427	21,020	—	—	987,626
Other municipalities	—	—	42,106	—	—	—	42,106
Licenses, permits and rents	340	4,455	—	—	—	64,390	69,185
User charges	—	—	101,983	3,881	24,892	—	130,756
Wind plant	—	—	645,000	—	—	—	645,000
Donations	—	—	—	—	57,037	—	57,037
Gain on sale of assets	—	—	12,000	—	—	—	12,000
Other	14,319	12,791	57,974	—	500	35,123	120,707
Transfers from other funds	—	—	—	—	—	11,608	11,608
Total revenue	932,733	215,899	2,294,632	263,389	200,412	139,577	4,046,642
Expenses:							
Salaries, wages and employee benefits	306,349	47,152	774,406	45,408	25,892	5,901	1,205,108
Materials	48,033	91,660	763,684	228,295	24,561	6,674	1,162,907
Contracted services	163,996	213,632	257,325	146,600	134,953	65,216	981,722
Rent and financial expenses	29,564	—	—	—	—	—	29,564
Landfill obligation adjustment	—	—	—	(155,000)	—	—	(155,000)
Amortization	5,169	47,597	1,215,057	—	62,910	—	1,330,733
Total expenses	553,111	400,041	3,010,472	265,303	248,316	77,791	4,555,034
Excess of revenue over expenses (expenses over revenue)	\$ 379,622	\$ (184,142)	\$ (715,840)	\$ (1,914)	\$ (47,904)	\$ 61,786	\$ (508,392)

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, 2015, with comparative information for 2014

	2015	2014
Revenue:		
Fundraising	\$ 43,435	\$ 29,738
Contributions from reserves	15,977	-
User fees	23,952	8,438
Donations	13,315	22,686
	96,679	60,862
Operating expenses:		
Fundraising	10,895	11,538
Repairs and maintenance	16,810	20,432
Supplies and professional fees	4,371	1,567
Utilities	42,283	38,549
Contracted services	14,839	7,553
Community initiatives	390	157
Salaries and benefits	15,639	-
	105,227	79,796
	(8,548)	(18,934)
Transfer capital to Township	(5,485)	(20,244)
Transfer for debt repayment	(131,022)	-
Transfer to Community Centre Board Reserve	(100,826)	-
Excess of expenses over revenue	(245,881)	(39,178)
Accumulated surplus, beginning of year	245,881	285,059
Accumulated surplus, end of year	\$ -	\$ 245,881



KPMG LLP
863 Princess Street Suite 400
Kingston ON K7L 5N4
Canada

Telephone (613) 549-1550
Fax (613) 549-6349
Internet www.kpmg.ca

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, 2015, 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, 2015 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 11, 2016

Kingston, Canada

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

Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Cash and cash equivalents	\$ 34,869	\$ 34,031
Due from own municipality	245	842
	\$ 35,114	\$ 34,873
 Fund Balance		
Fund balance	\$ 35,114	\$ 34,873

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, 2015, with comparative information for 2014

	2015	2014
Contributions:		
Interest	\$ 241	\$ 14
Fund balance, beginning of year	34,873	34,859
Fund balance, end of year	\$ 35,114	\$ 34,873

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, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses	\$ 241	\$ 14
Decrease in due from own municipality	597	-
Net increase in cash and cash equivalents	838	14
Cash and cash equivalents, beginning of year	34,031	34,017
Cash and cash equivalents, end of year	\$ 34,869	\$ 34,031

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, 2015

1. Significant accounting policies:

The financial statements of the Corporation of the Township of Frontenac Islands - Fire Building Trust Fund (the "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.