

Audited Financial Statements
and Other Financial Information of the

**CORPORATION OF LOYALIST
TOWNSHIP**

Year ended December 31, 2008

Audited Financial Statements
and Other Financial Information of

CORPORATION OF LOYALIST TOWNSHIP

Year ended December 31, 2008

CORPORATION OF LOYALIST TOWNSHIP

AUDITED FINANCIAL STATEMENTS

	Page
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	19
Consolidated Schedule of Capital Fund Operations	20
Consolidated Schedule of Reserves and Reserve Funds	21
Consolidated Schedule of Segment Information	22
Unaudited Schedule:	
Seven-Year Financial Review	24

CORPORATION OF LOYALIST TOWNSHIP TRUST FUNDS

Auditors' Report	25
Statement of Financial Position	26
Statement of Continuity	27
Notes to Financial Statements	28



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AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of Loyalist Township

We have audited the consolidated statement of financial position of the Corporation of Loyalist Township 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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 horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada

April 24, 2009

CORPORATION OF LOYALIST TOWNSHIP

Consolidated Statement of Financial Position

December 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Financial assets:		
Cash (notes 5 and 6(a))	\$ 3,009,840	\$ 3,090,180
Taxes receivable	1,061,606	1,146,686
Water and sewer billings receivable	631,874	451,678
Accounts receivable	3,210,814	2,744,868
Other assets	29,064	25,086
	<u>7,943,198</u>	<u>7,458,498</u>
Liabilities:		
Bank line of credit (note 6(b))	4,322,206	1,972,725
Bank term loans (note 6(c))	4,988,760	5,068,380
Accounts payable and accrued liabilities	3,168,751	3,380,496
Employee benefit obligations (note 8)	513,949	494,615
Long-term liabilities (note 9)	1,673,875	1,755,291
Landfill closure and post-closure liability (note 12)	510,329	495,129
Deferred revenue – obligatory reserve funds (note 11)	853,438	789,455
	<u>16,031,308</u>	<u>13,956,091</u>
Net financial liabilities	(8,088,110)	(6,497,593)
Other non-financial assets:		
Inventory and prepaid expense	443,505	167,063
Total net liabilities	<u>\$ (7,644,605)</u>	<u>\$ (6,330,530)</u>
Municipal position:		
Current fund	\$ 403,574	\$ (69,714)
Capital fund	(10,011,881)	(8,322,783)
Reserves	717,572	682,835
Reserve funds	3,521,135	3,726,236
Fund balances (note 2)	<u>(5,369,600)</u>	<u>(3,983,426)</u>
Amounts to be recovered from reserve funds:		
Employee benefit obligations (note 8(d))	(104,017)	(91,109)
Landfill closure and post-closure liability (note 12)	(233,929)	(233,929)
Amounts to be recovered from future revenues:		
Long-term liabilities	(1,673,875)	(1,755,291)
Employee benefit obligations (note 8(d))	(263,184)	(266,775)
Commitments (note 10)		
Contingent liabilities (note 15)		
Total municipal position	<u>\$ (7,644,605)</u>	<u>\$ (6,330,530)</u>

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

CORPORATION OF LOYALIST TOWNSHIP

Consolidated Statement of Financial Activities

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

	2008	2007
Revenues:		
Property taxation	\$ 7,528,247	\$ 6,806,633
Taxation from other governments	996,546	1,040,283
User charges	6,422,095	5,852,540
Ontario grants	5,697,407	4,860,153
Canada grants	1,175,132	1,444,926
Transfer from deferred revenue – obligatory reserve fund	665,149	1,043,640
Contributions, benefitting landowners	622,017	331,200
Proceeds from sale of assets	78,350	6,000
Investment income	266,353	178,628
Penalties and interest on taxes	171,223	200,010
Other	121,285	131,378
Total revenues	23,743,804	21,895,391
Expenditures:		
Current (note 14):		
General government	1,451,804	1,379,123
Protection to persons and property	3,620,705	3,416,233
Transportation services	6,045,345	5,323,067
Environmental services	3,707,928	3,313,837
Health services - cemeteries	15,565	34,097
Recreation and cultural services	2,226,142	2,022,154
Planning and development	556,805	478,116
Total current expenditures	17,624,294	15,966,627
Capital:		
General government	43,718	50,816
Protection to persons and property	252,509	148,178
Transportation services	1,539,745	1,666,777
Environmental services	5,422,600	7,300,975
Health services – cemeteries	1,000	–
Recreation and cultural services	438,945	400,060
Planning and development	11,509	1,078,523
Total capital expenditures	7,710,026	10,645,329
Total expenditures	25,334,320	26,611,956
Net expenditures	(1,590,516)	(4,716,565)
Financing:		
Proceeds from issue of long-term liabilities	–	1,775,000
Repayments of principal	(81,417)	(19,709)
Change in non-financial assets	276,442	41,194
Change in employee benefit obligations to be recovered	9,317	19,883
Change in landfill closure and post-closure liability to be recovered	–	–
	204,342	1,816,368
Decrease in fund balances	\$ (1,386,174)	\$ (2,900,197)

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

CORPORATION OF LOYALIST TOWNSHIP

Consolidated Statement of Changes in Financial Position

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

	2008	2007
Operations:		
Net expenditures	\$ (1,590,516)	\$ (4,716,565)
Sources (uses) of funds:		
Decrease (increase) in taxes receivable	85,080	(77,345)
Decrease (increase) in water and sewer billings receivable	(180,196)	54,264
Increase in accounts receivable	(465,946)	(966,800)
Increase in other assets	(3,978)	(3,793)
Decrease in accounts payable and accrued liabilities	(211,745)	(200,828)
Increase in landfill closure and post-closure liabilities	15,200	15,200
Increase in employee benefit obligations	19,334	26,245
Increase (decrease) in deferred revenues – obligatory reserve funds	63,983	(411,781)
	(678,268)	(1,564,838)
Net change in cash from operations	(2,268,784)	(6,281,403)
Financing:		
Advance of construction loan financing	–	4,000,000
Repayment of term loans	(79,620)	(79,620)
Retirement of construction loan financing	–	(1,200,000)
New debt issue	–	1,775,000
Principal repayments on long-term debt	(81,417)	(19,709)
	(161,037)	4,475,671
Decrease in cash	(2,429,821)	(1,805,732)
Cash and (bank indebtedness), beginning of year (note 6)	1,117,455	2,923,187
Cash and (bank indebtedness), end of year (note 6)	\$ (1,312,366)	\$ 1,117,455

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

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements

Year ended December 31, 2008

1. Significant accounting policies:

The consolidated financial statements of the Corporation of Loyalist Township are the representation of management prepared in accordance with Canadian generally accepted accounting principles prescribed for local government 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) Consolidated entities:

These consolidated statements reflect the assets, liabilities, revenue, expenditures and fund balances of the current fund, capital fund, reserve funds and reserves of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards which are owned or controlled by the Township. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

(ii) Accounting for County and school board transactions:

The taxation, other revenue, expenditures, assets and liabilities with respect to the operations of the school boards and the County of Lennox and Addington are not reflected in the municipal fund balances of these consolidated financial statements.

(iii) Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the "Trust Funds Statement of Continuity and Statement of Financial Position".

(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 "Consolidated Statement of Financial Activities" in the year of acquisition.

(c) Employee benefit obligations:

The municipality accrues its obligations for employee benefit plans. The cost of post-retirement and 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 period of active employees, which is estimated to be 14 years.

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

1. Significant accounting policies (continued):

(d) Landfill closure and post-closure liabilities:

The municipality accrues landfill closure and post-closure care requirements that have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a fifty-seven year period 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.

(e) Deferred revenue – obligatory reserve funds:

The Township receives restricted contributions under the authority of provincial and federal 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.

(f) Amounts to be recovered from future revenues:

Amounts to be recovered from future revenues are comprised of employee benefit obligations and long-term liabilities.

(g) 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 revenue and expenditures during the period. Significant items subject to such estimates and assumptions include the valuation for employee benefit obligations and landfill closure and post-closure liability. 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.

(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 amount can be made.

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

1. Significant accounting policies (continued):

(i) Inventory:

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

(j) Accrual basis of accounting:

The municipality follows the accrual method of accounting for revenue and expenditures. Revenues are normally recognized in the year in which they are earned. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services.

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

The balances on the "Consolidated Statement of Financial Position" of municipal deficit of \$(5,369,600) (2007 - \$(3,983,426)) at the end of the year are comprised of the following:

	2008	2007
Fund balances at the end of the year, surplus (deficit):		
General purposes (applicable to all ratepayers and properties)	\$ 295,585	\$ (166,842)
Special areas:		
Amherstview sewer area	141,270	(37,129)
Odessa sewer area	(10,936)	31,565
Fairfield water area	159,400	(51,029)
Bath sewer area	50,712	10,336
Bath water area	(64,593)	107,195
Amherstview transit area	43,537	6,358
Amherst Island ferry area	(211,401)	29,832
	403,574	(69,714)
Unexpended capital financing	687,041	1,495,139
Acquisition of fixed assets to be recovered through taxation or user charges	(10,581,718)	(9,506,951)
Acquisition of fixed assets to be financed through donation pledges and other	(9,027)	(138,734)
Acquisition of fixed assets to be financed through transfers from reserve funds	(108,177)	(172,237)
	(10,011,881)	(8,322,783)
	(9,608,307)	(8,392,497)
Reserves	717,572	682,835
Reserve funds	3,521,135	3,726,236
	\$ (5,369,600)	\$ (3,983,426)

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

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

(a) (continued):

Unexpended capital financing represents capital revenues received that are related to capital projects in progress at year-end. These funds are reported as part of the capital fund balance and will be used to finance remaining capital project costs in the subsequent year.

3. Operations of school boards and the County of Lennox and Addington:

During 2008, requisitions were made by the school boards and the County of Lennox and Addington requesting the Township to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	School Boards		County of Lennox and Addington	
	2008	2007	2008	2007
Amounts requisitioned and collected	\$ 4,637,916	\$ 4,604,407	\$ 6,971,365	\$ 6,716,157

4. Trust funds:

Trust funds administered by the municipality, amounting to \$57,102 (2007 - \$56,863), have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities".

5. Restricted assets:

Cash in the amount of \$4,374,573 (2007 - \$4,515,691) have been restricted to support reserve funds. As of December 31, 2008, the municipality has internal borrowings from reserve funds of \$1,060,500 (2007 - \$1,142,400).

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

6. Cash (bank indebtedness):

	2008	2007
(a) Cash (bank indebtedness) position:		
Cash on deposit	\$ 3,009,840	\$ 3,090,180
(b) Bank line of credit	(4,322,206)	(1,972,725)
	(1,312,366)	1,117,455
<p>The Township's financial agreement with its bank provides for an operating credit facility of up to \$6,000,000 to finance expenses, pending receipt of property taxes and other income. Interest on funds is charged at the bank's prime rate.</p>		
(c) Bank term loans:		
Fixed rate term loan, interest at 4.65%, due December 2008	(988,760)	(1,068,380)
Construction financing loan, interest at prime	(4,000,000)	(4,000,000)
	\$ (4,988,760)	\$ (5,068,380)

7. Pension agreements:

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 94 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 current service in 2008 was \$326,295 (2007 - \$294,137). The municipality also made contributions to Registered Retirement Savings Plans on behalf of 5 members of its staff. The amount contributed to these plans for 2008 was \$9,658 (2007 - \$10,297).

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

8. Employee benefit obligations:

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

The Township provides extended health care, dental and other benefits to its employees. Extended health care and dental benefits continue 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 benefits has been undertaken. The most recent valuation of the employee future benefits was completed at December 31, 2007.

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 \$276,365 (2007 - \$267,377).

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

Discount rate	5.0% per annum
Inflation rate	2.0% per annum
Salary escalation	3.0% per annum
Dental benefits escalation	4.0% per annum
Health benefits escalation	8.0% per annum to 2020, decreasing to 4.0% thereafter

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

	2008	2007
Accrued benefit liability, beginning of year	\$ 267,377	\$ 256,795
Expense recognized for the year	10,681	10,482
Interest cost	14,224	15,267
Benefits paid for the year	(17,378)	(15,167)
Amortization of loss over estimated average remaining life (14 years)	1,461	—
Accrued benefit liability, end of year	\$ 276,365	\$ 267,377

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

8. Employee benefit obligations (continued):

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

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

	2008	2007
Accrued benefit obligation, beginning of year	\$ 295,365	\$ 287,838
Unamortized actuarial loss	(19,000)	(20,461)
Accrued benefit liability, end of year	\$ 276,365	\$ 267,377

- (b) Workplace safety and insurance:

In common with other Schedule 2 employers, the Township funds its obligations to the Workplace Safety and Insurance Board on a "pay-as-you-go" basis for employees under Schedule 2. The most recent valuation of this obligation was completed at December 31, 2007.

At December 31, 2008, based on an actuarial update, the Township's accrued benefit obligation relating to future payments on Workplace Safety and Insurance Board claims is \$117,924 (2007 - \$112,645).

Information with respect to the Township's Workplace Safety and Insurance Board future payments, as determined by actuarial valuation, is as follows:

	2008	2007
Accrued benefit liability, beginning of year	\$ 112,645	\$ 109,878
Expense recognized for the period	25,237	19,906
Plus interest costs	6,650	6,481
Benefits paid for the period	(28,823)	(23,620)
Amortization of loss over estimated average remaining life (10 years)	2,215	-
Accrued benefit liability, end of year	\$ 117,924	\$ 112,645

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

8. Employee benefit obligations (continued):

(b) Workplace safety and insurance (continued):

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

	2008	2007
Accrued benefit obligation, beginning of year	\$ 137,861	\$ 134,797
Unamortized actuarial loss	(19,937)	(22,152)
Accrued benefit liability, end of year	\$ 117,924	\$ 112,645

(c) Liability for vacation credits:

Compensated vacation expense is accrued for employees as entitlement to these payments is earned in accordance with the Township's benefit plans for vacation time. Vacation credits earned as at December 31, 2008 amount to \$119,660 (2007 - \$114,593).

(d) Employee benefit obligations:

Employee benefit obligations of the Township as at December 31 are as follows:

	2008	2007
Non-pension retirement benefits	\$ 276,365	\$ 267,377
Workplace Safety and Insurance Board obligations	117,924	112,645
Vacation leave	119,660	114,593
	513,949	494,615
Amounts previously funded from operations	(146,748)	(136,731)
Amounts to be recovered from reserve funds	(104,017)	(91,109)
Amounts to be recovered from future revenues	\$ 263,184	\$ 266,775

9. Long-term liabilities:

(a) The long-term liabilities reported on the "Consolidated Statement of Financial Position" are made up of following:

	2008	2007
Total long-term liabilities incurred by the municipality outstanding at the end of the year and to be recovered from future revenues	\$ 1,673,875	\$ 1,755,291

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

9. Long-term liabilities (continued):

(b) Principal due on total long-term liabilities is summarized as follows:

	2009-2013	2014-2018	2019 onwards	Total
Fairfield Water Service Area User Fees	\$ 466,786	\$ 597,740	\$ 609,349	\$ 1,673,875

(c) The long-term liabilities in (a), issued in the name of the municipality, have been approved by by-law. The annual principal and interest payments to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

10. Commitments:

- (a) Early in 2003, the Township awarded Canadian Waste Services Inc. a five-year contract for garbage collection service in the Bath and Ernestown Wards, to expire on May 31, 2008. This contract has been extended by one year to June 2009. Costs are expected to be approximately \$252,000 in 2009 (\$238,000 in 2008) and are financed out of operating revenues.
- (b) In July 2006, the Township entered into a six-year agreement with the City of Kingston for Recycling and Other Waste Management Services. Costs are expected to be approximately \$353,200 in 2009 (\$260,000 in 2008) and are financed out of operating revenues.
- (c) In June 2005, the Township passed a resolution and a by-law to enter into a five-year agreement with the Ontario Provincial Police for policing services. The current agreement expires on January 31, 2010. Based on the contract renewal proposal, costs are expected to be approximately \$2,307,800 in 2009 (\$2,240,600 in 2008) and will be financed out of operating revenues.
- (d) In June of 2007, the Township entered into a new six-year agreement with the City of Kingston for the provision of transit services at an annual cost of approximately \$374,000, subject to annual cost index adjustments. With the availability of 2005 provincial gasoline tax funding, the Township expanded its weekday and transit service effective September 2005. The contracted cost in 2009 of approximately \$399,000 will be financed from operating revenues (\$269,000) and available provincial gasoline tax funding (\$130,000).
- (e) The Township has undertaken to upgrade the Amherstview and Odessa Wastewater systems. Federal and provincial funding of \$8.2 million has been obtained through the Canada Ontario Municipal Rural Infrastructure Fund to fund total budgeted project costs of approximately \$12.3 million with the remaining cost to be financed by debentures and future water and sewer rates. Project costs of \$8,030,000 have been incurred in 2007 and 2008.

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

11. 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 federal, 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	\$ 789,455	\$ 1,201,236
Development contributions	220,954	220,307
Provincial gasoline tax receipts	205,460	114,082
Federal gasoline tax receipts	237,037	189,643
Recreational land	39,988	62,605
Investment income	25,694	45,222
Net transfers to capital fund	(545,428)	(936,872)
Transfers to revenue fund	(119,722)	(106,768)
Balance, end of year	\$ 853,438	\$ 789,455
Analyzed as follows:		
Recreation land	\$ 7,007	\$ 47,873
Development charges	564,631	619,271
Provincial gasoline tax	186,986	100,708
Federal gas tax	72,712	167
Federal transit funding	22,102	21,436
	\$ 853,438	\$ 789,455

12. Landfill closure and post-closure liability:

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

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a fifty-seven year period 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.

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

12. Landfill closure and post-closure liability (continued):

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 6.00%. The estimated total landfill closure and post-closure care expenditures are calculated to be \$668,204. The estimated liability for these expenditures is recognized as the landfill site's capacity is used. Included in the Statement of Financial Position at December 31, 2008 is an amount of \$510,329 (2007 - \$495,129) with respect to landfill closure and post-closure liabilities recognized to date.

The estimated remaining capacity of the Violet Road landfill site is 26.9% (242,240 cubic meters) of its total estimated capacity and its estimated remaining life is 29 years, after which the period for post-closure care is estimated to be 25 years.

The estimated remaining capacity of the Amherst Island landfill site is 45% (15,880 cubic meters) of its total estimated capacity and its estimated remaining life is 32 years, after which the period for post-closure care is estimated to be 25 years.

The landfill closure and post-closure liability at December 31 is to be recovered as follows:

	2008	2007
Landfill closure and post-closure liability	\$ 510,329	\$ 495,129
Amounts previously funded from operations	(276,400)	(261,200)
Amounts to be recovered from reserve funds	(233,929)	(233,929)
Amounts to be recovered from future revenues	\$ -	\$ -

13. Budget figures:

The approved operating and capital budgets for 2008 are reflected on the "Schedule of Current Fund Operations" and "Schedule of Capital Fund Operations". These numbers have not been audited and are presented for information purposes.

14. Supplementary information:

	2008	2007
Current fund expenditure by object:		
Salaries, wages and employee benefits	\$ 7,660,762	\$ 7,219,600
Materials, services, rents and financial expenses	9,783,961	8,601,168
Transfers to others	179,571	145,859
Total	\$ 17,624,294	\$ 15,966,627

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

15. Contingent liabilities:

- (a) The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2008, management believes that the Township has valid defences and appropriate insurance coverage in place. In the opinion of management, the aggregate amount of any potential liability is not expected to have a material effect on the Township's financial position.
- (b) The Township is contingently liable for long-term liabilities with respect to the tile drainage and shoreline property assistance loans and for those for which the responsibility for the payment of principal and interest has been assumed by other municipalities, school boards and unconsolidated local boards, municipal enterprises and utilities. The total amount outstanding as at December 31, 2008 is \$5,716 (2007 - \$7,358).

16. 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, buildings, vehicles, equipment, land, water systems and other utility systems. Currently, the Township records tangible capital assets as capital expenditures in the statement of financial activities.

During 2007 and 2008, the Township undertook to identify its tangible capital assets to comply with PSAB 3150 by developing an inventory of assets, valuing those assets and developing policies for capitalization and depreciation of tangible capital assets.

Public Sector Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants provides transitional guidance on presenting information related to tangible capital assets by way of a note to the financial statements until Section 3150 – Tangible Capital Assets comes into effect on January 1, 2009.

As of December 31, 2008, the Township does not have sufficient information to disclose its tangible capital assets by major category in accordance with PSG-7.

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

17. Segmented information:

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

General tax rate supported segments

- (a) General Government: Includes corporate services and governance of the Township. General Government as a segment includes Council and statutory services, support to Council for policy development, by-law development in compliance with the Municipal Act, overall corporate administration such as human resource management, tax billing and collection responsibilities, financial administration, budget monitoring and reporting, as well as frontline reception and customer service.
- (b) Protection Services: Includes policing, fire protection, conservation authority, protective inspection and control and emergency measures. The mandate of the police services contract is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. Fire protection includes 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: Includes winter and summer maintenance, repair and construction of the municipal roads system including bridges and culverts, sidewalks, and streetlights. The Township provides operational services on County Roads within the Township and recovers the majority of allocated operating costs in accordance with a formula used on a County wide basis.
- (d) Environmental Services: Includes solid waste management including administration of waste collection and recycling contracts, operation of two landfill sites within the Township, stormwater management, and the start-up for the imminent operation of the Amherstview Septage facility.
- (e) 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 arena.

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

17. Segmented information (continued):

- (f) 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, and the application and enforcement of the zoning by-law and official plan.

Special Area Segments

- (g) Fairfield Water/Loyalist East Sewage: Includes the management and maintenance of water treatment and distribution and the wastewater plant and sanitary sewer services for customers in Amherstview, Odessa, Harewood and Brooklands and Parrott's Bay. This self-sustaining segment is supported only by user rates.
- (h) Bath Water and Sewage: Includes the management and maintenance of water treatment and distribution and the wastewater plant and sanitary sewer services for customers in former Village of Bath as well as Correction Services Canada. This self-sustaining segment is supported only by user rates.
- (i) Amherst Island Ferry Service: Includes the management and operation of the Ferry Service between Millhaven dock on the mainland and Stella dock on Amherst Island. This operation is administered in accordance with the terms of an agreement with the Ministry of Transportation of Ontario which owns the ferry. The Ministry provides a subsidy of nearly 90% of operating costs with the balance of operating revenues coming from fares.
- (j) Amherstview Transit Service: Includes the delivery of Transit Service within Amherstview under a contractual arrangement with the City of Kingston. A portion of the costs of operating the Transit Service is recovered by a special area rate tax levy applicable to taxpayers falling within the Amherstview Transit Service geographic boundaries with the balance of operating revenues coming from fares.

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. Taxation is apportioned to the segments based on the 2008 levy requirement by segment. All other segment revenue and expenses are reported in the department to which they are recorded in the Township accounts.

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 LOYALIST TOWNSHIP

Consolidated Schedule of Current Fund Operations

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

	Budget 2008	Actual 2008	Actual 2007
	(Unaudited, note 13)		
Revenues:			
Property taxation	\$ 7,400,000	\$ 7,528,247	\$ 6,806,633
Taxation from other governments	1,012,000	996,546	1,040,283
User charges	6,023,600	6,422,094	5,852,540
Ontario grants	3,400,000	3,349,987	3,359,046
Canada grants	–	–	5,500
Penalties and interest on taxes	165,000	171,223	200,010
Investment income	26,500	201,021	68,301
Net from deferred revenue – obligatory reserve funds	129,400	119,722	106,768
Other	99,700	98,663	124,376
Total revenues	18,256,200	18,887,503	17,563,457
Expenditures (note 14):			
General government	1,434,900	1,451,804	1,379,123
Protection to persons and property	3,705,000	3,620,705	3,416,233
Transportation services	5,758,000	6,045,345	5,323,067
Environmental services	3,773,700	3,707,928	3,313,837
Health services - cemeteries	21,100	15,565	34,097
Recreation and cultural services	2,185,400	2,226,142	2,022,154
Planning and development	513,400	556,805	478,116
Total expenditures	17,391,500	17,624,294	15,966,627
Net revenue	864,700	1,263,209	1,596,830
Financing and transfers:			
Change in non-financial assets	300,000	276,442	41,194
Debt principal repayments	(81,400)	(81,417)	(19,709)
Transfers to capital fund	(1,203,600)	(1,069,463)	(1,816,981)
Transfers from (to) reserves and reserve funds	189,500	75,200	(430,995)
Change in employee benefit obligations to be recovered	–	9,317	19,883
Net financing and transfers	(795,500)	(789,921)	(2,206,608)
Change in current fund balance	69,200	473,288	(609,778)
Opening current fund balance	(69,200)	(69,714)	540,064
Closing current fund balance	\$ –	\$ 403,574	\$ (69,714)

CORPORATION OF LOYALIST TOWNSHIP

Consolidated Schedule of Capital Fund Operations

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

	Budget 2008	Actual 2008	Actual 2007
	(Unaudited, note 13)		
Revenues:			
Ontario grants	\$ 588,900	\$ 2,347,420	\$ 1,501,107
Canada grants	–	1,175,132	1,439,426
Contributions, benefiting landowners	–	622,017	331,200
Other recoveries	37,500	22,622	–
Transfers from deferred revenue – obligatory reserve funds	136,400	545,428	936,872
Proceeds from sale of assets	–	78,350	6,000
Donations	–	–	7,002
Total revenues	762,800	4,790,969	4,221,607
Expenditures:			
General government	66,000	43,718	50,816
Protection to persons and property	257,000	252,509	148,178
Transportation services	1,752,000	1,539,745	1,666,777
Environmental services	2,974,500	5,422,600	7,300,975
Health services – cemeteries	–	1,000	–
Recreation and cultural services	453,300	438,945	400,060
Planning and development	126,000	11,509	1,078,523
Total expenditures	5,628,800	7,710,026	10,645,329
Net expenditures	(4,866,000)	(2,919,057)	(6,423,722)
Financing and transfers:			
Proceeds from issue of long-term liabilities	–	–	1,775,000
Transfers from current fund	1,203,600	1,069,463	1,816,981
Transfers from reserves and reserve funds	533,400	160,496	324,327
Net financing and transfers	1,737,000	1,229,959	3,916,308
Change in capital fund balance	(3,129,000)	(1,689,098)	(2,507,414)
Opening capital fund balance	(8,322,800)	(8,322,783)	(5,815,369)
Closing capital fund balance	\$ (11,451,800)	\$ (10,011,881)	\$ (8,322,783)

CORPORATION OF LOYALIST TOWNSHIP

Consolidated Schedule of Reserves and Reserve Funds

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

	2008	2007
Revenues:		
Investment income	\$ 65,332	\$ 110,327
<u>Total revenues</u>	<u>65,332</u>	<u>110,327</u>
Net transfers from (to) other funds:		
Transfers from (to) current fund	(75,200)	430,995
Transfers to capital fund	(160,496)	(324,327)
<u>Total net transfers</u>	<u>(235,696)</u>	<u>106,668</u>
Change in reserves and reserve fund balance	(170,364)	216,995
Opening reserves and reserve fund balance	4,409,071	4,192,076
<u>Closing reserves and reserve fund balance</u>	<u>\$ 4,238,707</u>	<u>\$ 4,409,071</u>
Analyzed as follows:		
Reserves set aside for specific purposes by Council:		
Future expenditures	\$ 65,147	\$ 30,410
Working capital	652,425	652,425
<u>Total reserves</u>	<u>717,572</u>	<u>682,835</u>
Reserve funds set aside for specific purposes by Council:		
General rate:		
Violet Road Landfill	282,047	273,579
Capital works – general rate	43,080	30,529
Quarry rehabilitation	24,982	24,179
Bath Hydro sale proceeds	66,456	64,441
Bath Hydro Community Groups	51,270	51,941
Zamboni	43,970	35,352
Second ice pad	68,884	41,970
Scholarships	11,298	10,880
Museum	6,089	5,905
Industrial development	4,618	4,478
Subdivision charges	32,734	31,744
Workplace Safety Insurance Board claims	104,017	91,109
Ernestown Ward	169,832	164,714
	<u>909,277</u>	<u>830,821</u>
Special area rate:		
Ferry berthage	513,144	437,599
Water transportation operations	193,710	187,907
Amherstview transit area	89,631	114,417
Amherstview sewer area	614,744	876,932
Fairfield water area	177,213	374,447
Bath sewer area	846,577	758,726
Bath water area	176,839	145,387
	<u>2,611,858</u>	<u>2,895,415</u>
<u>Total reserve funds</u>	<u>3,521,135</u>	<u>3,726,236</u>
<u>Total reserves and reserve funds</u>	<u>\$ 4,238,707</u>	<u>\$ 4,409,071</u>

CORPORATION OF LOYALIST TOWNSHIP

Consolidated Schedule of Segment Information

Year ended December 31, 2008

(In thousands of dollars)

	General Government	Protection Services	Transportation Services	Environmental Services	Recreation and Culture	Planning and Development	Sub-total
Revenue:							
Property taxation	\$ (1,249)	\$ 3,390	\$ 2,915	\$ 559	\$ 1,555	\$ 220	\$ 7,390
Taxation from other governments	997	–	–	–	–	–	997
User charges	9	403	580	539	778	148	2,457
Ontario Grants	1,356	14	–	1	4	127	1,502
Penalties and interest	171	12	–	–	–	–	183
Investment income	199	–	–	–	2	–	201
Transfers from other Funds	5	56	130	–	20	102	313
Other	8	–	–	4	41	10	63
	1,496	3,875	3,625	1,103	2,400	607	13,106
Expenditures:							
Salaries, wages and employee benefits	907	862	1,530	246	1,249	254	5,048
Materials	276	281	1,174	96	700	35	2,562
Contracted services	176	2,335	314	584	159	219	3,787
Rents and financial expenses	84	26	232	12	72	45	471
Debt services	–	–	–	–	–	2	2
External transfers	–	116	–	–	62	2	180
Transfers to other funds	84	143	766	11	143	10	1,157
Internal allocations	(497)	24	(159)	5	4	60	(563)
	1,030	3,787	3,857	954	2,389	627	12,644
Net revenue (expenditures)	466	88	(232)	149	11	(20)	462
Opening net revenue over expenditures (expenditures over revenue)	(167)	–	–	–	–	–	(167)
Excess of revenue over expenditures (expenditures over revenue)	\$ 299	\$ 88	\$ (232)	\$ 149	\$ 11	\$ (20)	\$ 295

CORPORATION OF LOYALIST TOWNSHIP

Consolidated Schedule of Segment Information

Year ended December 31, 2008
(In thousands of dollars)

	Fairfield Water/Loyalist East Sewer	Bath Water and Sewer	Amherst Island Ferry	Amherstview Transit	Sub-total	Grand Total Before Eliminations	Eliminations	Grand Total
Revenue:								
Property taxation	\$ 33	\$ –	\$ –	\$ 105	\$ 138	\$ 7,528	\$ –	\$ 7,528
Taxation from other governments	–	–	–	–	–	997	–	997
User charges	2,471	1,065	280	153	3,969	6,426	(4)	6,422
Ontario Grants	1	–	1,806	41	1,848	3,350	–	3,350
Penalties and interest	22	6	–	–	28	211	(40)	171
Investment income	–	–	–	–	–	201	–	201
Transfers from other Funds	912	184	–	145	1,241	1,554	(1,434)	120
Other	–	–	–	–	–	63	35	98
	3,439	1,255	2,086	444	7,224	20,330	(1,443)	18,887
Expenditures:								
Salaries, wages and employee benefits	780	300	1,509	14	2,603	7,651	–	7,651
Materials	682	328	571	2	1,583	4,145	–	4,145
Contracted services	137	124	25	370	656	4,443	–	4,443
Rents and financial expenses	262	30	27	–	319	790	129	919
Debt services	413	–	–	–	413	415	(334)	81
External transfers	–	–	–	–	–	180	–	180
Transfers to other funds	648	365	62	–	1,075	2,232	(1,238)	994
Internal allocations	170	240	133	20	563	–	–	–
	3,092	1,387	2,327	406	7,212	19,856	(1,443)	18,413
Net revenue (expenditures)	347	(132)	(241)	38	12	474	–	474
Opening net revenue over expenditures (expenditures over revenue)	(57)	118	30	6	97	(70)	–	(70)
Excess of revenue over expenditures (expenditures over revenue)	\$ 290	\$ (14)	\$ (211)	\$ 44	\$ 109	\$ 404	\$ –	\$ 404

CORPORATION OF LOYALIST TOWNSHIP

Six-Year Financial Review
(Unaudited)

(All dollar amounts are in thousands of dollars, except per capita figures.)

	2008	2007	2006	2005	2004	2003
1. Population at the end of the year	15,062	15,062	15,062	14,590	14,590	14,590
2. Employees - continuous full-time	98	96	90	90	91	90
- part time	81	75	60	69	176	191
3. Revenue for general municipal services						
Taxation	\$ 7,528	\$ 6,807	\$ 6,328	\$ 6,076	\$ 5,689	\$ 5,102
Payments in lieu of taxes	997	1,040	1,025	1,105	1,131	1,227
Ontario grants	5,697	4,860	3,517	3,549	2,993	3,246
Canada grants	1,175	1,445	-	-	-	-
Fees and service charges	6,422	5,853	5,588	5,758	5,444	4,801
Other	1,925	1,890	1,861	1,398	856	646
Total	\$ 23,744	\$ 21,895	\$ 18,319	\$ 17,886	\$ 16,113	\$ 15,022
4. Tax arrears - per capita	\$ 70	\$ 76	\$ 71	\$ 79	\$ 70	\$ 68
- percentage of of current levy	6%	6%	6%	7%	7%	7%
5. Expenditure - general municipal	25,334	26,612	21,677	16,042	15,271	15,367
6. Transfers to the county	6,971	6,716	6,338	5,777	5,195	4,802
7. Transfers to the school boards	4,638	4,604	4,536	4,417	4,455	4,437
8. Capital financing during the year						
Contributions from own funds	\$ 1,230	\$ 2,141	\$ 3,256	\$ 2,237	\$ 1,703	\$ 1,164
Issuance of long-term debt	-	1,775	-	-	-	-
Ontario grants	2,347	1,501	10	100	22	128
Canada grants	1,175	1,439	-	-	-	-
Other	647	951	943	741	222	122
Contributions, benefiting landowners	622	331	331	251	307	196
Total	\$ 6,021	\$ 8,138	\$ 4,540	\$ 3,329	\$ 2,254	\$ 1,610
9. Capital expenditure during the year	\$ 7,710	\$ 10,645	\$ 7,073	\$ 2,339	\$ 2,072	\$ 2,780
10. General purpose operating surplus (deficit) at end of year	\$ 296	\$ (166)	\$ 379	\$ 697	\$ 427	\$ (20)
11. Reserves and reserve funds	\$ 4,239	\$ 4,409	\$ 4,192	\$ 4,620	\$ 3,951	\$ 2,987



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AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the
Corporation of Loyalist Township

We have audited the statement of financial position of the trust funds of the Corporation of Loyalist Township as at December 31, 2008 and the statement of continuity of the 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 the trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, slanted style. A horizontal line is drawn underneath the signature.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada

April 24, 2009

CORPORATION OF LOYALIST TOWNSHIP

Trust Funds

Statement of Financial Position

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

Name of Fund	Ontario Home Renewal Plan	Glenwood and Pentland Cemetery	Old Lutheran (Union) Cemetery	2008	2007
Assets					
Cash	\$ –	\$ 45,381	\$ 9,326	\$ 54,707	\$ 54,007
Ontario Home Renewal Plan loans receivable (note 2)	2,395	–	–	2,395	2,856
	\$ 2,395	\$ 45,381	\$ 9,326	\$ 57,102	\$ 56,863
Capital					
Fund balance:					
Capital Care and Maintenance Fund/Perpetual Care	\$ 2,395	\$ –	\$ –	\$ 2,395	\$ 2,856
Monument and marker fund	–	41,721	8,676	50,397	49,797
	–	3,660	650	4,310	4,210
	\$ 2,395	\$ 45,381	\$ 9,326	\$ 57,102	\$ 56,863

See accompanying notes to financial statements.

CORPORATION OF LOYALIST TOWNSHIP

Trust Funds

Statement of Continuity

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

	Ontario Home Renewal Plan	Glenwood and Pentland Cemetery	Old Lutheran (Union) Cemetery	2008	2007
Balance at beginning of year	\$ 2,856	\$ 44,681	\$ 9,326	\$ 56,863	\$ 56,884
Interest earned	213	1,389	287	1,889	2,589
Sale of perpetual care Monument and marker fund	–	600	–	600	200
	–	100	–	100	211
	3,069	46,770	9,613	59,452	59,884
Ontario Home Renewal Plan:					
- Administration charges	47	–	–	47	54
- Return of capital to Ministry of Municipal Affairs and Housing	627	–	–	627	627
Interest transferred to operating fund	–	1,389	287	1,676	2,340
	674	1,389	287	2,350	3,021
Balance at end of year	\$ 2,395	\$ 45,381	\$ 9,326	\$ 57,102	\$ 56,863

See accompanying notes to financial statements.

CORPORATION OF LOYALIST TOWNSHIP

Trust Funds
Notes to Financial Statements

Year ended December 31, 2008

1. Significant accounting policies:

The financial statements of the Corporation of the Loyalist Township 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 of Chartered Accountants.

(a) Basis of accounting:

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

(b) Revenue recognition:

Revenue and expenditures are recorded on an accrual basis.

The accrual basis recognizes revenues 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 revenue 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 \$2,395 (2007 - \$2,856) and forgivable loans of \$Nil (2007 - \$Nil). 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 LOYALIST TOWNSHIP

Trust Funds

Notes to Financial Statements (continued)

Year ended December 31, 2008

3. 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.