

Audited Financial Statements  
and Other Financial Information of

# **LOYALIST TOWNSHIP**

Year ended December 31, 2007

Audited Financial Statements  
and Other Financial Information of

# LOYALIST TOWNSHIP

Year ended December 31, 2007

## 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	17
Consolidated Schedule of Capital Fund Operations	18
Consolidated Schedule of Reserves and Reserve Funds	19
Unaudited Schedule:	
Six-Year Financial Review	20

## CORPORATION OF LOYALIST TOWNSHIP TRUST FUNDS

Auditors' Report	21
Statements of Financial Position	22
Statements of Continuity	23
Notes to Financial Statements	24



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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, 2007 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

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

Chartered Accountants, Licensed Public Accountants

Kingston, Canada

April 18, 2008

# LOYALIST TOWNSHIP

## Consolidated Statement of Financial Position

December 31, 2007, with comparative figures for 2006

	2007	2006
<b>Assets</b>		
Financial assets:		
Cash (note 5(a))	\$ 1,117,455	\$ 2,923,187
Taxes receivable	1,146,686	1,069,341
Water and sewer billings receivable	451,678	505,942
Accounts receivable	2,744,868	1,778,068
Other assets	25,086	21,293
	<u>5,485,773</u>	<u>6,297,831</u>
Liabilities:		
Bank term loans (notes 2(b) and 5(b))	5,068,380	2,348,000
Accounts payable and accrued liabilities	3,380,496	3,581,324
Employee benefit obligations (note 7)	494,615	468,370
Long-term liabilities (note 8)	1,755,291	—
Landfill closure and post-closure liability (note 11)	495,129	479,929
Deferred revenue – obligatory reserve funds (note 10)	789,455	1,201,236
	<u>11,983,366</u>	<u>8,078,859</u>
Net financial liabilities	(6,497,593)	(1,781,028)
Other non-financial assets:		
Inventory and prepaid expense	167,063	125,869
Total net liabilities	<u>\$ (6,330,530)</u>	<u>\$ (1,655,159)</u>
Municipal position:		
Current fund	\$ (69,714)	\$ 540,064
Capital fund	(8,322,783)	(5,815,369)
Reserves	682,835	668,444
Reserve funds	3,726,236	3,523,632
Fund balances (note 2)	<u>(3,983,426)</u>	<u>(1,083,229)</u>
Amounts to be recovered from reserve funds:		
Employee benefit obligations (note 7(d))	(91,109)	(77,475)
Landfill closure and post-closure liability (note 11)	(233,929)	(233,929)
Amounts to be recovered from future revenues:		
Long-term liabilities	(1,755,291)	—
Employee benefit obligations (note 7(d))	(266,775)	(260,526)
Commitments (note 9)		
Contingent liabilities (note 14)		
Total municipal position	<u>\$ (6,330,530)</u>	<u>\$ (1,655,159)</u>

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

# LOYALIST TOWNSHIP

## Consolidated Statement of Financial Activities

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

	2007	2006
<b>Revenues:</b>		
Property taxation	\$ 6,806,633	\$ 6,327,551
Taxation from other governments	1,040,283	1,024,531
User charges	5,852,540	5,587,678
Ontario grants	4,860,153	3,501,715
Canada grants	1,444,926	25,000
Transfer from deferred revenue – obligatory reserve fund	1,043,640	372,355
Contributions, benefitting landowners	331,200	331,040
Proceeds from land sales	6,000	69,785
Investment income	178,628	200,006
Penalties and interest on taxes	200,010	187,654
Other	131,378	692,032
<b>Total revenues</b>	<b>21,895,391</b>	<b>18,319,347</b>
<b>Expenditures:</b>		
<b>Current (note 13):</b>		
General government	1,379,123	1,326,133
Protection to persons and property	3,416,233	3,285,275
Transportation services	5,323,067	4,657,421
Environmental services	3,313,837	3,014,850
Health services - cemeteries	34,097	13,090
Recreation and cultural services	2,022,154	1,923,133
Planning and development	478,116	384,586
<b>Total current expenditures</b>	<b>15,966,627</b>	<b>14,604,488</b>
<b>Capital:</b>		
General government	50,816	39,188
Protection to persons and property	148,178	508,670
Transportation services	1,666,777	2,438,489
Environmental services	7,300,975	3,554,392
Health services – cemeteries	–	8,219
Recreation and cultural services	400,060	497,332
Planning and development	1,078,523	26,951
<b>Total capital expenditures</b>	<b>10,645,329</b>	<b>7,073,241</b>
<b>Total expenditures</b>	<b>26,611,956</b>	<b>21,677,729</b>
<b>Net expenditures</b>	<b>(4,716,565)</b>	<b>(3,358,382)</b>
<b>Financing and transfers:</b>		
Proceeds from issue of long-term liabilities	1,775,000	–
Repayments of principal	(19,709)	–
Change in non-financial assets	41,194	92,714
Change in employee benefit obligations to be recovered	19,883	17,740
Change in landfill closure and post-closure liability to be recovered	–	(13,860)
	<b>1,816,368</b>	<b>96,594</b>
<b>Decrease in fund balances</b>	<b>\$ (2,900,197)</b>	<b>\$ (3,261,788)</b>

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

# LOYALIST TOWNSHIP

## Consolidated Statement of Changes in Financial Position

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

	2007	2006
Operations:		
Net expenditures	\$ (4,716,565)	\$ (3,358,382)
Sources (uses) of funds:		
Decrease (increase) in taxes receivable	(77,345)	86,858
Decrease (increase) in water and sewer billings receivable	54,264	(46,661)
Increase in accounts receivable	(966,800)	(120,954)
Increase in other assets	(3,793)	(3,943)
Increase (decrease) in accounts payable and accrued liabilities	(200,828)	1,711,879
Increase in landfill closure and post-closure liabilities	15,200	1,340
Increase in employee benefit obligations	26,245	63,539
Increase (decrease) in deferred revenues – obligatory reserve funds	(411,781)	256,249
	(1,564,838)	1,948,307
Net change in cash from operations	(6,281,403)	(1,410,075)
Financing:		
Advance of construction loan financing	4,000,000	1,200,000
Repayment of term loans	(79,620)	(79,315)
Retirement of construction loan financing	(1,200,000)	–
New debt issue	1,775,000	–
Principal repayments on long-term debt	(19,709)	–
	4,475,671	1,120,685
Decrease in cash	(1,805,732)	(289,390)
Cash, beginning of year	2,923,187	3,212,577
Cash, end of year	\$ 1,117,455	\$ 2,923,187

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

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

# LOYALIST TOWNSHIP

## Notes to Consolidated Financial Statements

Year ended December 31, 2007

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### 1. Significant accounting policies:

The consolidated financial statements 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, revenues, expenditures and fund balances of the revenue 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 revenues, 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.

# LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2007

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## 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-six 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 revenues and expenses during the period. Actual results could differ from those estimates.

# LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2007

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

- (a) The balances on the "Consolidated Statement of Financial Position" of municipal deficit of \$(3,983,426) (2006 - \$(1,083,229)) at the end of the year are comprised of the following:

	2007	2006
Fund balances at the end of the year, surplus (deficit):		
General purposes (applicable to all ratepayers and properties)	\$ (166,842)	\$ 379,361
Special areas:		
Amherstview sewer area	(37,129)	(17,772)
Odessa sewer area	31,565	27,551
Bath sewer area	10,336	9,950
Fairfield water area	(51,029)	141,368
Bath water area	107,195	(12,983)
Amherstview transit area	6,358	10,726
Amherst Island ferry area	29,832	1,863
	(69,714)	540,064
Unexpended capital financing	1,495,139	1,196,162
Acquisition of fixed assets to be recovered through taxation or user charges	(9,506,951)	(6,840,529)
Acquisition of fixed assets to be financed through donation pledges and other	(138,734)	(148,952)
Acquisition of fixed assets to be financed through transfers from reserve funds	(172,237)	(22,050)
	(8,322,783)	(5,815,369)
	(8,392,497)	(5,275,305)
Reserves	682,835	668,444
Reserve funds	3,726,236	3,523,632
	\$ (3,983,426)	\$ (1,083,229)

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.

# LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2007

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

- (b) As of December 31, 2007, the municipality has internal borrowings from reserve funds of \$1,142,400 (2006 - \$1,224,400) and bank term loans of \$5,068,300 (2006 - \$2,348,000) which were used to temporarily finance unfinanced capital expenditures.
- (c) Approval of the Ontario Municipal Board has been obtained for those pending issues of long-term liabilities and commitments to be financed by revenues beyond the term of Council and approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law. 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.

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

During 2007, 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:

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	School Boards		County of Lennox and Addington	
	2007	2006	2007	2006
Amounts requisitioned and collected	\$ 4,604,407	\$ 4,535,591	\$ 6,716,157	\$ 6,338,313

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## 4. Trust funds:

Trust funds administered by the municipality, amounting to \$56,863 (2006 - \$56,884), have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities".

# LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2007

## 5. Cash (bank indebtedness):

	2007	2006
(a) Cash position:		
Cash on deposit	\$ 3,090,180	\$ 3,293,497
Bank line of credit	(1,972,725)	(370,310)
<b>Net cash</b>	<b>\$ 1,117,455</b>	<b>\$ 2,923,187</b>
(b) Bank term loans:		
Fixed rate term loan, interest at 4.65%, due December 2007	\$ –	\$ (1,148,000)
Fixed rate term loan, interest at 4.65%, due December 2008	(1,068,380)	–
Construction financing loan, interest at prime	(4,000,000)	(1,200,000)
	<b>\$ (5,068,380)</b>	<b>\$ (2,348,000)</b>

## 6. 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 2007 was \$294,137 (2006 - \$276,188). 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 2007 was \$10,297 (2006 - \$11,209).

## 7. 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.

# LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2007

## 7. Employee benefit obligations (continued):

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

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, 2004.

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, 2007, based on an actuarial update, the accrued benefit obligation was \$267,377 (2006 - \$256,795).

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

Discount rate	6.0% per annum
Inflation rate	3.0% per annum
Salary escalation	4.0% per annum
Dental benefits escalation	5.0% per annum
Health benefits escalation	10.0% per annum to 2020, decreasing to 5.0% thereafter

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

	2007	2006
Accrued benefit obligation, beginning of year	\$ 256,795	\$ 246,906
Expense recognized for the year	10,482	9,899
Interest cost	15,267	14,671
Benefits paid for the year	(15,167)	(14,681)
Accrued benefit obligation, end of year	\$ 267,377	\$ 256,795

# LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2007

## 7. Employee benefit obligations (continued):

### (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, 2004.

At December 31, 2007, based on an actuarial update, the Township's accrued benefit obligation relating to future payments on Workplace Safety and Insurance Board claims is \$112,645 (2006 - \$109,878).

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

	2007	2006
Accrued benefit obligation, beginning of year	\$ 109,878	\$ 89,850
Expense recognized for the period	19,906	38,337
Plus interest costs	6,481	5,817
Benefits paid for the period	(23,620)	(24,126)
Accrued benefit obligation, end of year	\$ 112,645	\$ 109,878

### (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, 2007 amount to \$114,593 (2006 - \$101,697).

### (d) Employee benefit obligations:

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

	2007	2006
Non-pension retirement benefits	\$ 267,377	\$ 256,795
Workplace Safety and Insurance Board obligations	112,645	109,878
Vacation leave	114,593	101,697
	494,615	468,370
Amounts previously funded from operations	(136,731)	(130,369)
Amounts to be recovered from reserve funds	(91,109)	(77,475)
Amounts to be recovered from future revenues	\$ 266,775	\$ 260,526

# LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2007

## 8. Long-term liabilities:

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

	2007	2006
Total long-term liabilities incurred by the municipality outstanding at the end of the year and to be recovered from future revenues	\$ 1,755,291	\$ Nil

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

	2008-2012	2013-2017	2018 onwards	Total
Fairfield Water Service Area User Fees	\$ 443,946	\$ 568,491	\$ 742,854	\$ 1,755,291

- (c) The long-term liabilities in (a), issued in the name of the municipality, have been approved by either the Ontario Municipal Board or 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.

## 9. Commitments:

- (a) Early in 2003, the Township awarded Canadian Waste S.I. 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 \$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 \$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 \$2,240,600 in 2008 and will be financed out of operating revenues.

# LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2007

## 9. Commitments (continued):

- (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 2008 of approximately \$374,000 will be financed from operating revenues (\$250,000) and available provincial gasoline tax funding (\$124,000).
- (e) The Municipality 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 \$4,753,000 have been incurred in 2007.

## 10. 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:

	2007	2006
Balance, beginning of year	\$ 1,201,236	\$ 944,987
Development contributions	220,307	227,964
Provincial gasoline tax receipts	114,082	158,188
Federal gasoline tax receipts	189,643	142,248
Federal transit funding	–	20,924
Recreational land	62,605	37,428
Investment income	45,222	41,852
Net transfers to capital fund	(936,872)	(264,080)
Transfers to revenue fund	(106,768)	(108,275)
Balance, end of year	\$ 789,455	\$ 1,201,236
Analyzed as follows:		
Recreation land	\$ 47,873	\$ 44,225
Development charges	619,271	736,291
Provincial gasoline tax	100,708	107,731
Federal gas tax	167	291,989
Federal transit funding	21,436	21,000
	\$ 789,455	\$ 1,201,236

# LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2007

## 11. 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-six 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.

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 \$729,452. The estimated liability for these expenditures is recognized as the landfill site's capacity is used. Included in accounts payable and accrued liabilities at December 31, 2007 is an amount of \$495,129 (2006 - \$479,929) with respect to landfill closure and post-closure liabilities recognized to date.

The estimated remaining capacity of the Violet Road landfill site is 22.9% (251,110 cubic meters) of its total estimated capacity and its estimated remaining life is 31 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 52.3% (11,540 cubic meters) of its total estimated capacity and its estimated remaining life is 24 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:

	2007	2006
Landfill closure and post-closure liability	\$ 495,129	\$ 479,929
Amounts previously funded from operations	(261,200)	(246,000)
Amounts to be recovered from reserve funds	(233,929)	(233,929)
Amounts to be recovered from future revenues	\$ —	\$ —

# LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2007

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## 12. Budget figures:

The approved operating and capital budgets for 2007 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.

## 13. Supplementary information:

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	2007	2006
Current fund expenditure by object:		
Salaries, wages and employee benefits	\$ 7,219,600	\$ 6,888,237
Materials, services, rents and financial expenses	8,601,168	7,573,789
Transfers to others	145,859	142,462
Total	\$ 15,966,627	\$14,604,488

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## 14. 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, 2007, 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 municipality 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, 2007 is \$7,358 (2006 - \$8,869).

## 15. Tangible capital assets:

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

# LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2007

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## 15. Tangible capital assets (continued):

During 2007, 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, 2007, the municipality does not have sufficient information to disclose its tangible capital assets by major category in accordance with PSG-7.

# LOYALIST TOWNSHIP

## Consolidated Schedule of Current Fund Operations

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

	Budget 2007	Actual 2007	Actual 2006
	(Unaudited, note 12)		
Revenues:			
Property taxation	\$ 6,696,200	\$ 6,806,633	\$ 6,327,551
Taxation from other governments	1,089,300	1,040,283	1,024,531
User charges	5,857,000	5,852,540	5,587,678
Ontario grants	3,366,000	3,359,046	3,501,715
Canada grants	8,600	5,500	15,000
Penalties and interest on taxes	165,000	200,010	187,654
Investment income	51,500	68,301	100,863
Net from deferred revenue – obligatory reserve funds	121,900	106,768	108,275
Other	88,800	124,376	82,998
<b>Total revenues</b>	<b>17,444,300</b>	<b>17,563,457</b>	<b>16,936,265</b>
Expenditures (note 14):			
General government	1,303,100	1,379,123	1,326,133
Protection to persons and property	3,600,700	3,416,233	3,285,275
Transportation services	5,008,500	5,323,067	4,657,421
Environmental services	3,450,600	3,313,837	3,014,850
Health services - cemeteries	21,800	34,097	13,090
Recreation and cultural services	1,992,400	2,022,154	1,923,133
Planning and development	380,100	478,116	384,586
<b>Total expenditures</b>	<b>15,757,200</b>	<b>15,966,627</b>	<b>14,604,488</b>
<b>Net revenue</b>	<b>1,687,100</b>	<b>1,596,830</b>	<b>2,331,777</b>
Financing and transfers:			
Change in non-financial assets	–	41,194	92,714
Debt principal repayments	–	(19,709)	–
Transfers to capital fund	(1,885,400)	(1,816,981)	(2,690,539)
Transfers to reserves and reserve funds	(333,000)	(430,995)	(38,173)
Change in employee benefit obligations to be recovered	–	19,883	17,740
Change in landfill closure and post-closure liability to be recovered	–	–	(13,860)
<b>Net financing and transfers</b>	<b>(2,218,400)</b>	<b>(2,206,608)</b>	<b>(2,632,118)</b>
<b>Change in current fund balance</b>	<b>(531,300)</b>	<b>(609,778)</b>	<b>(300,341)</b>
<b>Opening current fund balance</b>	<b>531,300</b>	<b>540,064</b>	<b>840,405</b>
<b>Closing current fund balance</b>	<b>\$ –</b>	<b>\$ (69,714)</b>	<b>\$ 540,064</b>

# LOYALIST TOWNSHIP

## Consolidated Schedule of Capital Fund Operations

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

	Budget 2007	Actual 2007	Actual 2006
	(Unaudited, note 12)		
Revenues:			
Ontario grants	\$ 2,197,800	\$ 1,501,107	\$ –
Canada grants	2,197,800	1,439,426	10,000
Contributions, benefiting landowners	–	331,200	331,040
Other recoveries	–	–	239,829
Transfers from deferred revenue – obligatory reserve funds	131,800	936,872	264,080
Proceeds from land sales	1,059,600	6,000	69,785
Donations	61,800	7,002	369,205
<b>Total revenues</b>	<b>5,648,800</b>	<b>4,221,607</b>	<b>1,283,939</b>
Expenditures:			
General government	106,000	50,816	39,188
Protection to persons and property	334,100	148,178	508,670
Transportation services	2,025,000	1,666,777	2,438,489
Environmental services	11,691,700	7,300,975	3,554,392
Health services – cemeteries	–	–	8,219
Recreation and cultural services	570,100	400,060	497,332
Planning and development	171,300	1,078,523	26,951
<b>Total expenditures</b>	<b>14,898,200</b>	<b>10,645,329</b>	<b>7,073,241</b>
<b>Net expenditures</b>	<b>(9,249,400)</b>	<b>(6,423,722)</b>	<b>(5,789,302)</b>
Financing and transfers:			
Proceeds from issue of long-term liabilities	–	1,775,000	–
Transfers from current fund	2,375,800	1,816,981	2,690,539
Transfers from reserves and reserve funds	1,327,500	324,327	565,173
<b>Net financing and transfers</b>	<b>3,703,300</b>	<b>3,916,308</b>	<b>3,255,712</b>
<b>Change in capital fund balance</b>	<b>(5,546,100)</b>	<b>(2,507,414)</b>	<b>(2,533,590)</b>
<b>Opening capital fund balance</b>	<b>(5,815,400)</b>	<b>(5,815,369)</b>	<b>(3,281,779)</b>
<b>Closing capital fund balance</b>	<b>\$(11,361,500)</b>	<b>\$ (8,322,783)</b>	<b>\$ (5,815,369)</b>

# LOYALIST TOWNSHIP

## Consolidated Schedule of Reserves and Reserve Funds

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

	2007	2006
Revenues:		
Investment income	\$ 110,327	\$ 99,143
Total revenues	110,327	99,143
Net transfers from (to) other funds:		
Transfers from current fund	430,995	38,173
Transfers to capital fund	(324,327)	(565,173)
Total net transfers	106,668	(527,000)
Change in reserves and reserve fund balance	216,995	(427,857)
Opening reserves and reserve fund balance	4,192,076	4,619,933
Closing reserves and reserve fund balance	\$ 4,409,071	\$ 4,192,076
Analyzed as follows:		
Reserves set aside for specific purposes by Council:		
Future expenditures	\$ 30,410	\$ 16,019
Working capital	652,425	652,425
Total reserves	682,835	668,444
Reserve funds set aside for specific purposes by Council:		
General rate:		
Violet Road Landfill	273,579	262,034
Capital works – general rate	30,529	15,547
Quarry rehabilitation	24,179	32,733
Bath Hydro sale proceeds	64,441	61,702
Bath Hydro Community Groups	51,941	51,769
Zamboni	35,352	26,286
Second ice pad	41,970	14,887
Scholarships	10,880	10,515
Museum	5,905	5,654
Industrial development	4,478	4,288
Subdivision charges	31,744	30,395
Workplace Safety Insurance Board claims	91,109	77,475
Ernestown Ward	164,714	157,355
	830,821	750,640
Special area rate:		
Ferry berthage	437,599	358,979
Water transportation operations	187,907	182,336
Amherstview transit area	114,417	109,591
Amherstview sewer area	876,932	1,084,892
Fairfield water area	374,447	234,381
Bath sewer area	758,726	679,552
Bath water area	145,387	123,261
	2,895,415	2,772,992
Total reserve funds	3,726,236	3,523,632
Total reserves and reserve funds	\$ 4,409,071	\$ 4,192,076

# LOYALIST TOWNSHIP

Six-Year Financial Review  
(Unaudited)

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

	2007	2006	2005	2004	2003	2002
1. Population at the end of the year	15,062	15,062	14,590	14,590	14,590	14,590
2. Employees - continuous						
full-time	96	90	90	91	90	88
- part time	75	60	69	176	191	222
3. Revenue for general municipal services						
Taxation	\$ 6,807	\$ 6,328	\$ 6,076	\$ 5,689	\$ 5,102	\$ 4,401
Payments in lieu of taxes	1,040	1,025	1,105	1,131	1,227	1,333
Ontario grants	4,860	3,517	3,549	2,993	3,246	3,191
Canada grants	1,445	—	—	—	—	—
Fees and service charges	5,853	5,588	5,758	5,444	4,801	5,140
Other	1,890	1,861	1,398	856	646	1,581
<b>Total</b>	<b>\$ 21,895</b>	<b>\$ 18,319</b>	<b>\$ 17,886</b>	<b>\$ 16,113</b>	<b>\$ 15,022</b>	<b>\$ 15,646</b>
4. Tax arrears						
- per capita	\$ 76	\$ 71	\$ 79	\$ 70	\$ 68	\$ 75
- percentage of of current levy	6%	6%	7%	7%	7%	8%
5. Expenditure - general municipal	26,612	21,677	16,042	15,271	15,367	15,058
6. Transfers to the county	6,716	6,338	5,777	5,195	4,802	4,661
7. Transfers to the school boards	4,604	4,536	4,417	4,455	4,437	4,314
8. Capital financing during the year						
Contributions from own funds	\$ 2,141	\$ 3,256	\$ 2,237	\$ 1,703	\$ 1,164	\$ 3,178
Issuance of long-term debt	1,775	—	—	—	—	—
Ontario grants	1,501	10	100	22	128	332
Canada grants	1,439	—	—	—	—	—
Other	951	943	741	222	122	200
Contributions, benefiting landowners	331	331	251	307	196	888
<b>Total</b>	<b>\$ 8,138</b>	<b>\$ 4,540</b>	<b>\$ 3,329</b>	<b>\$ 2,254</b>	<b>\$ 1,610</b>	<b>\$ 4,598</b>
9. Capital expenditure during the year	\$ 10,645	\$ 7,073	\$ 2,339	\$ 2,072	\$ 2,780	\$ 3,207
10. General purpose operating surplus (deficit) at end of year	\$ (166)	\$ 379	\$ 697	\$ 427	\$ (20)	\$ 286
11. Reserves and reserve funds	\$ 4,409	\$ 4,192	\$ 4,620	\$ 3,951	\$ 2,987	\$ 3,221



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## AUDITORS' REPORT

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

We have audited the statements of financial position of the trust funds of the Corporation of Loyalist Township as at December 31, 2007 and the statements 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, 2007 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'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly wavy line that serves as a flourish or underline.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada

April 18, 2008

# LOYALIST TOWNSHIP

## Trust Funds

### Statement of Financial Position

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

Name of Fund	Ontario Home Renewal Plan	Glenwood and Pentland Cemetery	Old Lutheran (Union) Cemetery	2007	2006
<b>Assets</b>					
Cash	\$ -	\$ 44,681	\$ 9,326	\$ 54,007	\$ 53,596
Ontario Home Renewal Plan loans receivable (note 2)	2,856	-	-	2,856	3,288
	\$ 2,856	\$ 44,681	\$ 9,326	\$ 56,863	\$ 56,884
<b>Capital</b>					
Fund balance:					
Capital	\$ 2,856	\$ -	\$ -	\$ 2,856	\$ 3,288
Care and Maintenance Fund/Perpetual Care	-	41,121	8,676	49,797	49,846
Monument and marker fund	-	3,560	650	4,210	3,750
	\$ 2,856	\$ 44,681	\$ 9,326	\$ 56,863	\$ 56,884

See accompanying notes to financial statements.

# LOYALIST TOWNSHIP

## Trust Funds

### Statement of Continuity

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

	Ontario Home Renewal Plan	Glenwood and Pentland Cemetery	Old Lutheran (Union) Cemetery	2007	2006
Balance at beginning of year	\$ 3,288	\$ 44,371	\$ 9,225	\$ 56,884	\$ 55,913
Interest earned	249	1,936	404	2,589	2,402
Sale of perpetual care Monument and marker fund	–	200	–	200	1,200
	–	110	101	211	300
	3,537	46,617	9,730	59,884	59,815
Ontario Home Renewal Plan:					
- Administration charges	54	–	–	54	58
- Return of capital to Ministry of Municipal Affairs and Housing	627	–	–	627	752
Interest transferred to operating fund	–	1,936	404	2,340	2,121
	681	1,936	404	3,021	2,931
Balance at end of year	\$ 2,856	\$ 44,681	\$ 9,326	\$ 56,863	\$ 56,884

See accompanying notes to financial statements.

# LOYALIST TOWNSHIP

Trust Funds  
Notes to Financial Statements

Year ended December 31, 2007

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## 1. Accounting policies:

Basis of accounting:

Source of financing and expenditures are reported on the accrual basis of accounting.

## 2. Ontario Home Renewal Program:

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

Ontario Home Renewal Program loans receivable at December 31, 2007 are comprised of repayable loans of \$2,856 (2006 - \$3,288) and forgivable loans of \$Nil (2006 - \$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.