

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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**Township of
Frontenac Islands
Consolidated
Financial Statements
December 31, 2020**

Township of Frontenac Islands
Five Year Financial Review
(not subject to audit)

| December 31 | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Population (Statistics Canada 2019, 2018, 2016) (MPAC 2017) | 1,760 | 1,760 | 1,760 | 1,654 | 1,760 |
| Number of Households (MPAC) | 1,383 | 1,379 | 1,373 | 1,368 | 1,273 |
| Taxable Assessment (000's) | | | | | |
| Residential and farm | 565,865 | 550,762 | 535,486 | 520,191 | 545,897 |
| Commercial and industrial | 19,547 | 17,766 | 17,027 | 14,944 | 13,921 |
| Total | 585,412 | 568,528 | 552,513 | 535,135 | 559,818 |
| Commercial, industrial as % of assessment | 3.34% | 3.13% | 3.08% | 2.79% | 2.49% |
| Rates of Taxation ▶ Howe Island | | | | | |
| ▶ for general municipal purposes | 0.385216 | 0.370935 | 0.364159 | 0.349282 | 0.328186 |
| ▶ for county purposes | 0.186451 | 0.182728 | 0.178446 | 0.175201 | 0.166857 |
| ▶ for school board purposes | 0.153000 | 0.161000 | 0.170000 | 0.179000 | 0.188000 |
| Total | 0.724667 | 0.714663 | 0.712605 | 0.703483 | 0.683043 |
| Commercial (total) | 1.821667 | 1.843663 | 1.882605 | 1.914483 | 1.895043 |
| Rates of Taxation ▶ Wolfe Island | | | | | |
| ▶ for general municipal purposes | 0.497577 | 0.484629 | 0.478901 | 0.472873 | 0.448225 |
| ▶ for county purposes | 0.186451 | 0.182728 | 0.178446 | 0.175201 | 0.166857 |
| ▶ for school board purposes | 0.153000 | 0.161000 | 0.170000 | 0.179000 | 0.188000 |
| Total | 0.837028 | 0.828357 | 0.827347 | 0.827074 | 0.803082 |
| Commercial (total) | 1.934028 | 1.957357 | 1.997347 | 2.038074 | 2.015082 |
| Industrial (total) | 1.934028 | 1.957357 | 1.997347 | 2.038074 | 2.015082 |
| Tax Arrears ▶ percentage of current levy (<10%)** | 14.72% | 13.73% | 10.40% | 10.66% | 10.14% |
| Taxes Transferred (000's) | | | | | |
| ▶ County | 1,003 | 967 | 922 | 888 | 896 |
| ▶ School Boards | 993 | 1,017 | 1,047 | 1,062 | 1,156 |
| Revenues (000's) | \$ | \$ | \$ | \$ | \$ |
| ▶ Property taxation | 2,457 | 2,332 | 2,247 | 2,151 | 2,149 |
| ▶ Government grants | 1,200 | 1,272 | 770 | 771 | 888 |
| ▶ User charges | 126 | 225 | 187 | 133 | 161 |
| ▶ Other | 1,007 | 954 | 913 | 1,293 | 1,110 |
| ▶ Revenues related to capital assets | 174 | 246 | 1,573 | 358 | --- |
| Total | 4,964 | 5,029 | 5,690 | 4,706 | 4,308 |
| Expenses (000's) | | | | | |
| ▶ Operations | 5,380 | 5,609 | 4,909 | 4,931 | 4,609 |
| ▶ Amortization | 1,364 | 1,423 | 1,311 | 1,334 | 1,375 |
| Net Financial Assets (Net Debt) | | | | | |
| ▶ % of Operating Revenue (>(20%)) ** | 51.48% | 45.61% | 46.37% | 47.55% | 67.31% |
| ▶ % of Taxation and User Charges (>(50%)) ** | 100.37% | 93.56% | 84.98% | 96.11% | 134.96% |

** Represents the Provincial Low Risk Indicator.
(Note: All dollar amounts are in thousands of dollars.)

Township of Frontenac Islands
Five Year Financial Review
(not subject to audit)

| December 31 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|--------|--------|--------|--------|--------|
| | \$ | \$ | \$ | \$ | \$ |
| Long Term Debt | | | | | |
| ▸ Long term debt (000's) | 901 | 968 | 896 | 224 | 246 |
| ▸ Long term debt charges (000's) | 79 | 102 | 46 | 26 | 39 |
| ▸ Total annual repayment limit (000's) | 820 | 809 | 815 | 809 | 814 |
| ▸ Long term debt per household | 652 | 702 | 652 | 164 | 193 |
| ▸ Debt charges (000's) | | | | | |
| ▸ user charges | 79 | 102 | 46 | 26 | 39 |
| Municipal Equity (000's) | | | | | |
| ▸ Surplus and Reserves | 3,381 | 3,163 | 2,828 | 2,296 | 3,153 |
| ▸ Invested in capital assets | 20,481 | 17,840 | 18,754 | 17,712 | 17,873 |
| ▸ Asset consumption ratio | 57.16% | 59.09% | 56.76% | 56.68% | 56.33% |
| ▸ Reserves as % of operating expenses (> 20%) ** | 65.10% | 62.91% | 80.50% | 86.15% | 89.15% |
| Financial Indicators | | | | | |
| ▸ Sustainability | | | | | |
| ▸ financial assets to liabilities | 1.78 | 1.76 | 1.76 | 2.60 | 3.02 |
| ▸ financial assets to liabilities excluding long term debt | 2.50 | 2.66 | 2.74 | 3.13 | 3.65 |
| ▸ long term debt to tangible capital assets | 4.22% | 5.15% | 4.55% | 1.17% | 1.36% |
| ▸ capital reserves to accumulated amortization | 4.30% | 2.58% | 6.85% | 7.59% | 8.08% |
| ▸ Flexibility | | | | | |
| ▸ Debt charges to total operating revenue (<5%)** | 1.65% | 2.14% | 1.18% | 0.78% | 1.05% |
| ▸ Total operating revenue to taxable assessment | 0.82% | 0.84% | 0.75% | 0.81% | 0.77% |
| ▸ Working capital to operating expenses (>10%) ** | 77.10% | 70.42% | 71.00% | 58.54% | 81.65% |
| ▸ Vulnerability | | | | | |
| ▸ Operating government transfers ▸ to operating revenue | 25.06% | 26.59% | 18.70% | 25.82% | 20.62% |
| ▸ Total government transfers ▸ to total revenues | 27.61% | 30.18% | 39.76% | 30.34% | 20.62% |



Township of Frontenac Islands

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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 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 significant accounting policies are described in note 2 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, 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 consolidated financial statements. These systems are monitored and evaluated by management.

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

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

Darlene Plumley
Chief Administrative Officer/Clerk/Treasurer

Scott Kerr
Deputy Clerk/Treasurer/Planning Coordinator

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of the Corporation of the Township of Frontenac Islands (the 'Entity'), which comprise:

- the consolidated statement of financial position as at December 31, 2020;
- the consolidated statement of operations and accumulated surplus for the year then ended;
- the consolidated statement of changes in net financial assets for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- and the notes to the consolidated financial statements, including a summary of significant accounting policies;

(Hereinafter referred to as the 'financial statements').

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *'Auditors' Responsibilities for the Audit of the Financial Statements'* section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis of our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario
October 4, 2021.

**Township of Frontenac Islands
Consolidated Statement of Financial Position**

| December 31 | 2020 | 2019 |
|--|-------------------|-------------------|
| | \$ | \$ |
| ASSETS | | |
| Financial Assets | | |
| Cash | 2,085,564 | 2,991,294 |
| Taxes receivable | 655,385 | 591,915 |
| Accounts receivable | 1,553,181 | 557,800 |
| Investments (note 3) | 1,325,869 | 985,896 |
| | 5,619,999 | 5,126,905 |
| LIABILITIES | | |
| Financial Liabilities | | |
| Accounts payable and accrued liabilities | 1,398,050 | 1,098,586 |
| Prepaid property taxes | 73,813 | 78,446 |
| Deferred revenues (note 5) | 562,040 | 572,402 |
| Accrued landfill closure and post closure (note 9) | 218,639 | 228,023 |
| Long term liabilities (note 6) | 901,408 | 968,085 |
| | 3,153,950 | 2,945,542 |
| NET FINANCIAL ASSETS | 2,466,049 | 2,181,363 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (note 15) | 21,382,872 | 18,808,214 |
| Prepaid expenses | 14,708 | 13,739 |
| | 21,397,580 | 18,821,953 |
| Contingent Liabilities (note 11) Commitments (note 13) | | |
| MUNICIPAL EQUITY (note 10) | 23,863,629 | 21,003,316 |

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

**Township of Frontenac Islands
Consolidated Statement of Operations**

| For the year ended December 31 | (Note 17) Budget | 2020 | 2019 |
|--|---------------------|-------------------|-------------------|
| | \$ | \$ | \$ |
| REVENUES | | | |
| Taxation ▶ residential | 2,349,388 | 2,349,389 | 2,246,456 |
| ▶ commercial | 104,912 | 105,828 | 83,902 |
| ▶ other governments | 500 | 1,783 | 1,264 |
| User charges | 216,200 | 125,976 | 225,222 |
| Government transfers | 993,714 | 1,200,229 | 1,271,634 |
| Licences and permits | 76,695 | 87,056 | 12,988 |
| Contribution from developers (note 5) | 80,010 | 29,822 | --- |
| Investment income | 3,000 | 55,448 | 29,931 |
| Penalties and interest on taxes | 60,000 | 70,555 | 79,224 |
| Wolfe Island Wind Plant revenue | 645,000 | 645,000 | 645,000 |
| Donations | 13,400 | 22,800 | 106,643 |
| Other | 76,799 | 96,122 | 80,410 |
| TOTAL REVENUES | 4,619,618 | 4,790,008 | 4,782,674 |
| EXPENSES | | | |
| General government | 657,335 | 671,641 | 672,786 |
| Protection to persons and property | 664,108 | 735,658 | 663,800 |
| Transportation services | 3,083,794 | 3,148,124 | 3,459,497 |
| Environmental services | 306,192 | 333,557 | 356,103 |
| Social housing | 77,017 | 65,226 | 69,099 |
| Recreation and cultural services | 282,444 | 226,437 | 264,049 |
| Planning and development | 88,976 | 199,258 | 123,309 |
| TOTAL EXPENSES | 5,159,866 | 5,379,901 | 5,608,643 |
| NET EXPENSES FROM OPERATIONS | (540,248) | (589,893) | (825,969) |
| OTHER | | | |
| Revenues for capital | | | |
| Government grants | --- | 146,225 | 188,370 |
| Contributions from developers (note 5) | 49,031 | 24,184 | 40,529 |
| Gain on disposition of assets | --- | --- | 17,120 |
| Other | --- | 3,965 | --- |
| | 49,031 | 174,374 | 246,019 |
| ANNUAL DEFICIT | (491,217) | (415,519) | (579,950) |
| MUNICIPAL EQUITY, BEGINNING OF YEAR | 21,003,316 | 21,003,316 | 21,583,266 |
| PRIOR PERIOD ADJUSTMENT (note 18) | --- | 3,275,832 | --- |
| MUNICIPAL EQUITY, END OF YEAR | 20,512,099 | 23,863,629 | 21,003,316 |

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

Township of Frontenac Islands
Consolidated Statement of Changes in Net Financial Assets

| For the year ended December 31 | (Note 17) Budget | 2020 | 2019 |
|--|---------------------|------------------|-----------|
| | \$ | \$ | \$ |
| ANNUAL DEFICIT | (491,217) | (415,519) | (579,950) |
| Amortization of tangible capital assets | 1,363,540 | 1,363,540 | 1,422,772 |
| Acquisition of tangible capital assets | (4,173,610) | (662,366) | (590,755) |
| Disposal of tangible capital assets | --- | --- | (17,120) |
| Acquisition of prepaid expenses | --- | (969) | (2,670) |
| Proceeds on sale of capital assets | --- | --- | 40,000 |
| | (2,810,070) | 700,205 | 852,227 |
| INCREASE (DECREASE) IN NET FINANCIAL ASSETS | (3,301,287) | 284,686 | 272,277 |
| NET FINANCIAL ASSETS, BEGINNING OF YEAR | 2,181,363 | 2,181,363 | 1,909,086 |
| NET FINANCIAL ASSETS, (DEBT) END OF YEAR | (1,119,924) | 2,466,049 | 2,181,363 |

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

**Township of Frontenac Islands
Consolidated Statement of Cash Flows**

| For the year ended December 31 | 2020 | 2019 |
|--|------------------|------------------|
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| Annual deficit for the year | (415,519) | (579,950) |
| Amortization | 1,363,540 | 1,422,772 |
| Loss on sale of tangible capital assets | --- | (17,120) |
| Change in landfill liability | (9,384) | (9,201) |
| | 938,637 | 816,501 |
| Net Change in Non-Cash Working Capital Balances | | |
| Taxes receivable | (63,470) | (16,250) |
| Accounts receivable | (995,381) | 1,527,137 |
| Accounts payable and accrued liabilities | 299,464 | 235,501 |
| Prepaid property taxes | (4,633) | 12,559 |
| Deferred revenues | (10,362) | 128,630 |
| Prepaid expenses | (969) | (2,670) |
| | (775,351) | 1,884,907 |
| Working Capital from Operations | 163,286 | 2,701,408 |
| CAPITAL ACTIVITIES | | |
| Proceeds from sale of capital assets | --- | 40,000 |
| Acquisition of tangible capital assets | (662,366) | (590,755) |
| Net investment in tangible capital assets | (662,366) | (550,755) |
| INVESTING ACTIVITIES | | |
| Increase in investments | (339,973) | (16,562) |
| Net increase in cash from investing activities | (339,973) | (16,562) |
| FINANCING ACTIVITIES | | |
| Proceeds of long term liabilities | --- | 154,013 |
| Repayment of long term liabilities and tile drainage loan | (66,677) | (81,443) |
| Net (decrease) increase in cash from financing activities | (66,677) | 72,570 |
| NET (DECREASE) INCREASE IN CASH | (905,730) | 2,206,661 |
| CASH, BEGINNING OF YEAR | 2,991,294 | 784,633 |
| CASH, END OF YEAR | 2,085,564 | 2,991,294 |

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

Township of Frontenac Islands

Notes to the Consolidated Financial Statements

December 31, 2020

1. Status of the Township of Frontenac Islands

The Township of Frontenac Islands (the 'Township') was incorporated in 1998 (being an amalgamation of the former Howe Island Township and Wolfe Island Township) and assumed its responsibilities under the authority of the Ministry of Municipal Affairs and the Municipal Act. The Township operates as a lower tier government in the County of Frontenac, in the Province of Ontario, Canada and provides municipal services such as police, fire, public works, planning, parks and recreation, library and other general government operations.

2. Significant Accounting Policies

The consolidated financial statements of the Corporation of the Township of Frontenac Islands are the representations of management and have been prepared in all material respects in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies by the Township are as follows:

Reporting Entity

- (i) The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenses, reserves, reserve funds and changes in investment in tangible capital assets of the Township. 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) The charges for long term liabilities assumed by consolidated entities or by individuals in the case of the drainage and shoreline property assistance loans are reflected in the consolidated financial statements.
- (iii) The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and county are not reflected in the municipal fund balances of these consolidated financial statements.

Basis of Consolidation

- (i) The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.
- (ii) 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 change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.
- (iii) Trust funds and their related operations administered by the Township are not included in these consolidated financial statements but are reported separately on the Trust Funds Statement of Financial Activities and Financial Position.

Township of Frontenac Islands Notes to the Consolidated Financial Statements

December 31, 2020

2. Significant Accounting Policies / continued

Basis of Consolidation / continued

- (iv) The Big Sandy Bay Management Area Stewardship Committee has not been consolidated with the consolidated financial statements of the Corporation of the Township of Frontenac Islands, but is reported on separately.

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 by the Township Council, incorporating amounts to be raised for local services, amounts to be raised on behalf of County of Frontenac for regional services, and amounts the Township is required to collect on behalf of the Province of Ontario in respect of education taxes. Taxation revenues are recorded at the time tax billings are issued. Adjustments to taxation revenue can occur during the year related to the issuance of supplementary tax billings and/or assessment appeals. These adjustments are recorded when the amount of the adjustments can be quantified. The Township is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period in which the interest and penalties are applied.

Tangible Capital Assets

Tangible capital assets are recorded at cost, which include all 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:

| | |
|-------------------------------------|---------------|
| Land | |
| Land Improvements | 30 - 50 years |
| Buildings and Building Improvements | 10 - 60 years |
| Vehicles, Machinery and Equipment | 3 - 25 years |
| Linear Assets | |
| Roads | 7 - 50 years |
| Bridges | 7 - 50 years |

Amortization is charged from the year of acquisition. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue.

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the consolidated statement of operations in the year of disposal. Transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

Township of Frontenac Islands Notes to the Consolidated Financial Statements

December 31, 2020

2. Significant Accounting Policies / continued

Tangible Capital Assets / continued

When conditions indicate that a tangible capital asset no longer contributes to the Township's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the consolidated statement of operations.

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Inventories and Prepaid Expenses

Inventories and prepaid expenses held for consumption are recorded at the lower of cost or replacement cost.

Pension and Employee Benefits

The Township accounts for its participation in the Ontario Municipal Employees Retirement System ('OMERS'), a multi-employer public sector pension fund, as a defined benefit plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

Employee benefits include vacation entitlement and sick leave benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave benefits are accrued in accordance with the Township's policy.

Employee Future Benefit Obligations

The Township accrues its obligation for employee benefit plans. The cost of post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Actual gains (losses) which can arise from changes in the actuarial assumptions used to determine the accrued benefit obligation will be amortized over the average remaining service period of active employees.

Cash and Cash Equivalents

The Township considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

Township of Frontenac Islands Notes to the Consolidated Financial Statements

December 31, 2020

2. Significant Accounting Policies / continued

Government Transfers

Government transfers are recognized in the consolidated financial statements as revenues in the period in which 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.

Deferred Revenues ▶ Obligatory Reserve Funds

The Township defers recognition of user charges and fees which have been collected but for which the related services have yet to be performed. Government transfers of gas taxes, development charges collected under the *Development Charges Act, 1997*, and recreational land collected under the Planning Act are reported as deferred revenues in the Consolidated Statement of Financial Position. These amounts will be recognized as revenues in the fiscal year the services are performed.

The Township receives restricted contributions under the authority of provincial legislation and Township bylaws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

The Township receives restricted contributions under the authority of Federal and Provincial legislation and Township by-laws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

Deferred revenue represents certain user charges and fees which have been collected but for which the related services have yet to be performed. Deferred revenue also represents contributions that the Township has received pursuant to legislation, regulation or agreement that may only be used for certain programs or in the completion of specific work. These amounts are recognized as revenue in the fiscal year the services are performed or related expenses incurred.

Investments

Short-term and long-term investments are recorded at cost plus accrual interest. If the market value of investments become lower than cost and the decline in value is considered to be other than temporary, the investments are written down to market value.

Investment income earned on surplus, current funds, capital funds, reserves and reserve funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on development charges and parkland obligatory reserve funds is added to the fund balance and forms part of respective deferred revenue balances.

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 with respect to events extending over a fifty year period using the best information available to management.

Township of Frontenac Islands Notes to the Consolidated Financial Statements

December 31, 2020

2. Significant Accounting Policies / continued

Landfill Closure and Post-Closure Liabilities

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.

Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- (a) an environmental standard exists;
- (b) contamination exceeds the environmental standard;
- (c) the Township:
 - (i) is directly responsible; or
 - (ii) accepts responsibility
- (d) it is expected that future economic benefit will be given up; and
- (e) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

Financial Instruments

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. The Township has classified each financial instrument into one of the following categories: held-for-trading financial assets and liabilities, loans and receivables, held-to-maturity financial assets and other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

The Township's financial assets and liabilities are measured as follows:

- (a) Cash at fair value
- (b) Portfolio investments as fair value
- (c) Accounts receivable at amortized cost
- (d) Accounts payable and accrued liabilities at amortized cost
- (e) Debt at amortized cost.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the consolidated statement of remeasurement gains and losses. When the restricted nature of a financial instrument and any related changes in fair value create a liability, unrealized gains and losses are recognized as deferred revenue.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement of operations.

Township of Frontenac Islands
Notes to the Consolidated Financial Statements

December 31, 2020

2. Significant Accounting Policies / continued

Financial Instruments

For financial instruments measure using amortized cost, the effective interest rate method is used to determine interest revenue or expenses. Transaction costs are a component of cost for financial instruments measured using cost or amortized costs. Transaction costs are expensed for financial instruments measured at fair value. Investment management fees are expensed as incurred. The purchase and sale of cash equivalents and portfolio investments are accounted for using trade-date accounting. The Municipality does not use foreign currency contracts or any other type of derivative financial instruments of trading or speculative purposes.

Measurement Uncertainty

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue 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 consolidated financial statements in the period in which they become known.

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 \$1,522,720 at December 31, 2020 (2019 \$1,149,298).

4. Operations of the School Boards and County of Frontenac

During 2020, the Township collected and made property tax transfers including payments in lieu of property taxes, to the County of Frontenac and School Boards as follows:

| | School Boards | County |
|--------------------------------|----------------------|------------------|
| | \$ | \$ |
| Amounts requisitioned and paid | 993,450 | 1,003,187 |

5. Deferred Revenues

A requirement of public sector accounting standards of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as legislation, regulation or agreement restricts how these funds may be used and under certain circumstances these funds may possibly be refunded.

Township of Frontenac Islands
Notes to the Consolidated Financial Statements

December 31, 2020

5. Deferred Revenues / continued

The transactions for the year are summarized below:

| | Development Charges | Gas Tax | Wolfe Building | Howe Building | Total |
|-------------------------------|------------------------|-----------|-------------------|------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| January 1, 2020 | 122,847 | 252,429 | 110,549 | 86,577 | 572,402 |
| Contributions from developers | 35,506 | --- | --- | 21,473 | 56,979 |
| Government grants | --- | 136,210 | --- | --- | 136,210 |
| Interest earned | 7 | 729 | 686 | 549 | 1,971 |
| Transfer for capital purposes | (24,184) | (151,516) | (29,822) | --- | (205,522) |
| December 31, 2020 | 134,176 | 237,852 | 81,413 | 108,599 | 562,040 |

6. Long Term Liabilities

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

| | 2020 | 2019 |
|---|----------------|----------------|
| | \$ | \$ |
| Infrastructure Ontario loan (2.23%), with semi-annual blended payments of \$15,977, maturing June 2025. | 136,092 | 164,534 |
| Infrastructure Ontario loan (2.55%), with semi-annual principal payments of \$14,000 plus interest, maturing February 2045, secured by building. | 686,000 | 699,983 |
| Caterpillar Financial Service Limited loan (0.00%), repayable in monthly instalment payments of \$1,855, secured by equipment, due July 2024. | 79,316 | 101,977 |
| Instalment debentures with the Province of Ontario under the Tile Loan Program. The responsibility for payment of principal and interest charges for tile drainage and shoreline property assistance loans has been assumed by individuals. At the end of the year the outstanding principal amount of this liability is: | --- | 1,591 |
| | 901,408 | 968,085 |

Township of Frontenac Islands
Notes to the Consolidated Financial Statements

December 31, 2020

6. Long Term Liabilities / continued

Principal payments fall due as follows:

| | \$ |
|---------------------|---------------------|
| 2021 | 79,349 |
| 2022 | 80,001 |
| 2023 | 71,590 |
| 2024 | 73,801 |
| 2025 | 28,000 |
| 2026 and thereafter | 568,667 |
| | <hr/> 901,408 <hr/> |

(b) Interest expenses on long term liabilities in 2020 amounted to \$12,412 (2019 \$20,830).

7. Trust Funds

Trust funds administered by the Township amounting to \$14,723 (2019 \$18,549) are presented in a separate financial statement of trust fund balances and operations. As such balances are held in trust by the Township for the benefit of others, they are not presented as part of the Township's financial position or financial activities.

8. Pension Contributions

The Township makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all permanent members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employers and employees contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Village does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

The amount contributed to OMERS was \$81,689 (2019 \$78,111) for current services and is included as an expenditure on the Consolidated Statement of Operations classified under the appropriate functional expenditure. Contributions by employees were a similar amount.

9. 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. Closure and post closure cost requirements are to be provided over the estimated remaining life of the landfill sites based on usage.

Township of Frontenac Islands
Notes to the Consolidated Financial Statements

December 31, 2020

9. Landfill Closure and Post Closure Liability / continued

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liabilities are based on estimates and assumptions with respect to events extending over a period of up to twenty-five years 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 2.00% and discounted at the Township's average long term borrowing rate of 2.23% (2019 2.23%). The estimated total landfill closure and post-closure care expense are calculated at approximately \$218,639 (2019 \$228,023). Included in liabilities at December 31, 2020 is an amount of \$218,639 (2019 \$228,023) with respect to landfill closure and post-closure liabilities recognized to date.

In 2015 the Township closed the Wolfe Island Disposal Site. Since the closure, the period for post closure is estimated to be 25 years. Total estimated landfill post closure care expenses are \$218,639 (2019 \$228,023).

10. Municipal Equity

Municipal equity consists of:

| | 2020 | 2019 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Invested in Tangible Capital Assets | | |
| Tangible capital assets | 21,382,872 | 18,808,214 |
| Long term liabilities | (901,408) | (968,085) |
| | 20,481,464 | 17,840,129 |
| Landfill Closure and Post-Closure To Be Recovered | (218,639) | (228,023) |
| Reserve Funds | 2,837,443 | 2,635,218 |
| Reserves | 763,361 | 755,992 |
| Total Municipal Equity | 23,863,629 | 21,003,316 |

Township of Frontenac Islands Notes to the Consolidated Financial Statements

December 31, 2020

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 as at December 31, 2020, management believes that the Township has valid defences and appropriate 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. As a result, no provision has been made in these consolidated financial statements for any settlement which may arise as a result of these claims.

12. Contractual Obligations

There is no contract for policing services. The Municipality is provided police services by the Ontario Provincial Police under Section 5.1 of the Police Services Act. The annual charges are determined based on base costs and calls for service, overtime, prisoner transport, cleaning and accommodation. The amount paid in 2020 for police service usage was \$341,238 (2019 \$345,935).

The Township negotiated a contract with Island Property Management for the curbside collection of solid waste on Howe Island. The contract commenced May 2018 and concludes April 2021. Payments made under the contract for 2020 were approximately \$74,727 (2019 \$62,549).

The Township negotiated a contract with Manco Re-cycling Services for the bin rental and haulage of household waste for Wolfe Island. The contract commenced September 2018 and concludes September 2022. Payments made under the contract for 2020 were approximately \$10,676 (2019 \$56,675).

The Township negotiated a contract with Manco Re-cycling Services for the haulage of commercial refuse / waste for Howe and Wolfe Islands. The contract commenced August 2018 and concludes August 2022. Payment made under the contract for 2020 were approximately \$27,310 (2019 \$117,170).

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 on a cost recovery basis commencing January 1, 2020 and shall continue thereafter on a year to year basis. Payments made under the contract for 2020 were \$54,095 (2019 \$45,000).

14. Risk Management

In the normal course of operations, the Township is exposed to a variety of financial risks which are actively managed by the Township.

Township of Frontenac Islands Notes to the Consolidated Financial Statements

December 31, 2020

14. Risk Management / continued

The Township's financial instruments consist of cash, investments, accounts receivable and accounts payable and accrued liabilities. The fair values of cash, accounts receivable, investments and accounts payable and accrued liabilities approximate their carrying values because of their expected short term maturity and treatment on normal trade terms.

The Township's exposure to and management of risk has not changed materially from December 31, 2019.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Township is mainly exposed to interest and price risk.

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Township is exposed to price risk through its investment in quoted One Fund investments.

Credit Risk

Credit risk arises from the possibility that the entities to which the Township provides services to may experience difficulty and be unable to fulfill their obligations. The Township is exposed to financial risk that arises from the credit quality of the entities to which it provides services. The Township does not have a significant exposure to any individual customer or counter party. As a result, the requirement for credit risk related reserves for accounts receivable is minimal.

Interest Rate Risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Township is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates on its cash and cash equivalents and operating loan. Changes in variable interest rates could cause unanticipated fluctuations in the Township's operating results.

Liquidity Risk

Liquidity risk is the risk that the Township will not be able to meet its obligations as they fall due. The Township requires working capital to meet day-to-day operating activities. Management expects that the Township's cash flows from operating activities will be sufficient to meet these requirements.

**Township of Frontenac Islands
Notes to the Consolidated Financial Statements**

December 31, 2020

15. Tangible Capital Assets

| | 2020 | 2019 |
|--------------------------|-------------------|-------------------|
| | \$ | \$ |
| Land | 740,911 | 740,911 |
| Land improvements | 1,782,603 | 1,725,518 |
| Buildings | 2,409,630 | 2,438,718 |
| Machinery and equipment | 858,727 | 803,552 |
| Vehicles | 1,770,900 | 1,854,251 |
| Linear Assets | | |
| Roads | 13,726,236 | 11,240,839 |
| Construction in progress | 93,865 | 4,425 |
| | 21,382,872 | 18,808,214 |

For additional information, see Schedule 2 ▶ Tangible Capital Assets.

Assets under construction having a value of \$93,865 (2019 \$4,425) have not been amortized. Amortization of these assets will commence when the asset is put into service.

16. Segmented Information

The Township is a diversified municipal government that provides a wide 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.

Municipal 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 as a segment includes 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 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 inspection, 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.

Township of Frontenac Islands Notes to the Consolidated Financial Statements

December 31, 2020

16. Segmented Information / continued

(c) Transportation Services

This department provides the winter and summer maintenance, the repair and the construction of the municipal roads system including bridges and culverts. 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, Recreation and Culture

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 development for business interest, 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 for geomatics services.

For each segment separately reported, the segment revenue and expense 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 property tax revenue. Taxation is apportioned to these services based on the funding requirement. 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 2.

**Township of Frontenac Islands
Notes to the Consolidated Financial Statements**

December 31, 2020

16. Segmented Information / continued

| 2020 | Salaries, Wages & Employee Benefits | Debenture Debt Interest | Materials Supplies, & Contracted Services | External Transfers | Amortization | Total |
|---------------------------------------|--|-------------------------------|--|-----------------------|------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| General Government | 375,212 | --- | 287,189 | --- | 9,240 | 671,641 |
| Protection to Persons and Property | 114,411 | --- | 557,749 | --- | 63,498 | 735,658 |
| Transportation | 1,093,363 | --- | 858,112 | --- | 1,196,649 | 3,148,124 |
| Environmental | 69,251 | --- | 258,027 | --- | 6,279 | 333,557 |
| Social Housing | 5,237 | 8,901 | 28,739 | --- | 22,349 | 65,226 |
| Recreation and Cultural Services | 17,978 | 3,511 | 139,423 | --- | 65,525 | 226,437 |
| Planning and Development | 17,146 | --- | 182,112 | --- | --- | 199,258 |
| 2020 | 1,692,598 | 12,412 | 2,311,351 | --- | 1,363,540 | 5,379,901 |

| 2019 | Salaries, Wages & Employee Benefits | Debenture Debt Interest | Materials Supplies, & Contracted Services | External Transfers | Amortization | Total |
|---------------------------------------|--|-------------------------------|--|-----------------------|------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| General Government | 342,735 | --- | 320,602 | --- | 9,449 | 672,786 |
| Protection to Persons and Property | 110,925 | --- | 493,117 | --- | 59,758 | 663,800 |
| Transportation | 1,111,107 | --- | 1,084,503 | --- | 1,263,887 | 3,459,497 |
| Environmental | 82,588 | --- | 271,255 | --- | 2,260 | 356,103 |
| Social Housing | 10,000 | 16,695 | 20,471 | --- | 21,933 | 69,099 |
| Recreation and Cultural Services | 28,088 | 4,135 | 166,341 | --- | 65,485 | 264,049 |
| Planning and Development | 17,225 | --- | 106,084 | --- | --- | 123,309 |
| 2019 | 1,702,668 | 20,830 | 2,462,373 | --- | 1,422,772 | 5,608,643 |

**Township of Frontenac Islands
Notes to the Consolidated Financial Statements**

December 31, 2020

17. Budget Figures

The 2020 budget amounts that were approved were not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Board Standards). The budget included capital items such as infrastructure replacements and estimated costs for constructed assets, as program expenses, but the actual expenses have been removed in the Statement of Operations. The revenues attributable to these items continue to be included in the Statement of Operations, resulting in a significant variance.

The following analysis is provided to assist readers in their understanding of differences between the approved budget and the audited financial statements:

| | Budget | Actual |
|----------------------------------|---------------|---------------|
| | \$ | \$ |
| Total Revenues | 4,619,618 | 4,790,008 |
| Total Expenses | (5,159,866) | (5,379,901) |
| Net Expenses | (540,248) | (589,893) |
| Amortization | 1,363,540 | 1,363,540 |
| Adjusted Net Revenues | 823,292 | 773,647 |
| Capital Revenues | 49,031 | 174,374 |
| Funds Available | 872,323 | 948,021 |
| Capital Expenditures | (4,173,610) | (662,366) |
| Principal Repayments | (65,086) | (66,677) |
| Long Term Debt Acquired | 3,000,000 | --- |
| Unfinanced Capital Projects | --- | (9,384) |
| Increase in Operating Surplus | (366,373) | 209,594 |
| Allocated as follows: | | |
| Net transfers (to) from reserves | (366,373) | 209,594 |

18. Prior Period Adjustment

During the 2018 year, the Ontario Ministry of Transportation rehabilitated Frontenac Islands Roads 96 and 7051 at a cost of \$3,211,600 plus HST.

Subsequent to the completion of the rehabilitation, the Township of Frontenac Islands assumed ownership of the related tangible capital asset.

Township of Frontenac Islands
Notes to the Consolidated Financial Statements

December 31, 2020

18. Prior Period Adjustment

The prior period adjustment related to the assumption of this asset is comprised of:

| | \$ |
|--|------------------|
| Increase in historical cost of paved roads | 3,412,325 |
| Related increase in accumulated amortization | (136,493) |
| Net adjustment to investment in tangible capital assets | 3,275,832 |
| | |
| Total Prior Period Adjustment | 3,275,832 |

Township of Frontenac Islands
Schedule 1 ▶ Continuity of Reserves and Reserve Funds

| For the year ended December 31 | (Note 17) Budget | 2020 | 2019 |
|--|---------------------|-----------|-----------|
| | \$ | \$ | \$ |
| Revenues | | | |
| Interest | --- | 4,330 | 6,843 |
| Net Transfers From / (To) Other Funds | | | |
| Transfers from operations | 363,456 | 174,305 | (163,026) |
| Transfers from (to) capital acquisitions | (757,037) | 30,959 | (404,593) |
| Total Net Transfers | (393,581) | 205,264 | (567,619) |
| Reserves and Reserve Fund Balances, Change in Year | (393,581) | 209,594 | (560,776) |
| Reserves and Reserve Fund Balances, Beginning of Year | 3,391,210 | 3,391,210 | 3,951,986 |
| Reserves and Reserve Fund Balances, End of Year | 2,997,629 | 3,600,804 | 3,391,210 |

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

Township of Frontenac Islands Composition of Reserves and Reserve Funds

| For the year ended December 31 | 2020 | 2019 |
|--|------------------|------------------|
| | \$ | \$ |
| General Reserves and Reserve Funds set aside by Council: | | |
| ▸ for working capital | 262,120 | 180,263 |
| ▸ for capital | 126,216 | 102,516 |
| ▸ for general reserves | 5,000 | 2,500 |
| ▸ for planning | 18,084 | 60,723 |
| | 411,420 | 346,002 |
| ▸ for mill rate stabilization | 43,322 | 43,002 |
| ▸ for Ernie Allen Reserve Fund | 65,092 | 71,407 |
| | 108,414 | 114,409 |
| Total General | 519,834 | 460,411 |
| Reserves and Reserves Funds set aside for Howe Island by Council: | | |
| ▸ for Howe general reserve | --- | 32,896 |
| ▸ for Howe capital reserve funds | 578,679 | 836,018 |
| Total Howe | 578,679 | 868,914 |
| Reserves and Reserve Funds set aside for Wolfe Island by Council: | | |
| ▸ for Wolfe Community Centre | 163,954 | 119,018 |
| ▸ for Wolfe Waste Disposal | (6,268) | 10,141 |
| ▸ for Wolfe Community Enhancement and Recreation | 72,635 | 18,642 |
| ▸ for Wolfe General | 51,779 | 229,293 |
| ▸ for Wolfe Capital | 69,841 | --- |
| | 351,941 | 377,094 |
| ▸ for Wolfe Capital | 521,639 | 517,361 |
| ▸ for Wolfe Island Investment Fund | 1,300,000 | 1,100,000 |
| ▸ for Wolfe Capital Reserve Funds | 328,711 | 67,430 |
| | 2,150,350 | 1,684,791 |
| Total Wolfe | 2,502,291 | 2,061,885 |
| Total Reserves | 763,361 | 755,992 |
| Total Reserve Funds | 2,837,443 | 2,635,218 |
| | 3,600,804 | 3,391,210 |

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

**Township of Frontenac Islands
Schedule 2 ▶ 2020 Tangible Capital Assets**

| Asset Class | Cost 01/01/20 | Additions | (Note 18) Prior Period Adjustments | Cost 31/12/20 |
|--------------------------------------|------------------|-----------|--|------------------|
| | \$ | \$ | \$ | \$ |
| Land | 740,911 | --- | --- | 740,911 |
| Land Improvements | 2,345,393 | 127,804 | --- | 2,473,197 |
| Buildings & Building Improvements | 3,810,561 | 67,503 | --- | 3,878,064 |
| Machinery & Equipment | 1,197,355 | 124,833 | --- | 1,322,188 |
| Vehicles | 3,019,565 | 41,047 | --- | 3,060,612 |
| Linear Assets Roads | 34,860,250 | 211,739 | 3,412,325 | 38,484,314 |
| Construction in Progress | 4,425 | 89,440 | --- | 93,865 |
| | 45,978,460 | 662,366 | 3,412,325 | 50,053,151 |

| Asset Class | Accumulated Amortization 01/01/20 | Amortization | (Note 18) Prior Period Adjustments | Accumulated Amortization 31/12/20 | Net Book Value 31/12/20 |
|--------------------------|---|--------------|--|---|-------------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Land | --- | --- | --- | --- | 740,911 |
| Land Improvements | 619,875 | 70,719 | --- | 690,594 | 1,782,603 |
| Buildings & Building | 1,371,843 | 96,591 | --- | 1,468,434 | 2,409,630 |
| Machinery & Equipment | 393,803 | 69,658 | --- | 463,461 | 858,727 |
| Vehicles | 1,165,314 | 124,398 | --- | 1,289,712 | 1,770,900 |
| Linear Assets Roads | 23,619,411 | 1,002,174 | 136,493 | 24,758,078 | 13,726,236 |
| Construction in Progress | --- | --- | --- | --- | 93,865 |
| | 27,170,246 | 1,363,540 | 136,493 | 28,670,279 | 21,382,872 |

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

**Township of Frontenac Islands
Schedule 2 ▶ 2019 Tangible Capital Assets**

| Asset Class | Cost 01/01/19 | Additions | (Disposals) | Cost 31/12/19 |
|-----------------------------------|-------------------|----------------|-----------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Land | 740,911 | --- | --- | 740,911 |
| Land Improvements | 2,337,100 | 8,293 | --- | 2,345,393 |
| Buildings & Building Improvements | 3,755,016 | 55,545 | --- | 3,810,561 |
| Machinery & Equipment | 847,314 | 350,041 | --- | 1,197,355 |
| Vehicles | 3,109,097 | --- | (89,532) | 3,019,565 |
| Linear Assets Roads | 34,687,799 | 172,451 | --- | 34,860,250 |
| Construction in Progress | --- | 4,425 | --- | 4,425 |
| | 45,477,237 | 590,755 | (89,532) | 45,978,460 |

| Asset Class | Accumulated Amortization 01/01/19 | Amortization | (Disposals) | Accumulated Amortization 31/12/19 | Net Book Value 31/12/19 |
|-----------------------------------|---|------------------|-----------------|---|-------------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Land | --- | --- | --- | --- | 740,911 |
| Land Improvements | 549,573 | 70,302 | --- | 619,875 | 1,725,518 |
| Buildings & Building Improvements | 1,276,080 | 95,763 | --- | 1,371,843 | 2,438,718 |
| Machinery & Equipment | 340,295 | 53,508 | --- | 393,803 | 803,552 |
| Vehicles | 1,100,180 | 131,786 | (66,652) | 1,165,314 | 1,854,251 |
| Linear Assets Roads | 22,547,998 | 1,071,413 | --- | 23,619,411 | 11,240,839 |
| Construction in Progress | --- | --- | --- | --- | 4,425 |
| | 25,814,126 | 1,422,772 | (66,652) | 27,170,246 | 18,808,214 |

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



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the statement of financial statements of the trust fund of the Corporation of the Township of Frontenac Islands (the 'Entity'), which comprise:

- the statement of financial position as at December 31, 2020;
- the statement of financial activities for the year then ended;
- and the notes to the financial statements, including a summary of significant accounting policies;

(Hereinafter referred to as the 'financial statements').

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its financial activities for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **'Auditors' Responsibilities for the Audit of the Financial Statements'** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis of our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario
October 4, 2021.

**Township of Frontenac Islands
Fire Building Trust Funds
Statement of Financial Position**

| December 31 | 2020 | 2019 |
|--------------------|--------|--------|
| | \$ | \$ |
| ASSETS | | |
| Cash | 18,688 | 18,549 |
| LIABILITIES | | |
| Due to Township | 3,965 | --- |
| Fund balance | 14,723 | 18,549 |
| | 18,688 | 18,549 |

Statement of Financial Activities

| For the year ended December 31 | 2020 | 2019 |
|---|----------------|---------------|
| | \$ | \$ |
| REVENUES | | |
| Interest | 139 | 329 |
| EXPENSES | | |
| Maintenance | 3,965 | --- |
| NET (EXPENSES) REVENUES FOR THE YEAR | (3,826) | 329 |
| BALANCE AT THE BEGINNING OF THE YEAR | 18,549 | 18,220 |
| BALANCE AT THE END OF THE YEAR | 14,723 | 18,549 |

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

**Township of Frontenac Islands
Fire Building Trust Fund
Notes to the Financial Statements**

December 31, 2020

1. Significant Accounting Policies

The financial statements of the Corporation of the Township of Frontenac Islands Trust Funds are prepared by management in accordance with Canadian Public Sector Accounting Standards.

Basis of Accounting

These statements reflect the assets, liabilities, revenues and expenses of the Trusts.

Revenue Recognition

Revenues 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.

Measurement Uncertainty

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 revenues 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.
