

Consolidated Financial Statements of

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

Year ended December 31, 2016

Consolidated Financial Statements of

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

Year ended December 31, 2016

## **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.

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Darlene Plumley  
Chief Administrative Officer/Treasurer

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Carol Dwyre  
Deputy Treasurer



KPMG LLP  
863 Princess Street, Suite 400  
Kingston ON K7L 5N4  
Canada  
Telephone 613-549-1550  
Fax 613-549-6349

## INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of 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, 2016, 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, 2016, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

July 10, 2017

Kingston, Canada



# THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

## Consolidated Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
<b>Financial assets:</b>		
Cash and cash equivalents	\$ 1,935,197	\$ 2,915,795
Investments (note 2)	739,557	527,713
Taxes receivable	423,868	431,888
Accounts receivable	1,234,228	560,914
	4,332,850	4,436,310
<b>Liabilities:</b>		
Tile drainage loans (note 7)	6,359	7,948
Accounts payable and accrued liabilities	569,726	889,125
Long-term debt (note 4)	246,173	284,920
Deferred revenue - obligatory reserve funds (note 6)	347,802	448,240
Landfill closure and post-closure liability (note 13)	262,798	142,143
	1,432,858	1,772,376
<b>Total net financial assets</b>	<b>2,899,992</b>	<b>2,663,934</b>
<b>Other non-financial assets:</b>		
Tangible capital assets (note 15)	18,119,577	18,654,351
Prepaid expenses	7,152	9,308
<b>Total non-financial assets</b>	<b>18,126,729</b>	<b>18,663,659</b>
Contingent liabilities (note 11)		
Commitments (note 12)		
Subsequent event (note 17)		
<b>Accumulated municipal equity (note 5)</b>	<b>\$ 21,026,721</b>	<b>\$ 21,327,593</b>

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, 2016, with comparative information for 2015

	Budget 2016	Actual 2016	Actual 2015
	(note 14)		
Revenue:			
Taxation for municipal purposes	\$ 2,125,968	\$ 2,148,798	\$ 1,885,245
Fines and penalties	50,000	68,373	67,427
Investment income	5,000	22,254	17,945
Federal grants	–	126,123	283,600
Government grants	643,600	733,986	704,026
Municipal transfer	28,071	28,071	42,106
Licences and permits	685	57,563	69,185
User fees and service charges	98,500	161,234	130,756
Wolfe Island Wind Plant revenue	645,000	645,000	645,000
Donations	8,500	23,497	57,037
Gain on sale of assets	–	–	12,000
Other	64,195	131,854	120,707
Transfer from developer charges	–	161,500	11,608
	3,669,519	4,308,253	4,046,642
Expenses (note 10):			
General government	627,433	508,652	553,111
Protection to persons and property	467,997	463,579	400,042
Transportation services	2,817,271	2,828,445	3,010,471
Environmental services	256,123	299,735	420,303
Landfill closure and post-closure	–	120,655	(155,000)
Recreation and cultural services	209,856	301,383	248,316
Planning and development	28,045	86,676	77,791
Total expense	4,406,725	4,609,125	4,555,034
Annual deficit	(737,206)	(300,872)	(508,392)
Accumulated municipal equity, beginning of year	21,327,593	21,327,593	21,835,985
Accumulated municipal equity, end of year	\$ 20,590,387	\$ 21,026,721	\$ 21,327,593

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, 2016, with comparative information for 2015

	2016	2015
Annual deficit	\$ (300,872)	\$ (508,392)
Acquisition of tangible capital assets	(935,016)	(616,370)
Amortization of tangible capital assets	1,374,660	1,330,731
Loss (gain) on disposal of tangible capital assets	95,130	(12,000)
Proceeds on sale of tangible capital assets	-	12,000
Change in prepaid expenses	2,156	(8,220)
	536,930	706,141
Change in net financial assets	236,058	197,749
Net financial assets, beginning of year	2,663,934	2,466,184
Net financial assets, end of year	\$ 2,899,992	\$ 2,663,934

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, 2016, with comparative information for 2015

	2016	2015
Operating transactions:		
Annual deficit	\$ (300,872)	\$ (508,392)
Items not involving cash:		
Amortization of tangible capital assets	1,374,660	1,330,731
Loss (gain) on disposal of tangible capital assets	95,130	(12,000)
Increase (decrease) in landfill closure and post-closure costs	120,655	(155,000)
	1,289,573	655,339
 Change in non-cash working capital items:		
Decrease (increase) in accounts receivable	(673,314)	314,249
Increase (decrease) in accounts payable and accrued liabilities	(319,397)	313,944
Decrease in taxes receivable	8,019	23,149
Decrease in obligatory reserve funds	(100,438)	(78,875)
Decrease (increase) in prepaid expenses	2,156	(8,219)
	(1,082,974)	564,248
	206,599	1,219,587
 Capital transactions:		
Proceeds on sale of tangible capital assets	-	12,000
Cash used to acquired tangible capital assets	(935,016)	(616,370)
	(935,016)	(604,370)
 Investing transactions:		
Purchase of investments	(211,844)	(9,809)
 Financing transactions:		
Principal payments on long-term debt and tile drainage loans	(40,337)	(161,670)
 Increase (decrease) in cash and cash equivalents	(980,598)	443,738
Cash and cash equivalents, beginning of year	2,915,795	2,472,057
Cash and cash equivalents, end of year	\$ 1,935,197	\$ 2,915,795

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, 2016

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## 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, 2016

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## 1. Accounting policies (continued):

### (c) Landfill closure and post-closure liabilities:

The Township accrues landfill closure and post-closure care requirements that have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions using the best information available to management.

Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

### (d) Deferred revenue - obligatory reserve funds:

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

### (e) Investments:

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

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

### (f) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Significant items subject to such estimates and assumptions include landfill closure and post-closure liability and useful lives of tangible capital assets. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the consolidated financial statements in the period in which they become known.



# THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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## 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:

<b>Asset</b>	<b>Useful Life - Years</b>
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, 2016

## 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 \$823,752 at December 31, 2016 (2015 - \$583,563).

## 3. Operations of school boards and County of Frontenac:

During 2016, 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	
	2016	2015	2016	2015
Amounts requisitioned and collected	\$ 1,143,415	\$ 1,128,093	\$ 884,381	\$ 858,253



# THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

**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:

	2016	2015
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.	\$ 246,173	\$ 284,920

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

2017	\$	26,612
2018		27,208
2019		27,818
2020		28,442
2021		29,081
Thereafter		107,012
	\$	246,173

# THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 5. Accumulated municipal equity:

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

	2016	2015
Current operating	\$ (692,956)	\$ (786,733)
Tangible capital assets	18,119,577	18,654,351
Long-term debt	(246,173)	(284,920)
Amounts to be recovered - landfill closure and post-closure costs	(262,798)	(142,143)
	<u>16,917,650</u>	<u>17,440,555</u>
Reserves set aside for specific purposes by Council:		
Community Centre Board reserve	123,174	100,826
Working capital	294,310	294,310
Capital	77,055	77,055
Insurance	15,000	15,000
Planning	11,000	20,000
Waste disposal	82,490	84,990
Community enhancement and recreation	109,271	102,064
Election	4,000	2,000
Computer equipment	14,500	13,500
Historical Society	1,450	1,450
Arena roof	100,000	100,000
Asset management	19,541	19,541
Total reserves	<u>851,791</u>	<u>830,736</u>
Reserve funds set aside for specific purposes by Council:		
Roads	507,260	645,002
Ferries - environmental assessment	596,618	560,471
Mill rate stabilization	57,997	57,973
Protection	161,026	119,661
Recreation	392,062	378,694
Other	800,000	600,000
Lot levies	74,489	73,911
Gravel	25,000	25,000
Vehicle	75,000	75,000
Capital investment	471,093	475,590
Property infrastructure	90,000	45,000
Fuel	6,735	-
Total reserve funds	<u>3,257,280</u>	<u>3,056,302</u>
Total accumulated municipal equity	<u>\$ 21,026,721</u>	<u>\$ 21,327,593</u>

# THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 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:

	2016	2015
Balance, beginning of year	\$ 448,240	\$ 527,115
Federal gas tax proceeds	56,672	53,973
Federal gas tax County proceeds	85,508	157,987
Funds transferred	(287,623)	(295,208)
Interest	968	4,373
Development charges	44,037	-
<b>Balance, end of year</b>	<b>\$ 347,802</b>	<b>\$ 448,240</b>

Analyzed as follows:

Development charges	\$ 140,082	\$ 264,118
Federal gas tax	146,024	129,497
Wolfe building	1,700	10,145
Howe building	59,996	44,480
<b>Balance, end of year</b>	<b>\$ 347,802</b>	<b>\$ 448,240</b>

## 7. Tile drainage loans:

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

	2016	2015
Debenture for tile drainage loans	\$ 6,359	\$ 7,948

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, 2016

## 8. Trust fund:

A trust fund of \$34,883 (2015 - \$35,114) 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 2016 amounted to \$67,656 (2015 - \$59,307). These amounts are included as an expense on the "Consolidated Statement of Operations".

## 10. Supplementary information:

	2016	2015
Operating expenses by object:		
Salaries, wages and employee benefits	\$ 1,287,820	\$ 1,205,108
Materials	702,933	1,162,907
Contracted services	998,527	981,722
Amortization of tangible capital assets	1,374,660	1,330,733
Rents and financial expenses	29,400	29,564
Adjustment to landfill liability	120,655	(155,000)
Loss on sale	95,130	-
<b>Total</b>	<b>\$ 4,609,125</b>	<b>\$ 4,555,034</b>

## 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, 2016, 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, 2016

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## 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 \$262,798 (2015 - \$142,143).

In 2015, the Township closed the Wolfe Island Disposal Site, therefore the estimated remaining capacity of the Wolfe Island Disposal Site is Nil (2015 - 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, 2016, an amount of \$262,798 (2015 - \$142,143) 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, 2016

## 14. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2016 operating and capital budgets approved by Council on April 11, 2016. Amortization was not contemplated on development of the budget. Reconciliation of the approved budget to the budget figures reported in these consolidated financial statements is as follows:

Budget data	Budget amount
Total budgeted revenue:	
Total budget before adjustment	\$ 4,991,692
Less:	
Capital budget	112,120
Prior year surplus	57,684
	<u>169,804</u>
Less:	
Transfers from other funds	1,152,369
<b>Total revenue</b>	<b>\$ 3,669,519</b>
Budget data	Budget amount
Total budget expenses:	
Operating budget before adjustment	\$ 4,991,692
Less:	
Capital budget	825,000
Capital expenses	97,780
Total operating budget	<u>922,780</u>
Add:	
Amortization of tangible capital assets	1,374,660
Less:	
Transfer to other funds	1,036,847
<b>Total expenses</b>	<b>\$ 4,406,725</b>
<b>Annual deficit</b>	<b>\$ (737,206)</b>

# THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 15. Tangible capital assets:

Cost	Balance at December 31, 2015	Additions	Disposals	Balance at December 31, 2016
Land	\$ 693,527	\$ -	\$ -	\$ 693,527
Land improvements	1,107,011	53,748	-	1,160,759
Buildings	2,633,774	-	-	2,633,774
Machinery and equipment	577,893	71,166	-	649,059
Vehicles	2,052,373	301,494	32,211	2,321,656
Linear assets	33,520,199	197,101	-	33,717,300
Assets under construction	85,633	311,507	85,633	311,507
<b>Total</b>	<b>\$ 40,670,410</b>	<b>\$ 935,016</b>	<b>\$ 117,844</b>	<b>\$ 41,487,582</b>

Accumulated amortization	Balance at December 31, 2015	Disposals	Amortization expense	Balance at December 31, 2016
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	407,904	-	42,460	450,364
Buildings	1,039,874	-	69,397	1,109,271
Machinery and equipment	225,951	-	32,099	258,050
Vehicles	976,826	22,714	103,599	1,057,711
Linear assets	19,365,504	-	1,127,105	20,492,609
Assets under construction	-	-	-	-
<b>Total</b>	<b>\$ 22,016,059</b>	<b>\$ 22,714</b>	<b>\$ 1,374,660</b>	<b>\$ 23,368,005</b>

	Net book value December 31, 2015	Net book value December 31, 2016
Land	\$ 693,527	\$ 693,527
Land improvements	699,107	710,395
Buildings	1,593,900	1,524,503
Machinery and equipment	351,942	391,009
Vehicles	1,075,547	1,263,945
Linear assets	14,154,695	13,224,691
Assets under construction	85,633	311,507
<b>Total</b>	<b>\$ 18,654,351</b>	<b>\$ 18,119,577</b>

# THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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## 15. Tangible capital assets (continued):

### (a) Assets under construction:

Assets under construction having a value of \$311,507 (2015 - \$85,633) 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, 2016

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## 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, 2016

## 16. Segmented information (continued):

	Administration	Protection Services	Transportation Services	Environmental Services	Parks and Recreation	Planning and Development	Total
<b>Revenue:</b>							
Taxation	\$ 415,961	\$ 226,055	\$ 1,185,014	\$ 190,249	\$ 118,776	\$ 7,687	\$ 2,143,742
Payments in lieu of taxation	981	533	2,795	449	280	18	5,056
Penalties and interest on taxes	68,373	—	—	—	—	—	68,373
Investment income	18,871	323	1,174	—	1,307	578	22,253
Government conditional grants	375,359	—	458,159	26,591	—	—	860,109
Other municipalities	—	—	28,071	—	—	—	28,071
Licenses, permits and rents	505	4,365	—	—	—	52,693	57,563
User charges	—	—	127,516	2,620	31,098	—	161,234
Wind plant	—	—	645,000	—	—	—	645,000
Donations	—	575	—	—	22,922	—	23,497
Other	35,166	7,979	62,052	(357)	500	26,515	131,855
Transfers from other funds	—	—	—	—	—	161,500	161,500
<b>Total revenue</b>	<b>915,216</b>	<b>239,830</b>	<b>2,509,781</b>	<b>219,552</b>	<b>174,883</b>	<b>248,991</b>	<b>4,308,253</b>
<b>Expenses:</b>							
Salaries, wages and employee benefits	284,000	50,537	858,872	43,775	26,591	24,045	1,287,820
Materials	39,112	65,342	515,417	12,952	65,171	4,939	702,933
Contracted services	150,186	298,564	183,656	160,790	147,639	57,692	998,527
Rent and financial expense	29,400	—	—	—	—	—	29,400
Landfill obligation adjustment	—	—	—	120,655	—	—	120,655
Loss on sale of assets	—	—	13,466	81,664	—	—	95,130
Amortization	5,954	49,136	1,257,034	554	61,982	—	1,374,660
<b>Total expenses</b>	<b>508,652</b>	<b>463,579</b>	<b>2,828,445</b>	<b>420,390</b>	<b>301,383</b>	<b>86,676</b>	<b>4,609,125</b>
<b>Excess of revenue over expenses (expenses over revenue)</b>	<b>\$ 406,564</b>	<b>\$ (223,749)</b>	<b>\$ (318,664)</b>	<b>\$ (200,838)</b>	<b>\$ (126,500)</b>	<b>\$ 162,314</b>	<b>\$ (300,872)</b>



# THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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## **17. Subsequent event:**

During the year, council approved a capital project to construct a Wolfe Island Senior Apartment with a project cost estimate of \$945,550. In March 2017, the Township contracted Wemp & Smith Construction Ltd. to complete the construction by autumn 2017.



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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Corporation of the Township of Frontenac Islands - Fire Building Trust Fund, which comprise the statement of financial position as at December 31, 2016, 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, 2016 and its results of operations for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

July 10, 2017

Kingston, Canada

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

Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
<b>Assets</b>		
Cash and cash equivalents	\$ 34,883	\$ 34,869
Due from own municipality	-	245
	\$ 34,833	\$ 35,114
 <b>Fund Balance</b>		
Fund balance	\$ 34,883	\$ 35,114

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, 2016, with comparative information for 2015

	2016	2015
Contributions:		
Interest	\$ 14	\$ 241
Transfer to Township	(245)	-
Fund balance, beginning of year	35,114	34,873
<b>Fund balance, end of year</b>	<b>\$ 34,883</b>	<b>\$ 35,114</b>

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, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses (expenses over revenue)	\$ (231)	\$ 241
Decrease in due from own municipality	245	597
Net increase in cash and cash equivalents	14	838
Cash and cash equivalents, beginning of year	34,869	34,031
Cash and cash equivalents, end of year	\$ 34,883	\$ 34,869

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

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

Notes to Financial Statements

Year ended December 31, 2016

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## 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.