

Audited Financial Statements

**CORPORATION OF
LOYALIST TOWNSHIP**

Year ended December 31, 2009

Audited Financial Statements of

CORPORATION OF LOYALIST TOWNSHIP

Year ended December 31, 2009

CORPORATION OF LOYALIST TOWNSHIP

Management's Responsibility for the Consolidated Financial Statements

Audited Financial Statements:

Auditors' Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Operations and Accumulated Surplus	3
Consolidated Statement of Change in Net Debt	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6
Consolidated Schedule of Segment Information	28

CORPORATION OF LOYALIST TOWNSHIP TRUST FUNDS

Auditors' Report	30
Statement of Financial Position	31
Statement of Continuity	32
Notes to Financial Statements	33



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

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

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of Loyalist Township (the "Corporation") are the responsibility of the Corporation's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Corporation's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Administration Committee meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Corporation. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Corporation's consolidated financial statements.

Diane Pearce
Chief Administrative Officer

Alida Moffatt
Treasurer



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

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

AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of the Corporation of Loyalist Township as at December 31, 2009 and the consolidated statements of operations and accumulated surplus, change in net debt and cash flows 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, 2009 and the results of its operations and its cash flows 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, slightly slanted font. A horizontal line is drawn underneath the signature.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada

May 26, 2010

CORPORATION OF LOYALIST TOWNSHIP

Consolidated Statement of Financial Position

December 31, 2009, with comparative figures for 2008

	2009	2008 (Restated, note 2)
Financial assets:		
Cash (note 5(a))	\$ 2,793,427	\$ 3,009,840
Taxes receivable	993,935	1,061,606
Water and sewer billings receivable	633,916	631,874
Accounts receivable	2,524,781	3,210,814
Land held for resale	1,455,666	1,455,666
Other assets	26,477	29,064
	<u>8,428,202</u>	<u>9,398,864</u>
Financial liabilities:		
Bank line of credit (note 5(b))	2,621,903	4,322,206
Bank term loans (note 5(c))	7,000,000	4,988,760
Accounts payable and accrued liabilities	4,452,285	3,168,751
Deferred revenue – obligatory reserve funds (note 10)	943,007	853,438
Employee benefit obligations (note 7)	501,428	513,949
Landfill closure and post-closure liability (note 11)	525,529	510,329
Long-term liabilities (note 8)	2,497,120	1,673,875
	<u>18,541,272</u>	<u>16,031,308</u>
Net debt	(10,113,070)	(6,632,444)
Other non-financial assets:		
Tangible capital assets (note 16)	95,952,124	88,482,859
Inventory and prepaid expense	431,520	443,505
Commitments (note 9)		
Contingent liabilities (note 15)		
Accumulated surplus (note 12)	<u>\$ 86,270,574</u>	<u>\$ 82,293,920</u>

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

CORPORATION OF LOYALIST TOWNSHIP

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2009, with comparative figures for 2008

	Budget (note 14)	Actual 2009	Actual 2008 (Restated, note 2)
Revenue:			
Property taxation	\$ 7,769,200	\$ 7,849,950	\$ 7,528,247
Taxation from other governments	1,263,000	1,424,755	996,546
User charges	7,399,100	7,656,444	7,044,112
Ontario grants	5,467,900	5,292,607	5,821,641
Canada grants	1,959,700	2,161,108	1,341,167
Deferred revenue earned	310,600	298,149	374,880
Proceeds from sale of assets	149,300	76,097	78,350
Investment income	26,500	24,108	266,353
Penalties and interest on taxes	180,000	197,832	171,223
Other	263,400	129,640	121,286
Developer contributions of tangible capital assets	—	718,360	695,578
Gain on sale of assets	—	5,391	20,874
Total revenue	24,788,700	25,834,441	24,460,257
Expenses (note 14):			
General government	1,619,800	1,631,746	1,498,378
Protection to persons and property	4,038,000	3,871,872	3,823,420
Transportation services	7,603,400	6,861,326	7,450,809
Environmental services	7,955,700	6,285,271	5,260,559
Health services - cemeteries	19,800	24,273	15,565
Recreation and cultural services	3,086,400	2,658,276	2,435,932
Planning and development	659,900	525,023	576,357
Total current expenses	24,983,000	21,857,787	21,061,020
Annual surplus (deficit)	(194,300)	3,976,654	3,399,237
Accumulated surplus, beginning of year		82,293,920	78,894,683
Accumulated surplus, end of year		\$ 86,270,574	\$ 82,293,920

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

CORPORATION OF LOYALIST TOWNSHIP

Consolidated Statement of Change in Net Debt

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008 (Restated, note 2)
Annual surplus	\$ 3,976,654	\$ 3,399,237
Amortization of tangible capital assets	3,121,279	3,058,675
Acquisition of tangible capital assets	(9,874,294)	(7,117,434)
Developer contributions of tangible capital assets	(718,360)	(695,578)
Proceeds on disposal of tangible capital assets	7,500	61,900
Change in inventories, prepaid expenses and deferred charges	11,985	(276,442)
Gain on sale of tangible capital assets	(5,390)	(20,874)
	(7,457,280)	(4,989,753)
Change in net debt	(3,480,626)	(1,590,516)
Net debt, beginning of year	(6,632,444)	(5,041,928)
Net debt, end of year	\$ (10,113,070)	\$ (6,632,444)

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

CORPORATION OF LOYALIST TOWNSHIP

Consolidated Statement of Cash Flows

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
Operations:		
Annual surplus	\$ 3,976,654	\$ 3,399,237
Items not involving cash:		
Amortization	3,121,279	3,058,675
Gain on sale of tangible capital assets	(5,390)	(20,874)
Developer contributions of tangible capital assets	(718,360)	(695,578)
Change in landfill liability	15,200	15,200
Change in employee benefit obligations	(12,521)	19,334
	<u>2,400,208</u>	<u>2,376,757</u>
Change in non-financial assets:		
Increase in prepaid expenses	(26,680)	(276,836)
Decrease in inventory	38,665	395
	<u>11,985</u>	<u>(276,441)</u>
Change in non-cash assets and liabilities:		
Decrease in taxes receivable	67,671	85,079
Increase in water and sewer billings receivable	(2,042)	(180,196)
Decrease (increase) in accounts receivable	686,033	(465,946)
Decrease (increase) in other assets	2,587	(3,978)
Increase (decrease) in operating line of credit	(1,700,303)	2,349,481
Increase (decrease) in accounts payable and accrued liabilities	1,283,534	(211,745)
Increase in deferred revenue – obligatory reserve funds	89,569	63,983
	<u>427,049</u>	<u>1,636,678</u>
Net change in cash from operations	<u>6,815,896</u>	<u>7,136,231</u>
Capital transactions:		
Proceeds on sale of tangible capital assets	7,500	61,900
Cash used to acquire tangible capital assets	(9,874,294)	(7,117,434)
	<u>(9,866,794)</u>	<u>(7,055,534)</u>
Financing transactions:		
Advance of construction loan financing	3,000,000	–
Debt issued and assumed	988,760	–
Repayment of term loans	(988,760)	(79,620)
Principal repayments on long-term debt	(165,515)	(81,417)
	<u>2,834,485</u>	<u>(161,037)</u>
Decrease in cash	<u>(216,413)</u>	<u>(80,340)</u>
Cash, beginning of year (note 5)	3,009,840	3,090,180
Cash, end of year (note 5)	<u>\$ 2,793,427</u>	<u>\$ 3,009,840</u>

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, 2009

1. Significant accounting policies:

The consolidated financial statements of the Corporation of Loyalist Township (the "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 ("PSAB") 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 and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards which are owned or controlled by the Township.

(ii) Accounting for County and school board transactions:

The taxation, other revenue, expenses, 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) Basis of accounting:

The Township follows the accrual method of accounting for revenue and expenses. Revenue is normally recognized in the year in which it is earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(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 13 years.

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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 expenses, 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 expenses are recorded as revenue in the fiscal period they are expended.

(f) 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 expenses 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.

In addition, the Township's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

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.

(g) 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, 2009

1. Significant accounting policies (continued):

(h) Land held for resale:

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvement to prepare the land for sale or servicing.

(i) Non-financial assets:

Non financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	15 to 30
Buildings and building improvements	30 to 60
Vehicles	10 to 20
Machinery and equipment	10 to 30
Water and wastewater infrastructure	15 to 100
Roads infrastructure - Base	50
- Surface	6 to 20

Amortization is charged from the date the asset is put into use until such time it is disposed of or the end of its estimated useful life. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

1. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(iv) Interest capitalization:

The Township does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(v) Inventories of supplies:

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

2. Change in accounting policies:

The Township has implemented Public Sector Accounting Board ("PSAB") Sections 1200, *Financial Statement Presentation* and 3150, *Tangible Capital Assets*. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires governments to record and amortize their tangible capital assets in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction.

Methods used for determining the cost of each major category of tangible capital assets

The financial information recorded includes the actual or estimated historical cost of the tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The Township applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. After defining replacement or reproduction cost, the Non-Residential Building Consumer Price Index ("NRBCPI") was used as a resource for determining appropriate indices in order to deflate the replacement or reproduction cost to an estimated historical cost at the year of acquisition.

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

2. Change in accounting policies (continued):

This change has been applied retroactively and prior periods have been restated. This change in accounting policy has changed amounts reported in the prior period as follows:

	2008
Accumulated surplus (deficit) at January 1, 2008:	
Current fund balance	\$ (69,714)
Capital fund balance	(8,322,783)
Reserves	682,835
Reserve funds	3,726,236
Amounts to be recovered	(2,347,104)
Accumulated surplus at January 1, 2008, as previously reported	(6,330,530)
Land held for resale not previously reported	1,455,666
Net book value of tangible capital assets recorded (note 16)	83,769,547
Accumulated surplus, as restated	\$ 78,894,683

Annual surplus (deficit) for 2008:	
Net expenses, as previously reported	\$ (1,590,516)
Add:	
Assets capitalized but previously expensed	7,055,533
Change in non-financial assets not previously reported as expense	276,443
Developer contributions of tangible capital assets	695,578
Gain on sale of assets	20,874
Less:	
Amortization expense not previously recorded	(3,058,675)
Annual surplus, as restated	\$ 3,399,237

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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

During 2009, 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	
	2009	2008	2009	2008
Amounts requisitioned and collected	\$ 4,440,064	\$ 4,637,916	\$ 7,270,047	\$ 6,971,365

4. Trust funds:

Trust funds administered by the municipality, amounting to \$57,423 (2008 - \$57,102), 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. Cash (bank indebtedness):

	2009	2008
(a) Cash (bank indebtedness) position:		
Cash on deposit	\$ 2,793,427	\$ 3,009,840
(b) Bank line of credit	(2,621,903)	(4,322,206)
	\$ 171,524	\$ (1,312,366)

The Township's financial agreement with its bank provides for an operating credit facility of up to \$5,000,000 to finance expenses, pending receipt of property taxes and other income. Interest on funds is charged at the bank's prime rate.

(c) Bank term loans:

Fixed rate term loan, interest at 4.65%, due December 2008	\$ -	\$ (988,760)
Construction financing loan, interest at prime	(7,000,000)	(4,000,000)
	\$ (7,000,000)	\$ (4,988,760)

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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 2009 was \$331,142 (2008 - \$326,295). 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 2009 was \$7,068 (2008 - \$9,658).

7. Employee benefit obligations:

(a) Employee benefit obligations:

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

	2009	2008
Non-pension retirement benefits (note 7(b))	\$ 287,125	\$ 276,365
Workplace Safety and Insurance Board obligations (note 7(c))	125,072	117,924
Vacation leave (note 7(d))	89,231	119,660
	501,428	513,949
Amounts previously funded from operations	(107,801)	(146,748)
Amounts to be recovered from reserve funds	(114,761)	(104,017)
Amounts to be recovered from future revenue	\$ 278,866	\$ 263,184

(b) 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.

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

7. Employee benefit obligations (continued):

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

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, 2009, based on an actuarial update, the accrued benefit obligation was \$304,663 (2008 - \$295,365).

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	Reducing over 12 years from 8% per annum in 2008 to reach 4% in 2020

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

	2009	2008
Accrued benefit liability, beginning of year	\$ 276,365	\$ 267,377
Expense recognized for the year	11,439	10,681
Interest cost	14,635	14,224
Benefits paid for the year	(16,776)	(17,378)
Amortization of loss over estimated average remaining life (13 years)	1,462	1,461
Accrued benefit liability, end of year	\$ 287,125	\$ 276,365

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

	2009	2008
Accrued benefit obligation, beginning of year	\$ 304,663	\$ 295,365
Unamortized actuarial loss	(17,538)	(19,000)
Accrued benefit liability, end of year	\$ 287,125	\$ 276,365

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

7. Employee benefit obligations (continued):

(c) 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, 2009, based on an actuarial update, the Township's accrued benefit obligation relating to future payments on Workplace Safety and Insurance Board claims is \$142,794 (2008 - \$137,861).

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

	2009	2008
Accrued benefit liability, beginning of year	\$ 117,924	\$ 112,645
Expense recognized for the period	26,081	25,237
Plus interest costs	6,845	6,650
Benefits paid for the period	(27,993)	(28,823)
Amortization of loss over estimated average remaining life (9 years)	2,215	2,215
Accrued benefit liability, end of year	\$ 125,072	\$ 117,924

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

	2009	2008
Accrued benefit obligation, beginning of year	\$ 142,794	\$ 137,861
Unamortized actuarial loss	(17,722)	(19,937)
Accrued benefit liability, end of year	\$ 125,072	\$ 117,924

(d) 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, 2009 amount to \$89,231 (2008 - \$119,660).

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

8. Long-term liabilities:

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

	2009	2008
Total long-term liabilities incurred by the municipality outstanding at the end of the year and to be recovered from future revenue	\$ 2,497,120	\$ 1,673,875

- (b) Principal due on total long-term liabilities for Fairfield Water Service Area User Fees is summarized as follows:

2010	\$ 167,844
2011	172,343
2012	177,070
2013	182,037
2014	187,255
2015 and thereafter	1,610,571
	<hr/>
	\$ 2,497,120

- (c) Total interest on long-term liabilities that are reported on the Consolidated Statement of Operations amounted to \$119,000. The long-term liabilities bear interest at rates ranging from 3.75% to 5.0% with term renewals to take place in 2013 and 2017 respectively.
- (d) 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.

9. Commitments:

- (a) In June 2009, the Township awarded Canadian Waste Services Inc. a three-year contract for garbage collection service in the Bath and Ernestown Wards, to expire on May 31, 2012. Costs are expected to be approximately \$239,700 in 2010 (\$252,000 in 2009) and are financed out of operating revenue.
- (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 \$378,900 in 2010 (\$353,200 in 2009) and are financed out of operating revenue.

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

9. Commitments (continued):

- (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 June 30, 2010. Based on the contract renewal proposal, costs are expected to be approximately \$2,334,300 in 2010 (\$2,307,800 in 2009) and will be financed out of operating revenue.
- (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 2010 of approximately \$399,000 will be financed from operating revenue (\$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 project costs initially budgeted at approximately \$12.3 million with the remaining cost to be financed by debentures and future water and sewer rates. Project costs of \$13,587,000 incurred in 2007 to 2009 exceed the amount originally projected and have been reported to Council for approval. The spending in excess of the amount originally provided will be financed through a combination of user and tax rates, as authorized by Council.

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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. To the extent that receipts of gasoline tax funds are applied in the year, the receipt has been reported as a Provincial or Federal grant, as applicable. Receipts in the year over and above utilization are added to deferred revenue. The balances in the obligatory reserve funds of the Township are summarized below:

	2009	2008
Balance, beginning of year	\$ 853,438	\$ 789,455
Development contributions	333,167	220,954
Provincial gasoline tax receipts	36,876	81,226
Federal gasoline tax receipts	–	71,002
Recreational land	10,100	39,988
Investment income	7,574	25,694
Deferred capital revenue earned	(295,558)	(374,881)
Deferred operational revenue earned	(2,590)	–
Balance, end of year	\$ 943,007	\$ 853,438

	2009	2008
Analyzed as follows:		
Recreation land	\$ 61	\$ 7,007
Development charges	695,428	564,631
Provincial gasoline tax	225,449	186,986
Federal gas tax	937	72,712
Federal transit funding	21,132	22,102
	\$ 943,007	\$ 853,438

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.

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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

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 expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Estimated total expenses 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 expenses are calculated to be \$750,461. The estimated liability for these expenses is recognized as the landfill site's capacity is used. Included in the Statement of Financial Position at December 31, 2009 is an amount of \$525,529 (2008 - \$510,329) with respect to landfill closure and post-closure liabilities recognized to date.

The estimated remaining capacity of the Violet Road landfill site is 26% (237,290 cubic meters) of its total estimated capacity and its estimated remaining life is 28 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 44% (15,620 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 landfill closure and post-closure liability at December 31 is to be recovered as follows:

	2009	2008
Landfill closure and post-closure liability	\$ 525,529	\$ 510,329
Amounts previously funded from operations	(291,600)	(276,400)
Amounts to be recovered from reserve funds	(233,929)	(233,929)
Amounts to be recovered from future revenue	\$ —	\$ —

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

12. Accumulated surplus:

	2009	2008
Operating surplus:		
General purpose (applicable to all ratepayers and properties)	\$ 638,150	\$ 295,585
Amherstview Sewer Area	32,200	141,270
Odessa Sewer Area	(113,867)	(10,936)
Fairfield Water Area	(48,884)	159,400
Bath Sewer Area	107,920	50,712
Bath Water Area	43,858	(64,593)
Amherstview Transit Area	(9,532)	43,537
Amherstview Island Ferry Area	3,262	(211,401)
Total operating surplus/deficit	653,107	403,574
Funded (unfunded) surplus:		
Land held for resale	1,455,666	1,455,666
Landfill closure costs	(233,929)	(233,929)
Employee benefit obligations	(393,627)	(367,201)
	828,110	854,536
Investment in tangible capital assets:		
Equity in tangible capital assets	95,952,124	88,482,859
Capital costs financed by long-term debt	(2,497,120)	(1,673,875)
Capital costs financed internally	(978,500)	(1,060,500)
Capital costs not yet funded	(14,538,778)	(9,638,422)
Unexpended capital financing	2,562,559	687,041
	80,500,285	76,797,103
Reserves set aside for specific purposes by Council:		
Future expenses	65,856	65,147
Tax rate stabilization	351,746	—
Working capital	652,425	652,425
Total reserves	1,070,027	717,572

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

12. Accumulated surplus (continued):

	2009	2008
Reserve funds set aside for specific purposes by Council:		
General rate:		
Violet Road landfill	283,994	282,047
Capital works – general rate	58,878	43,080
Quarry rehabilitation	25,154	24,982
Bath Hydro sale proceeds	55,117	66,456
Bath Hydro community groups	50,279	51,270
Zamboni	51,353	43,970
Second ice pad	87,007	68,884
Scholarships	12,368	11,298
Museum	6,131	6,089
Industrial development	4,650	4,618
Subdivision charges	32,960	32,734
Workplace Safety Insurance Board claims	114,761	104,017
Ernestown Ward	164,638	169,832
	<u>947,290</u>	<u>909,277</u>
Special area rate:		
Ferry berthage	578,347	513,144
Water transportation operations	–	193,710
Amherstview Transit Area	90,250	89,631
Amherstview Sewer Area	483,009	614,744
Fairfield Water Area	241,198	177,213
Bath Sewer Area	878,951	846,577
Bath Water Area	–	176,839
	<u>2,271,755</u>	<u>2,611,858</u>
Total reserve funds	3,219,045	3,521,135
Total accumulated surplus	<u>\$ 86,270,574</u>	<u>\$ 82,293,920</u>

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

13. Budget data:

Loyalist Township Council completes a review of the municipality's operating and capital budgets each year. The budget for 2009 reported on the "Statement of Operations and Accumulated Surplus" includes adjustments for the amortization expense recorded in 2009, for the change in non-financial assets and for recognition of approved budgets for capital projects carried over from the previous fiscal year, as authorized by Council. Budgets established for capital projects are set on a project oriented basis, the costs of which may be carried out over one or more fiscal years.

The adjustments enhance the comparability between budget and actual results as PSAB requirements stipulate that actual results include the expensing of the change in non-financial assets in the current year.

These 2009 budget numbers have not been audited and are presented for information purposes.

	Operations	Capital authority approved for 2009	Capital authority carried over from 2008	Total
As approved:				
Revenue	\$(19,925,200)	\$ (215,000)	\$ (5,241,000)	\$(25,381,200)
Reclassify from internal transfers:				
User charges	(400,400)	–	–	(400,400)
From obligatory reserve funds:				
Deferred revenue	(167,600)	(73,900)	(69,100)	(310,600)
Other	(135,500)	–	(484,000)	(619,500)
Debt issue	–	–	1,923,000	1,923,000
	(20,628,700)	(288,900)	(3,871,100)	(24,788,700)
Expenses	18,599,500	4,229,900	10,751,000	33,580,400
Less acquisition of tangible capital assets	–	(2,469,000)	(9,006,000)	(11,475,000)
Amortization	3,121,300	–	–	3,121,300
Principal on debt repayment	(243,700)	–	–	(243,700)
	21,477,100	1,760,900	1,745,000	24,983,000
Internal transfers:				
Operating budget	2,134,700	–	–	2,134,700
Capital budget	–	(2,740,600)	(501,900)	(3,242,500)
Eliminate	(2,134,700)	2,740,600	501,900	1,107,800
	–	–	–	–
Net annual (surplus) deficit	\$ 848,400	\$ 1,472,000	\$ (2,126,100)	\$ 194,300

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

14. Supplementary information:

	2009	2008
Expense by object:		
Salaries, wages and employee benefits	\$ 8,065,365	\$ 7,685,056
Materials, services, rents and financial expenses	10,436,859	10,087,718
Transfers to others	234,284	229,571
Amortization	3,121,279	3,058,675
Total	\$ 21,857,787	\$ 21,061,020

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, 2009, management believes that the Township has valid defenses 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, 2009 is \$3,964 (2008 - \$5,716).

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

16. Tangible capital assets:

Cost	Balance at December 31, 2007 (note 2)	Transfers and additions	Transfers, disposals and adjustments	Balance at December 31, 2008
Land	\$ 3,641,470	\$ 111,614	\$ -	\$ 3,753,084
Landfill and land improvements	2,834,948	-	-	2,834,948
Buildings and building improvements	8,264,179	7,431	-	8,271,610
Vehicles, machinery and equipment	7,272,166	913,255	238,497	7,946,924
Water infrastructure	35,239,073	415,244	-	35,654,317
Wastewater infrastructure	21,756,044	4,294,494	-	26,050,538
Roads infrastructure	42,110,391	1,567,504	-	43,677,895
Assets under construction	4,299,700	4,468,090	3,964,618	4,803,172
Total	\$ 125,417,971	\$ 11,777,632	\$ 4,203,115	\$ 132,992,488

Accumulated amortization	Balance at December 31, 2007 (note 2)	Amortization expense	Transfers, disposals and adjustments	Balance at December 31, 2008
Land	\$ -	\$ -	\$ -	\$ -
Landfill and land improvements	2,208,056	66,412	-	2,274,468
Buildings and building improvements	2,320,624	141,292	-	2,461,916
Vehicles, machinery and equipment	3,606,528	434,755	197,471	3,843,812
Water infrastructure	7,961,029	736,342	-	8,697,371
Wastewater infrastructure	5,430,052	396,532	-	5,826,584
Roads infrastructure	20,122,136	1,283,342	-	21,405,478
Assets under construction	-	-	-	-
Total	\$ 41,648,425	\$ 3,058,675	\$ 197,471	\$ 44,509,629

	Net book value December 31, 2007	Net book value December 31, 2008
Land	\$ 3,641,471	\$ 3,753,084
Landfill and land improvements	626,891	560,480
Buildings and building improvements	5,943,556	5,809,694
Vehicles, machinery and equipment	3,665,638	4,103,112
Water infrastructure	27,278,044	26,956,946
Wastewater infrastructure	16,325,992	20,223,954
Roads infrastructure	21,988,255	22,272,417
Assets under construction	4,299,700	4,803,172
Total	\$ 83,769,547	\$ 88,482,859

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

16. Tangible capital assets (continued):

Cost	Balance at December 31, 2008 (note 2)	Transfers and additions	Transfers, disposals and adjustments	Balance at December 31, 2009
Land	\$ 3,753,084	\$ 7,849	\$ -	\$ 3,760,933
Landfill and land improvements	2,834,948	-	-	2,834,948
Buildings and building improvements	8,271,610	10,279	-	8,281,889
Vehicles, machinery and equipment	7,946,924	772,670	275,345	8,444,249
Water infrastructure	35,654,317	440,044	-	36,094,361
Wastewater infrastructure	26,050,538	1,754,253	-	27,804,791
Roads infrastructure	43,677,895	1,696,715	-	45,374,610
Assets under construction	4,803,172	7,358,883	1,448,040	10,714,015
Total	\$ 132,992,488	\$ 12,040,693	\$ 1,723,385	\$ 143,309,796

Accumulated amortization	Balance at December 31, 2008 (note 2)	Amortization expense	Transfers, disposals and adjustments	Balance at December 31, 2009
Land	\$ -	\$ -	\$ -	\$ -
Landfill and land improvements	2,274,468	64,562	-	2,339,030
Buildings and building improvements	2,461,916	141,630	-	2,603,546
Vehicles, machinery and equipment	3,843,812	468,944	273,236	4,039,520
Water infrastructure	8,697,371	734,093	-	9,431,464
Wastewater infrastructure	5,826,584	443,617	-	6,270,201
Roads infrastructure	21,405,478	1,268,432	-	22,673,910
Assets under construction	-	-	-	-
Total	\$ 44,509,629	\$ 3,121,278	\$ 273,236	\$ 47,357,671

	Net book value December 31, 2008	Net book value December 31, 2009
Land	\$ 3,753,084	\$ 3,760,933
Landfill and land improvements	560,480	495,918
Buildings and building improvements	5,809,694	5,678,343
Vehicles, machinery and equipment	4,103,112	4,404,729
Water infrastructure	26,956,946	26,662,897
Wastewater infrastructure	20,223,954	21,534,590
Roads infrastructure	22,272,417	22,700,700
Assets under construction	4,803,172	10,714,015
Total	\$ 88,482,859	\$ 95,952,125

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

16. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of \$10,714,015 (2008 - \$4,803,172) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$718,360 (2008 - \$695,578) comprised of roads infrastructure in the amount of \$379,623 (2008 - \$185,673) and water and wastewater infrastructure in the amount of \$338,737 (2008 - \$509,815)

(c) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(d) Works of art and historical treasures:

The Township manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Township sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

(e) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$Nil (2008 - \$Nil).

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.

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

17. Segmented information (continued):

Municipal services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(a) 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, the pool and the arena.

CORPORATION OF LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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.

(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 revenue 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 revenue coming from fares.

For each segment separately reported, the segment revenue and expenses 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 2009 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 Segment Information

Year ended December 31, 2009

(In thousands of dollars)

	General Government	Protection Services	Transportation Services	Environmental Services	Recreation and Culture	Planning and Development	Sub-total
Revenue:							
Property taxation	\$ (1,658)	\$ 3,477	\$ 2,809	\$ 962	\$ 1,691	\$ 431	\$ 7,712
Taxation from other governments	1,425	—	—	—	—	—	1,425
User charges	20	423	596	576	738	148	2,501
Ontario Grants	1,341	10	77	80	12	91	1,611
Canada Grants	—	—	466	162	—	—	628
Deferred revenue earned	—	—	280	—	17	—	297
Penalties and interest	198	—	—	—	—	—	198
Investment income	7	—	—	—	—	—	7
Proceeds from sale of assets	2	—	3	—	1	68	74
Developer contributions of tangible capital assets	—	—	—	—	—	—	—
Gain on sale of assets	—	—	—	—	—	—	—
Other	4	9	—	2	54	19	88
	1,339	3,919	4,231	1,782	2,513	757	14,541
Expenses:							
Salaries, wages and employee benefits	1,066	856	1,465	344	1,234	340	5,305
Materials	271	295	994	85	750	34	2,429
Contracted services	192	2,365	491	688	318	130	4,184
Rents and financial expenses	82	28	179	14	78	12	393
Interest on long-term debt	—	—	—	—	—	—	—
Amortization	21	150	1,247	233	252	2	1,905
External transfers	—	178	—	—	50	6	234
	1,632	3,872	4,376	1,364	2,682	524	14,450
Net annual surplus (deficit)	\$ (293)	\$ 47	\$ (145)	\$ 418	\$ (169)	\$ 233	\$ 91

CORPORATION OF LOYALIST TOWNSHIP

Consolidated Schedule of Segment Information (continued)

Year ended December 31, 2009

(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	\$ 7,850	\$ –	\$ 7,850
Taxation from other governments	–	–	–	–	–	1,425	–	1,425
User charges	3,314	1,437	275	129	5,155	7,656	–	7,656
Ontario Grants	1,534	–	1,978	171	3,683	5,294	(1)	5,293
Canada Grants	1,533	–	–	–	1,533	2,161	–	2,161
Deferred revenue earned	–	–	–	1	1	298	–	298
Penalties and interest	–	–	–	–	–	198	–	198
Investment income	–	–	–	–	–	7	17	24
Proceeds from sale of assets	1	–	–	–	1	75	1	76
Developer contributions of tangible capital assets	–	–	–	–	–	–	718	718
Gain on sale of assets	–	–	–	–	–	–	5	5
Other	35	9	–	–	44	132	(2)	130
	6,450	1,446	2,253	406	10,555	25,096	738	25,834
Expenses:								
Salaries, wages and employee benefits	824	338	1,579	20	2,761	8,066	(1)	8,065
Materials	710	299	396	–	1,405	3,834	–	3,834
Contracted services	772	438	50	407	1,667	5,851	–	5,851
Rents and financial expenses	185	26	29	–	240	633	–	633
Interest on long-term debt	118	–	–	–	118	118	1	119
Amortization	663	549	–	4	1,216	3,121	–	3,121
External transfers	–	–	–	–	–	234	–	234
	3,272	1,650	2,054	431	7,407	21,857	–	21,857
Net annual surplus (deficit)	\$ 3,178	\$ (204)	\$ 199	\$ (25)	\$ 3,148	\$ 3,239	\$ 738	\$ 3,977



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

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

AUDITORS' REPORT

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

We have audited the statement of financial position of the trust funds of the Corporation of Loyalist Township as at December 31, 2009 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, 2009 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 decorative underline.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada

May 26, 2010

CORPORATION OF LOYALIST TOWNSHIP

Trust Funds

Statement of Financial Position

Year ended December 31, 2009, with comparative figures for 2008

Name of Fund	Ontario Home Renewal Plan	Glenwood and Pentland Cemetery	Old Lutheran (Union) Cemetery	2009	2008
Assets					
Cash	\$ -	\$ 46,181	\$ 9,326	\$ 55,507	\$ 54,707
Ontario Home Renewal Plan loans receivable (note 2)	1,916	-	-	1,916	2,395
	\$ 1,916	\$ 46,181	\$ 9,326	\$ 57,423	\$ 57,102
Capital					
Fund balance:					
Capital Care and Maintenance Fund/Perpetual Care	\$ 1,916	\$ -	\$ -	\$ 1,916	\$ 2,395
Monument and marker fund	-	42,521	8,676	51,197	50,397
	-	3,660	650	4,310	4,310
	\$ 1,916	\$ 46,181	\$ 9,326	\$ 57,423	\$ 57,102

See accompanying notes to financial statements.

CORPORATION OF LOYALIST TOWNSHIP

Trust Funds

Statement of Continuity

Year ended December 31, 2009, with comparative figures for 2008

	Ontario Home Renewal Plan	Glenwood and Pentland Cemetery	Old Lutheran (Union) Cemetery	2009	2008
Balance at beginning of year	\$ 2,395	\$ 45,381	\$ 9,326	\$ 57,102	\$ 56,863
Interest earned	165	313	64	542	1,889
Sale of perpetual care Monument and marker fund	–	800	–	800	600
	–	–	–	–	100
	2,560	46,494	9,390	58,444	59,452
Ontario Home Renewal Plan:					
- Administration charges	35	–	–	35	47
- Return of capital to Ministry of Municipal Affairs and Housing	609	–	–	609	627
Interest transferred to operating fund	–	313	64	377	1,676
	644	313	64	1,021	2,350
Balance at end of year	\$ 1,916	\$ 46,181	\$ 9,326	\$ 57,423	\$ 57,102

See accompanying notes to financial statements.

CORPORATION OF LOYALIST TOWNSHIP

Trust Funds
Notes to Financial Statements

Year ended December 31, 2009

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 expenses of the Trust.

(b) Revenue recognition:

Revenue and expenses are recorded on an accrual basis.

The accrual basis recognizes revenues as they become available and measurable; expenses 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 expenses 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, 2009 are comprised of repayable loans of \$1,916 (2008 - \$2,395) and forgivable loans of \$Nil (2008 - \$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, 2009

3. Statement of cash flows:

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