

**CORPORATION OF THE
TOWNSHIP OF FARADAY**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

**CORPORATION OF THE
TOWNSHIP OF FARADAY**

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CORPORATION OF THE TOWNSHIP OF FARADAY

For The Year Ended December 31, 2010

MANAGEMENT REPORT

The accompanying consolidated financial statements of the Corporation of the Township of Faraday are the responsibility of management and have been approved by Council.

The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Township maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Township assets are appropriately accounted for and adequately safeguarded.

The Township Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving financial statements.

Council reviews and approves the Township financial statements for issuance to the members of Council, inhabitants and ratepayers of the Corporation of the Township of Faraday. Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities and to review the financial statements and the external auditor's report.

The consolidated financial statements have been audited by Collins Barrow Kawarthas LLP in accordance with Canadian generally accepted auditing standards on behalf of the Township. Collins Barrow Kawarthas LLP has full and free access to Council.

DEPUTY
Reeve

Margaret Nicholson

Date

Sept. 7/11

Clerk-Treasurer

Brenda Voder

Date

Sept. 7/11

INDEPENDENT AUDITORS' REPORTT. 705.742.3418
F. 705.742.9775**To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Faraday**www.collinsbarrow.com*Report on the Financial Statements*

We have audited the accompanying consolidated financial statements of the Corporation of the Township of Faraday, 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 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 consolidated financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal controls as management determines are 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 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 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 the auditors' 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, the auditor considers internal controls 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 controls. 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, these consolidated financial statements present fairly, in all material respects, the financial position of the Township of Faraday as at December 31, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

*Collins Barrow Kawarthas LLP*Chartered Accountants
Licensed Public AccountantsPeterborough, Ontario
September 7, 2011

CORPORATION OF THE TOWNSHIP OF FARADAY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2010

	2010 \$	Restated 2009 \$ (Note 2)
FINANCIAL ASSETS		
Cash	1,831,414	628,968
Taxes receivable	343,143	272,042
Accounts receivable	340,463	1,238,636
TOTAL FINANCIAL ASSETS	2,515,020	2,139,646
LIABILITIES		
Accounts payable and accrued liabilities	284,677	536,891
Obligatory reserve funds (note 5)	123,937	43,394
Long term debt (note 6)	22,400	33,500
Landfill closure and post-closure liability (note 7)	244,854	226,597
TOTAL LIABILITIES	675,868	840,382
NET FINANCIAL ASSETS	1,839,152	1,299,264
NON-FINANCIAL ASSETS		
Tangible capital assets (note 4)	5,550,772	5,963,689
Other assets	55,435	5,652
TOTAL NON-FINANCIAL ASSETS	5,606,207	5,969,341
ACCUMULATED SURPLUS (note 8)	7,445,359	7,268,605

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF FARADAY

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS For the Year Ended December 31, 2010

	Budget 2010 \$	Actual 2010 \$	Restated Actual 2009 \$ (Note 2)
REVENUES			
Property taxation	1,667,994	1,681,234	1,630,577
User charges	55,911	112,859	81,421
Government of Canada	256,236	115,262	646,717
Province of Ontario	677,531	536,557	1,119,712
Other municipalities	234,333	174,415	531,406
Penalties and interest on taxes	30,000	54,531	48,309
Investment income	3,000	7,185	4,536
Donations	-	2,500	-
Gain on disposal of tangible capital assets	-	-	2,818
Federal gas tax revenue earned	-	-	220,000
Developer contributions earned	-	13,333	11,550
TOTAL REVENUES	2,925,005	2,697,876	4,297,046
EXPENSES			
General government	332,040	319,647	273,932
Protection services	477,281	438,089	388,524
Transportation services	809,100	847,299	707,683
Environmental services	1,201,940	836,311	1,142,815
Health services	9,200	8,780	11,952
Recreation and cultural services	96,678	66,480	65,089
Planning and development	7,300	4,516	16,363
TOTAL EXPENSES	2,933,539	2,521,122	2,606,358
ANNUAL SURPLUS/(DEFICIT)	(8,534)	176,754	1,690,688
ACCUMULATED SURPLUS - beginning of year	7,268,605	7,268,605	5,577,917
ACCUMULATED SURPLUS - end of year	7,260,071	7,445,359	7,268,605

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF FARADAY

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the Year Ended December 31, 2010

	Budget 2010 \$	Actual 2010 \$	Actual 2009 \$ (Note 2)
ANNUAL SURPLUS/(DEFICIT)	(8,534)	176,754	1,690,688
Amortization of tangible capital assets	407,000	485,322	406,556
Acquisition of tangible capital assets	(106,500)	(72,405)	(1,879,173)
Gain on disposal of tangible capital assets	-	-	(2,818)
Proceeds on disposal of tangible capital assets	-	-	2,818
Increase in other assets	-	(49,783)	(5,652)
INCREASE IN NET FINANCIAL ASSETS	291,966	539,888	212,419
NET FINANCIAL ASSETS - beginning of year	1,299,264	1,299,264	1,086,845
NET FINANCIAL ASSETS - end of year	1,591,230	1,839,152	1,299,264

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF FARADAY

CONSOLIDATED STATEMENT OF CASH FLOWS For the Year Ended December 31, 2010

	2010	Restated 2009
	\$	\$
		(Note 2)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual surplus/(deficit)	176,754	1,690,688
Increase in taxes receivable	(71,101)	(14,697)
(Increase)/decrease in accounts receivable	898,173	(1,161,300)
Increase in other assets	(49,783)	(5,652)
Increase/(decrease) in accounts payable and accrued liabilities	(252,214)	382,951
Increase/(decrease) in obligatory reserve funds	80,543	(136,898)
Increase/(decrease) in landfill closure and post-closure liability	18,257	(155,880)
Non-cash charges to operations		
Amortization of tangible capital assets	485,322	406,556
Gain on disposal of tangible capital assets	-	(2,818)
Net increase in cash from operating transactions	1,285,951	1,002,950
CAPITAL		
Acquisition of tangible capital assets	(72,405)	(1,879,173)
Proceeds on disposal of tangible capital assets	-	2,818
Net decrease in cash from capital transactions	(72,405)	(1,876,355)
FINANCING		
Debt principal repayments	(11,100)	(27,762)
INCREASE/(DECREASE) IN CASH	1,202,446	(901,167)
CASH - beginning of year	628,968	1,530,135
CASH - end of year	1,831,414	628,968

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF FARADAY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2010

The Township of Faraday is a lower tier municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies are as follows:

(a) Reporting Entity

These consolidated financial statements reflect the assets, liabilities, revenues and expenses and fund balances of the reporting entity and include all committees of Council. There are no local boards.

All interfund assets and liabilities and revenues and expenses are eliminated.

(b) Trust Fund

The trust fund and its related operations administered by the Township are not included in these consolidated financial statements but are reported on separately on the Trust Fund Statement of Continuity and Statement of Financial Position.

(c) Tangible Capital Assets

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

Land improvements	20 years
Buildings	40 - 50 years
Roadways	5 - 25 years
Machinery & equipment	4 - 20 years
Vehicles	5 - 10 years
Furniture and fixtures	5 - 20 years
Computer hardware and software	4 - 10 years

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

Tangible capital assets categorized as assets under construction are not amortized until they are put into service.

(d) Recognition of Revenues and Expenses

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

CORPORATION OF THE TOWNSHIP OF FARADAY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) Non-financial Assets

Tangible capital and other non-financial assets are accounted for as assets by the Township because they can be used to provide government services in future periods. These assets do not normally provide resources to discharge the liabilities of the Township unless they are sold.

(f) Reserves

Certain amounts, as approved by Council, are set aside in reserves for future operating and capital purposes. Transfers to and from reserves are adjustments to the respective funds when approved.

(g) Deferred Revenue

Deferred revenue represents grants, user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(h) Taxation

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC) and in accordance with the provisions of the Municipal Act, 2001. The Township Council establishes the tax rates annually, incorporating amounts to be raised for local services, and amounts the Township is required to collect on behalf of the County and School Boards. From time to time property assessments are adjusted by MPAC through the reconsideration process or by the Assessment Review Board through the appeal process. Additional assessments, referred to as supplementary and omitted assessment can also be issued by MPAC in accordance with the Assessment Act. These adjustments and additional assessments are processed by the Township upon receipt and recognized in the fiscal year they are determined. All property taxes are secured by the land and pose no significant collection risk.

(i) Government Funding

Government funding is recognized in the financial statements as revenues in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(j) Use of Estimates

Certain items recognized in the financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Township best information and judgment. Such amounts are not expected to change materially in the near term.

- The amounts recorded for landfill closure and post-closure care depend on estimates of usage, remaining life and capacity. The provision for future closure and post-closure costs also depends on estimates of such costs.
 - The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.
-

CORPORATION OF THE TOWNSHIP OF FARADAY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(k) Financial Instruments

The Township financial instruments consist of cash, taxes receivable, accounts receivable, accounts payable and accrued liabilities and long term debt. The Township's long term debt has outstanding obligations with a variable rate of interest. As such, it represents a risk to the Township should interest rates fluctuate. It is management's opinion the Township is not exposed to significant currency or other credit risks.

2. PRIOR PERIOD ADJUSTMENT

The Township has restated its financial statements to account for an error in the determination of tangible capital assets. Adjustments necessary to the 2009 financial information as a result are as follows:

Adjustment to 2009 Tangible Capital Assets

Net book value of assets previously recorded to December 31, 2009	\$ 5,912,988
Assets previously expensed to December 31, 2009	120,424
Accumulated amortization to December 31, 2009, not previously recorded	<u>(69,723)</u>
Closing 2009 and opening 2010 net book value of tangible capital assets as restated	<u>\$ 5,963,689</u>

Adjustment to Opening 2009 Accumulated Surplus

Accumulated surplus as previously stated	\$ 5,568,175
Assets capitalized but previously expensed	75,332
Amortization expense not previously recorded	<u>(65,590)</u>
Opening 2009 accumulated surplus as restated	<u>\$ 5,577,917</u>

Adjustment to 2009 Annual Surplus

2009 annual surplus as previously stated	\$ 1,649,729
Add: Assets capitalized but previously expensed	45,092
Less: Amortization expense not previously recorded	<u>(4,133)</u>
2009 annual surplus as restated	<u>\$ 1,690,688</u>

CORPORATION OF THE TOWNSHIP OF FARADAY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2010

3. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF HASTINGS

During 2010, requisitions were made by the County of Hastings and School Boards requiring the Township to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are as follows:

	School Boards \$	County \$
Property taxes	649,763	786,262
Taxation from other governments	107	3,422
Amounts requisitioned and remitted	649,870	789,684

These amounts have not been included in the Consolidated Statement of Operations and Accumulated Surplus.

4. TANGIBLE CAPITAL ASSETS

The net book value of the Township tangible capital assets are:

	2010 \$	Restated 2009 (Note 2) \$
General		
Land	203,188	203,188
Buildings	378,354	398,083
Equipment	399,314	434,550
Vehicles	174,556	207,071
Infrastructure		
Roads	2,937,294	3,157,611
Waste	1,458,066	1,553,503
	5,550,772	5,954,006
Assets under construction	-	9,683
	5,550,772	5,963,689

For additional information, see the Consolidated Schedule of Tangible Capital Assets.

During the year there were no write-downs of assets (2009 - \$Nil) and no interest capitalized (2009 - \$Nil).

CORPORATION OF THE TOWNSHIP OF FARADAY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2010

4. TANGIBLE CAPITAL ASSETS, continued

The allocation of tangible capital assets by segment is as follows:

	2010	Restated 2009 (Note 2)
	\$	\$
General government	226,641	251,492
Protection services	108,357	119,300
Transportation services	3,473,115	3,750,787
Environmental services	1,664,471	1,760,674
Recreation and cultural services	78,188	81,436
	<u>5,550,772</u>	<u>5,963,689</u>

5. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as legislation and external agreements restrict how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds of the Township are summarized below:

	2010	2009
	\$	\$
Parkland	9,892	16,220
Federal gas tax revenues	114,045	27,174
	<u>123,937</u>	<u>43,394</u>

CORPORATION OF THE TOWNSHIP OF FARADAY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2010

5. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS, continued

The continuity of deferred revenue - obligatory reserve funds is as follows:

	2010	2009
	\$	\$
Balance - beginning of year	43,394	180,292
Add amounts received:		
Parkland	7,006	2,000
Federal gas tax revenues	86,683	92,481
Interest	187	171
	93,876	94,652
Less transfer to operations:		
Parkland	13,333	11,550
Federal gas tax revenues	-	220,000
	13,333	231,550
Balance - end of year	123,937	43,394

6. LONG TERM DEBT

(a) The balance of long term debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2010	2009
	\$	\$
Bank loan, repayable in monthly installments of \$625, plus interest at prime rate, due 2012	10,000	17,500
Bank loan, repayable in monthly installments of \$300, plus interest at prime rate, due 2010	12,400	16,000
	22,400	33,500

CORPORATION OF THE TOWNSHIP OF FARADAY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2010

6. LONG TERM DEBT, continued

- (b) The long term debt in (a) issued in the name of the Township have been approved 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 and Housing.
- (c) Interest paid during the year on long term debt amounted to \$720 (2009 - \$1,123).
- (d) The long term debt reported in (a) of this note is repayable as follows:

	Principal \$	Interest \$	Total \$
2011	11,100	520	11,620
2012	6,100	230	6,330
2013	3,600	106	3,706
2014	1,600	13	1,613
	22,400	869	23,269

7. LANDFILL CLOSURE AND POST CLOSURE LIABILITY

The liability for landfill closure and post-closure costs of \$244,854 (2009 - \$226,597) has been estimated using discounted future cash flows associated with closure and post-closure care activities for the landfill site. The closure costs include final cover, vegetation and additional monitoring wells. Post-closure costs include monitoring, maintenance of control systems and consulting fees for 25 years after the site is closed. The landfill closure and post-closure liability will be funded from taxation. There are no specific assets designated for settling this liability.

The reported liability is based upon estimated and assumptions with respect to events extending over the remaining life of the landfill. The remaining capacity of the landfill site is estimated at 10,959 cubic meters (2009 - 11,835) which is 10.9% (2009 - 11.8%) of the site's capacity. The total discounted future cash flows for closure and post-closure cost is estimated at \$549,643 (2009 - \$513,685) as at December 31, 2010. The landfill is expected to reach its capacity in 2021.

In accordance with an agreement between the Township and the Town of Bancroft, the Township is responsible for 50% of the liability for closure and post-closure costs.

CORPORATION OF THE TOWNSHIP OF FARADAY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2010

8. ACCUMULATED SURPLUS

Accumulated surplus consists of individual fund surplus/(deficit) and reserves and reserve funds as follows:

	2010	Restated 2009 (Note 2)
	\$	\$
Surplus/(Deficit)		
Unfunded landfill closure and post-closure liability	(244,854)	(226,597)
Invested in Capital Assets		
Tangible capital assets - net book value	5,550,772	5,963,689
Long term debt	(22,400)	(33,500)
	5,528,372	5,930,189
Surplus	5,283,518	5,703,592
Reserves		
Working capital	570,504	570,503
Capital	1,204,556	961,428
Fire	84,435	27,435
Fire - special grant	2,346	5,647
Roads	200,000	-
Landfill reclamation	50,000	-
Landfill closure costs	50,000	-
Total Reserves	2,161,841	1,565,013
	7,445,359	7,268,605

CORPORATION OF THE TOWNSHIP OF FARADAY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2010

9. EXPENSES BY OBJECT

The expenses for the year reported on the Consolidated Statement of Operations and Accumulated Surplus by object are as follows:

	Budget 2010 \$	Actual 2010 \$	Actual 2009 \$
Salaries and benefits	544,040	487,980	442,604
Interest charges	1,000	720	1,123
Materials	701,135	646,800	552,672
Contracted services	1,205,752	820,772	1,144,990
Rents and financial	3,000	1,945	1,957
External transfers	71,612	77,583	56,456
Amortization	407,000	485,322	406,556
	2,933,539	2,521,122	2,606,358

10. PENSION AGREEMENTS

The Township makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all permanent, full-time members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contributions required on account of current service in 2010 were \$16,925 (2009 - \$23,412).

11. TRUST FUNDS

The trust fund administered by the Township amounting to \$1,925 (2009 - \$5,219) has not been included in the Consolidated Statement of Financial Position nor has its operations been included in the Consolidated Statement of Operations and Accumulated Surplus. As such balances are held in trust by the Township for the benefit of others, they are not presented as part of the Township financial position or operations.

12. BUDGET FIGURES

The budget, approved by the Township, for 2010 is reflected on the Statement of Operations and Accumulated Surplus and the Statement of Change in Net Financial Assets. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements. Budget figures are not subject to audit.

CORPORATION OF THE TOWNSHIP OF FARADAY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2010

13. CREDIT FACILITY AGREEMENT

The Township has a revolving credit facility agreement with its main financial institution. The amount available at any time is limited to \$500,000 via an overdraft or demand note. Any balance borrowed will accrue interest at the bank's prime lending rate. Council authorized the temporary borrowing limit by By-law 1-2010. At December 31, 2010, there was no balance outstanding. (2009 - \$NIL)

14. CONTINGENT LIABILITIES

The Township in the course of its operations is subject to claims, lawsuits and contingencies. The Township records settlements as liabilities in the period they are reasonably determined. Although it is possible that liabilities may arise in other instances for which no accruals have been made, the Township does not believe that such an outcome will significantly impair its operations or have a material effect on its financial position.

15. SEGMENTED INFORMATION

The Township of Faraday is a municipal government institution that provides a range of services to its citizens. Township services are reported by function and their activities are separately disclosed in the segmented information.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation, payments-in-lieu of taxes and certain unconditional government transfers are apportioned based on each segment's net requirements.

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. For additional information see the Consolidated Schedule of Segment Disclosure.

General Government

General government consists of the activities of Council and general financial and administrative management of the Township and its programs and services.

Protection Services

Protection services include police, fire, conservation authority and protective inspection and control.

Transportation Services

The activities of the transportation function include construction and maintenance of the Township's roads and bridges and winter control.

Environmental Services

This function is responsible for waste collection, waste disposal, and recycling.

Health Services

The health services function consists of external transfer for physician recruitment and emergency training costs.

CORPORATION OF THE TOWNSHIP OF FARADAY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2010

15. SEGMENTED INFORMATION, continued

Recreation and Cultural Services

The recreation and cultural services function provides indoor and outdoor recreational facilities and external transfer for library services.

Planning and Development

The planning and development services function manages commercial, industrial and residential development within the Township.

16. COMPARATIVE FIGURES

Certain comparative figures were restated, where required, to conform with the current year presentation.

CORPORATION OF THE TOWNSHIP OF FARADAY

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the Year Ended December 31, 2010

	General				Infrastructure		Assets Under Construction	Totals
	Land	Buildings	Equipment	Vehicles	Roads	Waste		
	\$	\$	\$	\$	\$	\$	\$	\$
COST								
Balance, beginning of year (restated)	203,188	703,322	585,113	574,134	4,645,769	2,129,505	9,683	8,850,714
Add: additions during the year	-	-	-	-	72,405	-	-	72,405
Internal transfers	-	-	-	-	9,683	-	(9,683)	-
Balance, end of year	203,188	703,322	585,113	574,134	4,727,857	2,129,505	-	8,923,119
ACCUMULATED AMORTIZATION								
Balance, beginning of year (restated)	-	305,239	150,563	367,063	1,488,158	576,002	-	2,887,025
Add: additions during the year	-	19,729	35,236	32,515	302,405	95,437	-	485,322
Balance, end of year	-	324,968	185,799	399,578	1,790,563	671,439	-	3,372,347
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS								
	203,188	378,354	399,314	174,556	2,937,294	1,458,066	-	5,550,772

CORPORATION OF THE TOWNSHIP OF FARADAY

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the Year Ended December 31, 2010

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Property taxation	415,427	337,677	560,794	300,571	8,780	54,719	3,266	1,681,234
User charges	4,342	64,672	4,085	35,730	-	2,780	1,250	112,859
Government transfers - operating	402,900	2,800	-	-	-	5,595	-	411,295
Government transfers - capital	-	-	-	240,524	-	-	-	240,524
Other municipalities	1,731	21,699	4,750	146,099	-	136	-	174,415
Penalties and interest on taxes	54,531	-	-	-	-	-	-	54,531
Investment income	7,185	-	-	-	-	-	-	7,185
Donations	2,500	-	-	-	-	-	-	2,500
Developer contributions earned	13,333	-	-	-	-	-	-	13,333
Total revenues	901,949	426,848	569,629	722,924	8,780	63,230	4,516	2,697,876
Expenses								
Salaries and benefits	161,544	102,324	145,835	66,498	-	11,779	-	487,980
Interest charges	-	-	-	720	-	-	-	720
Materials	122,177	69,020	322,318	108,216	3,780	16,773	4,516	646,800
Contracted services	-	227,027	29,071	564,674	-	-	-	820,772
Rents and financial	1,945	-	-	-	-	-	-	1,945
External transfers	9,130	28,775	-	-	5,000	34,678	-	77,583
Amortization	24,851	10,943	350,075	96,203	-	3,250	-	485,322
Total expenses	319,647	438,089	847,299	836,311	8,780	66,480	4,516	2,521,122
Net surplus/(deficit)	582,302	(11,241)	(277,670)	(113,387)	-	(3,250)	-	176,754

CORPORATION OF THE TOWNSHIP OF FARADAY

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the Year Ended December 31, 2009

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation and Cultural Services \$	Planning and Development \$	Consolidated \$
Revenues								
Property taxation	-	365,077	460,581	726,206	11,952	52,648	14,113	1,630,577
User charges	4,631	49,552	3,276	17,732	-	3,980	2,250	81,421
Government transfers - operating	260,097	-	209,005	-	-	5,595	-	474,697
Government transfers - capital	-	-	-	1,291,732	-	-	-	1,291,732
Other municipalities	2,369	400	4,875	523,762	-	-	-	531,406
Penalties and interest on taxes	48,309	-	-	-	-	-	-	48,309
Investment income	4,536	-	-	-	-	-	-	4,536
Gain on disposal of tangible capital assets	-	2,818	-	-	-	-	-	2,818
Federal gas tax revenue earned	-	-	-	220,000	-	-	-	220,000
Developer contributions earned	11,550	-	-	-	-	-	-	11,550
Total revenues	331,492	417,847	677,737	2,779,432	11,952	62,223	16,363	4,297,046
Expenses								
Salaries and benefits	162,204	62,652	156,666	47,142	-	13,940	-	442,604
Interest charges	-	-	-	1,123	-	-	-	1,123
Materials	92,481	72,754	205,427	134,757	1,952	28,938	16,363	552,672
Contracted services	-	208,885	33,345	902,760	-	-	-	1,144,990
Rents and financial	1,957	-	-	-	-	-	-	1,957
External transfers	150	26,961	-	-	10,000	19,345	-	56,456
Amortization	17,140	17,272	312,245	57,033	-	2,866	-	406,556
Total expenses	273,932	388,524	707,683	1,142,815	11,952	65,089	16,363	2,606,358
Net surplus/(deficit)	57,560	29,323	(29,946)	1,636,617	-	(2,866)	-	1,690,688

CORPORATION OF THE TOWNSHIP OF FARADAY

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the Year Ended December 31, 2010

	General				Infrastructure		Assets Under Construction \$	Totals \$
	Land \$	Buildings \$	Equipment \$	Vehicles \$	Roads \$	Waste \$		
COST								
Balance, beginning of year (restated)	203,188	703,322	585,113	574,134	4,645,769	2,129,505	9,683	8,850,714
Add: additions during the year	-	-	-	-	72,405	-	-	72,405
Internal transfers	-	-	-	-	9,683	-	(9,683)	-
Balance, end of year	203,188	703,322	585,113	574,134	4,727,857	2,129,505	-	8,923,119
ACCUMULATED AMORTIZATION								
Balance, beginning of year (restated)	-	305,239	150,563	367,063	1,488,158	576,002	-	2,887,025
Add: additions during the year	-	19,729	35,236	32,515	302,405	95,437	-	485,322
Balance, end of year	-	324,968	185,799	399,578	1,790,563	671,439	-	3,372,347
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	203,188	378,354	399,314	174,556	2,937,294	1,458,066	-	5,550,772

CORPORATION OF THE TOWNSHIP OF FARADAY

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the Year Ended December 31, 2010

	Recreation and					Consolidated		
	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$		Cultural Services \$	Planning and Development \$
Revenues								
Property taxation	415,427	337,677	560,794	300,571	8,780	54,719	3,266	1,681,234
User charges	4,342	64,672	4,085	35,730	-	2,780	1,250	112,859
Government transfers - operating	402,900	2,800	-	-	-	5,595	-	411,295
Government transfers - capital	-	-	-	240,524	-	-	-	240,524
Other municipalities	1,731	21,699	4,750	146,099	-	136	-	174,415
Penalties and interest on taxes	54,531	-	-	-	-	-	-	54,531
Investment income	7,185	-	-	-	-	-	-	7,185
Donations	2,500	-	-	-	-	-	-	2,500
Developer contributions earned	13,333	-	-	-	-	-	-	13,333
Total revenues	901,949	426,848	569,629	722,924	8,780	63,230	4,516	2,697,876
Expenses								
Salaries and benefits	161,544	102,324	145,835	66,498	-	11,779	-	487,980
Interest charges	-	-	-	720	-	-	-	720
Materials	122,177	69,020	322,318	108,216	3,780	16,773	4,516	646,800
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Total expenses	319,647	438,089	847,299	836,311	8,780	66,480	4,516	2,521,122
Net surplus/(deficit)	582,302	(11,241)	(277,670)	(113,387)	-	(3,250)	-	176,754

CORPORATION OF THE TOWNSHIP OF FARADAY

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the Year Ended December 31, 2009

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation and		Consolidated \$
						Cultural Services \$	Planning and Development \$	
Revenues								
Property taxation	-	365,077	460,581	726,206	11,952	52,648	14,113	1,630,577
User charges	4,631	49,552	3,276	17,732	-	3,980	2,250	81,421
Government transfers - operating	260,097	-	209,005	-	-	5,595	-	474,697
Government transfers - capital	-	-	-	1,291,732	-	-	-	1,291,732
Other municipalities	2,369	400	4,875	523,762	-	-	-	531,406
Penalties and interest on taxes	48,309	-	-	-	-	-	-	48,309
Investment income	4,536	-	-	-	-	-	-	4,536
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Total revenues	331,492	417,847	677,737	2,779,432	11,952	62,223	16,363	4,297,046
Expenses								
Salaries and benefits	162,204	62,652	156,666	47,142	-	13,940	-	442,604
Interest charges	-	-	-	1,123	-	-	-	1,123
Materials	92,481	72,754	205,427	134,757	1,952	28,938	16,363	552,672
Contracted services	-	208,885	33,345	902,760	-	-	-	1,144,990
Rents and financial	1,957	-	-	-	-	-	-	1,957
External transfers	150	26,961	-	-	10,000	19,345	-	56,456
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Net surplus/(deficit)	57,560	29,323	(29,946)	1,636,617	-	(2,866)	-	1,690,688

INDEPENDENT AUDITORS' REPORT**To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Faraday***Report on the Financial Statements*

We have audited the accompanying financial statements of the Trust Fund of the Corporation of the Township of Faraday, which comprise the statement of financial position as at December 31, 2010, the statement of continuity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal controls as management determines are 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 the auditors' 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, the auditor considers internal controls 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 controls. 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, these financial statements present fairly, in all material respects, the financial position of the Trust Fund of the Township as at December 31, 2010 and the continuity of the Trust Fund for the year then ended in accordance with Canadian Public Sector Accounting Standards.

*Collins Barrow Kawarthas LLP*Chartered Accountants
Licensed Public AccountantsPeterborough, Ontario
September 7, 2011

CORPORATION OF THE TOWNSHIP OF FARADAY

TRUST FUND STATEMENT OF FINANCIAL POSITION At December 31, 2010

	2010	2009
	\$	\$
FINANCIAL ASSETS		
Cash	3,595	1,091
Loans receivable	748	4,062
Due to Township	66	66
	<u>4,409</u>	<u>5,219</u>
LIABILITIES AND TRUST FUND BALANCES		
CURRENT LIABILITIES		
Accounts payable	159	-
Due to Province	2,325	-
	<u>2,484</u>	<u>-</u>
FUND BALANCE		
Capital	1,925	5,219
	<u>4,409</u>	<u>5,219</u>

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF FARADAY

TRUST FUND STATEMENT OF CONTINUITY For the Year Ended December 31, 2010

	2010	2009
	\$	\$
BALANCE - beginning of year	5,219	13,418
RECEIPTS		
Interest earned	25	190
EXPENSES		
Administration	165	50
Transfer to Province	3,154	8,339
	3,319	8,389
BALANCE - end of year	1,925	5,219

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF FARADAY

TRUST FUND NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local governments and their boards as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(a) Basis of Accounting

Revenue and expenses are reported on the accrual basis of accounting which 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) Financial Instruments

The Trust Fund's financial instruments consist of cash, loans receivable, due to Township, accounts payable and due to Province. It is management's opinion that the fair value of the financial instruments are not materially different from their carrying value unless otherwise noted. The Trust Fund does not have any significant concentration of credit, currency or interest rate risk.

(c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period and are based on the Township best information and judgment. Actual results could differ from these estimates.

2. ONTARIO HOME RENEWAL PROGRAM LOANS

The Ontario Home Renewal Program was established by the Ontario Ministry of Housing to provide grants for municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards. Individual loans are limited to \$7,500 of which the maximum forgivable is \$4,000. Loan forgiveness is earned and recorded at a rate of up to \$600 per year of continued ownership and occupancy. In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balances of the repayable loan and the unearned forgivable loan immediately become due and payable by the homeowner.

Ontario Home Renewal Program loans receivable at December 31, 2010 are comprised of repayable loans of \$748 (2009 - \$4,062).

The Province of Ontario cancelled the Ontario Home Renewal Program as of July 16, 1993. As of that date, no new loans are to be issued and surplus funds are to be returned to the Province annually.