

Audited Financial Statements of

**CORPORATION OF THE  
TOWNSHIP OF SOUTH FRONTENAC**

Year ended December 31, 2008

Audited Financial Statements

# **CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC**

Year ended December 31, 2008

## **TOWNSHIP OF SOUTH FRONTENAC**

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## 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, 2008 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, 2008 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. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada  
June 12, 2009

# CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

## Consolidated Statement of Financial Position

December 31, 2008, with comparative figures for 2007

|   | 2008                 | 2007                |
|---|----------------------|---------------------|
| <b>Net Assets</b>                                       |                      |                     |
| Financial assets:                                       |                      |                     |
| Cash (note 2)   | \$ 13,408,383        | \$ 9,088,291        |
| Taxes receivable  | 2,495,174            | 2,357,600           |
| Accounts receivable                                     | 943,960              | 1,641,580           |
| Long-term investments (note 2 and 6)                    | 538,192              | 594,838             |
| Tile drainage loan receivable (note 17)                 | 12,824               | 14,047              |
| Sydenham Water Works debenture receivable (note 18)     | 423,795              | -                   |
| Mortgage receivable (note 19)                           | 110,624              | 120,645             |
|   | <u>17,932,952</u>    | <u>13,817,001</u>   |
| Liabilities:  |                      |                     |
| Accounts payable and accrued liabilities                | 1,315,490            | 1,913,760           |
| Deferred revenues                                       | 463,235              | 424,591             |
| Deferred revenues – obligatory reserve funds (note 8)   | 4,982,900            | 2,680,129           |
| Tile drainage debenture payable (note 17)               | 12,824               | 14,047              |
| Sydenham Water Works debenture (note 18)                | 423,795              | -                   |
| Landfill closure and post-closure liabilities (note 11) | 738,287              | 895,253             |
| Employee post employment benefit liability (note 9)     | 98,112               | -                   |
|   | <u>8,034,643</u>     | <u>5,927,780</u>    |
| Net financial assets                                    | 9,898,309            | 7,889,221           |
| Non-financial assets:                                   |                      |                     |
| Inventory and prepaid expenses                          | 240,239              | 228,788             |
| Total net assets  | <u>\$ 10,138,548</u> | <u>\$ 8,118,009</u> |

## Municipal Position

|  |                      |                     |
|--|----------------------|---------------------|
| Current fund (note 3)  | \$ (3,779)           | \$ 26,373           |
| Capital fund (note 3)  | (854,215)            | (2,360,834)         |
| Reserves   | 8,983,032            | 8,726,434           |
| Reserve funds  | 2,751,797            | 2,621,289           |
|  | <u>10,876,835</u>    | <u>9,013,262</u>    |
| Landfill closure and post-closure liabilities to be recovered<br>from reserves and reserve funds | (738,287)            | (895,253)           |
| Contingent liabilities (note 11)   |                      |                     |
| Commitments (note 12)  |                      |                     |
| Total municipal position   | <u>\$ 10,138,548</u> | <u>\$ 8,118,009</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, 2008, with comparative figures for 2007

|   | 2008                | 2007              |
|---|---------------------|-------------------|
| <b>Revenues:</b>                                  |                     |                   |
| Property taxation                                 | \$ 11,343,092       | \$ 10,651,475     |
| User charges                                      | 885,339             | 892,304           |
| Licenses, permits and rents                       | 489,128             | 561,336           |
| Government grants                                 | 3,400,276           | 1,746,238         |
| Grants from other municipalities                  | 583,510             | 737,553           |
| Investment income                                 | 312,556             | 417,529           |
| Penalties and interest on taxes                   | 371,660             | 361,041           |
| Donations   | -                   | -                 |
| Transfers from deferred obligatory reserve funds  | 517,313             | 679,481           |
| Sale of land and property                         | 79,807              | 13,503            |
| Other   | 1,468,185           | 174,237           |
| <b>Total revenues</b>                             | <b>19,450,866</b>   | <b>16,234,697</b> |
| <b>Expenditures:</b>                              |                     |                   |
| <b>Current (note 13):</b>                         |                     |                   |
| General government                                | 1,013,513           | 955,193           |
| Fire  | 788,326             | 756,450           |
| Police  | 1,945,743           | 1,739,591         |
| Conservation authority                            | 135,575             | 123,751           |
| Protective inspections and control                | 408,263             | 346,572           |
| Emergency measures                                | 58                  | 163               |
| Roadways and winter control                       | 9,750,324           | 7,882,100         |
| Street lighting                                   | 61,965              | 57,497            |
| Waterworks  | 196,943             | 144,355           |
| Garbage collection and disposal                   | 1,333,632           | 1,234,478         |
| Landfill closure and post-closure costs           | (156,966)           | 23,018            |
| Cemeteries  | 53,582              | 48,683            |
| Parks, recreation and cultural services           | 541,313             | 489,530           |
| Planning and development                          | 180,219             | 183,832           |
| <b>Total current expenditures</b>                 | <b>16,252,490</b>   | <b>13,985,213</b> |
| <b>Capital:</b>                                   |                     |                   |
| General government                                | 222,764             | 37,482            |
| Fire  | 240,005             | 657,423           |
| Protective inspections and control                | -                   | 25,234            |
| Emergency measures                                | -                   | -                 |
| Roadways and winter control                       | 391,812             | 818,483           |
| Waterworks system                                 | -                   | 81,219            |
| Garbage collection and disposal                   | 23,442              | 7,544             |
| Cemeteries  | 3,340               | -                 |
| Parks, recreation and cultural services           | 286,386             | 578,652           |
| Planning and development                          | 21,539              | 23,284            |
| <b>Total capital expenditures</b>                 | <b>1,189,288</b>    | <b>2,229,321</b>  |
| <b>Total expenditures</b>                         | <b>17,441,778</b>   | <b>16,214,534</b> |
| <b>Net revenues</b>                               | <b>2,009,088</b>    | <b>20,163</b>     |
| <b>Financing and transfers:</b>                   |                     |                   |
| Change in landfill closure and post-closure costs | (156,966)           | 23,018            |
| Change in non-financial assets                    | 11,451              | 135,263           |
|   | (145,515)           | 158,281           |
| <b>Increase in fund balances</b>                  | <b>\$ 1,863,573</b> | <b>\$ 178,444</b> |

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, 2008, with comparative figures for 2007

|   | 2008          | 2007         |
|---|---------------|--------------|
| Operations:   |               |              |
| Net revenues (expenditures)                                     | \$ 2,009,088  | \$ 20,163    |
| Net change in non-cash working capital items:                   |               |              |
| Decrease (increase) in taxes receivable                         | (137,574)     | (9,534)      |
| Decrease (increase) in accounts receivable                      | 697,620       | (519,163)    |
| Increase (decrease) in accounts payable and accrued liabilities | (598,270)     | 295,644      |
| Increase (decrease) in deferred revenue                         | 38,644        | (211,447)    |
| Increase in deferred revenue – obligatory reserve funds         | 2,302,771     | 76,225       |
| Increase in landfill closure and post-closure liabilities       | (156,966)     | 23,018       |
| Increase in post employment benefit liability                   | 98,112        | –            |
|   | 2,244,337     | (345,257)    |
| Net change in cash from operations                              | 4,253,425     | (325,094)    |
| Investing:  |               |              |
| Buy (sell) of long-term investments                             | 56,646        | (32,888)     |
| Decrease (increase) in mortgage receivable                      | 10,021        | 9,355        |
|   | 66,667        | (23,533)     |
| Increase (decrease) in cash                                     | 4,320,092     | (348,627)    |
| Cash, beginning of year   | 9,088,291     | 9,436,918    |
| Cash, end of year   | \$ 13,408,383 | \$ 9,088,291 |

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, 2008

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## 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, 2008

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## 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 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, 2008

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## 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 expenditures 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.

### (j) Accrual accounting:

Revenue and expenditures are reported on the accrual basis of accounting. Revenue is recognized as it is earned and measurable. Expenditures 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.

### (k) Deferred revenue:

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

### (l) Employee future benefits:

The Township accrues its obligations for the employee benefit plan. The cost of post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Actuarial gains (losses), which can arise from changes in actuarial assumptions used to determine the accrued benefit obligation, are amortized over the average remaining service life of the related employee groups, which is estimated to be 10 years for the actuarial loss in 2008.

# CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

## 1. Significant accounting policies (continued):

(m) Inventory:

Inventory is stated at the lower of cost and replacement cost.

## 2. Restricted assets:

Cash and long-term investments in the amount of \$7,734,697 (2007 - \$5,301,418) 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 \$857,994 (2007 - \$(2,334,461)) at the end of the year are comprised of the following:

|   | 2008         | 2007          |
|---|--------------|---------------|
| - to be applied to operations of the Cemetery boards  | \$ 24,662    | \$ 26,655     |
| - to be applied to operations of the North Frontenac<br>Community Arena                     | (28,441)     | (282)         |
|   | (3,779)      | 26,373        |
| - acquisition of fixed assets to be recovered from<br>taxation, user charges or fundraising | (854,215)    | (2,360,834)   |
|   | \$ (857,994) | \$(2,334,461) |

(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.

(c) The balance available for general reduction of taxation for the fiscal year ending December 31, 2008 has been reduced by an amount of \$534,559 (2007 - \$977,730) 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 \$534,559 (2007 - \$977,730).

# CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

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

During 2008, 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 |              |
|--------------------------------|---------------|--------------|---------------------|--------------|
|                                | 2008          | 2007         | 2008                | 2007         |
| Amounts collected and remitted | \$ 4,983,144  | \$ 4,973,833 | \$ 4,849,649        | \$ 4,975,125 |

#### 5. Contributions to consolidated joint board:

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

|                                 | 2008      | 2007     |
|---------------------------------|-----------|----------|
| North Frontenac Community Arena | \$ 15,930 | \$ 9,080 |

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 | \$ (28,441) | \$ (282) |
|---------------------------------|-------------|----------|

The Township paid \$490,643 on behalf of North Frontenac Community Arena for expenses relating to Project End Zone. In the current year, \$77,671 has been repaid leaving a receivable balance of \$211,808 at year end.

#### 6. Long-term investments:

Total long-term investments of \$538,192 (2007 - \$594,838) reported on the "Consolidated Statement of Financial Position" at cost plus accrued interest, have a market value of \$542,673 (2007 - \$595,215) at the end of the year.

# CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

## 7. Trust funds:

Trust funds administered by the Township amounting to \$515,767 (2007 - \$503,972) 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:

|                                      | 2008                | 2007                |
|--------------------------------------|---------------------|---------------------|
| Balance, beginning of year           | \$ 2,680,129        | \$ 2,603,904        |
| Development contributions            | 387,838             | 419,321             |
| Investment income                    | 128,946             | 124,121             |
| Gasoline tax                         | 266,087             | 212,264             |
| Provincial conditional grants        | 2,037,213           | –                   |
| Transfers to current fund            | (228,850)           | (17,863)            |
| Transfers to capital fund            | (288,463)           | (661,618)           |
|                                      | <b>\$ 4,982,900</b> | <b>\$ 2,680,129</b> |
| Analyzed as follows:                 |                     |                     |
| Gasoline tax                         | \$ 413,222          | \$ 148,823          |
| MTO-Roads and bridges infrastructure | 1,195,522           | –                   |
| Investment in Ontario                | 859,968             | –                   |
| Development charges                  | 1,605,847           | 1,718,069           |
| Cash in lieu of parkland             | 908,341             | 813,237             |
|                                      | <b>\$ 4,982,900</b> | <b>\$ 2,680,129</b> |

# CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

## 9. Employee post employment benefit liability:

(a) Employee non-pension retirement benefits (Extended health care for early retirees):

Effective January 1, 2008, the Township began to provide extended health care to its employees. Extended health care continues to be available to early retirees up to the age of 65, with the retiree generally being responsible for paying 50% of the benefit premiums.

An independent actuarial study of the employee non-pension retirement benefit has been undertaken. The first and most recent valuation of the employee future benefits was completed for 2008 and will be applied effective January 1, 2008.

The accrued benefit obligation relating to employee non-pension retirement benefits has been actuarially determined using the projected benefit method pro-rated on services. At December 31, 2008, based on an actuarial update, the accrued benefit obligation was \$104,167.

The significant actuarial assumptions adopted in estimating the Township's accrued benefit obligation are as follows:

|                            |  |
|----------------------------|--|
| Discount rate              | 6.0% per annum   |
| Health benefits escalation | 10.0% per annum, scaling down over 15 years to 5.0% thereafter |

Information with respect to the Township's non-pension retirement obligations is as follows:

|   | 2008             |
|---|------------------|
| Accrued benefit liability, beginning of year  | \$ 87,641        |
| Expense recognized for the year               | 5,985            |
| Interest cost                                 | 5,933            |
| Benefits paid for the year                    | (1,447)          |
| <b>Accrued benefit liability, end of year</b> | <b>\$ 98,112</b> |

The accrued benefit liability at December 31 includes the following components:

|   | 2008             |
|---|------------------|
| Accrued benefit obligation, end of year       | \$ 104,167       |
| Unamortized actuarial loss                    | (6,055)          |
| <b>Accrued benefit liability, end of year</b> | <b>\$ 98,112</b> |

# CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

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## **10. 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 2008 was \$138,623 (2007 - \$111,860) for current service and is included as an expenditure on the "Consolidated Statement of Financial Activities".

## **11. 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 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 5% to 56% of the total estimated capacity and the estimated remaining life of the active landfill sites ranges from two years to thirty 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% (2007 - 6%). The estimated total landfill closure and post-closure care expenditures are calculated to be approximately \$1,143,125 (2007 - \$1,175,022). 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, 2008 is an amount of \$738,287 (2007 - \$895,253) 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, 2008

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## 12. 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, 2008, 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.

## 13. 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, 2008 at an annual cost of approximately \$1.9 million.
- (b) 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.

## 14. Supplementary information:

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|   | 2008                | 2007                |
|---|---------------------|---------------------|
| Current fund expenditure by object:               |                     |                     |
| Salaries, wages and employee benefits             | \$ 3,515,153        | \$ 3,104,326        |
| Materials, services, rents and financial expenses | 12,557,594          | 10,685,029          |
| Transfers to others                               | 179,743             | 195,858             |
|   | <hr/> \$ 16,252,490 | <hr/> \$ 13,985,213 |

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# CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

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## **15. Budget figures:**

The Township reviews its operating and capital budgets annually. The approved operating and capital budgets for 2008 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.

## **16. 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.

## **17. 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.

## **18. Sydenham Water Works debenture receivable and payable:**

The debenture was issued on December 1, 2008, bears annual interest at 5.75% and is repayable in forty equal bi-annual instalments of blended principal and interest of \$17,966 commencing June 1, 2009. 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.

## **19. 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.



# CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

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## **20. Tangible capital assets:**

Commencing with the fiscal year beginning January 1, 2009, the Township 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.

Effective January 1, 2007, the Township 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 2008, the Township 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 2008, the Township 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.

## **21. Segmented information:**

The Township is a municipal government institution that provides a range of services to its citizens, including police, fire, transportation, recreational and environmental. 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.

Municipal 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 as a segment includes 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 as well as frontline reception and customer service.

# CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

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## 21. Segmented information (continued):

- (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 inspection, 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.
- (c) Transportation Services: This department provides the winter and summer maintenance, the repair and the construction of the municipal roads system including bridges and culverts.
- (d) Environmental Services: Includes the management and maintenance of water treatment and distribution.
- (e) Cemetery Boards: Includes the management and maintenance of municipal cemeteries.
- (f) Parks, Recreation and Culture: Provides services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure programs and facilities including community halls, libraries, parks, recreation fields and the proportionate share of North Frontenac Community Arena.
- (g) Planning and Development: Manages 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 expenditures 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 property tax revenue. Taxation is apportioned to these services based on the funding requirement. 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 SOUTH FRONTENAC

## Consolidated Schedule of Current Fund Operations

Year ended December 31, 2008, with comparative figures for 2007

|  | Budget<br>2008    | Actual<br>2008     | Actual<br>2007     |
|--|-------------------|--------------------|--------------------|
|  | (unaudited)       |                    |                    |
| Revenues:  |                   |                    |                    |
| Property taxation                                    | \$ 11,143,494     | \$ 11,296,359      | \$ 10,607,597      |
| Taxation from other governments                      | 41,430            | 46,733             | 43,878             |
| User charges   | 820,618           | 885,339            | 892,304            |
| Licenses, permits and rents                          | 554,591           | 489,128            | 561,336            |
| Government grants                                    | 2,284,884         | 3,310,862          | 1,725,391          |
| Grants from other municipalities                     | 720,000           | 583,510            | 737,553            |
| Investment income                                    | 257,600           | 222,889            | 315,995            |
| Penalties and interest on taxes                      | 350,000           | 371,660            | 361,041            |
| Transfers from deferred obligatory<br>reserve funds  | 268,850           | 228,850            | 17,863             |
| Sale of land and property                            | –                 | 79,807             | 13,503             |
| Other  | 30,505            | 47,805             | 60,834             |
| <b>Total revenues</b>                                | <b>16,471,972</b> | <b>17,562,942</b>  | <b>15,337,295</b>  |
| Expenditures:  |                   |                    |                    |
| General government                                   | 984,539           | 1,013,513          | 955,193            |
| Fire   | 843,198           | 788,326            | 756,450            |
| Policing   | 2,047,842         | 1,945,743          | 1,739,591          |
| Conservation authority                               | 146,289           | 135,575            | 123,751            |
| Protection inspections and control                   | 404,602           | 408,263            | 346,572            |
| Emergency measures                                   | 2,250             | 58                 | 163                |
| Roadways and winter control                          | 9,071,979         | 9,750,324          | 7,882,100          |
| Street lighting                                      | 71,500            | 61,965             | 57,497             |
| Waterworks   | 200,000           | 196,943            | 144,355            |
| Garbage collection and disposal                      | 1,448,405         | 1,333,632          | 1,234,478          |
| Landfill closure and post-closure costs              | –                 | (156,966)          | 23,018             |
| Cemeteries   | 3,542             | 53,582             | 48,683             |
| Parks, recreation and cultural services              | 487,454           | 541,313            | 489,530            |
| Planning and zoning                                  | 176,887           | 180,219            | 183,832            |
| <b>Total expenditures</b>                            | <b>15,888,487</b> | <b>16,252,490</b>  | <b>13,985,213</b>  |
| <b>Net revenue</b>                                   | <b>583,485</b>    | <b>1,310,452</b>   | <b>1,352,082</b>   |
| Financing and transfers:                             |                   |                    |                    |
| Transfers to capital fund                            | (117,099)         | (117,099)          | (186,050)          |
| Transfers to reserves and reserve funds              | (443,939)         | (1,077,990)        | (1,352,471)        |
| Change in non-financial assets                       | –                 | 11,451             | 135,263            |
| Change in landfill closure and post-closure<br>costs | –                 | (156,966)          | 23,018             |
| <b>Net financing and transfers</b>                   | <b>(561,038)</b>  | <b>(1,340,604)</b> | <b>(1,380,240)</b> |
| <b>Change in current fund balance</b>                | <b>22,447</b>     | <b>(30,152)</b>    | <b>(28,158)</b>    |
| <b>Opening current fund balance</b>                  | <b>26,373</b>     | <b>26,373</b>      | <b>54,531</b>      |
| <b>Closing current fund balance</b>                  | <b>\$ 48,820</b>  | <b>\$ (3,779)</b>  | <b>\$ 26,373</b>   |

# CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

## Consolidated Schedule of Capital Fund Operations

Year ended December 31, 2008, with comparative figures for 2007

|  | Budget<br>2008 | Actual<br>2008 | Actual<br>2007 |
|--|----------------|----------------|----------------|
|  | (unaudited)    |                |                |
| Revenues:  |                |                |                |
| Government grants                                | \$ 5,000       | \$ 89,414      | \$ 20,847      |
| Transfers from deferred obligatory reserve funds | 1,154,625      | 288,463        | 661,618        |
| Other  | 1,641,354      | 1,420,380      | 113,403        |
| Total revenues                                   | 2,800,979      | 1,798,257      | 795,868        |
| Expenditures:                                    |                |                |                |
| General government                               | 314,500        | 222,764        | 37,482         |
| Fire   | 466,529        | 240,005        | 657,423        |
| Protection to persons and property               | —              | —              | 25,234         |
| Emergency preparedness                           | —              | —              | —              |
| Transportation services                          | 1,235,600      | 391,812        | 818,483        |
| Waterworks system                                | —              | —              | 81,219         |
| Garbage collection and disposal                  | 95,000         | 23,442         | 7,544          |
| Cemeteries                                       | 10,125         | 3,340          | —              |
| Recreational and cultural services               | 429,625        | 286,386        | 578,652        |
| Planning and zoning                              | 9,000          | 21,539         | 23,284         |
| Total expenditures                               | 2,560,379      | 1,189,288      | 2,229,321      |
| Net expenditures                                 | 240,600        | 608,969        | (1,433,453)    |
| Financing and transfers:                         |                |                |                |
| Transfers from reserves and reserve funds        | 1,308,655      | 780,551        | 897,026        |
| Transfers from current fund                      | (117,099)      | 117,099        | 186,050        |
| Net financing and transfers                      | 1,191,556      | 897,650        | 1,083,076      |
| Change in capital fund balance                   | 1,432,156      | 1,506,619      | (350,377)      |
| Opening capital fund balance                     | (2,360,834)    | (2,360,834)    | (2,010,457)    |
| Closing capital fund balance                     | \$ (928,678)   | \$ (854,215)   | \$(2,360,834)  |

# CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Schedule of Reserves and Reserve Funds

Year ended December 31, 2008, with comparative figures for 2007

|   | 2008          | 2007          |
|---|---------------|---------------|
| Revenues:   |               |               |
| Investment income   | \$ 89,667     | \$ 101,534    |
| Financing and transfers:                                  |               |               |
| Transfers from current fund                               | 1,077,990     | 1,352,471     |
| Transfers to capital fund                                 | (780,551)     | (897,026)     |
| Net financing and transfers                               | 297,439       | 455,445       |
| Change in reserves and reserve fund balances              | 387,106       | 556,979       |
| Opening reserves and reserve fund balances                | 11,347,723    | 10,790,744    |
| Closing reserves and reserve fund balances                | \$ 11,734,829 | \$ 11,347,723 |
| Analyzed as follows:                                      |               |               |
| Reserves set aside for specific purposes by Council:      |               |               |
| Working funds   | \$ 2,905,696  | \$ 2,837,207  |
| Contingencies   | 4,668         | 4,668         |
| Replacement of equipment                                  | 1,480,328     | 1,275,573     |
| Mill rate stabilization                                   | 953,948       | 1,066,940     |
| General government capital                                | 548,343       | 490,665       |
| Roadways capital  | 1,807,852     | 1,872,885     |
| Sydenham water  | 90,731        | 83,569        |
| Future landfill closing                                   | 813,927       | 671,051       |
| Cemeteries  | 20,000        | 10,000        |
| Recreation capital  | 90,524        | 132,939       |
| Planning capital  | -             | 13,922        |
| Other capital   | 267,015       | 267,015       |
|   | 8,983,032     | 8,726,434     |
| Reserve funds set aside for specific purposes by Council: |               |               |
| Election  | 53,015        | 33,684        |
| General government capital                                | 1,366,315     | 1,334,117     |
| Protection services capital                               | 10,340        | 8,448         |
| Roadways capital  | 649,777       | 565,213       |
| Future landfill closing                                   | 517,748       | 522,771       |
| Recreation capital  | 149,450       | 151,903       |
| Other capital   | 5,152         | 5,153         |
|   | 2,751,797     | 2,621,289     |
|   | \$ 11,734,829 | \$ 11,347,723 |

# CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Schedule of Segment Information

Year ended December 31, 2008

|  | Administration | Protection Services | Transportation Services | Environmental Services | Cemetery Boards | Parks, Recreation and Culture | Planning and Development | Total         |
|--|----------------|---------------------|-------------------------|------------------------|-----------------|-------------------------------|--------------------------|---------------|
| <b>Revenue:</b>  |                |                     |                         |                        |                 |                               |                          |               |
| Taxation   | \$ (1,134,229) | \$ 3,108,427        | \$ 7,806,396            | \$ 821,521             | \$ 24,099       | 258,496                       | \$ 97,717                | \$ 10,982,427 |
| Payments in lieu of taxation   | 46,733         | —                   | —                       | —                      | —               | —                             | —                        | 46,733        |
| Penalties and interest   | 371,660        | —                   | —                       | —                      | —               | —                             | —                        | 371,660       |
| Investment income  | 219,931        | —                   | —                       | —                      | 1,542           | 1,416                         | —                        | 222,889       |
| Government Unconditional Grants  | 1,624,346      | 195,154             | —                       | —                      | —               | —                             | —                        | 1,819,500     |
| Government conditional grants  | —              | 14,356              | 1,350,823               | 125,610                | —               | 573                           | —                        | 1,491,362     |
| Other municipalities   | 7,847          | —                   | 575,663                 | —                      | —               | —                             | —                        | 583,510       |
| Licenses, permits and rents  | 153,943        | 296,414             | 17,581                  | 12,124                 | —               | 9,066                         | —                        | 489,128       |
| User fees and service charges  | 5,247          | 38,506              | 46,838                  | 440,473                | 22,853          | 232,921                       | 98,501                   | 885,339       |
| Transfers from other funds   | —              | 51,932              | 638,376                 | 29,480                 | —               | 8,850                         | —                        | 728,638       |
| Other  | 80,192         | 1,809               | —                       | 1,668                  | 13,095          | 30,658                        | 190                      | 127,612       |
|  | 1,375,670      | 3,706,598           | 10,435,677              | 1,430,876              | 61,589          | 541,980                       | 196,408                  | 17,748,798    |
| <b>Expenditures:</b>   |                |                     |                         |                        |                 |                               |                          |               |
| Salaries, wages and employee benefits                                  | 847,804        | 634,490             | 1,749,293               | 125,527                | 730             | 152,609                       | 4,700                    | 3,515,153     |
| Materials  | 290,145        | 483,104             | 8,071,496               | 811,965                | 8,547           | 286,791                       | 67,464                   | 10,019,512    |
| Contracted services  | —              | 1,983,038           | —                       | 577,835                | 44,305          | 62,894                        | —                        | 2,668,072     |
| Rents and financial expenses   | 8,502          | —                   | —                       | —                      | —               | 18,474                        | —                        | 26,976        |
| External transfers   | 9,100          | 143,838             | 9,909                   | 960                    | —               | 15,936                        | —                        | 179,743       |
| Landfill closure and post-closure costs                                | —              | —                   | —                       | (156,966)              | —               | —                             | —                        | (156,966)     |
| Inter-functional adjustments   | (142,038)      | 33,495              | (18,409)                | 14,288                 | —               | 4,609                         | 108,055                  | —             |
| Transfer to other funds  | 362,157        | 428,633             | 623,388                 | 214,233                | 10,000          | 28,826                        | 16,189                   | 1,683,426     |
|  | 1,375,670      | 3,706,598           | 10,435,677              | 1,587,842              | 63,582          | 570,139                       | 196,408                  | 17,935,916    |
| Unfunded liabilities   | —              | —                   | —                       | (156,966)              | —               | —                             | —                        | (156,966)     |
|  | 1,375,670      | 3,706,598           | 10,435,677              | 1,430,876              | 63,582          | 570,139                       | 196,408                  | 17,778,950    |
| <b>Excess of revenue over expenditures (expenditures over revenue)</b> |                |                     |                         |                        |                 |                               |                          |               |
|  | \$ —           | \$ —                | \$ —                    | \$ —                   | \$ (1,993)      | \$ (28,159)                   | \$ —                     | \$ (30,152)   |



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## 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, 2008 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, 2008 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 single, long, horizontal stroke that tapers at both ends, serving as a decorative underline.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada

June 12, 2009

# CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

## Trust Funds

### Statements of Financial Position

December 31, 2008, with comparative figures for 2007

| Name of Fund  | Subdivider deposits | Cemetery perpetual care | Monument perpetual care | Muriel Burns | Ontario home renewal program | Grant family memorial endowment | Total 2008 | Total 2007 |
|---|---------------------|-------------------------|-------------------------|--------------|------------------------------|---------------------------------|------------|------------|
| <b>Assets</b>   |                     |                         |                         |              |                              |                                 |            |            |
| <b>Current assets:</b>                                |                     |                         |                         |              |                              |                                 |            |            |
| Cash  | \$ 10,760           | \$ 331,666              | \$ 54,722               | \$ 25,000    | \$ 3,496                     | \$ 28,856                       | \$ 454,500 | \$ 441,942 |
| Investments at cost, which approximates market value: |                     |                         |                         |              |                              |                                 |            |            |
| Term deposits   | —                   | 32,500                  | —                       | —            | —                            | —                               | 32,500     | 32,500     |
|   | 10,760              | 364,166                 | 54,722                  | 25,000       | 3,496                        | 28,856                          | 487,000    | 474,442    |
| Loans receivable (note 2)                             | —                   | —                       | —                       | —            | 32,264                       | —                               | 32,264     | 33,051     |
|   | \$ 10,760           | \$ 364,166              | \$ 54,722               | \$ 25,000    | \$ 35,760                    | \$ 28,856                       | \$ 519,264 | \$ 507,493 |
| <b>Liabilities and Capital</b>                        |                     |                         |                         |              |                              |                                 |            |            |
| <b>Current liabilities:</b>                           |                     |                         |                         |              |                              |                                 |            |            |
| Accounts payable                                      | \$ —                | \$ 1                    | \$ —                    | \$ —         | \$ 3,496                     | \$ —                            | \$ 3,497   | \$ 3,521   |
| <b>Capital (note 3):</b>                              |                     |                         |                         |              |                              |                                 |            |            |
| Bedford district                                      | 1,606               | —                       | —                       | —            | 15,184                       | —                               | 16,790     | 17,051     |
| Loughborough district                                 | 9,154               | 70,311                  | 12,060                  | —            | 15,386                       | 28,856                          | 135,767    | 133,538    |
| Portland district                                     | —                   | 194,332                 | 29,598                  | —            | 450                          | —                               | 224,380    | 217,731    |
| Storrington district                                  | —                   | 99,522                  | 13,064                  | 25,000       | 1,244                        | —                               | 138,830    | 135,652    |
|   | 10,760              | 364,165                 | 54,722                  | 25,000       | 32,264                       | 28,856                          | 515,767    | 503,972    |
|   | \$ 10,760           | \$ 364,166              | \$ 54,722               | \$ 25,000    | \$ 35,760                    | \$ 28,856                       | \$ 519,264 | \$ 507,493 |

### Statements of Continuity

Year ended December 31, 2008, with comparative figures for 2007

|                            |           |            |           |           |           |           |            |            |
|----------------------------|-----------|------------|-----------|-----------|-----------|-----------|------------|------------|
| Balance, beginning of year | \$ 10,413 | \$ 356,965 | \$ 50,615 | \$ 25,000 | \$ 33,051 | \$ 27,927 | \$ 503,971 | \$ 492,875 |
| Sales of perpetual care    | —         | 7,200      | 2,400     | —         | —         | —         | 9,600      | 9,680      |
| Interest earned            | 347       | 11,902     | 1,707     | 819       | 280       | 929       | 15,984     | 20,284     |
|                            | 347       | 19,102     | 4,107     | 819       | 280       | 929       | 25,584     | 29,964     |
| <b>Expenditures:</b>       |           |            |           |           |           |           |            |            |
| Transfer to operating fund | —         | 11,902     | —         | 819       | 170       | —         | 12,891     | 16,144     |
| Capital donations          | —         | —          | —         | —         | —         | —         | —          | 293        |
| Refund to province         | —         | —          | —         | —         | 897       | —         | 897        | 2,430      |
|                            | —         | 11,902     | —         | 819       | 1,067     | —         | 13,788     | 18,867     |
| Balance, end of year       | \$ 10,760 | \$ 364,165 | \$ 54,722 | \$ 25,000 | \$ 32,264 | \$ 28,856 | \$ 515,767 | \$ 503,972 |

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, 2008

---

## 1. Significant accounting policies:

The financial statements of the Corporation of the Township of South Frontenac Trust Funds are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute for Chartered Accountants.

### (a) Basis for accounting:

These statements reflect the assets, liabilities, revenue and expenditures of the Trusts.

### (b) Revenue recognition:

Revenues and expenditures are recorded on an accrual basis.

The accrual basis recognizes revenue as they become available and measurable; expenditures 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 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 expenditures 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. 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, 2008 are comprised of repayable loans of \$32,264 (2007 - \$33,051) and forgivable loans of \$400 (2007 - \$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.

# **CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC**

Trust Funds

Notes to Financial Statements (continued)

Year ended December 31, 2008

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### **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 \$1,707 (2007 - \$2,067) is available for future expenditures related to monument perpetual care.

### **4. Statement of changes in financial position:**

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



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## 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, 2008 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, 2008 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 wavy line that underlines the text.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada  
June 12, 2009

# CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Cemetery Boards

Statements of Financial Position

December 31, 2008, with comparative figures for 2007

| Name of Board                      | Portland      | Sandhill         | Sydenham        | Total<br>2008    | Total<br>2007    |
|------------------------------------|---------------|------------------|-----------------|------------------|------------------|
| <b>Net Assets</b>                  |               |                  |                 |                  |                  |
| Financial assets:                  |               |                  |                 |                  |                  |
| Cash                               | \$ 1,547      | \$ 21,928        | \$ 4,826        | \$ 28,301        | \$ 30,574        |
| Accounts receivable                | 1             | –                | –               | 1                | 5                |
|                                    | 1,548         | 21,928           | 4,826           | 28,302           | 30,579           |
| Liabilities:                       |               |                  |                 |                  |                  |
| Accounts payable                   | 906           | 520              | 105             | 1,531            | 2,735            |
| Prepaid burials and vandalism fund | –             | 879              | 1,230           | 2,109            | 1,190            |
|                                    | 906           | 1,399            | 1,335           | 3,640            | 3,925            |
| <b>Net financial assets</b>        | <b>\$ 642</b> | <b>\$ 20,529</b> | <b>\$ 3,491</b> | <b>\$ 24,662</b> | <b>\$ 26,654</b> |

## Municipal Position

|              |        |           |          |           |           |
|--------------|--------|-----------|----------|-----------|-----------|
| Current fund | \$ 642 | \$ 20,529 | \$ 3,491 | \$ 24,662 | \$ 26,654 |
|--------------|--------|-----------|----------|-----------|-----------|

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, 2008, with comparative figures for 2007

| Name of Boards  | Portland       | Sandhill         | Sydenham        | Total<br>2008    | Total<br>2007    |
|---|----------------|------------------|-----------------|------------------|------------------|
| <b>Revenue:</b>   |                |                  |                 |                  |                  |
| Sale of plots   | \$ 5,900       | 4,700            | 1,360           | \$ 11,960        | \$ 12,460        |
| Less portion<br>transferred to the<br>Perpetual Care<br>Fund capital<br>account | 4,720          | 1,880            | 600             | 7,200            | 7,030            |
|   | 1,180          | 2,820            | 760             | 4,760            | 5,430            |
| Transfer from Perpetual<br>Care Fund  | 6,390          | 3,220            | 2,292           | 11,902           | 15,058           |
| Burial charges-opening<br>and closing   | 9,335          | –                | 5,260           | 14,595           | 13,265           |
| Sale of cornerstones  | 600            | 1,000            | 240             | 1,840            | 1,604            |
| Bank interest   | 384            | 821              | 336             | 1,541            | 2,213            |
| Interest from Muriel<br>Burns Trust Fund  | –              | 819              | –               | 819              | 1,087            |
| Municipal contribution<br>from tax levy   | –              | 13,000           | –               | 13,000           | 13,000           |
| Miscellaneous income  | 1,268          | 564              | 202             | 2,034            | 770              |
| <b>Total revenues</b>   | <b>19,157</b>  | <b>22,244</b>    | <b>9,090</b>    | <b>50,491</b>    | <b>52,427</b>    |
| <b>Expenditures:</b>  |                |                  |                 |                  |                  |
| Administration and<br>general   | 964            | 3,740            | 854             | 5,558            | 5,502            |
| Maintenance and<br>care of plots  | 21,399         | 13,646           | 9,880           | 44,925           | 42,128           |
| Maintenance and<br>care of monuments  | –              | 2,000            | –               | 2,000            | –                |
| <b>Total expenditures</b>   | <b>22,363</b>  | <b>19,386</b>    | <b>10,734</b>   | <b>52,483</b>    | <b>47,630</b>    |
| <b>Net revenue<br/>(expenditures)</b>   | <b>(3,206)</b> | <b>2,858</b>     | <b>(1,644)</b>  | <b>(1,992)</b>   | <b>4,797</b>     |
| <b>Opening current fund<br/>balance</b>   | <b>3,848</b>   | <b>17,671</b>    | <b>5,135</b>    | <b>26,654</b>    | <b>21,857</b>    |
| <b>Closing current fund<br/>balance</b>   | <b>\$ 642</b>  | <b>\$ 20,529</b> | <b>\$ 3,491</b> | <b>\$ 24,662</b> | <b>\$ 26,654</b> |

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, 2008

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## 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:

The financial statements reflect the assets, liabilities and revenue and expenditures of the cemetery bonds.

### (a) Revenue recognition:

Revenue and expenditures are recorded on an accrual basis.

The accrual basis recognizes revenue as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

### (b) Capital assets:

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.

### (c) Non-consolidated trust funds:

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.

### (d) 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 expenditures 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.

# **CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC**

Cemetery Boards

Notes to Financial Statements (continued)

Year ended December 31, 2008

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## **2. Trust funds:**

The Perpetual Care Trust Funds administered by the Cemetery Boards amounting to \$418,889 (2007 - \$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.