

Consolidated Financial Statements of

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

Year ended December 31, 2010

Consolidated Financial Statements of

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Year ended December 31, 2010

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

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

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

Terry O'Shea
Clerk/Chief Administrative Officer

Carol Dwyre
Treasurer



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INDEPENDENT AUDITORS' REPORT

To the 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, 2010, the consolidated statements of operations and accumulated surplus, 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, 2010, 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

Chartered Accountants, Licensed Public Accountants

November 8, 2011

Kingston, Canada

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Consolidated Statement of Financial Position

December 31, 2010, with comparative figures for 2009

	2010	2009
Financial assets:		
Cash	\$ 2,797,609	\$ 2,240,761
Investments	678,440	675,893
Funds held in trust	2,771	10,718
Taxes receivable	300,256	432,474
Accounts receivable	659,397	1,334,089
	4,438,473	4,693,935
Liabilities:		
Bank debt (notes 4 and 6)	63,502	79,861
Accounts payable and accrued liabilities	842,733	684,324
Deferred revenue – other	9,913	555,000
Deferred revenue – obligatory reserve funds (note 5)	430,002	322,033
Landfill closure and post-closure liability (note 12)	144,880	133,070
	1,491,030	1,774,288
Total net financial assets	2,947,443	2,919,647
Non-financial assets:		
Tangible capital assets	21,628,856	20,762,325
Prepaid expenses	1,923	2,148
Inventories of supplies	113,161	450,000
	21,743,940	21,214,473
Contingent liabilities (note 10)		
Total accumulated surplus (note 3)	\$ 24,691,383	\$ 24,134,120

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

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2010, with comparative figures for 2009

	Budget 2010	Actual 2010	Actual 2009
	(Unaudited, note 13)		
Revenue:			
Taxation for municipal purposes	\$ 1,098,692	\$ 1,098,224	\$ 1,368,349
Federal grants	–	18,901	45,677
Government grants	1,296,375	1,315,809	948,580
Municipal transfer	134,294	128,179	98,880
User fees and service charges	108,775	106,992	141,430
Licences and permits	59,470	56,261	52,390
Fines and penalties	55,000	55,680	61,730
Investment income	5,000	14,141	10,732
Wolfe Island Wind Plant revenue	645,000	1,200,500	940,474
Donations	–	50	14,192
Other	621,063	199,109	283,828
	4,023,669	4,193,846	3,966,262
Expenses:			
Current:			
General government	667,424	402,758	249,867
Protection to persons and property	306,357	239,104	232,037
Transportation services	3,313,095	2,527,811	1,874,746
Environmental services	275,542	182,246	133,494
Landfill closure and post-closure	–	11,810	(36,567)
Recreation and cultural services	491,372	204,028	129,092
Planning and development	86,340	68,826	60,881
Wolfe Island Wind Plant expense	645,000	–	75,108
Total current expense	5,785,130	3,636,583	2,718,658
Annual surplus	(1,761,461)	557,263	1,247,604
Accumulated surplus, beginning of year	–	24,134,120	22,886,516
Accumulated surplus, end of year	\$ (1,761,461)	\$ 24,691,383	\$ 24,134,120

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

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2010, with comparative figures for 2009

	Actual 2010	Actual 2009
Annual surplus	\$ 557,263	\$ 1,247,604
Acquisition of tangible capital assets	(2,202,940)	(1,099,379)
Amortization of tangible capital assets	1,031,174	887,177
Loss (gain) on disposal of tangible capital assets	305,136	(183,188)
Proceeds on sale of tangible capital assets	100	213,188
Purchase of inventory	336,839	(450,000)
Change in prepaid expense	224	1,128
	(529,467)	(631,074)
Change in net financial assets	27,796	616,530
Net financial assets, beginning of year	2,919,647	2,303,117
Net financial assets, end of year	\$ 2,947,443	\$ 2,919,647

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

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Consolidated Statement of Cash Flows

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Operations:		
Annual surplus	\$ 557,263	\$ 1,247,604
Items not involving cash:		
Amortization of tangible capital assets	1,031,174	887,177
Loss (gain) on disposal of tangible capital assets	305,136	(183,188)
Increase (decrease) in landfill closure and post-closure costs	11,810	(36,567)
	1,905,383	1,915,026
Net change in non-cash working capital items:		
Decrease (increase) in accounts receivable	674,692	(685,297)
Decrease (increase) in funds held in trust	7,947	(10,718)
Increase in accounts payable	158,409	732,769
Decrease in deferred revenue	(545,087)	-
Decrease in taxes receivable	132,218	97,220
Increase (decrease) in obligatory reserve fund	107,969	(26,670)
Decrease in prepaid expenses	224	1,128
Decrease (increase) in inventories of supplies	336,839	(450,000)
	2,778,594	1,573,458
Capital activities:		
Purchase of tangible capital assets	(2,202,940)	(1,099,379)
Proceeds on sale of tangible capital assets	100	213,188
	(2,202,840)	(886,191)
Investing activities:		
Sale (purchase) of investments	(2,547)	145,070
Financing activities:		
Principal repayment	(16,359)	(16,610)
Proceeds on bank loan	-	40,000
	(16,359)	23,390
Increase in cash	556,848	855,727
Cash, beginning of year	2,240,761	1,385,034
Cash, end of year	\$ 2,797,609	\$ 2,240,761

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, 2010

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 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 and expenses 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 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.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

1. Accounting policies (continued):

(b) 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.

(c) Deferred revenue - other:

Deferred revenue – other represents revenue which has 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.

(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 costs are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal year they are expended.

(e) 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.

(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 revenues and expenses during the period. 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.

Actual results could differ from these estimates.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

1. Accounting policies (continued):

(g) Financial instruments:

Unless otherwise noted, it is management's opinion that the Township is not exposed to significant interest, currency or credit risks arising from its financial instruments and the carrying amount of its financial instruments approximate their fair value.

(h) Government transfers:

Government transfers are recognized in the 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.

(i) Non-financial assets:

Non financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	30 - 50
Buildings	10 - 60
Vehicles	4 - 20
Machinery and equipment	3 - 20
Linear assets	30 - 50

Annual amortization is charged 50% in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(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.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

1. Accounting policies (continued):

(i) Non-financial assets (continued):

(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. Operations of school boards and County of Frontenac:

During 2010, 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	
	2010	2009	2010	2009
Amounts requisitioned and collected	\$ 1,003,089	\$ 918,857	\$ 850,093	\$ 796,808

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

3. Accumulated surplus:

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

	2010	2009
Current operating	\$ 498,619	\$ 1,018,246
Wolfe Island Community Centre Board	200,315	157,722
Tangible capital assets	21,628,856	20,762,325
Amounts to be recovered	(144,880)	(133,070)
Bank debt	(24,082)	(33,757)
	<u>22,158,828</u>	<u>21,771,466</u>
Reserves set aside for specific purposes by Council:		
Working capital	294,310	294,310
Capital	77,056	77,056
Insurance	15,000	15,000
Planning	20,000	20,000
Waste disposal	175,000	145,000
Community enhancement and recreation	169,764	65,764
Area rated services	47,000	47,000
Election	1,000	3,000
Computer equipment	9,000	7,000
Total reserves	<u>808,130</u>	<u>674,130</u>
Reserve funds set aside for specific purposes by Council:		
Roads	471,177	1,041,778
Ferries – environmental assessment	258,959	198,289
Mill rate stabilization	891	881
Protection	56,940	51,681
Recreation	306,736	308,717
Other	7,374	7,090
Lot levies	70,236	69,370
Wolfe Island Wind Plant	552,112	10,718
Total reserve funds	<u>1,724,425</u>	<u>1,688,524</u>
Total reserves and reserve funds	<u>\$ 24,691,383</u>	<u>\$ 24,134,120</u>

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

4. Bank debt:

The Township entered into a \$224,000 credit facility on March 14, 2007, due March 14, 2012, with a five-year renewal period at an interest rate of 4.29%. The Township made a payment of \$150,000 on September 14, 2007 and as at December 31, 2010 the balance outstanding is \$23,111 (2009 - \$40,181) with the remaining balance to be repaid in monthly blended payments of \$1,555.

Principal repayments for each of the two years subsequent to December 31, 2010 are as follows: 2011 - \$17,929; and 2012 - \$5,182.

The Township entered into a \$40,000 credit facility on March 20, 2009, due within a maximum of four years at an interest rate of 3.86%. The balance outstanding is \$24,082 (2009 - \$33,757) with the remaining balance to be repaid in monthly blended payments of \$901.

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:

	2010	2009
Balance, beginning of year	\$ 322,033	\$ 348,703
Wolfe and Howe building	13,169	–
Development charge revenue	132,865	–
Federal gas tax proceeds	57,288	63,682
Funds transferred	(107,924)	(92,567)
Interest	1,968	2,215
Transfer from county	10,603	–
Balance, end of year	\$ 430,002	\$ 322,033

Analyzed as follows:

Development charge	\$ 251,759	\$ 118,705
Federal gas tax	144,302	75,513
Wolfe building	9,999	103,641
Howe building	23,942	24,174
Balance, end of year	\$ 430,002	\$ 322,033

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

6. Tile drainage loans:

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

	2010	2009
Debenture for tile drainage loans	\$ 16,309	\$ 5,923

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 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 recorded in the assets and liabilities on the Statement of Financial Position.

7. Trust fund:

A trust fund of \$33,095 (2009 - \$32,836) 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.

8. 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 2010 amounted to \$33,449 (2009 - \$31,870). These amounts are included in current operations on the statement of financial activities.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

9. Supplementary information:

	2010	2009
Expenses by object:		
Salaries, wages and employee benefits	\$ 909,590	\$ 865,343
Materials	1,032,158	749,492
Contracted services	338,985	361,293
Landfill closure and post-closure	11,810	(36,567)
Wolfe Island Wind Plant	-	75,108
Amortization	1,031,174	887,177
Loss (gain) on sale of assets	305,136	(183,188)
Rents and financial expenses	7,730	-
Total	\$ 3,636,583	\$ 2,718,658

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 at December 31, 2010, 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 financial position. Any adjustments, arising from these matters, will be recorded in future years.

11. Commitments:

The Township passed a resolution to commit \$253,000 to the Wolfe Island Arena to replace the refrigeration system through the Community Centre Board. The contract was awarded to Bel-Con Design Buildings Ltd. on October 1, 2010 with the work to be completed in fiscal 2011.

12. 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.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

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

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported 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 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 expenses are calculated to be \$184,648 (2009 - \$177,680). The estimated liability for these expenses is recognized as the landfill site's capacity is used.

The estimated remaining capacity of the Wolfe Island Disposal Site is 22% or 8,860 (2009 – 9,980) cubic meters of its total estimated capacity and its estimated remaining life is ten years, after which the period for post-closure care is estimated to be twenty-five years. At December 31, 2010, an amount of \$143,491 (2009 - \$133,070) has been recognized to date with respect to landfill closure and post-closure liability.

13. Budget figures:

The unaudited budget data presented in these consolidated financial statements is based upon the 2010 operating and capital budgets approved by Council on June 30, 2010. 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
Revenues:	
Operating budget	\$ 3,400,062
Capital budget	2,177,500
	<u>5,577,562</u>
Less:	
Loss on sale of assets	(305,136)
Less:	
Transfers to other funds	(1,248,757)
<u>Total revenue</u>	<u>\$ 4,023,669</u>

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

13. Budget figures (continued):

Budget data	Budget amount
Expenses:	
Operating budget	\$ 3,104,777
Capital budget	1,890,948
	<u>4,995,725</u>
Add:	
Amortization	1,031,173
Less:	
Transfer from other funds	1,977,531
Capital expenses	(2,202,940)
Debt principal repayments	(16,359)
	<u>\$ 5,785,130</u>
Total expenses	\$ 5,785,130
Annual deficit	<u>\$ 1,761,461</u>

14. Tangible capital assets:

Cost	Balance at December 31, 2009	Additions	Disposals	Balance at December 31, 2010
Land	\$ 693,527	\$ -	\$ -	\$ 693,527
Land improvements	693,219	-	-	693,219
Buildings	1,941,119	-	-	1,941,119
Machinery and equipment	200,734	-	-	200,734
Vehicles	1,422,390	18,765	(4,860)	1,436,295
Linear assets	29,328,663	3,800,693	(687,760)	32,441,596
Assets under construction	1,722,913	106,395	(1,722,913)	106,395
Total	\$ 36,002,565	\$ 3,925,853	\$ (2,415,533)	\$ 37,512,885

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

14. Tangible capital assets (continued)

Accumulated amortization	Balance at December 31, 2009	Disposals	Amortization expense	Balance at December 31, 2010
Land	\$ —	\$ —	\$ —	\$ —
Land improvements	179,086	—	27,609	206,695
Buildings	680,682	—	57,283	737,965
Machinery and equipment	87,207	—	20,407	107,614
Vehicles	667,008	(4,689)	64,470	726,789
Linear assets	13,626,257	(382,686)	861,395	14,104,966
Assets under construction	—	—	—	—
Total	\$ 15,240,240	\$ (387,375)	\$ 1,031,164	\$ 15,884,029

	Net book value December 31, 2009	Net book value December 31, 2010
Land	\$ 693,527	\$ 693,527
Land improvements	514,133	486,524
Buildings	1,260,437	1,203,154
Machinery and equipment	113,527	93,120
Vehicles	755,382	709,506
Linear assets	15,702,406	18,336,630
Assets under construction	1,722,913	106,395
Total	\$ 20,762,325	\$ 21,628,856

(a) Assets under construction:

Assets under construction having a value of \$106,395 (2009 - \$1,722,913) 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.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

15. Segmented information:

The Township of Frontenac Islands 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, 2010

15. 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

Consolidated Schedule of Segment Information

Year ended December 31, 2010

	Administration	Protection Services	Transportation Services	Environmental Services	Parks and Recreation	Planning and Development	Total
Taxation	\$ 1,098,224	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,098,224
Penalties and interest	55,680	-	-	-	-	-	55,680
Investment income	14,141	-	-	-	-	-	14,141
Government conditional grants	1,334,710	-	-	-	-	-	1,334,710
Other municipalities	37,298	-	90,881	-	-	-	128,179
Licenses, permits and rents	210	326	-	-	-	55,725	56,261
User fees and service charges	-	-	103,033	3,209	750	-	106,992
Wind plant	1,200,500	-	-	-	-	-	1,200,500
Donations	-	-	-	-	50	-	50
Other	87,333	37,042	2,723	-	72,011	-	199,109
Total revenue	3,828,096	37,368	196,637	3,209	72,811	55,725	4,193,846
Salaries, wages and employee benefits	194,380	20,689	602,698	41,731	50,092	-	909,590
Materials	132,727	88,934	662,029	20,521	112,935	26,822	1,043,968
Contracted services	56,817	93,134	2,287	131,805	12,938	42,003	338,984
Rent and financial	6,135	1,657	-	-	-	-	7,792
Depreciation	12,699	34,690	955,723	-	28,063	-	1,031,175
Gain/loss on sale	-	-	305,074	-	-	-	305,074
Total expenses	402,758	239,104	2,527,811	194,057	204,028	68,825	3,636,583
Net revenue (expenses)	\$ 3,425,338	\$ (201,736)	\$ (2,331,174)	\$ (190,848)	\$ (131,217)	\$ (13,100)	\$ 557,263

See accompanying notes to financial statements.



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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 the Corporation of the Township of Frontenac Islands – Wolfe Island Community Centre Board, which comprise the statement of financial position as at December 31, 2010, the 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 generally accepted accounting principles, 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.



Basis of Qualified Opinion

Revenue from donations and fundraising activities are not susceptible to satisfactory audit examination. Accordingly our verification of this revenue was limited to amounts recorded in records of the committee and we are not able to determine whether any adjustments might be necessary to revenue, assets and fund balances.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph, the 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, 2010, and its results of operations and its fund balances for the year then ended in accordance with Canadian generally accepted accounting principles.

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 horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants, Licensed Public Accountants

November 8, 2011

Kingston, Canada

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

Statement of Financial Position

December 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Cash and cash equivalents	\$ 210,227	\$ 143,722
Accounts receivable	-	14,000
	\$ 210,227	\$ 157,722
Liabilities		
Deferred revenue	\$ 9,913	\$ -
Fund Balance		
Centre Fund balance	\$ 200,315	\$ 157,722

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, 2010, with comparative figures for 2009

	2010	2009
Revenue:		
Fundraising	\$ 44,043	\$ 185,309
Grants - Township	24,600	14,000
Grants – Federal	18,901	–
Other	–	650
Interest income	1,025	747
	88,569	200,706
Operating expenses:		
Fundraising	14,267	821
Repairs and maintenance	19,498	9,248
Supplies	370	1,463
Utilities	2,775	2,476
Transfer to Township – Ice Rink	9,066	201,089
	45,976	215,097
Excess of revenue over expenses (expenses over revenue)	42,593	(14,391)
Centre Fund balance, beginning of year	157,722	172,113
Centre Fund balance, end of year	\$ 200,315	\$ 157,722

See accompanying notes to financial statements.

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

Statement of Cash Flows

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses (expenses over revenue)	\$ 42,593	\$ (14,391)
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	14,000	(11,738)
Increase in deferred revenue	9,913	-
Net increase (decrease) in cash and cash equivalents	66,506	(26,129)
Cash and cash equivalents, beginning of year	143,722	169,851
Cash and cash equivalents, end of year	\$ 210,228	\$ 143,722

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, 2010

1. Significant accounting policies:

The financial statements of the Corporation of the Township of Frontenac Islands – Wolfe Island Community Centre Board are the representation of management prepared in accordance with Canadian public sector accounting standards.

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

(a) Revenue recognition:

Revenues and expenses are recorded on an accrual basis.

The accrual basis recognizes revenues as they become available 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.

(b) Capital assets:

The historical cost and accumulated amortization of capital assets are not recorded for municipal purposes. Capital assets are reported as an expense on the “Statement of Operations” in the year of acquisition.

(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. 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.

2. Cash and equivalents:

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

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

Notes to Financial Statements (continued)

Year ended December 31, 2010

3. Commitments:

The Centre entered into a contract on October 1, 2010 with Bel-Con Design Buildings Ltd. for the construction of a new compressor and zamboni room. The contract price is \$145,634 of which the Centre paid \$10,068 in 2010 for work completed. The balance of the project is to be completed in fiscal 2011.

4. Related party transaction:

The Centre was extended \$253,000 from the Township in fiscal 2010 to fund the Wolfe Island culture and recreation. A portion of these funds is specifically for the new compressor and zamboni room.



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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, 2010, 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 generally accepted accounting principles, 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, 2010, and its results of operations and its fund balances for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

November 8, 2011

Kingston, Canada

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

Statement of Financial Position

December 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Cash	\$ 1,360	\$ 1,353
Investments	30,886	30,340
Due from own municipality	597	597
Interest receivable	252	546
	\$ 33,095	\$ 32,836
 Fund Balance		
Fund balance	\$ 33,095	\$ 32,836

See accompanying notes to financial statements.

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

Statement of Operations and Fund Balance

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Contributions:		
Interest	\$ 259	\$ 554
Fund balance, beginning of year	32,836	32,282
Fund balance, end of year	\$ 33,095	\$ 32,836

See accompanying notes to financial statements.

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

Statement of Cash Flows

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses	\$ 259	\$ 554
Change in non-cash operating working capital:		
Increase in accounts receivable	(546)	–
Decrease in interest receivable	294	(546)
Net increase in cash	7	8
Cash, beginning of year	1,353	1,345
Cash, end of year	\$ 1,360	\$ 1,353

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, 2010

1. Significant accounting policies:

The financial statements of the Corporation of the Township of Frontenac Islands – Fire Building Trust Fund are prepared by management in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute for Chartered Accountants.

(a) Basis for accounting:

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

(b) Revenue recognition:

Revenues and expenses are recorded on an accrual basis.

The accrual basis recognizes revenues 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. 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.