

Utility Name: Kinkora Sewage Collections and Treatment Corporation

Rate Filing Prepared for Submission
to The Island Regulatory & Appeals Commission

Contact Name: Aaron Gauthier
Utility Address: PO Box 38
Kinkora, PE
C0B 1N0
Telephone: 902-887-2868
Email: communityofkinkora@bellaliant.com
Date: _____

In accordance with Sections 9 and 15 of the *Water and Sewerage Act*, following is the Utility's application for a rate review.

- 1. Background information about the Utility (year established, description of system, current number of customers), and the overall reason(s) for the request for a rate change.

Number of customers - 121
Units billed - 192
Chair - Robert Duffy
To cover projected deficits

- 2. Proposed capital projects or anticipated significant expenditures in the next 2-5 years.

	Type of Project/Expenditure	Utility's Expected Cost	Year
1.	<u>None</u>	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____
4.	_____	_____	_____

3. PROJECTED depreciation expenses for future expenditures.

	Description	Utility's NET Cost	Proj Depr Exp	Year
1.	N/A			
2.				
3.				
4.				

4. PROJECTED interest expenses on long-term debt for future projects/purchases.

	Description	Loan Amount	Interest Rate	Proj Yrly Int Payment	Year
1.	N/A				
2.					
3.					
4.					

5. a. Statement of actual revenue and expenditures and forecasted data - WITHOUT RATE RELIEF. (Any projected depreciation and/or interest expenses indicated in 3 & 4 above are included.) To complete Statement of Revenues and Expenses (without rate change) For [Click Here For WATER](#) OR [Here For SEWER](#).
- b. Statement of actual revenue and expenditures and forecasted data - WITH RATE RELIEF AS PROPOSED BY THE UTILITY. (Any projected depreciation and/or interest expenses indicated in 3 & 4 above are included.) To complete Statement of Revenues and Expenses (with rate changed) [CLICK HERE for WATER](#) or [HERE for SEWER](#).
6. Revenue and expenditure accounts that have increased or decreased by substantial amounts.

Account # 710 Account Name Repairs and maintenance
 Explanation for Change Increased due to videotaping and flushing of sewer lines

#6. Continued

Account # _____ Account Name _____
 Explanation for Change _____

Account # _____ Account Name _____
 Explanation for Change _____

Account # _____ Account Name _____
 Explanation for Change _____

7. Utility customer information.

Customer Category	# of Customers	# of Units Billed
Single Family - as at Jan 1/2013	104	104
Commercial - as at Jan 1/2013	17	88
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

8. Projected number of new customers over the next 2-3 years.

PROJECTED:			
Year	Customer Category	# of Customers	# of Units Billed
2013	single family	_____	4
2014	single family	_____	4
2015	single family	_____	4

9. Proposed amortization period to recover any accumulated deficit.

Deficit Amount (\$)	# of Yrs Recovery	Yrly Payment	Int Rate	Yrly Int Pmt	Start Year
See financial statements					

Note: The proposed yearly repayment amount(s), including yearly interest, should be included in the projected expenditures in the statement of revenue and expenditures prepared under #5 above.

10. Utility's current rate, proposed rate and proposed effective date.

Current Annual Rate (per Single-Family Dwelling):

Proposed Annual Rate (per Single-Family Dwelling):

Proposed Effective Date: July 1, 2013

Utility's Billing Cycle: Semi Annually January and July

11. Information on any prior communication by the Utility to its ratepayers on the proposed rate changes.

Letter submitted to rate payers indicating changes. Notice put in community newsletter to inform residents.

12. Other information relevant to the rate filing.

In addition, the following items are attached to, and form part of, this submission:

13. A copy of the Utility Board's minute(s) giving authorization to prepare the rate application;
14. A copy of the Bylaw creating the Utility, pursuant to Section 38.1 of the *Municipalities Act*, and
15. A copy of the Utility's most recent audited financial statements.

Utility Name: Kinkora Sewage Collections and Treatment Corporation

Statement of Revenue and Expenditures (WITHOUT RATE CHANGE)

	# of Sewer Customers
\$ 192	# of Prop Units Billed
	# of Feet of Frontage

PER YEAR	Current	Proposed	Diff %	Diff \$
Flat Rate	\$ 300	\$ 360	20	\$ 60.00
Flat Rate Fr			#DIV/0!	\$ -

REVENUES

	Actual 2011	Actual 2012	Proj 2013	Proj 2014	Proj 2015
521 Flat Rate Revenues	\$ 52,696	\$ 54,527	\$ 58,200	\$ 60,000	\$ 61,200
522 Measured Revenues					
523 Revenues from Public Authorities					
525 Interdepartmental Revenues					
530 Frontage Rates					
531 Sale of Sludge					
532 Delayed Payment Charges	1,693	2,961	1,500	1,500	1,500
534 Rents from Sewer Property					
536 Other Sewer Revenues					
TOTAL REVENUES	\$ 54,389	\$ 57,488	\$ 59,700	\$ 61,500	\$ 62,700

EXPENDITURES

	Actual 2011	Actual 2012	Proj 2013	Proj 2014	Proj 2015
Operating					
700 Salaries and Wages - Oper Emp					
705 Materials and Supplies					
710 Repairs and Maintenance	9,088	8,194	12,500	12,750	13,005
715 Rentals					
720 Power or Electricity	1,182	1,060	1,200	1,224	1,248
725 Chemicals					
	10,270	9,254	13,700	13,974	14,253
General					
750 Salaries and Wages - Admin Emp	3,082	4,788	4,800	4,896	4,994
755 Employee Pensions and Benefits					
760 Office Supplies and Other	2,676	2,364	2,400	2,448	2,497
761 Interest and Bank Service Charges	191	90	120	120	120
765 Contractual Services	2,648	2,669	2,700	2,754	2,809
770 Transportation Expenses					
775 Insurance	1,514	1,514	1,514	1,514	1,514
780 Amortization - Rate Case Expense					
785 Regulatory Commission Fees	1,103	1,103	1,103	1,103	1,103
790 Miscellaneous Expenses	1,213				
795 Bad Debt Expense					
	12,427	12,528	12,637	12,835	13,037
Other					
902 Small Tools Written Off					
903 Depreciation Expenses (Sch 9A)	6,467	6,553	6,553	6,553	6,553
904 Interest on Long-Term Debt	18,564	16,839	17,895	16,451	14,925
Interest on loan from General	-	-	2,421	2,202	1,974
	25,031	23,392	26,869	25,206	23,452
TOTAL EXPENDITURES	\$ 47,728	\$ 45,174	\$ 53,206	\$ 52,015	\$ 50,742
Net Income (Loss) Year	\$ 6,661	\$ 12,314	\$ 6,494	\$ 9,485	\$ 11,958

Cash flow adjustments

Depreciation	6,467	6,553	6,553	6,553	6,553
Principal portion of long-term debt	(13,426)	(22,113)	(32,995)	(34,659)	(36,413)
Repayment loan from General	-	-	(6,182)	(6,402)	(6,630)
	(6,959)	(15,560)	(26,442)	(28,106)	(29,860)

Cash deficiency for the period

	\$ (298)	\$ (3,246)	\$ (19,948)	\$ (18,621)	\$ (17,902)
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Notes

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- 2

Utility Name: Kinkora Sewage Collections and Treatment Corporation

Statement of Revenue and Expenditures (WITH RATE CHANGE)

	# of Sewer Customers
\$: 192	# of Prop Units Billed
	# of Feet of Frontage

PER YEAR	Current	Proposed	Diff %	Diff \$
Flat Rate	\$ 300	\$ 360	20	\$ 60.00
Flat Rate/Ft			#DIV/0!	\$

	Actual		WITH RATE CHANGE		
	2011	2012	Proj 2013	Proj 2014	Proj 2015
REVENUES					
521	\$ 52,696	\$ 54,527	\$ 64,080	\$ 72,000	\$ 73,440
522	-	-	-	-	-
523	-	-	-	-	-
525	-	-	-	-	-
530	-	-	-	-	-
531	-	-	-	-	-
532	1,693	2,961	1,500	1,500	1,500
534	-	-	-	-	-
536	-	-	-	-	-
TOTAL REVENUES	\$ 54,389	\$ 57,488	\$ 65,580	\$ 73,500	\$ 74,940
EXPENDITURES					
Operating					
700	\$ -	\$ -	-	-	-
705	-	-	-	-	-
710	9,088	8,194	12,500	12,750	13,005
715	-	-	-	-	-
720	1,182	1,060	1,200	1,224	1,248
725	-	-	-	-	-
	10,270	9,254	13,700	13,974	14,253
General					
750	3,082	4,788	4,800	4,896	4,994
755	-	-	-	-	-
760	2,676	2,364	2,400	2,448	2,497
761	191	90	120	120	120
765	2,648	2,669	2,700	2,754	2,809
770	-	-	-	-	-
775	1,514	1,514	1,514	1,514	1,514
780	-	-	-	-	-
785	1,103	1,103	1,103	1,103	1,103
790	1,213	-	-	-	-
795	-	-	-	-	-
	12,427	12,528	12,637	12,835	13,037
Other					
902	-	-	-	-	-
903	6,467	6,553	6,553	6,553	6,553
904	18,564	16,839	17,895	16,451	14,925
	25,031	23,392	26,869	25,206	23,452
TOTAL EXPENDITURES	\$ 47,728	\$ 45,174	\$ 53,206	\$ 52,015	\$ 50,742
Net Income (Loss) Year	\$ 6,661	\$ 12,314	\$ 12,374	\$ 21,485	\$ 24,198
Cash flow adjustments					
Depreciation	6,467	6,553	6,553	6,553	6,553
Principal portion of long-term debt	(13,426)	(22,113)	(26,813)	(28,257)	(29,783)
Repayment loan from General	-	-	(6,182)	(6,402)	(6,630)
	(6,959)	(15,560)	(26,442)	(28,106)	(29,860)
Cash deficiency for the period	\$ (298)	\$ (3,246)	\$ (14,068)	\$ (6,621)	\$ (5,662)

Notes
1
2

Community of Kinkora

45 Anderson Street, PO Box 38, Kinkora, PE C0B 1N0

Kinkora Sewer Utility Minutes April 17, 2013

Present: Administrator Aaron Gauthier, Chair Robert Duffy, Members Pat Duffy, Roger Savoie, Les Nantes, Steve Dawson

Meeting Called to Order at 6PM

Presentation given by Pat McSweeney regarding the financial situation of the sewer for 2013 and indicated that is recommendation to the group is that council look at raising the sewer rates as the deficit for the Sewer is continuing to grow and thus be a large cash shortage by the year end. This is due to rising costs, as well the new loans and with expected maintenance that will be needed over the next few years.

Roger Savoie asked as to what rate should the council/board look at raising to. Pat's recommendation that it be raised to \$360.00 per single family residence or equivalent to 20 increase.

Robert Duffy thanked Pat for the presentation

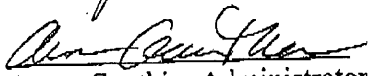
Following the presentation: Board discussed the proposed information from Pat McSweeney and the following motion was forwarded. Moved by Roger Savoie and Seconded by Les Nantes that the Kinkora Sewer Utility raise it's current rate of \$300.00 per single family dwelling with semi annual payments of \$150.00 to a yearly rate of \$360.00 with semi annual payments of \$180.00 (20% increase across the board) to take effect on July 1 2013.
Motion Carried

Moved by Les Nantes and Seconded by Steve Dawson that the Sewer Utility apply to the Island Regulatory Appeals Commission to see a rate increase for July 1 2013 with the approved rates in the preceding motion.

Motion Carried

Discussion over customer arrears took place and notice of these arrears are to be issued and monitored by administrator Aaron Gauthier

Motion to adjourn at 645PM

Date April 18 2013

Aaron Gauthier Administrator


Robert Duffy Chair Sewer

A BYLAW TO ESTABLISH THE (COMMUNITY OF) KINKORA
SEWAGE COLLECTION AND TREATMENT CORPORATION.

Preamble: WHEREAS the Council of the Community of Kinkora has, pursuant to Section 31 (f) and (g) of the Municipalities Act, determined that it will provide sewage collection and treatment services.

THEREFORE, pursuant to Section 38.1 of the Municipalities Act, supra:

BE ENACTED by Council as follows:

Title:

1. This bylaw may be cited as the Community of Kinkora Sewerage Collection and Treatment Bylaw, Bylaw Number 1.

Definition:

2. In this bylaw:
 - (a) "Council" means the Council of the Community of Kinkora.
 - (b) "Corporation" means the Sewage Collection and Treatment Corporation.

Customer

- (c) "Customer" means a person, firm or corporation who or which requests or is supplied with sewage.

Director

- (d) "Director" means a director of the Corporation and includes its Chairman;

Municipality

- (e) "Municipality" means the Municipality of the Community of Kinkora.

Application of bylaw:

3. This bylaw applies to the establishment and operation of a sewage collection and treatment corporation for the Municipality.

Corporation established:

4. (1) There is hereby established the Sewage Collection and Treatment Corporation.

Composition

- (2) The corporation shall be composed of a Board of Directors comprised of three or more members appointed from Council by the

3.

Chairman (3) One of the Directors shall be appointed by the Chairman of Council as "Chairman" of the Corporation.

Term of Office (4) The Directors of the Corporation shall have terms of office the same as their Council term at the time of appointment, but may be removed at any time by the Chairman of Council.

Remuneration (5) The Directors of the Corporation may receive such remuneration as may be determined by Council.

Meetings procedure (6) At meetings of the Corporation, two directors constitute a quorum over which the Chairman of the Corporation, or in his absence, a Director designated by him shall preside.

Voting (7) Decisions of the Board of Directors shall be determined by majority vote.

Breaking tie vote. (8) In the case of an equal division of opinion among the Directors, the matter shall be referred to the Council, whose decision is binding on the Corporation.

Duties of Chairman (9) The Chairman is the Chief Executive Officer of the Corporation and has supervision over and direction of the work and the staff of the Corporation.

Functions of the Corporation:

5. The Corporation shall have the following functions:
- (a) Constructing, altering, extending, managing, and controlling a system for providing the services of sewerage collection and treatment to the residents of the Municipality and, with the approval of Council, residents of areas adjacent to the Municipality;
 - (b) Acquiring, alienating, holding and disposing of real or personal property;
 - (c) Engaging and paying personnel;
 - (d) Financing, with the approval of Council, any of its undertakings, and
 - (e) Assessing, charging, and collecting

rates and charges for services provided to any customer.

Rates:

6. The corporation shall levy such user rates or frontage charges as may be approved by the Public Utilities Commission.

Separation of Accounts:

7. The Corporation shall maintain its accounts separate from the accounts of the Council of the Municipality.

Liability:

8. The Directors of the Corporation and any person acting on their instructions of authority are not personally liable for any loss or damage suffered by any person by reason of any act done by any of them in good faith in the exercise or purported exercise of the powers conferred under this bylaw.

Fiscal Year:

9. The fiscal year of the Corporation shall be from January 1 to December 31.

Commencement:

10. This bylaw comes into force on the 21 of September, 1995.

Loathy Assenault

[Signature]
Chairman of Community of Kinkora

Loathy Assenault

[Signature]
Administrator for Community of Kinkora

IRAC
DOCKET/FILE UW 13302
Entered in ETS
Date Dec 12/95 By JR
Document(s) copied to:
DGS
HRW

Agenda

TOWN/COMMUNITY OF KINIKORA

BYLAW 1995-2

Enacted pursuant to **Part XI** of the Municipalities Act, R.S.P.E.I. 1988, Cap.M-13.

READ A FIRST TIME ON THE 23 DAY OF August, 1995, and

READ A SECOND TIME ON THE 21 DAY OF September, 1995

[Signature]
Mayor/Chairperson

[Signature]
Administrator

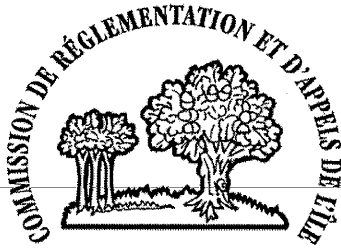
(municipal seal)

Filed with the Department of Provincial Affairs and Attorney General.

DATED THIS _____ DAY OF _____, 19__.

Minister of Provincial Affairs
and Attorney General

RECEIVED
DEC 11 1995
Provincial Registry
Attorney General's Commission



**THE ISLAND REGULATORY AND
APPEALS COMMISSION**
Prince Edward Island
Île-du-Prince-Édouard
CANADA

Charlottetown

Prince Edward Island

RECEIVED

APR 16 2013

The Island Regulatory
and Appeals Commission

ANNUAL REPORT

- OF -

KINKORA

FOR THE YEAR ENDED

DECEMBER 31, 2012

Information on this Form is collected pursuant to the *Water & Sewerage Act* and will be used by the Commission in the administration of the said *Act*. For additional information, contact the Commission at 902-892-3501 or by email at info@irac.pe.ca.

MUNICIPALITY OF *Kinkora*

REPORT TO THE ISLAND REGULATORY AND APPEALS COMMISSION
OF PRINCE EDWARD ISLAND

FOR THE YEAR ENDED DECEMBER 31, 2012

GENERAL INSTRUCTIONS

- All questions and financial statements which form part of this report must be completed. Explanations must be provided if information is not given.
 - Each municipality/utility should make its report out in duplicate, keeping one copy for reference purposes in case correspondence with regard to this report becomes necessary.
- A copy of the municipality's annual audited financial statement for the last fiscal period should accompany this report.
- This report must be completed and mailed in order to arrive at the Commission not later than the 31st of March.

MUNICIPALITY OF Kinkora
REPORT TO THE ISLAND REGULATORY AND APPEALS COMMISSION
OF PRINCE EDWARD ISLAND
FOR THE YEAR ENDED DECEMBER 31, 2012

Schedule 1

UTILITY INFORMATION

Chairman of Sewer and/or Water Committee: ROBERT DUFFY

Town/Community Administrator: AARON GAUTHIER

Office Tel Number: 902-887-2868 Office Fax Number: 902-887-3514

Office Address: PO BOX 38, KINKORA, PEI, C0B 1N0

Office Hours: M to F 9:00AM - 12:00PM Email: communityofkinkora@bellaliant.c

Name of Person Making this Report: Pat McSweeney, CA


Signature

Schedule 2

MODIFICATIONS AND EXTENSIONS

Briefly outline all modifications and extensions carried out during the year including number of feet of sewer line and water mains laid (excluding service connections).

1730 feet (527.30 metres) of sewer line laid - Johnston Subdivision

Schedule 3

CUSTOMERS

	Sewer	Water
Number of Customers	<u>119</u>	<u>0</u>
Number of Proportionate Units Billed	<u>181.6</u>	<u>0</u>
Number of Metered Customers	<u></u>	<u>0</u>
Number of Feet on Which Frontage Rates are Charged	<u></u>	<u></u>

Schedule 4 - Sewer

MUNICIPALITY OF Kinkora

STATEMENT OF REVENUE AND EXPENDITURES - SEWER

YEAR ENDED DECEMBER 31, 2012

Operating

Revenues

521	Flat Rate Revenues	54,527	
522	Measured Revenues		
523	Revenues from Public Authorities		
525	Interdepartmental Revenues		
530	Frontage Rates		
531	Sale of Sludge		
532	Delayed Payment Charges	2,961	
534	Rents from Sewer Property		
536	Other Sewer Revenues	-	57,488

Operating Expenses

700	Salaries and Wages - Operational Employees		
705	Materials and Supplies		
710	Repairs and Maintenance	8,194	
715	Rentals		
720	Power or Electricity	1,060	
725	Chemicals		9,254

General Expenses

750	Salaries and Wages - Administrative Employees	4,788	
755	Employee Pensions and Benefits		
760	Office Supplies and Other Office Expenses	2,364	
761	Interest and Bank Service Charges	90	
765	Contractual Services	2,669	
770	Transportation Expenses		
775	Insurance	1,514	
780	Amortization - Rate Case Expense		
785	Regulatory Commission Fees	1,103	
790	Miscellaneous Expenses		
795	Bad Debt Expense		12,528

Operating Income (Loss)		35,706
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Non-Operating Income and Expenses

902	Small Tools Written Off During the Year		
903	Depreciation Expenses - Schedule 9A	6,553	
904	Interest on Long-Term Debt	16,839	23,392

Other Income (See Guide)		
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Net Income (Loss)		12,314
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Surplus (Deficit) January 1		100,293
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Surplus (Deficit) December 31		112,607
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Schedule 7

MUNICIPALITY OF Kinkora

**SEWER AND/OR WATER REVENUE FUND
BALANCE SHEET
YEAR ENDED DECEMBER 31, 2012**

ASSETS

Cash		1,893
Investments (temporary)		
Customer accounts receivable - arrears, Schedule 6	16,635	
Less: Allowance for uncollectable accounts		16,635
Other accounts receivable		24,023
Due from other funds (specify) SEWER CAPITAL		210,751
Plant materials and supplies		
Prepaid expenses		257
Deferred charges		
Other assets (specify)		
		253,559

LIABILITIES AND SURPLUS

Bank loans and overdrafts		
Accounts payable		3,213
Accrued liabilities		-
Due to other funds (specify) GENERAL REVENUE FUND		137,739
Other liabilities		
	Subtotal	140,952
Surplus (Deficit)		112,607
		253,559

Schedule 8

MUNICIPALITY OF Kinkora

**SEWER AND/OR WATER CAPITAL AND LOAN FUND
BALANCE SHEET**

YEAR ENDED DECEMBER 31, 2012

ASSETS

Cash		-
Due from other funds (specify)		
Other (specify)		
	Subtotal	<u> -</u>
Sewer system - undepreciated cost - Schedule 9A		1,694,963
Water system - undepreciated cost - Schedule 9A		
	Subtotal	<u>1,694,963</u>
		<u>1,694,963</u>

LIABILITIES AND CONTRIBUTIONS IN AID OF CONSTRUCTION

Long-term debt - Schedule 10		277,507
Bank loans		
Accounts payable		
Due to other funds (specify)	SEWER REVENUE	210,751
	Subtotal	<u>488,258</u>
670 feet of Sewer line laid		
Sewer system - contributions in aid of construction - Schedule 9B		1,206,705
Water system - contributions in aid of construction - Schedule 9B		
	Subtotal	<u>1,206,705</u>
		<u>1,694,963</u>

Schedule 9A - Sewer

Municipality of Kinkora

**Sewer and/or Water Capital and Loan Fund
Analysis of Sewer System
Schedule of Depreciation
Year Ended December 31, 2012**

	1	2	3	4	5	6	7	8	9	10
				(1 + 2 - 3)		(4 x 5)			(6 + 7 - 8)	(4 - 9)
	Cost			Cost	Depreciation		Depreciation	Reserve	Reserve	Undepreciated
	January 1	Additions	Deductions	December 31	Rate	Depreciation	January 1	to Reserve	December 31	December 31
<u>Collection Plant</u>										
					%					
353 Land and Land Rights	26,200			26,200	0.00%					26,200
354 Structures and Improvements	1,530,913	307,334		1,838,247	1.20%	22,059	158,327		180,386	1,657,861
360 Collection Sewers, Force, Gravity and Special										
389 Other Miscellaneous Equipment Other (Specify)										
<u>System Pumping Plant</u>										
353 Land and Land Rights										
354 Structures and Improvements	16,416			16,416	1.20%	197	5,317		5,514	10,902
371 Pumping Equipment										
389 Other Miscellaneous Equipment Other (Specify)										
<u>Treatment and Disposal Plant</u>										
380 Treatment and Disposal Equipment										
381 Plant Sewers										
382 Outfall Sewer Lines										
389 Other Miscellaneous Equipment Other (Specify)										
<u>General Plant</u>										
390 Office Furniture and Equipment										
391 Transportation Equipment										
392 Stores Equipment										
393 Tools, Shop and Garage Equipment Other (Specify)										
Totals	1,573,529	307,334	-	1,880,863		22,256	163,644	-	185,900	1,694,963

Less: Amortization - Contributions in Aid of Construction
(Taken from Column 6 of Schedule 9B - Sewer) 15,703

Net Depreciation Line 903 6,553

Schedule 9B - Sewer

Municipality of Kinkora

	1	2	3	4	5	6	7	8	9	10
Sewer and/or Water Capital and Loan Fund				(1 + 2 -3)		(4 x 5)			(6 + 7 - 8)	(4 - 9)
Analysis of Sewer System							Amortization	Deductions	Amortization	Net
Contributions in Aid of Construction	Contributions			Contributions	Amortization		Reserve	to	Reserve	Contributions
Year Ended December 31, 2012	January 1	Additions	Deductions	December 31	Rate	Amortization	January 1	Reserve	December 31	December 31

Collection Plant

					%					
353 Land and Land Rights	\$	\$	\$	\$		\$	\$	\$	\$	\$
354 Structures and Improvements	1,008,453	300,134		1,308,587	1.20%	15,703	86,179		101,882	1,206,705
360 Collection Sewers, Force, Gravity and Special										
389 Other Miscellaneous Equipment Other (Specify)										

System Pumping Plant

353 Land and Land Rights										
354 Structures and Improvements										
371 Pumping Equipment										
389 Other Miscellaneous Equipment Other (Specify)										

Treatment and Disposal Plant

380 Treatment and Disposal Equipment										
381 Plant Sewers										
382 Outfall Sewer Lines										
389 Other Miscellaneous Equipment Other (Specify)										

General Plant

390 Office Furniture and Equipment										
391 Transportation Equipment										
392 Stores Equipment										
393 Tools, Shop and Garage Equipment Other (Specify)										

Totals	1,008,453	300,134	-	1,308,587		15,703	86,179	-	101,882	1,206,705
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MUNICIPALITY OF KinkoraSEWER AND/OR WATER CAPITAL AND LOAN FUND
ANALYSIS OF LONG-TERM DEBT
YEAR ENDED DECEMBER 31, 2012

Description of Each Loan or Debenture Issue	Outstanding January 1	Add New Debt Incurred	Subtotal	Deduct Repayments	Outstanding December 31
<u>Sewer</u>	\$	\$	\$	\$	\$
6.6% National Bank, term loan, repayable in semi- annual instalments of \$11,426 including principal and interest	182,254		182,254	10,902	171,352
4.5% National Bank, term loan, repayable in monthly instalments of \$1359 including principal and interest	117,367		117,367	11,212	106,155
<u>Water</u>					
Totals	299,621	-	299,621	22,114	277,507

Consolidated Financial Statements of

COMMUNITY OF KINKORA

Year ended December 31, 2012



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BDO Canada LLP
107 Walker Avenue
PO Box 1347
Summerside PE C1N 4K2 Canada

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COUNCIL OF COMMUNITY OF KINKORA

We have audited the accompanying consolidated financial statements of Community of Kinkora, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations, change in net debt, 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 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.

Auditor's 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation 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 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 financial position of Community of Kinkora as of December 31, 2012 and their financial performance and cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Summerside, Prince Edward Island
March 13, 2013

COMMUNITY OF KINKORA

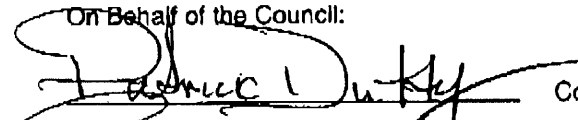
Consolidated Statement of Financial Position

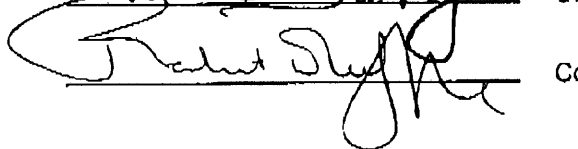
December 31, 2012, with comparative figures for 2011

	2012	2011
Financial Assets		
Cash	\$ 514,948	\$ 181,925
Accounts receivable (note 2)	138,856	145,183
Inventory	440,773	101,170
	<u>1,094,577</u>	<u>428,278</u>
Liabilities		
Accounts payable and accrued liabilities	743,050	320,463
Deferred revenue	75,000	-
Bridge financing	-	110,000
Long-term debt (note 4)	1,047,330	693,875
	<u>1,865,380</u>	<u>1,124,338</u>
Net debt	(770,803)	(696,060)
Non-financial Assets		
Tangible capital assets (Schedule 5)	3,225,421	2,588,197
Prepaid expenses	2,888	4,385
Security deposit	-	25,000
	<u>3,228,309</u>	<u>2,617,582</u>
Accumulated surplus (note 6)	\$ 2,457,506	\$ 1,921,522

See accompanying notes to consolidated financial statements.

On Behalf of the Council:


Councillor


Councillor

COMMUNITY OF KINKORA

Consolidated Statement of Operations

Year ended December 31, 2012, with comparative figures for 2011

	Budget (note 8)	2012	2011
Revenue:			
Municipal property tax	\$ 76,400	\$ 75,637	\$ 71,858
Kinkora Sewage Collection and Treatment Corporation (Schedule 1)		57,488	54,389
Fire department (Schedule 2)	149,900	148,279	114,625
Complex (Schedule 3)	11,000	7,229	7,700
Government transfers for operations (note 7)	55,589	55,737	56,043
Licenses, permits and dog registrations	600	680	155
Interest	-	686	-
Kinkora and Area Business Commission Inc.		10,142	90,986
Donations and other	4,500	1,506	400
	297,989	357,384	396,156
Expenses:			
Kinkora Sewage Collection and Treatment Corporation (Schedule 1)	-	60,877	59,829
Fire department (Schedule 2)	94,874	148,917	130,208
Complex (Schedule 3)	59,163	94,226	93,547
Administrative (Schedule 4)	66,391	98,559	87,406
Facilities and public property (Schedule 4)	9,500	1,029	3,274
	229,928	403,608	374,264
Excess of revenue over expenses (expenses over revenue) - before other	68,061	(46,224)	21,892
Other:			
Government transfers for capital (note 7)	75,000	250,674	72,207
Contributions for capital	-	331,534	(24,413)
Annual surplus	143,061	535,984	69,686
Accumulated surplus, beginning of year	1,921,522	1,921,522	1,851,836
Accumulated surplus, end of year	\$ 2,064,583	\$ 2,457,506	\$ 1,921,522

See accompanying notes to consolidated financial statements.

COMMUNITY OF KINKORA

Consolidated Statement of Change in Net Debt

Year ended December 31, 2012, with comparative figures for 2011

	Budget (note 8)	2012	2011
Annual surplus	\$ 143,061	\$ 535,984	\$ 69,686
Acquisition of tangible capital assets	-	(748,094)	(331,406)
Amortization of tangible capital assets	-	110,870	87,598
Write-down of tangible capital assets	-	-	24,637
	-	(637,224)	(219,171)
Acquisition of prepaid expenses	-	-	(973)
Use of prepaid expenses	-	1,497	-
Use of security deposit	-	25,000	-
	-	26,497	(973)
Decrease (increase) in net debt	143,061	(74,743)	(150,458)
Net debt, beginning of year	(696,060)	(696,060)	(545,602)
Net debt, end of year	\$ (552,999)	\$ (770,803)	\$ (696,060)

See accompanying notes to consolidated financial statements.

COMMUNITY OF KINKORA

Consolidated Statement of Cash Flows

Year ended December 31, 2012, with comparative figures for 2011

	2012	2011
Operating activities:		
Cash received from property owners and grants	\$ 438,711	\$ 701,219
Cash paid to suppliers and employees	(135,332)	(565,582)
Interest paid	(47,925)	(56,284)
	<u>255,454</u>	<u>79,353</u>
Cash flows from capital activities:		
Purchase of tangible capital assets	(748,094)	(331,182)
Contributions for capital	331,534	-
Government transfers for capital	250,674	72,207
Change in capital receivable and payables	-	254,717
	<u>(165,886)</u>	<u>(4,258)</u>
Cash flows from financing activities:		
Repayment of long-term debt	(133,945)	(43,773)
Proceeds from long-term debt	487,400	163,235
Repayment of bridge financing	(110,000)	(145,236)
	<u>243,455</u>	<u>(25,774)</u>
Increase in cash position	333,023	49,321
Cash, beginning of year	181,925	132,604
Cash, end of year	<u>\$ 514,948</u>	<u>\$ 181,925</u>

See accompanying notes to consolidated financial statements.

COMMUNITY OF KINKORA

Notes to Consolidated Financial Statements

Year ended December 31, 2012

1. Significant accounting policies:

(a) Management's responsibility for the financial statements:

The consolidated financial statements of the Community of Kinkora ("the Community") are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board. The Community of Kinkora is a municipality in the Province of Prince Edward Island and operates under the provisions of the Municipalities Act of Prince Edward Island. The Community provides municipal services such as sewer, fire protection, planning, parks, recreation and other general government services and is a non-profit organization under the Income Tax Act.

(b) Reporting entity:

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in net debt and cash flows of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Community and are, therefore, accountable to the Community Council for the administration of their financial affairs and resources. Included with the municipality are the following:

Community of Kinkora
Kinkora Sewage Collections and Treatment Corporation
Kinkora and Area Business Commission Inc.

Interdepartmental and organizational transactions and balances are eliminated

(c) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for the use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated change in net debt for the year.

(d) 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, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

COMMUNITY OF KINKORA

Notes to Consolidated Financial Statements

Year ended December 31, 2012

1. Significant accounting policies (continued):

Asset	Rate
Community:	
Buildings	40 years
Sidewalks	25 years
Wind farm	25 years
Fire trucks	15 years
Recreation equipment	15 years
Fire equipment	10 years
Furniture and equipment	5 years
Sewer Utility:	
Sewer system	83 1/3 years
Lagoon fence	83 1/3 years

(e) Revenue recognition:

Municipal property taxes are recognized as revenue in the year they are levied. Sales of service, sewer charges and other revenue are recognized in the period which events giving rise to the revenue occur and the consideration can be practicably measured.

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when the monies are receivable. Grants for the acquisition of tangible capital assets are recognized in the period in which the eligible expenditures are made.

(f) Government transfers:

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future or the result of a direct financial return.

Government transfers are recognized as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, the amount can be reasonably estimated, any eligibility criteria have been met and there are no stipulations that give rise to a possible obligation.

COMMUNITY OF KINKORA

Notes to Consolidated Financial Statements

Year ended December 31, 2012

1. Significant accounting policies (continued):

(g) Financial instruments:

The Community's financial instruments consist of cash, accounts receivable, accounts payable, deferred revenue and long-term debt. Unless otherwise noted, it is management's opinion that the Community is not exposed to significant interest, currency or credit risks arising from these financial instruments.

(h) Use of estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Accounts receivable:

Included in accounts receivable is \$ 8,325 of pledges to be received for complex renovations. Of this amount, \$ 4,924 is to be received in 2013 and \$ 3,401 in 2014.

3. Bank indebtedness:

The Community has established a bank operating line of credit for daily expenses of up to \$170,000 (2011- \$170,000), bearing interest at bank prime plus 0.5%.

COMMUNITY OF KINKORA

Notes to Consolidated Financial Statements

Year ended December 31, 2012

4. Long-term debt:

	2012	2011
National Bank of Canada, interest at 4.5%, payable in monthly installments of \$ 791 including interest, maturing in 2016 amortized to 2025	\$ 90,564	\$ 95,812
National Bank of Canada, interest at 4.5%, payable in monthly installments of \$ 2,037 including interest, maturing in 2016, amortized to 2018	125,446	143,756
National Bank of Canada, interest at 4.5%, payable in monthly installments of \$ 1,469 including interest, maturing in 2016, amortized to 2023	143,851	154,686
National Bank of Canada, interest at 6.6%, payable in semi-annual installments of \$ 11,426 including interest, maturing in 2013, amortized to 2023	171,352	182,254
National Bank of Canada, interest at 4.5%, payable in monthly installments of \$ 1,359 including interest, maturing in 2016 amortized to 2020	106,155	117,367
National Bank of Canada, interest at 3.37%, payable in monthly installments of \$ 1,175 including interest, maturing in 2017 amortized to 2032	205,000	-
National Bank of Canada, interest at 3.27%, payable in monthly installments of \$ 1,359 including interest, maturing in and amortized to 2017	23,562	-
National Bank of Canada, interest at bank prime plus 0.5%, payable in semi-annual installments of \$ 37,500 plus interest payable monthly, maturing in 2013 amortized to 2015	181,400	-
	\$ 1,047,330	\$ 693,875

COMMUNITY OF KINKORA

Notes to Consolidated Financial Statements

Year ended December 31, 2012

4. Long-term debt (continued):

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 2012 are as follows: 2013 - \$ 412,875; 2014- \$ 62,734.; 2015 - \$ 65,464.; 2016 - \$ 329,254.; and 2017 - \$ 177,004.

The aggregate maturities of long-term debt as noted above have been calculated in accordance with Canadian generally accepted accounting principles which reflect the ability of creditors to request full repayment of debt. Management assumes that long-term debt renewals will occur under similar terms and conditions as currently outstanding debts. Additionally, management assumes that demand installment loans will be repaid over the scheduled repayment terms. The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 2012, calculated in accordance with management assumptions, are as follows: 2013 - \$ 146,856.; 2014 - \$ 150,255.; 2015 - \$ 110,225.; 2016 - \$ 82,569.; and 2017 - \$ 83,630.

5. Equity in tangible capital assets:

	2012	2011
Tangible capital assets (Schedule 5)	\$ 4,239,425	\$ 3,499,546
Accumulated amortization (Schedule 5)	(1,014,004)	(911,349)
Long term debt (note 4)	(1,047,330)	(693,875)
Bridge financing	-	(110,000)
	\$ 2,178,091	\$ 1,784,322

COMMUNITY OF KINKORA

Notes to Consolidated Financial Statements

Year ended December 31, 2012

6. Accumulated surplus:

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2012	2011
Unrestricted surplus (deficit)	\$ (9,631)	\$ (166,185)
Complex renovations	-	35,991
Fire department - reserve (deficit)	(4,537)	(15,957)
Kinkora and Area Business Commission Inc.	293,583	283,351
Equity in tangible capital assets	2,178,091	1,784,322
	\$ 2,457,506	\$ 1,921,522

7. Government transfers:

	2012	2011
Government transfers for operations:		
Provincial equalization grant	\$ 47,517	\$ 48,321
Provincial grant in lieu of taxes	3,536	3,693
Other operating grants	4,684	4,029
	55,737	56,043
Government transfer for capital:		
New Deal Gas Tax	75,000	75,000
Building Canada Fund - wind farm	-	(2,793)
Island Community Fund	175,674	-
	250,674	72,207
	\$ 308,411	\$ 128,250

COMMUNITY OF KINKORA

Notes to Consolidated Financial Statements

Year ended December 31, 2012

8. Budget:

A reconciliation of the 2012 fiscal budget prepared by Council to the budget figures disclosed in the financial statements is as follows:

Community of Kinkora budgeted annual deficit	\$	(5,091)
Add: debt repayment in administrative budget		87,855
Add: debt principal repayment in fire department budget		32,297
Add: truck reserve allocation in fire department budget		11,000
Add: 2011 deficit repayment in fire department budget		17,000
	\$	143,061

9. Kinkora and Area Business Commission Inc. new subdivision:

During 2012, the Community and Kinkora and Area Business Commission Inc. (KABC) entered into an agreement whereby, KABC would reimburse the Community for the net cost of the new subdivision project. The project was completed in 2012. As of December 31, 2012, KABC owed the Community for the net costs of the project which were calculated as follows:

Total cost of subdivision project	\$	788,922
Less: Island Community Funding		(420,000)
Less: PST rebate on sewer additions		(11,809)
Less: payment received from KABC		(3,814)
	\$	353,299

10. Segmented Information:

The Community is a diversified municipal government that provides a wide range of services to its residents. Distinguishable functional segments have been separately disclosed in the financial statements in the form of segmented information. The nature of segments and the activities they encompass are as follows:

Administration

General government revenues and expenses that relate to the operations of the Community itself and cannot be directly attributed to a specific segment

COMMUNITY OF KINKORA

Notes to Consolidated Financial Statements

Year ended December 31, 2012

10. Segmented information (continued):

Kinkora Sewage Collection and Treatment Corporation

Sewer utility, operating under a separate legal entity, responsible for processing and cleaning sewage in accordance with provincial standards.

Fire department

Revenues and expenses related to the operations of the Kinkora Fire Department.

Complex

Revenue and expenses related to the operations of the community complex.

Kinkora and Area Business Commission Inc.

Business commission, operating under a separate legal entity, responsible for the planning and economic development of the Community.

The accounting policies of the segments are the same as those described in Note 1 Significant Accounting Policies. The revenues and expenses that are directly attributable to a particular segment are allocated directly to that segment.

COMMUNITY OF KINKORA

Schedule of Kinkora Sewage Collections and Treatment Corporation

Year ended December 31, 2012, with comparative figures for 2011

Schedule 1

	2012	2011
Revenue:		
Sewer rate assessments	\$ 54,527	\$ 52,696
Interest	2,961	1,693
	<u>57,488</u>	<u>54,389</u>
Expenses:		
Operating:		
Electricity	1,060	1,182
Repairs and maintenance	8,194	9,088
General:		
Administrative expenses	4,788	3,082
Bank charges	90	191
Cash shortage	-	1,213
Dues	1,103	1,103
Insurance	1,514	1,514
Office	1,778	2,131
Professional fees	2,669	2,648
Property taxes	586	545
Other:		
Amortization of tangible capital assets	22,256	18,568
Interest on long-term debt	16,839	18,564
	<u>60,877</u>	<u>59,829</u>
Excess of expenses over revenue	\$ (3,389)	\$ (5,440)

See accompanying notes to consolidated financial statements.

COMMUNITY OF KINKORA

Schedule of Fire Department Operations

Year ended December 31, 2012, with comparative figures for 2011

Schedule 2

	Budget (note 8)	2012	2011
Revenue:			
Fire Dues - Kinkora	\$ -	\$ 14,715	\$ 10,624
Fire dues - Kinkora and area fire district	147,900	116,016	92,825
Fire dues - other communities	-	15,155	10,838
Donations and other revenue	2,000	2,393	338
	<u>149,900</u>	<u>148,279</u>	<u>114,625</u>
Expenses:			
Advertising and special events	2,000	1,142	1,408
Amortization of tangible capital assets	-	35,710	25,127
Dues	1,050	883	1,184
Fuel	2,500	2,086	3,097
Honorariums	12,600	9,570	10,675
Insurance	6,691	6,766	6,430
Interest on long-term debt	10,783	10,783	15,865
Pager and radio rentals	2,250	2,063	2,248
Repairs, maintenance and supplies	29,500	39,910	35,824
Share of complex	9,600	9,440	9,538
Telephone and message centre	4,900	6,072	4,758
Training and travel	10,000	19,906	10,047
Wages and administrative expense	3,000	4,586	4,007
	<u>94,874</u>	<u>148,917</u>	<u>130,208</u>
Excess of expenses over revenue	\$ 55,026	\$ (638)	\$ (15,583)

See accompanying notes to consolidated financial statements.

COMMUNITY OF KINKORA

Schedule of Complex

Year ended December 31, 2012, with comparative figures for 2011

Schedule 3

	Budget (note 8)	2012	2011
Revenue			
Kanata Club	\$ 10,000	6,903	6,851
Wind farm electricity	1,000	326	849
	11,000	7,229	7,700
Expenses:			
Amortization of tangible capital assets	-	35,627	26,625
Administrative salary	6,000	8,237	5,393
Electricity	15,362	15,011	15,020
Insurance	7,660	5,829	7,657
Interest on long-term debt	7,041	7,041	5,246
Property taxes	2,500	5,538	4,625
Repairs and maintenance	30,200	24,709	32,099
Sewer	1,150	1,150	1,150
Telephone and fax	2,000	3,325	4,175
Wind turbine maintenance	2,250	542	4,718
	74,163	107,009	106,708
Less: expenses allocated to user departments	(15,000)	(12,783)	(13,161)
	59,163	94,226	93,547
Excess of expenses over revenue	\$ (48,163)	\$ (86,997)	\$ (85,847)

See accompanying notes to consolidated financial statements.

COMMUNITY OF KINKORA

Schedule of Expenses

December 31, 2012, with comparative figures for 2011

Schedule 4

	Budget (note 8)	2012	2011
Administrative			
Advertising and special events	\$ 4,035	\$ 3,900	\$ 4,945
Amortization of tangible capital assets	-	16,866	16,866
Dues	670	854	970
Fire protection	14,715	14,715	10,624
Honorariums	2,250	2,450	2,563
Interest and bank charges	6,000	5,468	16,418
Interest on long-term debt	7,704	7,704	-
Office and postage	2,000	2,401	3,598
Professional fees	7,700	20,010	9,303
Scholarships and donations	1,600	2,120	130
Share of complex	3,658	3,343	3,658
Street lighting	7,200	7,177	6,962
Travel and sundry	2,000	3,251	5,574
Wages and benefits	6,859	8,300	5,795
	\$ 66,391	\$ 98,559	\$ 87,406
Recreation			
Amortization of tangible capital assets	\$ -	\$ 411	\$ 412
Repairs and maintenance	1,500	-	2,399
Supplies and equipment	8,000	618	463
	\$ 9,500	\$ 1,029	\$ 3,274

See accompanying notes to consolidated financial statements.

COMMUNITY OF KINKORA

Schedule of Tangible Capital Assets

December 31, 2012, with comparative figures for 2011

Schedule 5

	Cost Beginning of Year	Additions	Disposals and Write- downs	Cost End of Year	Accumulated Amortization Beginning of Year	Disposals and Write- downs	Amortization	Accumulated Amortization End of Year	Net Book Value 2012	Net Book Value 2011
Community:										
Land	\$ 54,706	\$ -	\$ -	\$ 54,706	\$ -	\$ -	\$ -	\$ -	\$ 54,706	\$ 54,706
Buildings	567,002	391,431	-	958,433	290,227	-	23,962	314,189	644,244	276,775
Sidewalks	421,655	-	-	421,655	27,273	-	16,866	44,139	377,516	394,382
Wind farm	229,723	-	-	229,723	27,388	-	9,189	36,577	193,146	202,335
Fire trucks	426,349	-	-	426,349	226,814	-	21,603	248,417	177,932	199,535
Recreation equipment	6,917	-	(751)	6,166	3,595	(751)	411	3,255	2,911	3,322
Fire equipment	163,446	49,329	-	212,775	121,042	-	14,107	135,149	77,626	42,404
Furniture and equipment	56,219	-	(7,464)	48,755	51,366	(7,464)	2,476	46,378	2,377	4,853
Sewer utility:										
Land	26,200	-	-	26,200	-	-	-	-	26,200	26,200
Sewer system	1,530,913	307,334	-	1,838,247	158,327	-	22,059	180,386	1,657,861	1,372,586
Lagoon fence	16,416	-	-	16,416	5,317	-	197	5,514	10,902	11,099
	\$ 3,499,546	\$ 748,094	\$ (8,215)	\$ 4,239,425	\$ 911,349	\$ (8,215)	\$ 110,870	\$ 1,014,004	\$ 3,225,421	\$ 2,588,197

See accompanying notes to consolidated financial statements.