

Consolidated Financial Statements of

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

Year ended December 31, 2006

Consolidated Financial Statements of

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

Year ended December 31, 2006

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

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## AUDITORS' REPORT

To the Inhabitants and Ratepayers of the Corporation of the Township of Frontenac Islands

We have audited the consolidated statement of financial position of the Corporation of the Township of Frontenac Islands as at December 31, 2006 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the Township's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Township of Frontenac Islands as at December 31, 2006 and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles disclosed in note 1 to the financial statements.

The comparative figures for December 31, 2005 were reported on by another firm of chartered accountants.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly wavy line that underlines the text.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada  
September 5, 2007

# THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

## Consolidated Statement of Financial Position

December 31, 2006, with comparative figures for 2005

	2006	2005
<b>Assets</b>		
Financial assets:		
Cash (note 4)	\$ 1,048,284	\$ 875,988
Investments (note 4)	269,506	493,008
Taxes receivable	455,392	521,363
Accounts receivable	406,878	282,638
	2,180,060	2,172,997
Liabilities:		
Accounts payable and accrued liabilities	441,330	184,343
Deferred revenues – obligatory reserve funds (note 5)	159,229	104,172
Deferred revenues – other	75,335	73,323
Landfill closure and post-closure liability (note 13)	202,248	236,000
	878,142	597,838
<b>Total net assets</b>	<b>\$ 1,301,918</b>	<b>\$ 1,575,159</b>
Municipal position:		
Current fund (note 3(a))	\$ 1,685	\$ 211,456
Capital fund	(66,595)	(66,595)
Reserves and reserve funds	1,569,076	1,666,298
	1,504,166	1,811,159
Amounts to be recovered from future revenues (note 7)	(202,248)	(236,000)
Commitments (note 11)		
Contingent liabilities (note 12)		
<b>Total municipal position</b>	<b>\$ 1,301,918</b>	<b>\$ 1,575,159</b>

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

# THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

## Consolidated Statement of Financial Activities

Year ended December 31, 2006, with comparative figures for 2005

	Actual 2006	Actual 2005
<b>Revenue:</b>		
Net taxation and user charges:		
Taxation for municipal purposes	\$ 1,190,110	\$ 1,222,664
Payments in lieu of taxation	2,732	4,719
Government grants	745,005	670,441
Other municipalities	12,000	69,267
User fees and service charges	108,385	104,369
Licences and permits	52,208	102,738
Fines and penalties	55,605	61,817
Investment income	32,864	19,514
Other	191,029	134,745
	2,389,938	2,390,274
<b>Expenditure:</b>		
Current (note 10):		
General government	434,280	329,277
Protection to persons and property	157,642	209,141
Transportation services	1,462,168	850,175
Environmental services	131,677	121,293
Landfill closure and post-closure	(33,752)	-
Recreation and cultural services	66,387	65,825
Planning and development	26,875	70,115
Transfer to obligatory reserve fund	10,644	-
Total current expenditure	2,255,921	1,645,826
Capital:		
General government	-	194,367
Protection to persons and property	322,058	33,324
Transportation services	-	257,868
Recreation and cultural services	85,200	15,078
Total capital expenditure	407,258	500,637
<b>Total expenditure</b>	<b>2,663,179</b>	<b>2,146,463</b>
<b>Net revenue (expenditure)</b>	<b>(273,241)</b>	<b>243,811</b>
<b>Financing and transfers:</b>		
Change in landfill closure and post-closure	(33,752)	-
<b>Increase (decrease) in fund balance</b>	<b>\$ (306,993)</b>	<b>\$ 243,811</b>

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

# THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Consolidated Statement of Changes in Financial Position

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
Operations:		
Net revenue (expenditure)	\$ (273,241)	\$ 243,811
Changes in non-cash working capital items:		
Decrease (increase) in accounts receivable	(124,240)	69,352
Increase in accounts payable	256,987	54,114
Increase in deferred revenue	2,012	72,233
Decrease (increase) in taxes receivable	65,971	(59,663)
Increase in prepaid expenses	—	(66,595)
Increase in obligatory reserve fund	55,057	—
Decrease in landfill closure and post-closure costs	(33,752)	—
	(51,206)	313,252
Investing:		
Investments	223,502	314,093
	172,296	627,345
Increase in cash and cash equivalents		
	875,988	248,643
Cash and cash equivalents, beginning of year		
	\$ 1,048,284	\$ 875,988
Cash and cash equivalents, end of year		

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

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

# THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements

Year ended December 31, 2006

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## 1. Accounting policies:

The consolidated financial statements of the Corporation of the Township of Frontenac Islands (the "Township") are prepared by management, in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants. 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 and expenditures and fund balances of the current, capital and reserves and reserve funds of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Township and which are owned or controlled by the Township. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

These consolidated financial statements include the Wolfe Island Community Centre Board.

- (ii) Non-consolidated entities:

The Big Sandy Bay Management Area Stewardship Committee has not been consolidated within the Consolidated Financial Statements of the Corporation of the Township of Frontenac Islands, but is reported on separately.

- (iii) Trust fund:

The Fire Building Trust fund and its related operations administered by the municipality are not consolidated, but are reported separately on the Trust Fund Statement of Financial Position and Statements of Continuity.

- (iv) Accounting for school board and county transactions:

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

# THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

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## 1. Accounting policies (continued):

### (b) Basis of accounting:

#### (i) Capital assets:

The historical cost and accumulated amortization of capital assets are not recorded for municipal purposes. Funds expended on capital assets are reported as capital expenditures on the Consolidated Statement of Financial Activities in the year of acquisition.

#### (ii) 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 expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

#### (iii) Deferred revenues - other:

Deferred revenues – other represent government transfers and user fees which have been collected but for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the services are performed.

#### (iv) Deferred revenues – 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 costs are recorded as deferred revenue. Amounts applied to qualifying expenditures are recorded as revenue in the fiscal period they are expended.



# THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

## 1. Accounting policies (continued):

(b) Basis of accounting:

(v) Investments:

Short-term and long-term 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.

(vi) Amounts to be recovered from future revenues:

Amounts to be recovered from future revenues are comprised of landfill closure and post-closure liabilities.

(vii) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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. Operations of school boards and Frontenac County:

During 2006, requisitions were made by the school boards and Frontenac County 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		Frontenac County	
	2006	2005	2006	2005
Amounts requisitioned and collected	\$ 752,161	\$ 691,348	\$ 739,572	\$ 699,481

# THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

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### 3. Municipal fund balances at the end of the year:

- (a) The current fund balance on the "Consolidated Statement of Financial Position" of \$1,685 (2005 - \$211,456), at the end of the year is comprised of the following:

	2006	2005
To be applied to (received from) operations of the operating fund for the following year	\$ (18,311)	\$ 180,334
To be applied to operations of the Wolfe Island Community Centre	19,996	31,122
	<u>\$ 1,685</u>	<u>\$ 211,456</u>

- (b) The balance available for the general reduction of taxation at December 31, 2006 has been reduced by an amount of \$Nil (2005 - \$Nil) transferred to the reserves for working capital as authorized by Council.

### 4. Designated cash and investments:

Cash and investments in the amount of \$1,128,145 (2005 - \$1,143,880) has been designated to support reserve funds and obligatory reserve funds.

# THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

## 5. Deferred revenue – obligatory reserve funds:

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants 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:

	2006	2005
Balance, beginning of year	\$ 104,172	\$ 65,974
Development charge revenue	28,479	38,198
Federal gas tax proceeds	15,934	–
Transfers from revenue fund	10,644	–
<b>Balance, end of year</b>	<b>\$ 159,229</b>	<b>\$ 104,172</b>

Analyzed as follows:

Development charge	\$ 127,325	\$ 104,172
Federal gas tax	31,904	–
<b>Balance, end of year</b>	<b>\$ 159,229</b>	<b>\$ 104,172</b>

## 6. Tile drainage loans:

The balance of debt, issued in the name of the Township, is in relation to outstanding tile drainage loans and is comprised of:

	2006	2005
Debenture for tile drainage loans	\$ 9,311	\$ 10,277

The long-term liabilities have 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 Ministry of Municipal Affairs & Housing.

The responsibility for payment of principal and interest charges for tile drainage loans has been assumed by individuals and is reflected in the assets and liabilities on the Statement of Financial Position.

# THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

## 7. Amounts to be recovered from future revenues:

	2006	2005
Estimated landfill closure and post-closure costs	\$ 202,248	\$ 236,000

## 8. Trust fund:

Trust fund of \$30,166 (2005 - \$29,815) and its related operations administered by the Township are not consolidated, but are 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. made for 2006 for current service were \$27,666 (2005 - \$23,570). These amounts are included in current operations on the statement of financial activities.

## 10. Supplementary information:

	2006	2005
Current fund expenditures by object:		
Salaries, wages and employee benefits	\$ 788,692	\$ 661,578
Materials	1,291,190	826,156
Contracted services	151,695	158,092
Transfers to others	13,700	-
Transfer to deferred obligatory reserve funds	10,644	-
<b>Total</b>	<b>\$ 2,255,921</b>	<b>\$ 1,645,826</b>

# THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

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## 11. Commitments:

The Township has entered into a contract for construction of a new fire hall with project costs estimated at \$556,900 and with \$322,058 of costs incurred as of December 31, 2006.

## 12. Contingent liabilities:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims at December 31, 2006, management believes that the Township has valid defences and appropriate and adequate 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 financial statements.

## 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 twelve year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities using an estimated inflation rate of 2% and discounted at the Township's average long-term borrowing rate of 6.00%. The estimated total landfill closure and post-closure care expenditures are calculated to be \$219,509. The estimated liability for these expenditures is recognized as the landfill site's capacity is used. At December 31, 2006, an amount of \$202,248 (2005 - \$236,000) has been recognized to date with respect to landfill closure and post-closure liability.

# THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

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## **14. Budget figures:**

The approved operating and capital budgets for 2006 are reflected on the “Schedule of Current Fund Operations” and “Schedule of Capital Fund Operations”. These numbers have not been audited but are presented for information purposes only.

## **15. Comparative figures:**

Certain 2005 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2006.

# THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

## Schedule of Current Fund Operations

Year ended December 31, 2006, with comparative figures for 2005

	Budget 2006	Actual 2006	Actual 2005
	(unaudited)		
<b>Revenue:</b>			
Net taxation and user charges:			
Taxation for municipal purposes	\$ 1,186,860	\$ 1,190,110	\$ 1,222,664
Payments in lieu of taxation	4,000	2,732	4,719
Government grants	737,862	695,005	670,441
Other municipalities	50,000	50,000	69,267
User fees and service charges	121,790	108,385	104,369
Licences and permits	750	52,208	102,738
Fines and penalties	45,000	55,605	61,817
Investment income	3,000	23,158	19,514
Other	140,081	146,131	4,581
Total revenue	2,289,343	2,323,334	2,260,110
<b>Expenditure:</b>			
Current:			
General government	329,460	434,280	329,277
Protection to persons and property	202,195	157,642	209,141
Transportation services	1,397,103	1,462,168	850,175
Environmental services	112,772	131,677	121,293
Landfill closure and post-closure	-	(33,752)	-
Recreation and cultural services	72,200	66,387	65,825
Planning and development	17,000	26,875	70,115
Transfer to obligatory reserve fund	-	10,644	-
Total expenditures	2,130,730	2,255,921	1,645,826
Net revenue	158,613	67,413	614,284
<b>Financing and transfers:</b>			
Transfers to reserves and reserve funds	(186,671)	(116,032)	(366,235)
Transfers to capital fund operations	(274,060)	(127,400)	(146,728)
Change in landfill closure and post-closure liabilities	-	(33,752)	-
Net financing and transfers	(460,731)	(277,184)	(513,858)
Change in current fund balance	(302,118)	(209,771)	100,426
Opening current fund balance	247,736	211,456	111,030
Closing current fund balance	\$ (54,382)	\$ 1,685	\$ 211,456

# THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

## Schedule of Capital Fund Operations

Year ended December 31, 2006, with comparative figures for 2005

	Budget 2006	Actual 2006	Actual 2005
	(unaudited)		
Revenue:			
Donations	\$ 100,000	\$ 44,696	\$ 15,078
Township grant	12,000	12,000	-
Insurance proceeds	-	-	130,478
Other	-	202	-
<b>Total revenue</b>	<b>112,000</b>	<b>56,898</b>	<b>145,556</b>
Expenditure:			
General government	-	-	260,962
Protection to persons and property	556,900	322,058	33,324
Transportation services	-	-	257,868
Recreation and culture	40,000	85,200	15,078
<b>Total expenditure</b>	<b>596,900</b>	<b>407,258</b>	<b>567,232</b>
<b>Net expenditure</b>	<b>(484,900)</b>	<b>(350,360)</b>	<b>(421,676)</b>
Financing and transfers:			
Transfers from current fund	274,060	127,400	146,778
Transfers from reserves and reserve funds	210,840	222,960	208,303
<b>Net financing and transfers</b>	<b>484,900</b>	<b>350,360</b>	<b>355,081</b>
<b>Change in capital fund balance</b>	<b>-</b>	<b>-</b>	<b>(66,595)</b>
<b>Opening capital fund balance</b>	<b>-</b>	<b>(66,595)</b>	<b>-</b>
<b>Closing capital fund balance</b>	<b>\$ -</b>	<b>\$ (66,595)</b>	<b>\$ (66,595)</b>



# THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

## Schedule of Reserves and Reserve Funds

Year ended December 31, 2006, with comparative figures for 2005

	Actual 2006	Actual 2005
Revenue:		
Investment and other income	\$ 9,706	\$ 25,790
Net transfers from (to) other funds:		
Transfers from current fund	116,032	366,235
Transfers to capital fund	(222,960)	(208,303)
Total net transfers	(106,928)	157,932
Change in reserves and reserve fund balance	(97,222)	183,722
Opening reserves and reserve fund balance	1,666,298	1,482,576
Closing reserves and reserve fund balance	\$ 1,569,076	\$ 1,666,298
Analyzed as follows:		
Reserves set aside for specific purposes by Council:		
Working capital	\$ 368,625	\$ 174,852
Capital	80,055	77,055
Insurance	15,000	15,000
Planning	10,000	10,000
Waste disposal	70,000	70,000
Environmental assessment	-	2,441
Ferries	-	7,589
Recreation	3,600	-
Area rated services	47,000	241,773
Election	-	1,000
Community enhancement	5,880	26,880
Total reserves	600,160	626,590
Reserve funds set aside for specific purposes by Council:		
Roads	602,773	497,481
Ferries – environmental assessment	88,649	80,293
Mill rate stabilization	129,952	198,423
Protection	30,945	117,350
Recreation	4,044	6,516
Other	96,486	109,781
Lot levies	16,067	29,864
Total reserve funds	968,916	1,039,708
Total reserves and reserve funds	\$ 1,569,076	\$ 1,666,298



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## 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 statement of financial position of the Corporation of the Township of Frontenac Islands – Wolfe Island Community Centre Board as at December 31, 2006 and the statement of operations and fund balance for the year then ended. These financial statements are the responsibility of the Centre's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Revenue from fundraising activities is not susceptible to satisfactory audit examination. Accordingly, our verification of these revenues was limited to amounts recorded in the records of the Centre and we were not able to determine whether any adjustments might be necessary to fundraising revenue, assets and fund balance.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation of the Township of Frontenac Islands – Wolfe Island Community Centre Board as at December 31, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for December 31, 2005 were reported on by another firm of chartered accountants.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada  
September 5, 2007

**THE CORPORATION OF THE TOWNSHIP OF  
FRONTENAC ISLANDS – WOLFE ISLAND  
COMMUNITY CENTRE BOARD**

Statement of Financial Position

December 31, 2006, with comparative figures for 2005

	2006	2005
<b>Assets</b>		
Cash	\$ 19,996	\$ 31,122
<b>Fund Balance</b>		
Centre Fund balance	\$ 19,996	\$ 31,122

See accompanying notes to financial statements.

# THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS – WOLFE ISLAND COMMUNITY CENTRE BOARD

Statement of Operations and Fund Balance

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
Revenue:		
Fundraising	\$ 13,696	\$ 16,705
Grants - Township	43,000	10,000
Other	202	2,610
	56,898	29,315
Operating expenditures:		
Bank charges	177	117
Fundraising	4,399	1,774
Repairs and maintenance	4,560	5,080
Supplies	-	305
Utilities	429	2,314
	9,565	9,590
Other expenditures:		
Capital	58,459	4,282
Total expenditures	68,024	13,872
Excess of revenue over expenditures	(11,126)	15,443
Centre Fund balance, beginning of year	31,122	15,679
Centre Fund balance, end of year	\$ 19,996	\$ 31,122

See accompanying notes to financial statements.

# THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS – WOLFE ISLAND COMMUNITY CENTRE BOARD

Notes to Financial Statements

Year ended December 31, 2006

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## 1. Significant accounting policies:

### (a) Revenue recognition:

Revenues and expenditures are recorded on an accrual basis.

The accrual basis recognizes revenues as they become available and measurable; expenditures 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.

### (b) Capital assets:

The historical cost and accumulated depreciation of capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the "Statement of Operations" in the year of acquisition.

### (c) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 expenditures during the period. Actual results could differ from those estimates.



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## AUDITORS' REPORT

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

We have audited the statement of financial position of the Corporation of the Township of Frontenac Islands – Fire Building Trust Fund as at December 31, 2006 and the statement of continuity for the year then ended. These financial statements are the responsibility of the Township's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation of the Township of Frontenac Islands – Fire Building Trust Fund as at December 31, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for December 31, 2005 were reported on by another firm of chartered accountants.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly wavy line that serves as a flourish or underline.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada  
September 5, 2007

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

Statement of Financial Position

December 31, 2006, with comparative figures for 2005

	2006	2005
<b>Assets</b>		
Cash	\$ 29,569	\$ 29,218
Due from own municipality	597	597
	\$ 30,166	\$ 29,815
 <b>Fund Balance</b>		
Fund balance	\$ 30,166	\$ 29,815

See accompanying notes to financial statements.

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

Statement of Continuity

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
Contributions:		
Interest	\$ 351	\$ 15
Fund balance, beginning of year	29,815	29,800
Fund balance, end of year	\$ 30,166	\$ 29,815

See accompanying notes to financial statements.



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

Notes to Financial Statements

Year ended December 31, 2006

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## 1. Significant accounting policies:

### (a) Revenue recognition:

Revenues and expenditures are recorded on an accrual basis with the exception of interest revenue which is reported on the cash basis of accounting.

The accrual basis recognizes revenues as they become available and measurable; expenditures 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.

### (b) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 expenditures during the period. Actual results could differ from those estimates.