

Consolidated Financial Statements of

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

Year ended December 31, 2013

Consolidated Financial Statements of

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Year ended December 31, 2013

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

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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.

Darlene Plumley
Chief Administrative Officer

Carol Dwyre
Treasurer

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, 2013, the consolidated statements of operations and accumulated municipal equity, 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, 2013, 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.

Chartered Professional Accountants, Licensed Public Accountants

July 14, 2014

Kingston, Canada

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Consolidated Statement of Financial Position

December 31, 2013, with comparative information for 2012

	2013	2012
Financial assets:		
Cash	\$ 2,819,714	\$ 2,293,187
Investments, at cost	625,004	966,021
Funds held in trust	2,771	2,771
Taxes receivable	415,706	380,665
Accounts receivable	559,118	584,876
	4,422,313	4,227,520
Liabilities:		
Bank indebtedness	–	567
Tile drainage loans (note 6)	14,548	17,898
Accounts payable and accrued liabilities	604,656	571,133
Deferred revenue – obligatory reserve funds (note 5)	542,492	415,129
Landfill closure and post-closure liability (note 12)	219,390	214,325
	1,381,086	1,219,052
Total net financial assets	3,041,227	3,008,468
Other non-financial assets:		
Tangible capital assets (note 14)	19,486,065	20,088,702
Prepaid expenses	5,253	7,576
Total non-financial assets	19,491,318	20,096,278
Contingent liabilities (note 10)		
Commitments (note 11)		
Accumulated municipal equity (note 4)	\$ 22,532,545	\$ 23,104,746

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

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Consolidated Statement of Operations and Accumulated Municipal Equity

Year ended December 31, 2013, with comparative information for 2012

	Budget 2013 (note 13)	Actual 2013	Actual 2012
Revenue:			
Taxation for municipal purposes	\$ 1,336,872	\$ 1,329,900	\$ 1,259,826
Federal grants	–	43,978	107,741
Government grants	426,072	717,568	620,160
Municipal transfer	85,526	96,176	89,986
User fees and service charges	234,954	136,050	123,115
Licences and permits	1,295	42,354	55,942
Fines and penalties	55,000	60,156	55,924
Investment income	6,500	33,948	19,839
Wolfe Island Wind Plant revenue	645,000	645,000	645,000
Donations	–	128,327	111,387
Gain (loss) on sale of assets	–	(7,380)	525
Other	63,000	150,638	193,714
Transfer from Development charges	–	–	89,920
	<u>2,854,219</u>	<u>3,376,715</u>	<u>3,373,079</u>
Expenses (note 9):			
General government	657,401	651,529	472,712
Protection to persons and property	282,516	291,295	234,796
Transportation services	2,637,058	2,583,655	2,520,831
Environmental services	236,354	192,390	173,306
Landfill closure and post-closure	–	5,065	10,640
Recreation and cultural services	106,546	159,043	332,784
Planning and development	25,350	65,939	76,425
Wolfe Island Wind Plant expense	645,000	–	–
Total expense	<u>4,590,225</u>	<u>3,948,916</u>	<u>3,821,494</u>
Annual operating deficit	(1,736,006)	(572,201)	(448,415)
Accumulated municipal equity, beginning of year	23,104,746	23,104,746	23,553,161
Accumulated municipal equity, end of year	<u>\$ 21,368,740</u>	<u>\$ 22,532,545</u>	<u>\$ 23,104,746</u>

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

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Annual deficit	\$ (572,201)	\$ (448,415)
Acquisition of tangible capital assets	(693,602)	(413,884)
Amortization of tangible capital assets	1,284,309	1,293,552
Loss (gain) on disposal of tangible capital assets	7,380	(525)
Proceeds on sale of tangible capital assets	4,550	-
Consumption of inventory	-	525
Change in prepaid expense	2,323	(3,245)
	604,960	876,423
Change in net financial assets	32,759	428,008
Net financial assets, beginning of year	3,008,468	2,580,460
Net financial assets, end of year	\$ 3,041,227	\$ 3,008,468

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

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Consolidated Statement of Cash Flows

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Operating transactions:		
Annual deficit	\$ (572,201)	\$ (448,415)
Items not involving cash:		
Amortization of tangible capital assets	1,284,309	1,293,552
Loss (gain) on disposal of tangible capital assets	7,380	(525)
Increase in landfill closure and post-closure costs	5,065	10,640
	<u>724,553</u>	<u>855,252</u>
Change in non-cash working capital items:		
Decrease in accounts receivable	25,758	151,429
Increase (decrease) in accounts payable	33,523	(191,464)
Increase in taxes receivable	(35,041)	(14,269)
Increase (decrease) in obligatory reserve fund	127,363	(34,109)
Decrease (increase) in prepaid expenses	2,323	(3,245)
	<u>153,926</u>	<u>(91,658)</u>
	<u>878,479</u>	<u>763,594</u>
Capital transactions:		
Proceeds on sale of tangible capital assets	4,550	525
Cash used to acquired tangible capital assets	(693,602)	(413,884)
	<u>(689,052)</u>	<u>(413,359)</u>
Investing transactions:		
Sale (purchase) of investments	341,017	(281,124)
Financing transactions:		
Debt principal repayment	(3,917)	(3,025)
Increase in cash	<u>526,527</u>	<u>66,086</u>
Cash, beginning of year	2,293,187	2,227,101
Cash, end of year	<u>\$ 2,819,714</u>	<u>\$ 2,293,187</u>

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

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements

Year ended December 31, 2013

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, 2013

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 receipt 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 – 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 expenses, are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

(e) 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.

Investment income earned on available general funds and reserve funds (other than obligatory funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balance.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

1. Accounting policies (continued):

(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. Actual results could differ from these 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.

(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

Assets under construction are not amortized until the asset is available for productive use.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

1. Accounting policies (continued):

(i) 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. Change in accounting policies:

(a) Property taxation:

The Township adopted Public Sector Accounting Standard PS 3510, Tax Revenue effective January 1, 2013. This standard was adopted on a prospective basis.

Under PS 3510, municipalities recognize property tax revenue using the approved tax rate and the anticipated assessment. Taxes receivable and tax revenue are recognized when they meet the definition of an asset, the tax is authorized and the taxable event has occurred. The standard requires that property tax revenue be reported net of tax concessions. Tax transfers are reported as an expense and taxes levied on behalf of others in a flow through arrangement are not reported in the statement of operations. There were no adjustments as a result of the adoption of this standard.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

2. Change in accounting policies (continued):

(b) Government transfers:

The Township adopted Public Sector Accounting Standard PS 3410, Government Transfers effective January 1, 2013. This standard was adopted on a prospective basis. Under PS 3410, government contribution transfers received or receivable are recognized in revenue once the eligibility criteria, if any, are met unless they meet the definition of a liability.

Government transfers distributed are recognized as a liability and an expense when the transfer is authorized and all eligibility criteria have been met by the recipient. There were no adjustments as a result of the adoption of this standard.

3. Operations of school boards and County of Frontenac:

During 2013, 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	
	2013	2012	2013	2012
Amounts requisitioned and collected	\$ 1,114,585	\$ 1,103,423	\$ 806,486	\$ 830,459

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

4. Accumulated municipal equity:

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

	2013	2012
Current operating	\$ (277,738)	\$ 282,508
Wolfe Island Community Centre Board	285,059	42,602
Tangible capital assets	19,486,065	20,088,702
Amounts to be recovered	(219,390)	(214,325)
	<u>19,273,996</u>	<u>20,199,487</u>
Reserves set aside for specific purposes by Council:		
Working capital	294,310	294,310
Capital	77,055	77,056
Insurance	15,000	15,000
Planning	20,000	20,000
Waste disposal	265,000	235,000
Community enhancement and recreation	82,064	70,263
Area rated services	47,000	47,000
Election	5,500	4,000
Computer equipment	15,000	13,000
Historical Society	1,425	1,425
Arena roof	100,000	-
Total reserves	<u>922,354</u>	<u>777,054</u>
Reserve funds set aside for specific purposes by Council:		
Roads	496,994	485,931
Ferries – environmental assessment	433,558	381,901
Mill rate stabilization	57,957	909
Protection	191,180	161,954
Recreation	338,831	353,791
Other	400,000	302,240
Lot levies	72,610	71,867
Wolfe Island Wind Plant	345,065	369,612
Total reserve funds	<u>2,336,195</u>	<u>2,128,205</u>
Total accumulated municipal equity	\$ 22,532,545	\$ 23,104,746

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

5. Deferred revenue – obligatory reserve funds:

A requirement of the CPA Canada Public Sector Accounting Handbook 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:

	2013	2012
Balance, beginning of year	\$ 415,129	\$ 449,238
Wolfe and Howe building	–	–
Development charge revenue	32,109	42,936
Federal gas tax proceeds	57,117	57,117
Funds transferred	36,936	(135,449)
Interest	1,201	1,287
Balance, end of year	\$ 542,492	\$ 415,129
Analyzed as follows:		
Development charge	\$ 244,663	\$ 211,626
Federal gas tax	243,582	149,300
Wolfe building	10,063	10,055
Howe building	44,184	44,148
Balance, end of year	\$ 542,492	\$ 415,129

6. Tile drainage loans:

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

	2013	2012
Debenture for tile drainage loans	\$ 14,548	\$ 17,898

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.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

7. Trust fund:

A trust fund of \$34,859 (2012 - \$34,845) 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 2013 amounted to \$50,745 (2012 - \$49,675). These amounts are included as an expense on the "Consolidated Statement of Operations".

9. Supplementary information:

	2013	2012
Operating expenses by object:		
Salaries, wages and employee benefits	\$ 1,266,382	\$ 985,073
Materials	587,324	770,082
Contracted services	789,280	757,232
Amortization	1,284,309	1,290,378
Rents and financial expenses	21,621	18,322
Wind plant	-	407
Total	\$ 3,948,916	\$ 3,821,494

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, 2013, 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.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

11. Commitments:

The Township has entered into an agreement with the County of Frontenac whereby the County will provide financial services to the Township for \$45,000 per year to December 31, 2019.

12. Landfill closure and post-closure liability:

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

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 \$259,520 (2012 - \$270,458). 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 11% or 3,900 (2012 – 8,250) 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, 2013, an amount of \$219,390 (2012 - \$214,325) has been recognized to date with respect to landfill closure and post-closure liability.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

13. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2013 operating and capital budgets approved by Council on May 13, 2013. 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	\$ 4,225,236
Capital budget	236,386
Prior year surplus	309,576
	<u>3,679,274</u>
Less:	
Transfers to other funds	825,055
	<u>\$ 2,854,219</u>

Budget data	Budget amount
Total budget expenses:	
Operating budget	\$ 4,372,117
Capital budget	589,500
Capital expenses	28,661
	<u>3,753,956</u>
Add:	
Amortization	1,283,470
Less:	
Transfer from other funds	447,201
	<u>\$ 4,590,225</u>
Annual deficit	<u>\$ (1,736,006)</u>

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

14. Tangible capital assets:

Cost	Balance at December 31, 2012	Additions	Disposals	Balance at December 31, 2013
Land	\$ 693,527	\$ -	\$ -	\$ 693,527
Land improvements	974,297	26,812	-	1,001,109
Buildings	1,989,862	-	-	1,989,862
Machinery and equipment	289,673	46,772	-	336,445
Vehicles	1,488,487	56,112	36,078	1,508,521
Linear assets	32,791,063	328,236	-	33,119,299
Assets under construction	81,664	235,670	-	317,334
Total	\$ 38,308,573	\$ 693,602	\$ 36,078	\$ 38,966,097

Accumulated amortization	Balance at December 31, 2012	Disposals	Amortization expense	Balance at December 31, 2013
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	287,490	-	41,284	328,774
Buildings	851,002	-	56,518	907,520
Machinery and equipment	156,058	-	28,645	184,703
Vehicles	853,087	24,148	65,220	894,159
Linear assets	16,072,234	-	1,092,642	17,164,876
Assets under construction	-	-	-	-
Total	\$18,219,871	\$ 24,148	\$ 1,284,309	\$ 19,480,032

	Net book value December 31, 2012	Net book value December 31, 2013
Land	\$ 693,527	\$ 693,527
Land improvements	686,807	672,335
Buildings	1,138,860	1,082,342
Machinery and equipment	133,615	151,742
Vehicles	635,400	614,362
Linear assets	16,718,829	15,954,423
Assets under construction	81,664	317,334
Total	\$20,088,702	\$ 19,486,065

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

14. Tangible capital assets (continued)

(a) Assets under construction:

Assets under construction having a value of \$317,334 (2012 - \$81,664) 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.

15. Segmented information:

The Township of Frontenac Islands is a municipal government institution that provides a range of services to its citizens, including police, fire, transportation, recreational and environmental services. For management reporting purposes the Township's operations and activities are organized and reported by department. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Township services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(a) Administration:

Includes corporate services and governance of the Township. Administration is responsible for human resource management. Support to Council for policy development, by-law development in compliance with the Municipal Act, tax billing and collection responsibilities, financial management reporting, monitoring and overall budget status is provided as well as frontline reception and customer service.

(b) Protection services:

Includes policing, fire protection, conservation authority, protective inspection and control and emergency measures. The mandate of the police services contract is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. Fire protection includes detection, extinguishing and suppression services; emergency medical first response; and prevention education and training programs. Inspection and control includes building inspection, by-law enforcement and dog control services.

THE CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

15. Segmented information (continued):

(c) Transportation services:

Includes the management of the winter and summer maintenance, the repair and the construction of the municipal roads system including bridges and culverts. Also includes the management and operation of all ferry services between Wolfe Island and the mainland and Hope Island and the mainland.

(d) Environmental services:

Includes the management and maintenance of the one landfill site.

(e) Parks and recreation:

Provides services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure programs and facilities including community halls, libraries, parks and recreation fields.

(f) Planning and development:

Manages rural development for business interests, environmental concerns, heritage matters, local neighbourhoods and community development. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of the zoning by-law and official plan, and the provision of geomatics services.

For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. These municipal services are funded primarily by taxation such as property tax revenue. Taxation and payments-in-lieu of taxes are apportioned to these services based on the net surplus. Certain government transfers, transfer from other funds, and other revenue have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 1.

CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Schedule A – Consolidated Schedule of Segment Information

Year ended December 31, 2013

	Administration	Protection Services	Transportation Services	Environmental Services	Parks and Recreation	Planning and Development	Total
Revenue:							
Taxation	\$ 261,895	\$ 101,890	\$ 781,020	\$ 134,200	\$ 46,653	\$ 3,168	\$ 1,328,826
Payments in lieu of taxation	212	82	631	108	38	3	1,074
Penalties and interest on taxes	60,156	–	–	–	–	–	60,156
Investment income	22,182	583	7,597	–	2,843	743	33,948
Government conditional grants	263,440	–	366,735	30,266	101,105	–	761,546
Other municipalities	–	–	70,176	–	26,000	–	96,176
Licenses, permits and rents	410	8,229	–	–	–	33,715	42,354
User charges	–	–	113,845	2,916	19,289	–	136,050
Wind plant	–	–	645,000	–	–	–	645,000
Donations	–	–	–	–	128,327	–	128,327
Other	108,475	11,203	11,640	–	2,540	9,400	143,258
Total revenue	716,770	121,987	1,996,644	167,490	326,795	47,029	3,376,715
Expenses:							
Salaries, wages and employee benefits	414,828	38,231	747,143	42,590	6,390	17,200	1,266,382
Materials	17,584	63,196	470,245	1,542	32,756	2,000	587,323
Contracted services	183,053	154,981	176,166	153,323	75,018	46,739	789,280
Rent and financial expenses	22,189	(567)	–	–	–	–	21,622
Amortization	13,875	35,454	1,190,101	–	44,879	–	1,284,309
Total expenses	651,529	291,295	2,583,655	197,455	159,043	65,939	3,948,916
Net revenue (expenses)	\$ 65,241	\$ (169,308)	\$ (587,011)	\$ (29,965)	\$ 167,752	\$ (18,910)	\$ (572,201)

CORPORATION OF THE TOWNSHIP OF FRONTENAC ISLANDS

Schedule B – Wolfe Island Community Centre Board
Statement of Revenue and Expenses and Surplus

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Revenue:		
Fundraising	\$ 28,914	\$ 45,827
Grants - Township	151,000	50,000
Grants	98,800	40,000
User fees	12,192	10,541
Interest income	566	580
Donations	95,505	9,962
	386,977	156,910
Operating expenses:		
Fundraising	11,720	20,435
Repairs and maintenance	9,759	7,045
Supplies and professional fees	1,450	2,680
Utilities	39,236	28,958
Labour	4,275	15,344
Community initiatives	5,519	–
Solar Rafting Design	–	6,500
HST expense	–	2,113
	71,959	83,075
Transfer capital to Township	72,561	59,792
Excess of revenue over expenses (expenses over revenue)	242,457	14,043
Accumulated surplus, beginning of year	42,602	28,559
Accumulated surplus, end of year	\$ 285,059	\$ 42,602

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, 2013, 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, 2013, and its results of operations and its fund balances for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

July 14, 2014

Kingston, Canada

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

Statement of Financial Position

December 31, 2013, with comparative information for 2012

	2013	2012
Assets		
Cash	\$ 34,017	\$ 34,003
Due from own municipality	842	842
	\$ 34,859	\$ 34,845
 Fund Balance		
Fund balance	\$ 34,859	\$ 34,845

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

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

Statement of Operations and Fund Balance

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Contributions:		
Interest	\$ 14	\$ 259
Fund balance, beginning of year	34,845	34,586
Fund balance, end of year	\$ 34,859	\$ 34,845

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

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

Statement of Cash Flows

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses	\$ 14	\$ 259
Change in non-cash operating working capital:		
Increase in interest receivable	–	(245)
Net increase in cash	14	14
Cash, beginning of year	34,003	33,989
Cash, end of year	\$ 34,017	\$ 34,003

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

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

Notes to Financial Statements

Year ended December 31, 2013

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.

2. Statement of cash flows:

A statement of cash flows has not been included in these financial statements as it would not provide additional meaningful information.