

Consolidated Financial Statements of

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

Year ended December 31, 2011

Consolidated Financial Statements of

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Year ended December 31, 2011

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 generally accepted accounting principles. 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, 2011, 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 generally accepted accounting principles, 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, 2011, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

September 10, 2012

Kingston, Canada

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Consolidated Statement of Financial Position

December 31, 2011, with comparative figures for 2010

	2011	2010
Financial assets:		
Cash	\$ 2,227,101	\$ 2,797,609
Investments	684,897	678,440
Funds held in trust	2,771	2,771
Taxes receivable	366,396	300,256
Accounts receivable	736,305	659,397
	4,017,470	4,438,473
Liabilities:		
Bank debt (note 4)	5,181	47,193
Tile drainage loans (note 6)	16,309	16,309
Accounts payable and accrued liabilities	762,597	842,733
Deferred revenue – other	–	9,913
Deferred revenue – obligatory reserve funds (note 5)	449,238	430,002
Landfill closure and post-closure liability (note 11)	203,685	144,880
	1,437,010	1,491,030
Total net financial assets	2,580,460	2,947,443
Non-financial assets:		
Tangible capital assets	20,968,369	21,628,856
Prepaid expenses	4,332	1,923
Inventories of supplies	–	113,161
	20,972,701	21,743,940
Contingent liabilities (note 10)		
Total accumulated surplus (note 3)	\$ 23,553,161	\$ 24,691,383

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, 2011, with comparative figures for 2010

	Budget 2011	Actual 2011	Actual 2010
	(Unaudited, note 12)		
Revenue:			
Taxation for municipal purposes	\$ 1,186,109	\$ 1,197,361	\$ 1,098,224
Federal grants	–	114,234	18,901
Government grants	427,441	619,251	1,315,809
Municipal transfer	139,779	92,363	128,179
User fees and service charges	181,859	97,893	106,992
Licences and permits	720	49,516	56,261
Fines and penalties	55,000	54,084	55,680
Investment income	7,500	26,865	14,141
Wolfe Island Wind Plant revenue	645,000	645,000	1,200,500
Loss on sale of assets	(229,445)	–	–
Other	76,936	174,747	199,159
Transfer from Development charges	–	40,000	–
	2,490,899	3,111,314	4,193,846
Expenses:			
Current:			
General government	434,470	381,432	402,758
Protection to persons and property	279,271	250,317	239,104
Transportation services	2,378,463	2,852,964	2,527,811
Environmental services	151,199	192,313	182,246
Landfill closure and post-closure	30,000	58,805	11,810
Recreation and cultural services	(141,257)	463,910	204,028
Planning and development	38,250	49,795	68,826
Wolfe Island Wind Plant expense	645,000	–	–
Total current expense	3,815,396	4,249,536	3,636,583
Annual surplus (deficit)	(1,324,497)	(1,138,222)	557,263
Accumulated surplus, beginning of year	24,691,383	24,691,383	24,134,120
Accumulated surplus, end of year	\$ 23,366,886	\$ 23,553,161	\$ 24,691,383

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, 2011, with comparative figures for 2010

	Actual 2011	Actual 2010
Annual surplus (deficit)	\$ (1,138,222)	\$ 557,263
Acquisition of tangible capital assets	(811,170)	(2,202,940)
Amortization of tangible capital assets	1,242,212	1,031,174
Loss on disposal of tangible capital assets	229,445	305,136
Proceeds on sale of tangible capital assets	—	100
Consumption of inventory	113,161	336,839
Change in prepaid expense	(2,409)	224
	771,239	(529,467)
Change in net financial assets	(366,983)	27,796
Net financial assets, beginning of year	2,947,443	2,919,647
Net financial assets, end of year	\$ 2,580,460	\$ 2,947,443

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, 2011, with comparative figures for 2010

	2011	2010
Operations:		
Annual surplus (deficit)	\$(1,138,222)	\$ 557,263
Items not involving cash:		
Amortization of tangible capital assets	1,242,212	1,031,174
Loss on disposal of tangible capital assets	229,445	305,136
Increase in landfill closure and post-closure costs	58,805	11,810
	392,240	1,905,383
Net change in non-cash working capital items:		
Decrease (increase) in accounts receivable	(76,908)	674,692
Decrease in funds held in trust	—	7,947
Increase (decrease) in accounts payable	(80,136)	158,409
Decrease in deferred revenue	(9,913)	(545,087)
Decrease (increase) in taxes receivable	(66,140)	132,218
Increase (decrease) in obligatory reserve fund	19,236	107,969
Decrease (increase) in prepaid expenses	(2,409)	224
Decrease in inventories of supplies	113,161	336,839
	289,131	2,778,594
Capital activities:		
Purchase of tangible capital assets	(811,170)	(2,202,940)
Proceeds on sale of tangible capital assets	—	100
	(811,170)	(2,202,840)
Investing activities:		
Purchase of investments	(6,457)	(2,547)
Financing activities:		
Principal repayment	(42,012)	(16,359)
Increase (decrease) in cash	(570,508)	556,848
Cash, beginning of year	2,797,609	2,240,761
Cash, end of year	\$ 2,227,101	\$ 2,797,609

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, 2011

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, 2011

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, 2011

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, 2011

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 2011, 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	
	2011	2010	2011	2010
Amounts requisitioned and collected	\$ 1,071,177	\$ 1,003,089	\$ 836,679	\$ 850,093

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

3. Accumulated surplus:

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

	2011	2010
Current operating	\$ 195,962	\$ 498,619
Wolfe Island Community Centre Board	28,559	200,315
Tangible capital assets	20,968,369	21,628,856
Amounts to be recovered	(203,685)	(144,880)
Bank debt	–	(24,082)
	20,989,205	22,158,828
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	205,000	175,000
Community enhancement and recreation	57,764	169,764
Area rated services	47,000	47,000
Election	2,500	1,000
Computer equipment	11,000	9,000
Total reserves	729,630	808,130
Reserve funds set aside for specific purposes		
by Council:		
Roads	408,862	471,177
Ferries – environmental assessment	320,197	258,959
Mill rate stabilization	900	891
Protection	109,048	56,940
Recreation	349,849	306,736
Other	202,240	7,374
Lot levies	70,942	70,236
Wolfe Island Wind Plant	372,288	552,112
Total reserve funds	1,834,326	1,724,425
Total accumulated surplus	\$ 23,553,161	\$ 24,691,383

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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, 2011 the balance outstanding is \$5,181 (2010 - \$23,111) with the remaining balance to be repaid in monthly blended payments of \$1,555.

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 \$Nil (2010 - \$24,082).

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:

	2011	2010
Balance, beginning of year	\$ 430,002	\$ 322,033
Wolfe and Howe building	21,525	13,169
Development charge revenue	43,587	132,865
Federal gas tax proceeds	107,333	57,288
Funds transferred	(154,234)	(107,924)
Interest	1,025	1,968
Transfer from county	–	10,603
Balance, end of year	\$ 449,238	\$ 430,002
Analyzed as follows:		
Development charge	\$ 256,159	\$ 251,759
Federal gas tax	137,582	144,302
Wolfe building	10,029	9,999
Howe building	45,468	23,942
Balance, end of year	\$ 449,238	\$ 430,002

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

6. Tile drainage loans:

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

	2011	2010
Debenture for tile drainage loans	\$ 16,309	\$ 16,309

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 \$34,586 (2010 - \$33,095) 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 2011 amounted to \$40,336 (2010 - \$33,449). 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, 2011

9. Supplementary information:

	2011	2010
Expenses by object:		
Salaries, wages and employee benefits	\$ 954,617	\$ 909,590
Materials	1,031,323	1,032,158
Contracted services	716,532	338,985
Landfill closure and post-closure	58,805	11,810
Amortization	1,242,212	1,031,174
Loss on sale of assets	229,445	305,136
Rents and financial expenses	16,602	7,730
Total	\$ 4,249,536	\$ 3,636,583

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, 2011, 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. 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, 2011

11. 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 5.25%. The estimated total landfill closure and post-closure care expenses are calculated to be \$262,107 (2010 - \$184,648). 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 (2010 – 8,860) cubic meters of its total estimated capacity and its estimated remaining life is four years, after which the period for post-closure care is estimated to be twenty-five years. At December 31, 2011, an amount of \$203,685 (2010 - \$144,880) has been recognized to date with respect to landfill closure and post-closure liability.

12. Budget figures:

The unaudited budget data presented in these consolidated financial statements is based upon the 2011 operating and capital budgets approved by Council on June 13, 2011. Amortization was not contemplated on development of the budget. Reconciliation of the approved budget to the budget figures reported in these consolidated financial statements is as follows:

Budget data	Budget amount
Total budgeted revenues:	
Operating budget	\$ 4,324,659
Capital budget	(213,626)
Operating budget	(308,182)
	<u>3,802,851</u>
Less:	
Loss on sale of assets	229,445
Less:	
Transfers to other funds	1,082,507
<u>Total revenue</u>	<u>\$ 2,490,899</u>

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

12. Budget figures (continued):

Budget data	Budget amount
Total budget expenses:	
Operating budget	\$ 4,324,659
Capital budget	(893,878)
Capital expenses	(291,962)
	<u>3,138,819</u>
Add:	
Amortization	1,030,127
Less:	
Transfer from other funds	311,297
Debt principal repayments	42,253
	<u>\$ 3,815,396</u>
	<u>\$ 1,324,497</u>

13. Tangible capital assets:

Cost	Balance at December 31, 2010	Additions	Disposals	Balance at December 31, 2011
Land	\$ 693,527	\$ -	\$ -	\$ 693,527
Land improvements	693,219	243,286	-	936,505
Buildings	1,941,119	48,743	-	1,989,862
Machinery and equipment	200,734	39,382	-	240,116
Vehicles	1,436,295	-	-	1,436,295
Linear assets	32,441,596	495,424	429,366	32,507,654
Assets under construction	106,395	-	15,665	90,730
Total	\$ 37,512,885	\$ 826,835	\$ 445,031	\$ 37,894,689

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

13. Tangible capital assets (continued)

Accumulated amortization	Balance at December 31, 2010	Disposals	Amortization expense	Balance at December 31, 2011
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	206,695	-	39,649	246,344
Buildings	737,965	-	56,518	794,483
Machinery and equipment	107,614	-	22,646	130,260
Vehicles	726,789	-	63,683	790,472
Linear assets	14,104,966	199,921	1,059,716	14,964,761
Assets under construction	-	-	-	-
Total	\$ 15,884,029	\$ 199,921	\$ 1,242,212	\$ 16,926,320

	Net book value December 31, 2010	Net book value December 31, 2011
Land	\$ 693,527	\$ 693,527
Land improvements	486,524	690,161
Buildings	1,203,154	1,195,379
Machinery and equipment	93,120	109,856
Vehicles	709,506	645,823
Linear assets	18,336,630	17,542,893
Assets under construction	106,395	90,730
Total	\$ 21,628,856	\$ 20,968,369

(a) Assets under construction:

Assets under construction having a value of \$90,730 (2010 - \$106,395) 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, 2011

14. 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, 2011

14. 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, 2011

	Administration	Protection Services	Transportation Services	Environmental Services	Parks and Recreation	Planning and Development	Total
Taxation	\$ 118,457	\$ 164,212	\$ 654,705	\$ 184,799	\$ (193,214)	\$ 14,012	\$ 942,971
Payments in lieu of taxation	175	242	965	272	(285)	21	1,390
Penalties and interest	54,084	—	—	—	—	—	54,084
Investment income	9,759	544	11,682	—	4,175	706	26,866
Government conditional grants	394,780	—	328,106	6,599	4,000	40,000	773,485
Other municipalities	—	—	89,563	—	2,800	—	92,363
Licenses, permits and rents	1,205	4,227	—	—	—	48,954	54,386
User fees and service charges	—	—	94,987	2,006	900	—	97,893
Wind plant	—	—	645,000	—	—	—	645,000
Donations	—	—	—	—	10,163	—	10,163
Other	29,060	1,564	7,925	—	375,952	(1,788)	412,713
Total revenue	607,520	170,789	1,832,933	193,676	204,491	101,905	3,111,314
Salaries, wages and employee benefits	190,027	21,417	683,266	43,203	13,704	3,000	954,617
Materials	43,190	42,609	590,639	478	351,469	2,938	1,031,323
Contracted services	119,473	150,228	156,131	148,632	57,759	43,857	676,080
Rent and financial	14,951	736	—	—	915	—	16,602
Wind plant	—	—	40,452	—	—	—	40,452
Amortization	13,791	35,327	1,153,031	—	40,063	—	1,242,212
Gain/loss on sale	—	—	229,445	—	—	—	229,445
Landfill closure and post-closure	—	—	—	58,805	—	—	58,805
Total expenses	381,432	250,317	2,852,964	251,118	463,910	49,795	4,249,536
Net revenue (expenses)	\$ 226,088	\$ (79,528)	\$ (1,020,031)	\$ (57,442)	\$ (259,419)	\$ 52,110	\$ (1,138,222)

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, 2011, 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, as at or for the years ended December 31, 2011 and December 31, 2010 any adjustments might be necessary to fundraising revenue excess of revenue over expenses (expenses over revenue), assets and accumulated surplus.

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, 2011, and its results of operations and its cash flows 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

September 10, 2012

Kingston, Canada

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

Statement of Financial Position

December 31, 2011, with comparative figures for 2010

	2011	2010
Financial Assets		
Cash and cash equivalents	\$ 28,559	\$ 210,228
Liabilities		
Deferred revenue	\$ –	\$ 9,913
Total net financial assets	28,559	200,315
Total accumulated surplus	\$ 28,559	\$ 200,315

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, 2011, with comparative figures for 2010

	2011	2010
Revenue:		
Fundraising	\$ 122,471	\$ 44,043
Grants - Township	270,800	24,600
Grants – Federal	–	18,901
Interest income	1,882	1,025
Donations	9,913	–
	405,066	88,569
Operating expenses:		
Fundraising	16,253	14,267
Repairs and maintenance	29,154	19,498
Supplies	5,271	370
Utilities	3,888	2,775
Transfer to Township – Ice Rink	4,230	9,066
	58,796	45,976
Transfer capital to Township	518,026	–
Excess of revenue over expenses (expenses over revenue)	(171,756)	42,593
Accumulated surplus, beginning of year	200,315	157,722
Accumulated surplus, end of year	\$ 28,559	\$ 200,315

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, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses (expenses over revenue)	\$ (171,756)	\$ 42,593
Change in non-cash operating working capital:		
Decrease in accounts receivable	–	14,000
Increase (decrease) in deferred revenue	(9,913)	9,913
Net increase (decrease) in cash and cash equivalents	(181,669)	66,506
Cash and cash equivalents, beginning of year	210,228	143,722
Cash and cash equivalents, end of year	\$ 28,559	\$ 210,228

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, 2011

1. Significant accounting policies:

The financial statements of the Corporation of the Township of Frontenac Islands – Wolfe Island Community Centre Board (the “Centre”) are the representation of management prepared in accordance with Canadian generally accepted accounting principles.

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) 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. 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, 2011

3. Related party transaction:

The Centre was extended \$270,800 from the Township in fiscal 2011 to fund the Wolfe Island culture and recreation. These funds were 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, 2011, 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, 2011, 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

September 10, 2012

Kingston, Canada

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

Statement of Financial Position

December 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Cash	\$ 33,989	\$ 1,360
Investments	–	30,886
Due from own municipality	597	597
Interest receivable	–	252
	\$ 34,586	\$ 33,095
 Fund Balance		
Fund balance	\$ 34,586	\$ 33,095

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, 2011, with comparative figures for 2010

	2011	2010
Contributions:		
Interest	\$ 1,491	\$ 259
Fund balance, beginning of year	33,095	32,836
Fund balance, end of year	\$ 34,586	\$ 33,095

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, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses	\$ 1,491	\$ 259
Change in non-cash operating working capital:		
Increase in accounts receivable	–	(546)
Decrease in interest receivable	252	294
	1,743	7
Investing activities:		
Redeemed investments	30,886	–
Net increase in cash	32,629	7
Cash, beginning of year	1,360	1,353
Cash, end of year	\$ 33,989	\$ 1,360

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, 2011

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 generally accepted accounting principles.

(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 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. 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.