

Audited Financial Statements of

**CORPORATION OF THE
TOWNSHIP OF SOUTH FRONTENAC**

Year ended December 31, 2007

Audited Financial Statements

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Year ended December 31, 2007

TOWNSHIP OF SOUTH FRONTENAC

	Page
AUDITED FINANCIAL STATEMENTS	
Auditors' Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Financial Activities	3
Consolidated Statement of Changes in Financial Position	4
Notes to Consolidated Financial Statements	5
Consolidated Schedule of Current Fund Operations	14
Consolidated Schedule of Capital Fund Operations	15
Consolidated Schedule of Reserves and Reserve Funds	16
 TRUST FUNDS	
Auditors' Report	17
Statements of Financial Position	18
Statements of Continuity	18
Notes to Financial Statements	19
 CEMETERY BOARDS	
Auditors' Report	20
Statements of Financial Position	21
Statements of Financial Activities and Current Fund Balance	22
Notes to Financial Statements	23



KPMG LLP
Chartered Accountants
863 Princess Street Suite 400
PO Box 1600 Stn Main
Kingston ON K7L 5C8
Canada

Telephone (613) 549-1550
Telefax (613) 549-6349
www.kpmg.ca

AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of South Frontenac

We have audited the consolidated statement of financial position of the Corporation of the Township of South Frontenac as at December 31, 2007 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the Township's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Township as at December 31, 2007 and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. A horizontal line is drawn underneath the signature, extending from the left side of the 'K' towards the right.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada
September 5, 2008

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Statement of Financial Position

December 31, 2007, with comparative figures for 2006

	2007	2006
Net Assets		
Financial assets:		
Cash (note 2)	\$ 9,088,291	\$ 9,436,918
Taxes receivable	2,357,600	2,348,066
Accounts receivable	1,641,580	1,122,417
Long-term investments (note 2 and 6)	594,838	561,950
Tile drainage loan receivable (note 16)	14,047	15,200
Mortgage receivable (note 17)	120,645	130,000
	<u>13,817,001</u>	<u>13,614,551</u>
Liabilities:		
Accounts payable and accrued liabilities	1,913,760	1,618,116
Deferred revenues	424,591	636,038
Deferred revenues – obligatory reserve funds (note 8)	2,680,129	2,603,904
Landfill closure and post-closure liabilities (note 10)	895,253	872,235
Tile drainage debenture payable (note 16)	14,047	15,200
	<u>5,927,780</u>	<u>5,745,493</u>
Net financial assets	7,889,221	7,869,058
Non-financial assets:		
Inventory and prepaid expenses	228,788	93,525
Total net assets	<u>\$ 8,118,009</u>	<u>\$ 7,962,583</u>

Municipal Position

Current fund (note 3)	\$ 26,373	\$ 54,531
Capital fund (note 3)	(2,360,834)	(2,010,457)
Reserves	8,726,434	8,404,619
Reserve funds	2,621,289	2,386,125
	<u>9,013,262</u>	<u>8,834,818</u>
Landfill closure and post-closure liabilities to be recovered from reserves and reserve funds	(895,253)	(872,235)
Contingent liabilities (note 11)		
Commitments (note 12)		
Total municipal position	<u>\$ 8,118,009</u>	<u>\$ 7,962,583</u>

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

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Statement of Financial Activities

Year ended December 31, 2007, with comparative figures for 2006

	2007	2006
Revenues:		
Property taxation	\$ 10,651,475	\$ 10,173,204
User charges	892,304	577,655
Licenses, permits and rents	561,336	450,648
Government grants	1,746,238	3,143,437
Grants from other municipalities	737,553	1,295,418
Investment income	417,529	294,665
Penalties and interest on taxes	361,041	339,402
Transfers from deferred obligatory reserve funds	679,481	171,827
Sale of land and property	13,503	267,840
Other	174,237	828,974
Total revenues	16,234,697	17,543,070
Expenditures:		
Current (note 13):		
General government	955,193	1,025,524
Fire	756,450	692,691
Police	1,739,591	1,620,506
Conservation authority	123,751	111,655
Protective inspections and control	346,572	395,407
Emergency measures	163	190
Roadways and winter control	7,882,100	6,816,054
Street lighting	57,497	67,775
Waterworks	144,355	81,035
Garbage collection and disposal	1,234,478	958,663
Landfill closure and post-closure costs	23,018	54,373
Cemeteries	48,683	53,509
Parks, recreation and cultural services	489,530	466,413
Planning and development	183,832	143,664
Total current expenditures	13,985,213	12,487,459
Capital:		
General government	37,482	75,738
Fire	657,423	194,253
Protective inspections and control	25,234	28,402
Emergency measures	-	4,853
Roadways and winter control	818,483	794,272
Waterworks system	81,219	1,506,357
Garbage collection and disposal	7,544	237,214
Parks, recreation and cultural services	578,652	96,411
Planning and development	23,284	8,882
Total capital expenditures	2,229,321	2,946,382
Total expenditures	16,214,534	15,433,841
Net revenues	20,163	2,109,229
Financing and transfers:		
Change in landfill closure and post-closure costs	23,018	54,373
Change in non-financial assets	135,263	(20,960)
	158,281	33,413
Increase in fund balances	\$ 178,444	\$ 2,142,642

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

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Statement of Changes in Financial Position

Year ended December 31, 2007, with comparative figures for 2006

	2007	2006
Operations:		
Net revenues	\$ 20,163	\$ 2,109,229
Net change in non-cash working capital items:		
Decrease (increase) in taxes receivable	(9,534)	265,892
Decrease (increase) in accounts receivable	(519,163)	2,963,782
Increase (decrease) in accounts payable and accrued liabilities	295,644	(1,835,263)
Increase (decrease) in deferred revenue	(211,447)	294,401
Increase in deferred revenue – obligatory reserve funds	76,225	395,921
Increase in landfill closure and post-closure liabilities	23,018	54,373
	(345,257)	2,139,106
Net change in cash from operations	(325,094)	4,248,335
Investing:		
Increase in long-term investments	(32,888)	(18,314)
Decrease (increase) in mortgage receivable	9,355	(130,000)
	(23,533)	(148,314)
Increase (decrease) in cash and cash equivalents	(348,627)	4,100,021
Cash and cash equivalents, beginning of year	9,436,918	5,336,897
Cash and cash equivalents, end of year	\$ 9,088,291	\$ 9,436,918

The Township considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

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

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2007

1. Significant accounting policies:

The consolidated financial statements of the Corporation of the Township of South Frontenac (the "Township") are prepared by management in accordance with Canadian generally accepting accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Township are as follows:

(a) Basis of consolidation:

- (i) The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and fund balances of the current, capital and reserve funds 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:

Sydenham Cemetery Board
Sandhill Cemetery Board
Portland Cemetery Board
North Frontenac Community Arena (proportionately consolidated)

Proportionate consolidation:

The North Frontenac Community Arena is accounted for using the proportionate consolidation method of accounting and reporting, whereby the municipality's pro-rata share of each of the assets, liabilities, revenues and expenses is combined on a line-by-line basis in the financial statements.

- (ii) The charges for long-term liabilities assumed by consolidated entities or by individuals in the case of the drainage and shoreline property assistance loans are reflected in the financial statements.

(iii) Accounting for school board transactions:

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards are reflected in the municipal fund balances of these consolidated financial statements.

- (iv) Trust funds and their related operations administered by the Township are not included in these financial statements but are reported on separately on the Trust Fund Statements of Continuity and Statements of Financial Position.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2007

1. Significant accounting policies (continued):

(b) Capital assets:

The historical cost and accumulated amortization of capital assets are not reported for municipal purposes. Capital assets are reported as an expenditure on the "Consolidated Statement of Financial Activities" in the year of acquisition.

(c) Landfill closure and post-closure liabilities:

The Township accrues landfill closure and post-closure care requirements that have been defined in accordance with Ministry standards and include final covering and landscaping of the landfill, ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a period of up to fifty-seven years using the best information available to management.

Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

(d) Deferred revenues – 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 expenditures are recorded as revenue in the fiscal period they are expended.

(e) Investments:

Long-term investments are recorded at cost plus accrued interest, which approximates market value. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

(f) Amounts to be recovered:

Amounts to be recovered are comprised of landfill closure and post-closure liabilities.

(g) Financial instruments:

Unless otherwise noted, it is management's opinion that the Corporation 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.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2007

1. Significant accounting policies (continued):

(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) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

2. Restricted assets:

Cash and long-term investments in the amount of \$5,301,418 (2006 - \$4,990,029) have been restricted to support reserve funds and deferred revenues - obligatory reserve funds.

3. Municipal fund balances at the end of the year:

(a) The current and capital fund balances on the "Consolidated Statement of Financial Position" of \$(2,334,461) (2006 - \$(1,955,926)) at the end of the year are comprised of the following:

	2007	2006
- to be applied to operations of the Cemetery boards	\$ 26,655	\$ 21,857
- to be applied to operations of the North Frontenac Community Arena	(282)	32,674
	26,373	54,531
- acquisition of fixed assets to be recovered from taxation, user charges or fundraising	(2,360,834)	(2,010,457)
	\$(2,334,461)	\$(1,955,926)

(b) Approval by by-law has been obtained for those pending issues of long-term liabilities and commitments to be financed by revenues beyond the term of Council. The principal and interest payments required to service these pending issues and commitments are within the debt repayment limit prescribed by the Ministry of Municipal Affairs & Housing.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2007

3. Municipal fund balances at the end of the year (continued):

(c) The balance available for general reduction of taxation for the fiscal year ending December 31, 2007 has been reduced by an amount of \$977,730 (2006 - \$1,536,848) transferred to reserves. Had this reduction not been made the balance available to be applied to operations of the operating fund would have shown a surplus of \$977,730 (2006 - \$1,536,848).

4. Operations of school boards and the County of Frontenac:

During 2007, the Township collected property taxes and payments in lieu of property taxes on behalf of the school boards and the County of Frontenac. The amounts collected and remitted are summarized below:

	School Boards		County of Frontenac	
	2007	2006	2007	2006
Amounts collected and remitted	\$ 4,973,125	\$ 4,924,350	\$ 4,975,125	\$ 4,879,342

5. Contributions to consolidated joint board:

The following contributions were made by the Township to this board:

	2007	2006
North Frontenac Community Arena	\$ 9,080	\$ 10,620

The Township is contingently liable for its share, which is approximately 59% of any accumulated deficits as at the end of the year for this board. The Township's share of the accumulated surpluses (or deficits) of this joint board is as follows:

North Frontenac Community Arena	\$ (282)	\$ 32,674
---------------------------------	----------	-----------

The Township also paid \$490,643 on behalf of North Frontenac Community Arena for expenses relating to Project End Zone with \$182,414 being recorded as a receivable at year end.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2007

6. Long-term investments:

Total long-term investments of \$594,838 (2006 - \$561,960) reported on the "Consolidated Statement of Financial Position" at cost plus accrued interest, have a market value of \$595,215 (2006 - \$561,403) at the end of the year.

7. Trust funds:

Trust funds administered by the Township amounting to \$503,972 (2006 - \$492,875) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities".

8. 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 Township are summarized below:

	2007	2006
Balance, beginning of year	\$ 2,603,904	\$ 2,207,983
Development contributions	418,221	313,637
Investment income	124,121	94,069
Gasoline tax	213,364	160,041
Transfers to current fund	(17,863)	(25,000)
Transfers to capital fund	(661,618)	(146,826)
	<u>\$ 2,680,129</u>	<u>\$ 2,603,904</u>
Analyzed as follows:		
Development charges	\$ 1,718,069	\$ 1,595,928
Cash in lieu of parkland	813,237	680,365
Gasoline tax	148,823	327,611
	<u>\$ 2,680,129</u>	<u>\$ 2,603,904</u>

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2007

9. Pension agreements:

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

The amount contributed to OMERS for 2007 was \$111,860 (2006 - \$112,088) for current service and is included as an expenditure on the "Consolidated Statement of Financial Activities".

10. Landfill closure and post-closure liabilities:

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 Ministry standards and include final covering and landscaping of the landfill, ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a period of up to fifty-six years using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The Township currently has six active and three inactive landfill sites. The estimated remaining capacity of the active landfill sites ranges from 6% to 53% of the total estimated capacity and the estimated remaining life of the active landfill sites ranges from three years to forty-one years. The period for post-closure care for all sites is estimated to be fifteen years.

Estimated total expenditures 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 6% (2006 - 6%). The estimated total landfill closure and post-closure care expenditures are calculated to be approximately \$1,175,022 (2006 - \$1,162,795). For sites that are still active, the estimated liability for these expenditures is recognized as the landfill site's capacity is used. For sites that are inactive, the estimated liability for these expenditures is recognized immediately. Included in liabilities at December 31, 2007 is an amount of \$895,253 (2006 - \$872,235) with respect to landfill closure and post-closure liabilities recognized to date.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2007

11. Contingent liabilities:

The nature of the Township's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at December 31, 2007, management believes that the Township has valid defences and appropriate 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. As a result, no provision has been made in these financial statements for any settlement which may arise as a result of these claims.

12. Commitments:

(a) The Township has entered into an agreement with the Ontario Provincial Police for the provision of police services. The term of the agreement is five years, commencing April 1, 2003 at an annual cost of approximately \$1.6 million.

(b) The Township has entered into an agreement with the Ontario Small Town and Rural Development (OSTAR) Infrastructure Initiative, to receive approximately \$4.9 million in funding from the federal and provincial governments for the construction of a new water system. Total project costs are expected to be approximately \$8.1 million. Costs incurred to date on this project are approximately \$7.7 million.

Total project costs are to be financed by grants, user charges and long-term debt.

(c) The Township entered into an Agreement with 1425445 Ontario Limited operating as Utilities Kingston for the operation and maintenance of the water system. The term of the Agreement is three years commencing April 1, 2006 at an annual cost of approximately \$97,000.

13. Supplementary information:

	2007	2006
Current fund expenditure by object:		
Salaries, wages and employee benefits	\$ 3,104,326	\$ 2,929,198
Materials, services, rents and financial expenses	10,685,029	9,365,867
Transfers to others	195,858	192,394
	\$ 13,985,213	\$ 12,487,459

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2007

14. Budget figures:

The Township reviews its operating and capital budgets annually. The approved operating and capital budgets for 2007 are reflected on the Schedules of Current and Capital Fund Operations. Budget figures have not been audited and are presented for information purposes only.

Budgets established for capital funds are based on a project-oriented basis, the costs of which may be carried out over one or more years.

15. Fair value of financial assets and financial liabilities:

The carrying value of taxes receivable, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

The market value of long-term investments is disclosed in note 6.

16. Tile drainage loan receivable and payable:

The loan bears annual interest at 6% and is repayable in 10 equal instalments of principal and interest of \$2,065. The responsibility for payment of principal and interest for the loan has been assumed by individuals and therefore has been shown in the financial statements as both a loan receivable and payable.

17. Mortgage receivable:

The mortgage receivable bears annual interest at 7%, is repayable in 120 equal instalments of principal and interest of \$1,503 and is due on December 1, 2016.

18. Tangible capital assets:

Commencing with the fiscal year beginning January 1, 2009, the Corporation will be adopting CICA Public Sector Accounting Handbook Section PS 3150, "Tangible Capital Assets". This section establishes standards on how to account for and report tangible capital assets in government financial statements. Tangible capital assets include such diverse items as roads, bridges, lands and buildings, vehicles and equipment and water and wastewater systems.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2007

18. Tangible capital assets (continued):

Effective January 1, 2007, the Corporation adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 – Tangible Capital Assets comes into effect on January 1, 2009.

During 2007, the Corporation continued to work towards compliance with the new recommendations for accounting for tangible capital assets. Significant progress has been made on compiling preliminary asset inventory listings for most asset categories.

As of December 31 2007, the Corporation does not have relevant information to disclose cost, accumulated amortization and net book values for any specific tangible capital asset category. Tangible capital assets are reported as an expenditure on the “Consolidated Statement of Financial Activities” in the year of acquisition.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Schedule of Current Fund Operations

Year ended December 31, 2007, with comparative figures for 2006

	Budget 2007	Actual 2007	Actual 2006
	(unaudited)		
Revenues:			
Property taxation	\$ 10,656,014	\$ 10,607,597	\$10,130,963
Taxation from other governments	41,650	43,878	42,241
User charges	651,226	892,304	577,655
Licenses, permits and rents	471,737	561,336	450,648
Government grants	1,706,483	1,725,391	1,977,696
Grants from other municipalities	669,423	737,553	1,295,418
Investment income	175,000	315,995	210,140
Penalties and interest on taxes	340,000	361,041	339,402
Transfers from deferred obligatory reserve funds	268,850	17,863	25,000
Sale of land and property	–	13,503	267,840
Other	83,231	60,834	107,447
Total revenues	15,063,614	15,337,295	15,424,450
Expenditures:			
General government	986,123	955,193	1,025,524
Fire	833,190	756,450	692,691
Policing	1,855,448	1,739,591	1,620,506
Conservation authority	127,851	123,751	111,655
Protection inspections and control	372,785	346,572	395,407
Emergency measures	2,250	163	190
Roadways and winter control	8,646,810	7,882,100	6,816,054
Street lighting	70,395	57,497	67,775
Waterworks	150,000	144,355	81,035
Garbage collection and disposal	1,186,694	1,234,478	958,663
Landfill closure and post-closure costs	–	23,018	54,373
Cemeteries	14,250	48,683	53,509
Parks, recreation and cultural services	546,814	489,530	466,413
Planning and zoning	159,051	183,832	143,664
Total expenditures	14,951,661	13,985,213	12,487,459
Net revenue	111,953	1,352,082	2,936,991
Financing and transfers:			
Transfers to capital fund	(186,050)	(186,050)	(247,965)
Transfers from (to) reserves and reserve funds	41,423	(1,352,471)	(2,718,516)
Change in non-financial assets	–	135,263	(20,960)
Change in landfill closure and post-closure costs	–	23,018	54,373
Net financing and transfers	(144,627)	(1,380,240)	(2,933,068)
Change in current fund balance	(32,674)	(28,158)	3,923
Opening current fund balance	54,531	54,531	50,608
Closing current fund balance	\$ 21,857	\$ 26,373	\$ 54,531

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Schedule of Capital Fund Operations

Year ended December 31, 2007, with comparative figures for 2006

	Budget 2007	Actual 2007	Actual 2006
	(unaudited)		
Revenues:			
Government grants	\$ 16,810	\$ 20,847	\$ 1,165,741
Transfers from deferred obligatory reserve funds	1,045,900	661,618	146,827
Other	–	113,403	721,027
<u>Total revenues</u>	<u>1,062,710</u>	<u>795,868</u>	<u>2,033,595</u>
Expenditures:			
General government	243,015	37,482	75,738
Fire	639,602	657,423	194,253
Protection to persons and property	31,180	25,234	28,402
Emergency preparedness	–	–	4,853
Transportation services	934,832	818,483	794,272
Waterworks system	–	81,219	1,506,357
Garbage collection and disposal	100,000	7,544	237,214
Cemeteries	10,125	–	–
Recreational and cultural services	361,400	578,652	96,411
Planning and zoning	15,550	23,284	8,882
<u>Total expenditures</u>	<u>2,335,704</u>	<u>2,229,321</u>	<u>2,946,382</u>
<u>Net expenditures</u>	<u>(1,272,994)</u>	<u>(1,433,453)</u>	<u>(912,787)</u>
Financing and transfers:			
Transfers from reserves and reserve funds	1,100,944	897,026	1,090,697
Transfers from current fund	186,050	186,050	247,965
<u>Net financing and transfers</u>	<u>1,286,994</u>	<u>1,083,076</u>	<u>1,338,662</u>
<u>Change in capital fund balance</u>	<u>14,000</u>	<u>(350,377)</u>	<u>425,875</u>
<u>Opening capital fund balance</u>	<u>(2,010,457)</u>	<u>(2,010,457)</u>	<u>(2,436,332)</u>
<u>Closing capital fund balance</u>	<u>\$(1,996,457)</u>	<u>\$(2,360,834)</u>	<u>\$(2,010,457)</u>

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Schedule of Reserves and Reserve Funds

Year ended December 31, 2007, with comparative figures for 2006

	2007	2006
Revenues:		
Investment income	\$ 101,534	\$ 84,525
Other	–	500
Total revenues	101,534	85,025
Financing and transfers:		
Transfers from current fund	1,352,471	2,718,516
Transfers to capital fund	(897,026)	(1,090,697)
Net financing and transfers	455,445	1,627,819
Change in reserves and reserve fund balances	556,979	1,712,844
Opening reserves and reserve fund balances	10,790,744	9,077,900
Closing reserves and reserve fund balances	\$ 11,347,723	\$ 10,790,744
Analyzed as follows:		
Reserves set aside for specific purposes by Council:		
Working funds	\$ 2,837,207	\$ 3,026,766
Contingencies	4,668	4,668
Replacement of equipment	1,275,573	1,382,150
Mill rate stabilization	1,066,940	1,118,697
General government capital	490,665	433,799
Roadways capital	1,872,885	1,665,231
Sydenham water	83,569	44,033
Future landfill closing	671,051	538,038
Cemeteries	10,000	–
Recreation capital	132,939	100,264
Planning capital	13,922	26,798
Other capital	267,015	64,175
	8,726,434	8,404,619
Reserve funds set aside for specific purposes by Council:		
Election	33,684	14,692
General government capital	1,334,117	1,177,869
Protection services capital	8,448	17,168
Roadways capital	565,213	477,791
Future landfill closing	522,771	563,025
Recreation capital	151,903	130,427
Other capital	5,153	5,153
	2,621,289	2,386,125
	\$ 11,347,723	\$ 10,790,744



KPMG LLP
Chartered Accountants
863 Princess Street Suite 400
PO Box 1600 Stn Main
Kingston ON K7L 5C8
Canada

Telephone (613) 549-1550
Telefax (613) 549-6349
www.kpmg.ca

AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of South Frontenac

We have audited the statements of financial position of the trust funds of the Corporation of the Township of South Frontenac as at December 31, 2007 and the statements of continuity of trust funds for the year then ended. These financial statements are the responsibility of the Township's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust funds of the Township as at December 31, 2007 and the continuity of trust funds for the year then ended in accordance with the Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly wavy line that serves as a decorative underline.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada

September 5, 2008

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds

Statements of Financial Position

December 31, 2007, with comparative figures for 2006

Name of Fund	Subdivider deposits	Cemetery perpetual care	Monument perpetual care	Muriel Burns	Ontario home renewal program	Grant family memorial endowment	Total 2007	Total 2006
Assets								
Current assets:								
Cash	\$ 10,413	\$ 324,466	\$ 50,615	\$ 25,000	\$ 3,521	\$ 27,927	\$ 441,942	\$ 427,494
Investments at cost, which approximates market value:								
Term deposits	–	32,500	–	–	–	–	32,500	32,500
	10,413	356,966	50,615	25,000	3,521	27,927	474,442	42,471
Loans receivable (note 2)	–	–	–	–	33,051	–	33,051	35,332
	\$ 10,413	\$ 356,966	\$ 50,615	\$ 25,000	\$ 36,572	\$ 27,927	\$ 507,493	\$ 495,326
Liabilities and Capital								
Current liabilities:								
Accounts payable	\$ –	\$ –	\$ –	\$ –	\$ 3,521	\$ –	\$ 3,521	\$ 2,451
Capital (note 3):								
Bedford district	1,554	–	–	–	15,497	–	17,051	18,483
Loughborough district	8,859	69,712	11,330	–	15,710	27,927	133,538	129,821
Portland district	–	189,613	27,518	–	600	–	217,731	211,954
Storrington district	–	97,641	11,767	25,000	1,244	–	135,652	132,617
	10,413	356,966	50,615	25,000	33,051	27,927	503,972	492,875
	\$ 10,413	\$ 356,966	\$ 50,615	\$ 25,000	\$ 36,572	\$ 27,927	\$ 507,493	\$ 495,326

Statements of Continuity

Year ended December 31, 2007, with comparative figures for 2006

Balance, beginning of year	\$ 9,971	\$ 349,935	\$ 45,896	\$ 25,000	\$ 35,332	\$ 26,741	\$ 492,875	\$ 470,582
Sales of perpetual care	–	7,030	2,650	–	–	–	9,680	21,350
Interest earned	442	15,058	2,069	1,087	442	1,186	20,284	17,185
	442	22,088	4,719	1,087	442	1,186	29,964	38,535
Expenditures:								
Transfer to operating fund	–	15,057	–	1,087	–	–	16,144	13,791
Capital donations	–	–	–	–	293	–	293	–
Refund to province	–	–	–	–	2,430	–	2,430	2,451
	–	15,057	–	1,087	2,723	–	18,867	16,242
Balance, end of year	\$ 10,413	\$ 356,966	\$ 50,615	\$ 25,000	\$ 33,051	\$ 27,927	\$ 503,972	\$ 492,875

The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds

Notes to Financial Statements

Year ended December 31, 2007

1. Accounting policies:

Basis of accounting:

Capital receipts and income are reported on the accrual basis of accounting.

Expenditures are reported on the accrual basis of accounting.

2. Ontario Home Renewal Program:

The Ontario Home Renewal Program was established by the Ontario Ministry of Housing in 1973 to provide grants for municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards. Individual loans are limited to \$7,500 of which the maximum forgivable portion is \$4,000.

Ontario Home Renewal Program loans receivable at December 31, 2007 are comprised of repayable loans of \$32,651 (2006 - \$34,932) and forgivable loans of \$400 (2006 - \$400). Loan forgiveness is earned and recorded at a rate of up to \$600 per year of continued ownership and occupancy. In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balances of the repayable loan and the unearned forgivable loan immediately become due and payable by the homeowner.

3. Monument perpetual care:

The capital balance of monument perpetual care includes the original capital contributions received as well as accumulated unspent income on the capital contributions received. The unspent income of \$9,761 (2006 - \$7,692) is available for future expenditures related to monument perpetual care.



KPMG LLP
Chartered Accountants
863 Princess Street Suite 400
PO Box 1600 Stn Main
Kingston ON K7L 5C8
Canada

Telephone (613) 549-1550
Telefax (613) 549-6349
www.kpmg.ca

AUDITORS' REPORT

To the Board Members, Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of South Frontenac

We have audited the statements of financial position of the Corporation of the Township of South Frontenac Cemetery Boards as at December 31, 2007 and the statements of financial activities and current fund balance for the year then ended. These financial statements are the responsibility of the Boards' management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Cemetery Boards of the Township as at December 31, 2007 and the results of their operations and changes in their financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that underlines the text.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada
September 5, 2008

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Cemetery Boards

Statements of Financial Position

December 31, 2007, with comparative figures for 2006

Name of Board	Portland	Sandhill	Sydenham	Total 2007	Total 2006
Net Assets					
Financial assets:					
Cash	\$ 4,504	\$ 19,740	\$ 6,330	\$ 30,574	\$ 26,247
Accounts receivable	–	5	–	5	–
	4,504	19,745	6,330	30,579	26,247
Liabilities:					
Accounts payable	656	2,074	5	2,735	3,288
Prepaid burials and vandalism fund	–	–	1,190	1,190	1,100
	656	2,074	1,195	3,925	4,388
Net financial assets	\$ 3,848	\$ 17,671	\$ 5,135	\$ 26,654	\$ 21,859

Municipal Position

Current fund	\$ 3,848	\$ 17,671	\$ 5,135	\$ 26,654	\$ 21,859
--------------	----------	-----------	----------	-----------	-----------

The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Cemetery Boards

Statements of Financial Activities and Current Fund Balance

Year ended December 31, 2007, with comparative figures for 2006

Name of Boards	Portland	Sandhill	Sydenham	Total 2007	Total 2006
Revenue:					
Sale of plots	\$ 5,000	\$ 4,400	\$ 3,060	\$ 12,460	\$ 29,300
Less portion transferred to the Perpetual Care Fund capital account	3,920	1,760	1,350	7,030	17,600
	1,080	2,640	1,710	5,430	11,700
Transfer from Perpetual Care Fund	7,855	4,210	2,993	15,058	12,315
Burial charges-opening and closing	9,085	–	4,180	13,265	15,575
Sale of cornerstones	660	450	494	1,604	2,290
Bank interest	622	1,073	518	2,213	1,169
Interest from Muriel Burns Trust Fund	–	1,087	–	1,087	983
Municipal contribution from tax levy	–	13,000	–	13,000	13,000
Miscellaneous income	37	188	545	770	306
Total revenues	19,339	22,648	10,440	52,427	57,338
Expenditures:					
Administration and general	823	4,036	643	5,502	5,418
Maintenance and care of plots	18,750	13,130	10,248	42,128	47,117
Total expenditures	19,573	17,166	10,891	47,630	52,535
Net revenue (expenditures)	(234)	5,482	(451)	4,797	4,803
Opening current fund balance	4,082	12,189	5,586	21,857	17,056
Closing current fund balance	\$ 3,848	\$ 17,671	\$ 5,135	\$ 26,654	\$ 21,859

The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Cemetery Boards

Notes to Financial Statements

Year ended December 31, 2007

1. Significant accounting policies:

The financial statements of the Township of South Frontenac Cemetery Boards are the representation of management prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Boards are as follows:

(a) Basis of accounting:

- (i) The historical cost and accumulated depreciation of capital assets are not reported for municipal purposes. Capital assets are reported as an expenditure on the "Statements of Financial Activities and Current Fund Balance" in the year of acquisition.
- (ii) The Perpetual Care Trust Funds and related operations are not consolidated but are reported separately on the "Trust Fund Statements of Financial Position and Statements of Continuity" of the Township of South Frontenac.

(b) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

2. Trust funds:

The Perpetual Care Trust Funds administered by the Cemetery Boards amounting to \$407,581 (2006 - \$395,831) have not been included in the "Statements of Financial Position" nor have their operations been included in the "Statements of Financial Activities and Current Fund Balance".

3. Statement of changes in financial position:

A statement of changes in financial position has not been included as it would not provide additional meaningful information.