

Consolidated Financial Statements of

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

Year ended December 31, 2012

Consolidated Financial Statements of

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Year ended December 31, 2012

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.

George Luhowy
Chief Administrative Officer

Carol Dwyre
Treasurer



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, 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, 2012, 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, 2012, and its consolidated results of operations, its consolidated changes in net assets 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

October 15, 2013

Kingston, Canada

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Consolidated Statement of Financial Position

December 31, 2012, with comparative figures for 2011

	2012	2011
Financial assets:		
Cash	\$ 2,293,187	\$ 2,227,101
Investments	966,021	684,897
Funds held in trust	2,771	2,771
Taxes receivable	380,665	366,396
Accounts receivable	584,876	736,305
	4,227,520	4,017,470
Liabilities:		
Bank debt (note 4)	567	5,181
Tile drainage loans (note 6)	17,898	16,309
Accounts payable and accrued liabilities	571,133	762,597
Deferred revenue – obligatory reserve funds (note 5)	415,129	449,238
Landfill closure and post-closure liability (note 11)	214,325	203,685
	1,219,052	1,437,010
Total net financial assets	3,008,468	2,580,460
Non-financial assets:		
Tangible capital assets (note 13)	20,088,702	20,968,369
Prepaid expenses	7,576	4,332
	20,096,278	20,972,701
Contingent liabilities (note 10)		
Total accumulated surplus (note 3)	\$ 23,104,746	\$ 23,553,161

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, 2012, with comparative figures for 2011

	Budget 2012	Actual 2012	Actual 2011
	(Unaudited, note 12)		
Revenue:			
Taxation for municipal purposes	\$ 1,252,693	\$ 1,259,826	\$ 1,197,361
Federal grants	–	107,741	114,234
Government grants	430,183	620,160	619,251
Municipal transfer	101,321	89,986	92,363
User fees and service charges	181,675	123,115	97,893
Licences and permits	1,020	55,942	49,516
Fines and penalties	55,000	55,924	54,084
Investment income	6,500	19,839	26,865
Wolfe Island Wind Plant revenue	645,000	645,000	645,000
Donations	–	111,387	–
Gain on sale of assets	–	525	–
Other	70,337	193,714	174,747
Transfer from Development charges	–	89,920	40,000
	2,743,729	3,373,079	3,111,314
Expenses:			
Current:			
General government	457,698	472,712	381,432
Protection to persons and property	268,094	234,796	250,317
Transportation services	2,607,883	2,520,831	2,852,964
Environmental services	251,704	173,306	192,313
Landfill closure and post-closure	–	10,640	58,805
Recreation and cultural services	128,621	332,784	463,910
Planning and development	32,250	76,425	49,795
Wolfe Island Wind Plant expense	645,000	–	–
Total current expense	4,391,250	3,821,494	4,249,536
Annual deficit	(1,647,521)	(448,415)	(1,138,222)
Accumulated surplus, beginning of year	23,553,161	23,553,161	24,691,383
Accumulated surplus, end of year	\$ 21,905,640	\$ 23,104,746	\$ 23,553,161

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, 2012, with comparative figures for 2011

	2012	2011
Annual deficit	\$ (448,415)	\$ (1,138,222)
Acquisition of tangible capital assets, net of disposals	(413,884)	(811,170)
Amortization of tangible capital assets	1,293,552	1,242,212
Loss (gain) on disposal of tangible capital assets	(525)	229,445
Consumption of inventory	525	113,161
Change in prepaid expense	(3,245)	(2,409)
	876,423	771,239
Change in net financial assets	428,008	(366,983)
Net financial assets, beginning of year	2,580,460	2,947,443
Net financial assets, end of year	\$ 3,008,468	\$ 2,580,460

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, 2012, with comparative figures for 2011

	2012	2011
Operations:		
Annual deficit	\$ (448,415)	\$(1,138,222)
Items not involving cash:		
Amortization of tangible capital assets	1,293,552	1,242,212
Loss (gain) on disposal of tangible capital assets	(525)	229,445
Increase in landfill closure and post-closure costs	10,640	58,805
	<u>855,252</u>	<u>392,240</u>
Net change in non-cash working capital items:		
Decrease (increase) in accounts receivable	151,429	(76,908)
Decrease in accounts payable	(191,464)	(80,136)
Decrease in deferred revenue	-	(9,913)
Increase in taxes receivable	(14,269)	(66,140)
Increase (decrease) in obligatory reserve fund	(34,109)	19,236
Increase in prepaid expenses	(3,245)	(2,409)
Decrease in inventories of supplies	-	113,161
	<u>(91,658)</u>	<u>(103,109)</u>
	<u>763,594</u>	<u>289,131</u>
Capital activities:		
Proceeds on sale of tangible capital assets	525	-
Purchase of tangible capital assets (net of disposals)	(413,884)	(811,170)
	<u>(413,359)</u>	<u>(811,170)</u>
Investing activities:		
Purchase of investments	(281,124)	(6,457)
Financing activities:		
Principal repayment	(3,025)	(42,012)
Increase (decrease) in cash	66,086	(570,508)
Cash, beginning of year	2,227,101	2,797,609
Cash, end of year	<u>\$ 2,293,187</u>	<u>\$ 2,227,101</u>

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, 2012

1. Accounting policies:

The consolidated financial statements of the Corporation of the Township of Frontenac Islands (the "Township") are the representation 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, 2012

1. Accounting policies (continued):

(b) Accrual accounting:

Revenue and expenses are reported on the accrual basis of accounting. Revenue is recognized in the year in which it is earned and measurable. Expenses are recognized as they are incurred and measurable as a result of goods or services and the creation of a legal obligation to pay.

(c) 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.

(d) Deferred revenue - other:

The Township receives contributions pursuant to legislation, regulations or agreement that may only be used for certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

(e) 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.

(f) Investments:

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.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

1. Accounting policies (continued):

(g) 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.

(h) 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.

(i) 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.

(j) 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

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

1. Accounting policies (continued):

(j) Non-financial assets (continued):

(i) Tangible capital assets (continued):

Annual amortization is charged 50% in the year of acquisition and 50% 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.

(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 2012, 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	
	2012	2011	2012	2011
Amounts requisitioned and collected	\$ 1,103,423	\$ 1,071,177	\$ 830,459	\$ 836,679

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

3. Accumulated surplus:

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

	2012	2011
Current operating	\$ 282,509	\$ 195,962
Wolfe Island Community Centre Board	42,602	28,559
Tangible capital assets	20,088,701	20,968,369
Amounts to be recovered	(214,325)	(203,685)
	<u>20,199,487</u>	<u>20,989,205</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	235,000	205,000
Community enhancement and recreation	70,263	57,764
Area rated services	47,000	47,000
Election	4,000	2,500
Computer equipment	13,000	11,000
Historical Society	1,425	-
Total reserves	<u>777,054</u>	<u>729,630</u>
Reserve funds set aside for specific purposes		
by Council:		
Roads	485,931	408,862
Ferries – environmental assessment	381,901	320,197
Mill rate stabilization	909	900
Protection	161,954	109,048
Recreation	353,791	349,849
Other	302,240	202,240
Lot levies	71,867	70,942
Wolfe Island Wind Plant	369,612	372,288
Total reserve funds	<u>2,128,205</u>	<u>1,834,326</u>
Total accumulated surplus	<u>\$ 23,104,746</u>	<u>\$ 23,553,161</u>

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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, 2012 the balance outstanding is \$567 (2011 - \$5,181) with the remaining balance to be repaid in monthly blended payments of \$1,555.

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:

	2012	2011
Balance, beginning of year	\$ 449,238	\$ 430,002
Wolfe and Howe building	–	21,525
Development charge revenue	42,936	43,587
Federal gas tax proceeds	119,329	107,333
Funds transferred	(197,661)	(154,234)
Interest	1,287	1,025
Balance, end of year	\$ 415,129	\$ 449,238
Analyzed as follows:		
Development charge	\$ 211,626	\$ 256,159
Federal gas tax	149,300	137,582
Wolfe building	10,055	10,029
Howe building	44,148	45,468
Balance, end of year	\$ 415,129	\$ 449,238

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

6. Tile drainage loans:

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

	2012	2011
Debenture for tile drainage loans	\$ 17,898	\$ 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 \$34,845 (2011 - \$34,586) 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 2012 amounted to \$49,675 (2011 - \$40,336). These amounts are included as an expense on the "Consolidated Statement of Operations".

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

9. Supplementary information:

	2012	2011
Expenses by object:		
Salaries, wages and employee benefits	\$ 985,073	\$ 954,617
Materials	766,908	1,031,323
Contracted services	746,592	716,532
Landfill closure and post-closure	10,640	58,805
Amortization	1,293,552	1,242,212
Loss on sale of assets	–	229,445
Rents and financial expenses	18,322	16,602
Wind plant	407	–
Total	\$ 3,821,494	\$ 4,249,536

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, 2012, 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, 2012

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 \$270,458 (2011 - \$262,107). 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 21% or 8,250 (2011 – 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, 2012, an amount of \$214,325 (2011 - \$203,685) 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 2012 operating and capital budgets approved by Council on May 14, 2012. 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:	
Total	\$ 3,970,877
Capital budget	(236,386)
Prior year surplus	(150,807)
	<hr/>
	3,583,684
Less:	
Transfers to other funds	839,955
	<hr/>
Total revenue	\$ 2,743,729

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

12. Budget figures (continued):

Budget data	Budget amount
Total budget expenses:	
Operating budget	\$ 3,970,877
Capital budget	(393,033)
Capital expenses	(106,398)
	<u>3,471,446</u>
Add:	
Amortization	1,290,378
Less:	
Transfer from other funds	328,319
Debt principal repayments	42,255
	<u>\$ 4,391,250</u>
	<u>\$ 1,647,521</u>

13. Tangible capital assets:

Cost	Balance at December 31, 2011	Additions	Disposals	Balance at December 31, 2012
Land	\$ 693,527	\$ -	\$ -	\$ 693,527
Land improvements	936,505	37,792	-	974,297
Buildings	1,989,862	-	-	1,989,862
Machinery and equipment	240,116	49,557	-	289,673
Vehicles	1,436,295	52,192	-	1,488,487
Linear assets	32,507,654	283,409	-	32,791,063
Assets under construction	90,730	-	(9,066)	81,664
Total	<u>\$ 37,894,689</u>	<u>\$ 422,950</u>	<u>\$ (9,066)</u>	<u>\$ 38,308,573</u>

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

13. Tangible capital assets (continued)

Accumulated amortization	Balance at December 31, 2011	Disposals	Amortization expense	Balance at December 31, 2012
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	246,344	-	41,146	287,490
Buildings	794,483	-	56,519	851,002
Machinery and equipment	130,260	-	25,798	156,058
Vehicles	790,472	-	62,615	853,087
Linear assets	14,964,761	-	1,107,473	16,072,234
Assets under construction	-	-	-	-
Total	\$16,926,320	\$ -	\$ 1,293,551	\$ 18,219,871

	Net book value December 31, 2011	Net book value December 31, 2012
Land	\$ 693,527	\$ 693,527
Land improvements	690,161	686,807
Buildings	1,195,379	1,138,860
Machinery and equipment	109,856	133,615
Vehicles	645,823	635,400
Linear assets	17,542,893	16,718,829
Assets under construction	90,730	81,664
Total	\$20,968,369	\$ 20,088,702

(a) Assets under construction:

Assets under construction having a value of \$81,664 (2011 - \$90,730) 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, 2012

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, 2012

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, 2012

	Administration	Protection Services	Transportation Services	Environmental Services	Parks and Recreation	Planning and Development	Total
Taxation	\$ 186,078	\$ 90,433	\$ 732,549	\$ 187,806	\$ 60,358	\$ 1,091	\$ 1,258,315
Payments in lieu of taxation	224	109	880	226	71	1	1511
Penalties and interest	55,924	—	—	—	—	—	55,924
Investment income	7,368	579	8,333	—	2,834	725	19,839
Government conditional grants	322,957	—	380,519	19,975	4,450	—	727,901
Other municipalities	—	—	89,986	—	—	—	89,986
Licenses, permits and rents	280	225	—	—	—	55,437	55,942
User fees and service charges	—	—	120,907	1,258	950	—	123,115
Wind plant	—	—	645,000	—	—	—	645,000
Transfers from other funds	1,340	—	—	—	—	88,580	89,920
Donations	—	—	—	—	111,387	—	111,387
Other	51,733	3,427	8,015	—	121,664	9,400	194,239
Total revenue	625,904	94,773	1,986,189	209,265	301,714	155,234	3,373,079
Salaries, wages and employee benefits	211,804	23,280	655,531	42,417	32,641	19,400	985,073
Materials	65,935	44,444	513,719	1,628	138,793	2,389	766,908
Contracted services	162,345	131,969	149,550	139,901	118,831	54,636	757,232
Rent and financial	18,279	44	—	—	—	—	18,323
Wind plant	—	—	407	—	—	—	407
Amortization	14,349	35,059	1,201,624	—	42,519	—	1,293,551
Total expenses	472,712	234,796	2,520,831	183,946	332,784	76,425	3,821,494
Net revenue (expenses)	\$ 153,192	\$ (140,023)	\$ (534,642)	\$ 25,319	\$ (31,070)	\$ 78,809	\$ (448,415)

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, 2012, 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 public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 qualified 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, 2012 and December 31, 2011 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, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

Chartered Accountants, Licensed Public Accountants

October 15, 2013

Kingston, Canada

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

Statement of Financial Position

December 31, 2012, with comparative figures for 2011

	2012	2011
Financial Assets		
Cash and cash equivalents	\$ 35,130	\$ 28,559
HST receivable and other receivables	12,841	–
	\$ 47,971	\$ 28,559
Liabilities		
Accounts payable	\$ 5,369	\$ –
Total net financial assets	42,602	28,559
Total accumulated surplus	\$ 42,602	\$ 28,559

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, 2012, with comparative figures for 2011

	2012	2011
Revenue:		
Fundraising	\$ 45,827	\$ 122,471
Grants - Township	50,000	270,800
Grants - FCDFC	35,000	-
Grants - Heart & Stroke	5,000	-
User fees	10,541	-
Interest income	580	1,882
Donations	9,962	9,913
	156,910	405,066
Operating expenses:		
Fundraising	20,435	16,253
Repairs and maintenance	7,045	29,484
Supplies and professional fees	2,680	5,271
Utilities	28,958	3,888
Labour	15,344	3,900
Solar Rafting Design	6,500	-
HST expense	2,113	-
	83,075	58,796
Transfer capital to Township	59,792	518,026
Excess of revenue over expenses (expenses over revenue)	14,043	(171,756)
Accumulated surplus, beginning of year	28,559	200,315
Accumulated surplus, end of year	\$ 42,602	\$ 28,559

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, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses (expenses over revenue)	\$ 14,043	\$ (171,756)
Change in non-cash operating working capital:		
Increase in HST receivable	(12,841)	–
Decrease in deferred revenue	–	(9,913)
Increase (decrease) in accounts payable	5,369	–
Net increase (decrease) in cash and cash equivalents	6,571	(181,669)
Cash and cash equivalents, beginning of year	28,559	210,228
Cash and cash equivalents, end of year	\$ 35,130	\$ 28,559

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, 2012

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 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) 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.

3. Related party transaction:

The Centre was extended \$50,000 from the Township in fiscal 2012 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, 2012, 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 public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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, 2012, and its results of operations and its fund balances for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

October 15, 2013

Kingston, Canada

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

Statement of Financial Position

December 31, 2012, with comparative figures for 2011

	2012	2011
Assets		
Cash	\$ 34,003	\$ 33,989
Due from own municipality	842	597
	\$ 34,845	\$ 34,586
 Fund Balance		
Fund balance	\$ 34,845	\$ 34,586

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, 2012, with comparative figures for 2011

	2012	2011
Contributions:		
Interest	\$ 259	\$ 1,491
Fund balance, beginning of year	34,586	33,095
Fund balance, end of year	\$ 34,845	\$ 34,586

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, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses	\$ 259	\$ 1,491
Change in non-cash operating working capital:		
Decrease (increase) in interest receivable	(245)	252
	14	1,743
Investing activities:		
Redeemed investments	–	30,886
Net increase in cash	14	32,629
Cash, beginning of year	33,989	1,360
Cash, end of year	\$ 34,003	\$ 33,989

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, 2012

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.

(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.