

Consolidated Financial Statements of

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

Year ended December 31, 2017

Consolidated Financial Statements of

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Year ended December 31, 2017

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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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/Treasurer

Carol Dwyre
Deputy Treasurer

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, 2017, 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, 2017, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

July 9, 2018

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Consolidated Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Financial assets:		
Cash and cash equivalents	\$ 1,076,970	\$ 1,935,197
Investments (note 2)	853,596	739,557
Taxes receivable	434,897	423,868
Accounts receivable	993,176	1,234,228
	3,358,639	4,332,850
Liabilities:		
Tile drainage loans (note 7)	4,769	6,359
Accounts payable and accrued liabilities	472,339	569,726
Long-term debt (note 4)	219,561	246,173
Deferred revenue - obligatory reserve funds (note 6)	348,168	347,802
Landfill closure and post-closure liability (note 13)	246,244	262,798
	1,291,081	1,432,858
Total net financial assets	2,067,558	2,899,992
Other non-financial assets:		
Tangible capital assets (note 15)	18,725,976	18,119,577
Prepaid expenses	8,787	7,152
Total non-financial assets	18,734,763	18,126,729
Contingent liabilities (note 11)		
Commitments (note 12)		
Subsequent event (note 17)		
Accumulated municipal equity (note 5)	\$ 20,802,321	\$ 21,026,721

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, 2017, with comparative information for 2016

	Budget 2017 (note 14)	Actual 2017	Actual 2016
Revenue:			
Taxation for municipal purposes	\$ 2,136,993	\$ 2,151,218	\$ 2,148,798
Federal grants	–	141,435	126,123
Government grants	626,052	935,074	733,986
Municipal transfers	14,035	351,535	28,071
User fees and charges	147,670	132,651	161,234
Licences and permits	103,600	71,199	57,563
Penalties and interest on taxes	50,000	69,929	68,373
Investment income	4,500	23,376	22,254
Wolfe Island Wind Plant revenue	645,000	645,000	645,000
Donations	25,000	74,688	23,497
Gain on sale of assets	–	4,455	–
Other	75,525	52,877	131,854
Transfer from developer charges	–	52,837	161,500
	<u>3,828,375</u>	<u>4,706,274</u>	<u>4,308,253</u>
Expenses (note 10):			
General government	698,780	592,563	508,652
Protection to persons and property	563,502	729,590	463,579
Transportation services	2,763,638	2,927,003	2,828,445
Environmental services	248,979	241,549	299,735
Landfill closure and post-closure	–	(16,554)	120,655
Social housing	1,996	20,833	–
Recreation and cultural services	278,719	359,178	301,383
Planning and development	25,645	76,512	86,676
Total expense	<u>4,581,259</u>	<u>4,930,674</u>	<u>4,609,125</u>
Annual deficit	(752,884)	(224,400)	(300,872)
Accumulated municipal equity, beginning of year	–	21,026,721	21,327,593
Accumulated municipal equity, end of year	\$ –	\$ 20,802,321	\$ 21,026,721

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, 2017, with comparative information for 2016

	2017	2016
Annual deficit	\$ (224,400)	\$ (300,872)
Acquisition of tangible capital assets	(1,955,118)	(935,016)
Amortization of tangible capital assets	1,333,674	1,374,660
Proceeds on sale of tangible capital assets	19,500	-
Loss (gain) on disposal of tangible capital assets	(4,455)	95,130
Change in prepaid expenses	(1,635)	2,156
	(608,034)	536,930
Change in net financial assets	(832,434)	236,058
Net financial assets, beginning of year	2,899,992	2,663,934
Net financial assets, end of year	\$ 2,067,558	\$ 2,899,992

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, 2017, with comparative information for 2016

	2017	2016
Operating transactions:		
Annual deficit	\$ (224,400)	\$ (300,872)
Items not involving cash:		
Amortization of tangible capital assets	1,333,674	1,374,660
Loss (gain) on disposal of tangible capital assets	(4,455)	95,130
Increase (decrease) in landfill closure and post-closure costs	(16,554)	120,655
	<u>1,088,265</u>	<u>1,289,573</u>
Change in non-cash working capital items:		
Decrease (increase) in accounts receivable	241,052	(673,314)
Increase (decrease) in accounts payable and accrued liabilities	(97,387)	(319,397)
Decrease in taxes receivable	(11,029)	8,019
Decrease in obligatory reserve funds	366	(100,438)
Decrease (increase) in prepaid expenses	(1,635)	2,156
	<u>131,367</u>	<u>(1,082,974)</u>
Capital transactions:		
Proceeds on sale of tangible capital assets	19,500	-
Cash used to acquired tangible capital assets	(1,955,118)	(935,016)
	<u>(1,935,618)</u>	<u>(935,016)</u>
Investing transactions:		
Purchase of investments	(114,040)	(211,844)
Financing transactions:		
Principal payments on long-term debt and tile drainage loans	(28,201)	(40,337)
Increase (decrease) in cash and cash equivalents	(858,227)	(980,598)
Cash and cash equivalents, beginning of year	1,935,197	2,915,795
Cash and cash equivalents, end of year	<u>\$ 1,076,970</u>	<u>\$ 1,935,197</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, 2017

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.

(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, 2017

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.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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 to 50
Buildings	10 to 60
Vehicles	4 to 20
Machinery and equipment	3 to 20
Linear assets	30 to 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, 2017

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. 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 \$959,860 at December 31, 2017 (2016 - \$823,752).

3. Operations of school boards and County of Frontenac:

During 2017, 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	
	2017	2016	2017	2016
Amounts requisitioned and collected	\$ 1,049,692	\$ 1,143,415	\$ 877,271	\$ 884,381

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

4. Long-term debt:

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

	2017	2016
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.	\$ 219,561	\$ 246,173

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

2018	\$ 27,208
2019	27,818
2020	28,442
2021	29,081
2022	29,733
Thereafter	77,279
	<u>\$ 219,561</u>

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

5. Accumulated municipal equity:

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

	2017	2016
Current operating	\$ (1,705,723)	\$ (692,956)
Tangible capital assets	18,725,976	18,119,577
Long-term debt	(219,561)	(246,173)
Amounts to be recovered - landfill closure and post-closure costs	(246,244)	(262,798)
	<u>16,554,448</u>	<u>16,917,650</u>
Reserves set aside for specific purposes by Council:		
Community Centre Board reserve	136,091	123,174
Working capital	284,310	294,310
Capital	77,055	77,055
Insurance	15,000	15,000
Planning	86,000	11,000
Waste disposal	58,490	82,490
Community enhancement and recreation	92,271	109,271
Election	6,500	4,000
Computer equipment	15,500	14,500
Historical Society	1,450	1,450
Arena roof	100,000	100,000
Asset management	40,516	19,541
Total reserves	<u>913,183</u>	<u>851,791</u>
Reserve funds set aside for specific purposes by Council:		
Roads	309,056	507,260
Ferries - environmental assessment	598,911	596,618
Mill rate stabilization	58,407	57,997
Protection	181,920	161,026
Recreation	380,574	392,062
Other	900,000	800,000
Lot levies	73,738	74,489
Gravel	25,000	25,000
Vehicle	75,000	75,000
Capital investment	635,639	471,093
Property infrastructure	85,385	90,000
Fuel	11,060	6,735
Total reserve funds	<u>3,334,690</u>	<u>3,257,280</u>
Total accumulated municipal equity	<u>\$ 20,802,321</u>	<u>\$ 21,026,721</u>

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

6. 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:

	2017	2016
Balance, beginning of year	\$ 347,802	\$ 448,240
Federal gas tax proceeds	57,675	56,672
Federal gas tax County proceeds	93,228	85,508
Funds transferred	(177,016)	(287,623)
Interest	2,224	968
Development charges	24,255	44,037
Balance, end of year	\$ 348,168	\$ 347,802

Analyzed as follows:

Development charges	\$ 133,423	\$ 140,082
Federal gas tax	156,995	146,024
Wolfe building	1,718	1,700
Howe building	56,032	59,996
Balance, end of year	\$ 348,168	\$ 347,802

7. Tile drainage loans:

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

	2017	2016
Debenture for tile drainage loans	\$ 4,769	\$ 6,359

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, 2017

8. Trust fund:

A trust fund of \$17,780 (2016 - \$34,883) 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".

9. 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 2017 amounted to \$71,634 (2016 - \$67,656). These amounts are included as an expense on the "Consolidated Statement of Operations".

10. Supplementary information:

	2017	2016
Operating expenses by object:		
Salaries, wages and employee benefits	\$ 1,365,808	\$ 1,287,820
Materials	942,316	702,933
Contracted services	1,264,498	998,527
Amortization of tangible capital assets	1,333,647	1,374,660
Rents and financial expenses	37,932	29,400
Adjustment to landfill liability	(16,554)	120,655
Loss on sale	-	95,130
Total	\$ 4,927,647	\$ 4,609,125

11. 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, 2017, 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, 2017

12. 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.

13. 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 \$246,244 (2016 - \$262,798).

In 2015, the Township closed the Wolfe Island Disposal Site, therefore the estimated remaining capacity of the Wolfe Island Disposal Site is Nil (2016 - 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, 2017, an amount of \$246,244 (2016 - \$262,798) 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, 2017

14. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2017 operating and capital budgets approved by Council on April 10, 2017. 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	\$ 5,697,477
Less:	
Capital budget	1,426,401
Prior year surplus	116,661
	<u>4,154,415</u>
Less:	
Transfers from other funds	326,040
	<u>\$ 3,828,375</u>

Budget data	Budget amount
Total budget expenses:	
Operating budget before adjustment	\$ 5,697,477
Less:	
Capital budget	2,053,488
Capital expenses	148,062
Total operating budget	<u>3,495,927</u>
Add:	
Amortization of tangible capital assets	1,317,423
Less:	
Transfer to other funds	(232,091)
	<u>\$ 4,581,259</u>
Annual deficit	<u>\$ (752,884)</u>

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

15. Tangible capital assets:

Cost	Balance at December 31, 2016	Additions	Disposals	Balance at December 31, 2017
Land	\$ 693,527	\$ 47,384	\$ -	\$ 740,911
Land improvements	1,160,759	221,760	-	1,382,519
Buildings	2,633,774	1,121,242	-	3,755,016
Machinery and equipment	649,059	30,787	-	679,846
Vehicles	2,321,656	318,632	213,948	2,426,340
Linear assets	33,717,300	508,767	-	34,226,067
Assets under construction	311,507	18,053	311,507	18,053
Total	\$ 41,487,582	\$ 2,266,625	\$ 525,455	\$ 43,228,752

Accumulated amortization	Balance at December 31, 2016	Disposals	Amortization expense	Balance at December 31, 2017
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	450,364	-	46,105	496,469
Buildings	1,109,271	-	72,050	1,181,321
Machinery and equipment	258,050	-	39,187	297,237
Vehicles	1,057,711	198,903	113,513	972,321
Linear assets	20,492,609	-	1,062,819	21,555,428
Assets under construction	-	-	-	-
Total	\$ 23,368,005	\$ 198,903	\$ 1,333,674	\$ 24,502,776

	Net book value December 31, 2016	Net book value December 31, 2017
Land	\$ 693,527	\$ 740,911
Land improvements	710,395	886,050
Buildings	1,524,503	2,573,695
Machinery and equipment	391,009	382,609
Vehicles	1,263,945	1,454,019
Linear assets	13,224,691	12,670,639
Assets under construction	311,507	18,053
Total	\$ 18,119,577	\$ 18,725,976

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

15. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of \$18,053 (2016 - \$311,507) 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.

16. 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, 2017

16. 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, 2017

16. Segmented information (continued):

	Administration	Protection Services	Transportation Services	Environmental Services	Senior Housing	Parks and Recreation	Planning and Development	Total
Revenue:								
Taxation	\$ 512,895	\$ 212,471	\$ 1,082,486	\$ 181,859	\$ 1,824	\$ 140,178	\$ 15,340	\$ 2,147,053
Payments in lieu of taxation	995	412	2,100	353	4	271	30	4,165
Penalties and interest on taxes	69,928	-	-	-	-	-	-	69,928
Investment income	17,643	141	2,963	-	-	1,880	749	23,376
Government conditional grants	382,620	103,650	558,550	16,684	-	15,005	-	1,076,509
Other municipalities	-	-	14,035	-	337,500	-	-	351,535
Licenses, permits and rents	450	480	-	-	-	-	70,269	71,199
User charges	-	-	102,865	3,026	2,000	24,760	-	132,651
Wind plant	-	-	645,000	-	-	-	-	645,000
Donations	-	9,935	-	-	42,324	22,430	-	74,689
Other	19,723	10,705	14,045	-	489	7,915	-	52,877
Transfers from other funds	-	17,256	-	-	-	-	35,581	52,837
Gain (loss) on sale	-	(545)	5,000	-	-	-	-	4,455
Total revenue	1,004,254	354,505	2,427,044	201,922	384,141	212,439	121,969	4,706,274
Expenses:								
Salaries, wages and employee benefits	303,000	58,165	917,224	46,500	-	25,873	15,045	1,365,807
Materials	72,079	228,791	444,411	7,115	16,512	173,313	95	942,316
Contracted services	176,713	390,853	358,552	187,058	2,325	90,627	61,371	1,267,499
Rent and financial expense	25,923	-	-	-	-	5,343	-	31,266
External transfers	6,666	-	-	-	-	-	-	6,666
Landfill obligation adjustment	-	-	-	(16,554)	-	-	-	(16,554)
Amortization	8,181	51,782	1,206,816	877	1,996	64,022	-	1,333,674
Total expenses	592,562	729,591	2,927,003	224,996	20,833	359,178	76,511	4,930,674
Excess of revenue over expenses (expenses over revenue)	\$ 411,692	\$ (375,086)	\$ (499,959)	\$ (23,074)	\$ 363,308	\$ (146,739)	\$ 45,458	\$ (224,400)

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, 2017, 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, 2017 and its results of operations for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

July 9, 2018

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

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Cash and cash equivalents	\$ 17,780	\$ 34,883
Due from Township	191	-
	\$ 17,971	34,883

Fund Balance

Fund balance	\$ 17,780	\$ 34,883
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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, 2017, with comparative information for 2016

	2017	2016
Contributions:		
Interest	\$ 148	\$ 14
Transfer to Township	(17,251)	(245)
Fund balance, beginning of year	34,883	35,114
Fund balance, end of year	\$ 17,780	\$ 34,883

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, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used for):		
Operating activities:		
Excess expenses over revenue	\$ (17,103)	\$ (231)
Decrease in due from own municipality	-	245
Net increase (decrease) in cash and cash equivalents	(17,103)	14
Cash and cash equivalents, beginning of year	34,883	34,869
Cash and cash equivalents, end of year	\$ 17,780	\$ 34,883

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 Consolidated Financial Statements

Year ended December 31, 2017

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.