

Consolidated Financial Statements of

**CORPORATION OF THE
TOWNSHIP OF FRONTENAC
ISLANDS**

Year ended December 31, 2022

CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Consolidated Financial Statements

Year ended December 31, 2022

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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 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 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.

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 Council 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 Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Township's consolidated financial statements.

Troy Gilmour
Chief Administrative Officer

Scott Kerr
Treasurer



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

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, 2022
- the consolidated statement of operations and accumulated municipal equity 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 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, 2022, and its consolidated results of operations 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 "***Auditor's 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 judgment 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 for 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.



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- 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 auditor's 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 auditor's 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

October 10, 2023

CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets:		
Cash	\$ 311,792	\$ 453,111
Investments (note 2)	1,422,665	1,381,403
Taxes receivable	784,466	662,732
Accounts receivable	2,276,379	1,576,145
	<u>4,795,302</u>	<u>4,073,391</u>
Financial liabilities:		
Accounts payable and accrued liabilities	2,050,125	520,466
Prepaid property taxes	109,039	16,175
Deferred revenue	20,517	—
Deferred revenue - obligatory reserves (note 4)	541,424	534,956
Accrued landfill closure and post closure (note 8)	324,377	293,928
Long-term liabilities (note 5)	1,126,770	1,232,648
	<u>4,172,252</u>	<u>2,598,173</u>
Net financial assets	623,050	1,475,218
Non-financial assets:		
Tangible capital assets (note 12)	21,866,301	21,582,713
Inventory	212,322	146,715
Prepaid expenses	30,029	146,911
	<u>22,108,652</u>	<u>21,876,339</u>
Contingent liabilities (note 10)		
Commitments (note 11)		
Accumulated municipal equity (note 9)	<u>\$ 22,731,702</u>	<u>\$ 23,351,557</u>

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

CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Consolidated Statement of Operations and Accumulated Municipal Equity

Year ended December 31, 2022, with comparative information for 2021

	Budget 2022 (note 14)	Actual 2022	Actual 2021
Revenue:			
Taxation for municipal purposes	\$ 2,741,307	\$ 2,769,246	\$ 2,630,847
User charges	280,263	273,238	219,550
Government transfers (grants)	1,229,439	1,719,131	1,237,239
Municipal transfer	4,000	—	7,680
Licences and permits	99,105	71,360	38,236
Investment income	6,000	55,703	64,372
Fines and penalties	60,000	98,824	100,675
Wolfe Island Wind Plant	645,000	659,648	645,000
Donations	7,300	22,605	14,075
Other	77,521	107,302	125,996
Transfers from obligatory reserve funds	—	72,566	38,526
	5,149,935	5,849,623	5,122,196
Expenses (note 13):			
General government	667,138	816,533	663,293
Protection to persons and property	700,196	983,952	732,185
Transportation services	4,146,697	3,539,762	3,458,904
Environmental services	304,178	384,972	428,231
Social housing services	115,069	84,551	81,238
Recreation and cultural services	333,157	667,085	416,329
Planning and development	159,768	249,006	190,666
	6,426,203	6,725,861	5,970,846
Annual operating deficit	(1,276,268)	(876,238)	(848,650)
Capital items:			
Government grants (note 4)	—	168,305	241,050
Contributions from developers	185,046	16,033	65,000
Contributions from other obligatory reserve funds	—	8,000	—
Government capital grants	—	93,931	—
Miscellaneous capital funding	272,000	48,000	—
Gain (loss) on disposal of tangible capital assets	—	(77,886)	30,528
	457,046	256,383	336,578
Annual deficit	(819,222)	(619,855)	(512,072)
Accumulated municipal equity, beginning of year	23,351,557	23,351,557	23,863,629
Accumulated municipal equity, end of year	\$ 22,532,335	\$ 22,731,702	\$ 23,351,557

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

CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2022, with comparative information for 2021

	Budget 2022 (note 14)	Actual 2022	Actual 2021
Annual deficit	\$ (819,222)	\$ (619,855)	\$ (512,072)
Amortization of tangible capital assets	1,417,666	1,417,666	1,459,276
Gain (loss) on disposal of tangible capital assets	—	77,886	(30,528)
Proceeds on disposal of tangible capital assets	—	33,960	30,528
Acquisition of inventory	—	(65,607)	(146,715)
Acquisition of prepaid expenses	—	116,882	(132,203)
Acquisition of tangible capital assets	(1,597,773)	(1,813,100)	(1,659,117)
Change in net financial assets	(999,329)	(852,168)	(990,831)
Net financial assets, beginning of year	1,475,218	1,475,218	2,466,049
Net financial assets, end of year	\$ 475,889	\$ 623,050	\$ 1,475,218

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

CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Consolidated Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Operating activities:		
Annual deficit	\$ (619,855)	\$ (512,072)
Item not involving cash:		
Amortization of tangible capital assets	1,417,666	1,459,276
Gain (loss) on sale of tangible capital assets	77,886	(30,528)
Change in accrued landfill closure and post-closure	30,449	75,289
Change in non-cash operating working capital:		
Accounts receivable	(700,234)	(22,964)
Accounts payable and accrued liabilities	1,529,659	(877,584)
Prepaid expenses	116,882	(132,203)
Deferred revenue	20,517	—
Taxes receivable	(121,734)	(7,347)
Deferred revenue – obligatory reserves	6,468	(27,084)
Inventory	(65,607)	(146,715)
Prepaid property taxes	92,864	(57,638)
Net change in cash from operations	1,784,961	(279,570)
Capital activities:		
Proceeds on sale of tangible capital assets	33,960	30,528
Acquisition of tangible capital assets	(1,813,100)	(1,659,117)
	(1,779,140)	(1,628,589)
Investing activities:		
Purchase of investments	(41,262)	(55,534)
Financing activities:		
Repayment of long-term liabilities	(170,679)	(91,266)
Proceeds from long-term liabilities	64,801	422,506
	(105,878)	331,240
Decrease in cash	(141,319)	(1,632,453)
Cash, beginning of year	453,111	2,085,564
Cash, end of year	\$ 311,792	\$ 453,111

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

CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements

Year ended December 31, 2022

The Corporation of 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.

1. Significant accounting policies:

The consolidated financial statements of the Township are the representations of management and have been prepared 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 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) Non-consolidated entities:

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.

(iii) Trust funds:

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.

(iv) Accounting for school board and County transactions:

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

CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(b) Basis of accounting:

- (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 annual deficit, provides the change in net financial assets for the year.

(c) 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 the 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 revenues 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.

(d) Tangible capital assets:

Tangible capital assets are recorded at historical cost or where historical cost records were not available, other methods determined to provide a best estimate of historical cost and accumulated amortization of the assets. Costs include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset.

CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(d) Tangible capital assets (continued):

The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	30 to 50
Buildings	10 to 60
Vehicles	3 to 25
Machinery and equipment	3 to 25
Linear assets:	
Roads	7 to 50

Amortization is charged from the date 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 and accumulated municipal equity 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.

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 and accumulated municipal equity.

(e) Inventory:

Inventory held for consumption are recorded at the lower of cost or replacement cost.

CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(f) 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.

(g) Government transfers:

Government transfers are recognized in the consolidated financial statements as revenue 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

(h) Deferred revenue:

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.

(i) Investments:

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 obligatory reserve funds is added to the fund balance and forms part of respective deferred revenue balances.

(j) 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 twenty-five year period using the best information available to management.

CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(j) Landfill closure and post-closure liabilities (continued):

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.

(k) 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.

(l) Use of estimates:

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.

CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

2. Investments:

Investments, which consist of money market, bonds, and equity funds, are recorded on the consolidated statement of financial position at cost plus accrued interest. They have a market value of \$1,507,343 at December 31, 2022 (2021 - \$1,616,664).

3. Operations of the School Boards and County of Frontenac:

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:

		2022		2021	
		2022	2022	2021	2021
		School boards	County of Frontenac	School boards	County of Frontenac
Amounts requisitioned and paid	\$	978,736	\$ 1,064,519	\$ 971,306	\$ 1,024,057

4. Deferred revenue:

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

The transactions for the year are summarized below:

	Development charges	Wolfe Building	Howe Building	Canada Community Building Fund	Total
January 1, 2022	\$ 87,757	\$ 166,610	\$ 88,847	\$ 191,742	\$ 534,956
Contributions	125,465	81,490	4,590	55,819	267,364
Interest	28	—	—	3,980	4,008
Transfer for capital purposes	(16,033)	(50,713)	(29,853)	(168,305)	(264,904)
December 31, 2022	\$ 197,217	\$ 197,387	\$ 63,584	\$ 83,236	\$ 541,424

CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

5. Long-term liabilities:

The balance of long-term liabilities reported on the consolidated statement of financial position is comprised of the following:

	2022	2021
Infrastructure Ontario loan (2.23%), repayable in semi-annual blended payments of \$15,977, maturing June 2025	\$ 77,280	\$ 107,012
Infrastructure Ontario loan (2.55%), repayable in semi-annual principal payments of \$14,000 plus interest, maturing February 2045	630,000	658,000
Caterpillar Financial Service Limited loan (0.00%), repayable in monthly instalment payments of \$1,855, maturing July 2024	33,993	56,655
Infrastructure Ontario loan (1.29%), repayable in blended semi-annual payments of \$33,928, maturing July 2026	263,711	327,546
TD Bank loan (1.672%), repayable in blended monthly payments of \$2,047, maturing June 2025	60,092	83,435
TD Bank loan (5.054%), repayable in blended monthly payments of \$1,045, maturing August 2028	61,694	—
	\$ 1,126,770	\$ 1,232,648

Principal payments are due as follows:

2023	\$ 178,712
2024	169,994
2025	133,038
2026	106,427
2027 and thereafter	538,599
	\$ 1,126,770

Interest expense on long-term liabilities at December 31, 2022 amounted to \$25,132 (2021 - \$20,943).

CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

6. Trust funds:

Trust funds administered by the Township amounting to \$19,057 (2021 - \$18,744) 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.

7. 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 Township does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements. The plan's actuarial deficit as of December 31, 2022 amounted to \$6.7 billion (2021 - \$3.1 billion).

The amount contributed to OMERS was \$98,319 (2021 - \$91,635) for current services and is included as an expense on the consolidated statement of operations and accumulated municipal equity classified under the appropriate functional expenditure.

8. Landfill closure and post-closure liability:

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 4.00% (2021 - 2.00%) and discounted at the Township's average long term borrowing rate of 4.00% (2021 - 2.00%). The estimated total landfill closure and post-closure care expense are calculated at approximately \$324,377 (2021 - \$293,928). Included in liabilities at December 31, 2022 is an amount of \$324,377 (2021 - \$293,928) with respect to landfill closure and post-closure liabilities recognized to date.

CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

8. Landfill closure and post-closure liability (continued):

In 2015 the Township closed the Wolfe Island Disposal Site. Since the closure, the period for post-closure is estimated to be 25 years with an annual post-closure cost of \$14,500. Total estimated landfill post closure care expenses are \$324,377 (2021 - \$293,928).

9. Municipal equity:

	2022	2021
Investment in tangible capital assets:		
Tangible capital assets	\$ 21,866,301	\$ 21,582,713
Long-term debt	(1,126,770)	(1,232,648)
	20,739,531	20,350,065
Unfunded liabilities:		
Accrued landfill closure and post-closure	(324,377)	(293,928)
Reserves and reserve funds (Schedule 1)	2,316,548	3,295,420
Total accumulated municipal equity	\$ 22,731,702	\$ 23,351,557

10. Contingent liabilities:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2022, management believes that the Township has valid defences and appropriate reserves and insurance coverages in place.

In the event any claims are successful, the amount of any potential liability is not determinable, therefore, no amount has been accrued in the consolidated financial statements.

11. Commitments

- (a) 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 2022 were \$60,379 (2021 - \$58,167).
- (b) The Township 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 2022 for police service usage was \$341,146 (2021 - \$338,115).

CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

12. Tangible capital assets:

Cost	Balance at December 31, 2021	Transfers and additions	Disposals and adjustments	Balance at December 31, 2022
Land	\$ 813,383	\$ 5,088	\$ —	\$ 818,471
Land improvements	2,544,622	65,551	—	2,610,173
Buildings	3,891,161	—	(56,812)	3,834,349
Machinery and equipment	1,797,208	151,316	(85,906)	1,862,618
Vehicles	2,874,251	355,115	(421,777)	2,807,589
Linear assets:				
Roads	39,356,967	1,013,828	—	40,370,795
Construction in progress	195,348	298,997	(76,795)	417,550
Total	\$ 51,472,940	\$ 1,889,895	\$ (641,290)	\$ 52,721,545

Accumulated amortization	Balance at December 31, 2021	Amortization and adjustments	Transfers, and disposals	Balance at December 31, 2022
Land	\$ —	\$ —	\$ —	\$ —
Land improvements	765,877	77,472	—	843,349
Buildings	1,564,930	92,238	(32,484)	1,624,684
Machinery and equipment	549,923	103,307	(74,010)	579,220
Vehicles	1,181,506	139,659	(346,155)	975,010
Linear assets:				
Roads	25,827,991	1,004,990	—	26,832,981
Total	\$ 29,890,227	\$ 1,417,666	\$ (452,649)	\$ 30,855,244

Net book value	2021	2022
Land	\$ 813,383	\$ 818,471
Land improvements	1,778,745	1,766,824
Buildings	2,326,231	2,209,665
Machinery and equipment	1,247,285	1,283,398
Vehicles	1,692,745	1,832,579
Linear assets:		
Roads	13,528,976	13,537,814
Construction in progress	195,348	417,550
Total	\$ 21,582,713	\$ 21,866,301

CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

12. Tangible capital assets (continued):

Assets under construction having a value of \$417,550 (2021 - \$195,348) have not been amortized. Amortization of these assets will commence when the asset is put into service.

13. 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) General government:

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 to persons and property:

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.

(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.

CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

13. Segmented information (continued):

(e) Social housing services:

Provides resources to assist with specific housing projects.

(f) 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.

(g) 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 1.

CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

13. Segmented information (continued):

	General Government	Protection Services	Transportation Services	Environmental Services	Social Housing	Recreation and Culture	Planning and Development	2022 Total
Revenue:								
Taxation	\$ 624,772	\$ 270,832	\$ 1,470,363	\$ 261,116	\$ 1,297	\$ 76,690	\$ 57,560	\$ 2,762,630
Payments in lieu of taxation	1,496	649	3,521	625	3	184	138	6,616
Penalties and interest on taxes	98,824	-	-	-	-	-	-	98,824
Investment income	54,864	267	158	-	-	414	-	55,703
Government conditional grants	384,618	-	1,417,915	84,904	-	93,931	-	1,981,368
Licenses, permits and rents	245	325	-	-	-	-	70,790	71,360
User charges	-	-	178,219	18,982	61,946	14,090	-	273,237
Wind plant	-	-	659,648	-	-	-	-	659,648
Transfers from other funds	8,000	-	16,033	-	48,000	-	72,566	144,599
Donations	-	8,909	-	-	210	13,486	-	22,605
Other	83,308	8,817	4,413	-	803	8,961	1,000	107,302
Gain (loss) on disposals of tangible capital assets	-	8,188	(86,074)	-	-	-	-	(77,886)
Total revenue	1,256,127	297,987	3,664,196	365,627	112,259	207,756	202,054	6,106,006
Expenses:								
Salaries, wages and employee benefits	403,325	142,106	1,376,931	82,522	5,134	60,644	110,208	2,180,870
Materials	36,258	323,362	261,359	15,473	17,731	412,911	7,857	1,074,951
Contracted services	324,627	441,218	666,135	249,249	20,192	123,278	130,941	1,955,640
Rent and financial expense	41,149	1,075	5,237	-	16,601	2,222	-	66,284
Landfill obligation adjustment	-	-	-	30,449	-	-	-	30,449
Amortization	11,174	76,191	1,230,100	7,279	24,893	68,030	-	1,417,667
Total expenses	816,533	983,952	3,539,762	384,972	84,551	667,085	249,006	6,725,861
Annual surplus (deficit)	\$ 439,594	\$ (685,965)	\$ 124,434	\$ (19,345)	\$ 27,708	\$ (459,329)	\$ (46,952)	\$ (619,855)

CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

13. Segmented information (continued):

Comparative information for the year ended December 31, 2021

	General Government	Protection Services	Transportation Services	Environmental Services	Social Housing	Recreation and Culture	Planning and Development	2021 Total
Revenue:								
Taxation	\$ 646,839	\$ 263,513	\$ 1,334,439	\$ 242,908	\$ -	\$ 80,881	\$ 55,841	\$ 2,624,421
Payments in lieu of taxation	1,583	645	3,268	595	-	198	137	6,426
Penalties and interest on taxes	100,675	-	-	-	-	-	-	100,675
Investment income	63,934	48	316	-	-	74	-	64,372
Government conditional grants	294,657	5,000	1,138,357	36,355	-	3,920	-	1,478,289
Other municipalities	-	-	-	-	1,680	-	6,000	7,680
Licenses, permits and rents	70	490	-	-	-	-	37,676	38,236
User charges	-	-	148,787	8,863	61,900	-	-	219,550
Wind plant	-	-	645,000	-	-	-	-	645,000
Donations	-	10,911	-	-	-	3,164	-	14,075
Other	76,222	10,966	30,728	-	649	1,831	5,600	125,996
Transfers from other funds	69,088	-	4,000	-	-	-	30,438	103,526
Gain on sale of tangible capital assets	-	-	30,528	-	-	-	-	30,528
Total revenue	1,253,068	291,573	3,335,423	288,721	64,229	90,068	135,692	5,458,774
Expenses:								
Salaries, wages and employee benefits	382,853	121,298	1,260,525	80,329	5,958	48,122	17,146	1,916,231
Materials	31,768	70,158	522,639	7,958	7,917	225,002	3,709	869,151
Contracted services	224,860	469,984	395,203	257,375	25,193	74,279	169,811	1,616,705
Rent and financial expense	13,249	-	754	-	17,316	2,874	-	34,193
Landfill obligation adjustment	-	-	-	75,290	-	-	-	75,290
Amortization	10,563	70,745	1,279,783	7,279	24,854	66,052	-	1,459,276
Total expenses	663,293	732,185	3,458,904	428,231	81,238	416,329	190,666	5,970,846
Annual surplus (deficit)	\$ 589,775	\$ (440,612)	\$ (123,481)	\$ (139,510)	\$ (17,009)	\$ (326,261)	\$ (54,974)	\$ (512,072)

CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

14. Budget figures:

The 2022 approved budget was prepared on a cash based approach with a reconciliation to a budget based on Canadian public sector accounting standards. The cash based approach includes capital expenses, repayment of long-term liabilities and transfers to and from reserves which are removed in the year end consolidated statement of operations and accumulated municipal equity. The revenues attributable to these items continue to be included in the consolidated statement of operations and accumulated municipal equity, 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 consolidated financial statements.

	Budget 2022
Total revenues	\$ 5,149,935
Total expenses	(6,426,203)
Net deficit	(1,276,268)
Amortization	1,417,666
Adjusted net deficit	141,398
Capital revenue	457,046
Funds available	598,444
Capital expenditures	(1,597,773)
Principal repayments	(170,677)
Long-term liabilities acquired	—
Decrease in operating surplus	\$ (1,170,006)
Allocated as follows:	
Net transfers from reserves	\$ (1,170,006)

CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Schedule 1: Continuity of Reserves and Reserve Funds

Year ended December 31, 2022, with comparative information for 2021

	Budget 2022 (note 14)	Actual 2022	Actual 2021
Revenue:			
Interest	\$ —	\$ 999	\$ 958
Net transfers from (to) other funds:			
Transfers from operations	609,183	1,032,032	1,103,436
Transfers to capital acquisitions	(1,779,189)	(2,011,903)	(1,409,778)
Total net transfers	(1,170,006)	(979,871)	(306,342)
Change in reserves and reserve fund balances	(1,170,006)	(978,872)	(305,384)
Reserves and reserve fund balances, beginning of year	3,295,420	3,295,420	3,600,804
Reserves and reserve fund balances, end of year	\$ 2,125,414	\$ 2,316,548	\$ 3,295,420

CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Schedule 1: Continuity of Reserves and Reserve Funds (continued)

Year ended December 31, 2022, with comparative information for 2021

Composition of Reserves and Reserve Funds		
	2022	2021
Reserves set aside for specific purposes by Council:		
Working capital	\$ 93,837	\$ 315,225
Capital	167,428	149,838
General reserves	10,000	7,500
Planning	—	18,084
	271,265	490,647
Mill rate stabilization	20,536	40,452
Ernie Allen reserve fund	65,393	65,308
	85,929	105,760
	357,194	596,407
Reserves set aside for Howe Island by Council:		
Howe capital reserve funds	29,000	323,252
Reserves set aside for Wolfe Island by Council:		
Wolfe Community Centre	2,787	87,608
Wolfe Waste Disposal	(6,268)	(6,268)
Wolfe Community Enhancement and Recreation	8,268	20,432
Wolfe General	4,491	51,779
Wolfe Capital	16,417	69,841
	25,695	223,392
Wolfe Capital	407,292	528,490
Wolfe Island Investment Fund	1,400,000	1,400,000
Wolfe Capital Reserve Funds	97,367	223,879
	1,904,659	2,152,369
	1,930,354	2,375,761
Total reserves and reserve funds	\$ 2,316,548	\$ 3,295,420



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

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 financial statements of the Trust Funds of the Corporation of the Township of Frontenac Islands (the Entity), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of financial activities and changes in fund balance for the year then ended
- and 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, 2022, and its results of operations 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 "***Auditor's 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 judgment 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 for 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 auditor's 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 auditor's 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.

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

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

October 10, 2023

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Trust Funds Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Cash	\$ 19,057	\$ 18,744
Liabilities and Fund Balance		
Due to Township of Frontenac Islands	\$ 3,965	\$ 3,965
Fund balance	15,092	14,779
	\$ 19,057	\$ 18,744

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Trust Funds

Statement of Financial Activities and Fund Balance

December 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Interest	\$ 313	\$ 56
Expenses:		
Maintenance	—	—
Excess of revenue over expenses	313	56
Fund balance, beginning of year	14,779	14,723
Fund balance, end of year	\$ 15,092	\$ 14,779

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Trust Funds
Notes to Financial Statements

Year ended December 31, 2022

1. Significant accounting policies:

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

(a) Basis of presentation:

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

(b) Basis of accounting:

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.

(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 revenues and expenses during the period. Actual results could differ from those estimates.

2. Statement of cash flows:

A statement of cash flows has not been included in these financial statements as it would not provide additional meaningful information.