

Audited Financial Statements
and Other Financial Information of

LOYALIST TOWNSHIP

Year ended December 31, 2005

Audited Financial Statements
and Other Financial Information of

LOYALIST TOWNSHIP

Year ended December 31, 2005

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	15
Consolidated Schedule of Capital Fund Operations	16
Consolidated Schedule of Reserves and Reserve Funds	17
Unaudited Schedule: Six-Year Financial Review	18

CORPORATION OF LOYALIST TOWNSHIP TRUST FUNDS

Auditors' Report	19
Statements of Financial Position	20
Statements of Continuity	21
Notes to Financial Statements	22



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, 2005 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, 2005 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.

KPMG LLP

Chartered Accountants

Kingston, Canada
April 21, 2006

LOYALIST TOWNSHIP

Consolidated Statement of Financial Position

December 31, 2005, with comparative figures for 2004

	2005	2004
Assets		
Financial assets:		
Cash (note 5(a))	\$ 3,212,577	\$ 1,517,572
Taxes receivable	1,156,199	1,017,612
Water and sewer billings receivable	459,281	480,588
Accounts receivable	1,657,114	1,551,537
Other assets	17,350	14,252
	<u>6,502,521</u>	<u>4,581,561</u>
Liabilities:		
Bank term loans (notes 2(b) and 5(b))	1,227,315	1,467,352
Accounts payable and accrued liabilities	1,869,445	1,863,158
Employee benefit obligations (note 7)	404,831	335,796
Landfill closure and post-closure liability (note 11)	478,589	461,228
Deferred revenue – obligatory reserve funds (note 10)	944,987	720,959
	<u>4,925,167</u>	<u>4,848,493</u>
Net financial assets	1,577,354	(266,932)
Other non-financial assets:		
Inventory	33,155	38,289
Total net assets	<u>\$ 1,610,509</u>	<u>\$ (228,643)</u>
Municipal position:		
Current fund	\$ 840,405	\$ 604,638
Capital fund	(3,281,779)	(4,271,679)
Reserves	891,556	673,452
Reserve funds	3,728,377	3,277,493
Fund balances (note 2)	<u>2,178,559</u>	<u>283,904</u>
Amounts to be recovered from reserve funds:		
Employee benefit obligations (note 7(d))	(64,632)	(48,894)
Landfill closure and post-closure liability (note 11)	(247,789)	(245,304)
Amounts to be recovered from future revenues:		
Employee benefit obligations (note 7(d))	(255,629)	(195,025)
Landfill closure and post-closure liability (note 11)	–	(23,324)
Commitments (note 9)		
Contingent liabilities (note 13)		
Total municipal position	<u>\$ 1,610,509</u>	<u>\$ (228,643)</u>

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

LOYALIST TOWNSHIP

Consolidated Statement of Financial Activities

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Revenues:		
Property taxation	\$ 6,075,608	\$ 5,688,526
Taxation from other governments	1,105,376	1,130,525
User charges	5,758,196	5,444,211
Government grants	3,642,311	2,997,974
Transfer from deferred revenue – obligatory reserve fund	244,128	125,247
Contributions, benefitting landowners	251,221	306,818
Proceeds from land sales	380,715	–
Investment income	143,705	67,257
Penalties and interest on taxes	170,296	164,420
Other	114,355	188,322
Total revenues	17,885,911	16,113,300
Expenditures:		
Current:		
General government	1,199,059	1,189,220
Protection to persons and property	3,063,512	2,936,607
Transportation services	4,545,377	4,134,302
Environmental services	2,883,884	2,982,691
Health services - cemeteries	14,725	9,193
Recreation and cultural services	1,701,236	1,683,441
Planning and development	295,085	264,097
Total current expenditures	13,702,878	13,199,551
Capital:		
General government	35,494	154,546
Protection to persons and property	162,867	391,522
Transportation services	728,255	666,437
Environmental services	1,070,078	578,951
Recreation and cultural services	266,699	274,024
Planning and development	75,354	6,315
Total capital expenditures	2,338,747	2,071,795
Total expenditures	16,041,625	15,271,346
Net revenues	1,844,286	841,954
Financing and transfers:		
Change in non-financial assets	(5,134)	(808)
Change in employee benefit obligations to be recovered	76,342	43,963
Change in landfill closure and post-closure liability to be recovered	(20,839)	268,628
	50,369	311,783
Increase in fund balances	\$ 1,894,655	\$ 1,153,737

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, 2005, with comparative figures for 2004

	2005	2004
Operations:		
Net revenues	\$ 1,844,286	\$ 841,954
Sources (uses) of funds:		
Increase in taxes receivable	(138,587)	(23,481)
Decrease in water and sewer billings receivable	21,307	68,070
Increase in accounts receivable	(105,577)	(735)
Increase in other assets	(3,098)	(4,067)
Increase (decrease) in accounts payable and accrued liabilities	6,287	(291,642)
Increase in landfill closure and post-closure liabilities	17,361	283,828
Increase in employee benefit obligations	69,035	34,473
Increase in deferred revenues – obligatory reserve funds	224,028	240,239
	90,756	306,685
Net change in cash from operations	1,935,042	1,148,639
Financing:		
Repayment of term loans	(240,037)	(89,342)
Increase in cash	1,695,005	1,059,297
Cash, beginning of year	1,517,572	458,275
Cash, end of year	\$ 3,212,577	\$ 1,517,572

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, 2005

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, 2005

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-eight 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:

Amounts to be recovered are comprised of employee benefit obligations and landfill closure and post-closure liability.

(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, 2005

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

- (a) The balances on the "Consolidated Statement of Financial Position" of municipal equity (or deficit) of \$2,178,559 (2004 - \$283,904) at the end of the year are comprised of the following:

	2005	2004
Fund balances at the end of the year, surplus (deficit):		
General purposes (applicable to all ratepayers and properties)	\$ 696,714	\$ 427,195
Special areas:		
Amherstview sewer area	12,756	37,272
Odessa sewer area	28,694	6,764
Bath sewer area	12,648	22,516
Fairfield water area	102,706	132,234
Odessa water area	—	968
Bath water area	(23,961)	4,229
Harewood and Brooklands water area	—	(9,994)
Amherstview transit area	12,737	(13,254)
Amherst Island ferry area	(1,889)	(3,292)
	840,405	604,638
Unexpended capital financing	1,281,583	900,370
Acquisition of fixed assets to be recovered through taxation or user charges	(4,399,904)	(4,890,161)
Acquisition of fixed assets to be financed through donation pledges and other	(158,644)	(202,830)
Acquisition of fixed assets to be financed through transfers from reserve funds	(4,814)	(79,058)
	(3,281,779)	(4,271,679)
Reserves	891,556	673,452
Reserve funds	3,728,377	3,277,493
	\$ 2,178,559	\$ 283,904

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, 2005

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

- (b) As of December 31, 2005, the municipality has internal borrowings from reserve funds of \$1,306,300 (2004 - \$1,227,000) and bank term loans of \$1,227,315 (2004 - \$1,467,352) which were used to fund 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 2005, 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	
	2005	2004	2005	2004
Amounts requisitioned and collected	\$ 4,416,740	\$ 4,454,992	\$ 5,776,988	\$ 5,194,949

4. Trust funds:

Trust funds administered by the municipality, amounting to \$55,913 (2004 - \$53,746), 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, 2005

5. Cash (bank indebtedness):

	2005	2004
(a) Cash position:		
Cash on deposit	\$ 3,275,389	\$ 2,575,493
Bank line of credit	(62,812)	(1,057,921)
Net cash	\$ 3,212,577	\$ 1,517,572
(b) Bank demand loans:		
Fixed rate term loan, interest at 3.24%, due May 2006	\$(1,227,315)	\$ -
Fixed rate term loan, interest at 3.07%, due June 2005	-	(160,417)
Fixed rate term loan, interest at 2.6%, due May 2005	-	(1,306,935)
	\$(1,227,315)	\$(1,467,352)

6. Pension agreements:

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 80 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 2005 was \$252,418 (2004 - \$228,725). 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 2005 was \$10,607 (2004 - \$9,788).

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, 2005

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, 2005, based on an actuarial update, the accrued benefit obligation was \$246,906 (2004 - \$215,927).

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:

	2005	2004
Accrued benefit obligation, beginning of year	\$ 215,927	\$ 200,965
Expense recognized for the year	31,030	8,810
Interest cost	12,849	12,137
Benefits paid for the year	(12,900)	(5,985)
Accrued benefit obligation, end of year	\$ 246,906	\$ 215,927

LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2005

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, 2005, based on an actuarial update, the Township's accrued benefit obligation relating to future payments on Workplace Safety and Insurance Board claims is \$89,850 (2004 - \$48,894).

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

	2005	2004
Accrued benefit obligation, beginning of year	\$ 48,894	\$ 37,446
Expense recognized for the period	55,386	17,752
Plus interest costs	4,041	2,503
Benefits paid for the period	(18,471)	(8,807)
Accrued benefit obligation, end of year	\$ 89,850	\$ 48,894

(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, 2005 amount to \$68,075 (2004 - \$70,975).

(d) Employee benefit obligations:

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

	2005	2004
Non-pension retirement benefits	\$ 246,906	\$ 215,927
Workplace Safety and Insurance Board obligations	89,850	48,894
Vacation leave	68,075	70,975
	404,831	335,796
Amounts previously funded from operations	(84,570)	(91,877)
Amounts to be recovered from reserve funds	(64,632)	(48,894)
Amounts to be recovered from future revenues	\$ 255,629	\$ 195,025

LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2005

8. Budget figures:

The approved operating and capital budgets for 2005 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.

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. Costs are expected to be approximately \$200,400 in 2006 and are financed out of operating revenues.
- (b) 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 \$2,062,000 in 2006 and will be financed out of operating revenues.
- (c) In June of 2001, the Township entered into a six-year agreement with the City of Kingston for the provision of transit services at an annual cost of approximately \$190,000, 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 cost in 2006 of approximately \$340,600 will be financed from operating revenues (\$212,600) and available provincial gasoline tax funding (\$128,000).

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:

	2005	2004
Balance, beginning of year	\$ 720,959	\$ 480,720
Development contributions	244,192	333,617
Provincial gasoline tax receipts	64,162	21,388
Federal gasoline tax receipts	142,248	–
Investment income	17,554	10,481
Transfers to capital fund	(233,899)	(125,247)
Net transfers to revenue fund	(10,229)	–
Balance, end of year	\$ 944,987	\$ 720,959

LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2005

10. Deferred revenue – obligatory reserve funds (continued):

	2005	2004
Analyzed as follows:		
Recreation land	\$ 18,726	\$ 38,355
Development charges	729,472	661,216
Provincial gasoline tax	49,482	21,388
Federal gas tax	142,622	–
Building Code Act	4,685	–
	<u>\$ 944,987</u>	<u>\$ 720,959</u>

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-eight 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 \$708,943. 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, 2005 is an amount of \$478,589 (2004 - \$461,228) with respect to landfill closure and post-closure liabilities recognized to date.

The estimated remaining capacity of the Violet Road landfill site is 29.1% (261,970 cubic meters) of its total estimated capacity and its estimated remaining life is 32 years, after which the period for post-closure care is estimated to be 25 years.

LOYALIST TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2005

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

The estimated remaining capacity of the Amherst Island landfill site is 49.4% (11,960 cubic meters) of its total estimated capacity and its estimated remaining life is 26 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:

	2005	2004
Landfill closure and post-closure liability	\$ 478,589	\$ 461,228
Amounts previously funded from operations	(230,800)	(192,600)
Amounts to be recovered from reserve funds	(247,789)	(245,304)
Amounts to be recovered from future revenues	\$ –	\$ 23,324

12. Supplementary information:

	2005	2004
Current fund expenditure by object:		
Salaries, wages and employee benefits	\$ 6,375,544	\$ 6,127,992
Materials, services, rents and financial expenses	7,194,313	6,949,066
Transfers to others	133,021	122,493
Total	\$ 13,702,878	\$ 13,199,551

13. 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, 2005, 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, 2005 is \$10,267 (2004 - \$11,562).

LOYALIST TOWNSHIP

Consolidated Schedule of Current Fund Operations

Year ended December 31, 2005, with comparative figures for 2004

	Budget 2005	Actual 2005	Actual 2004
	(Unaudited, note 8)		
Revenues:			
Property taxation	\$ 5,939,200	\$ 6,075,608	\$ 5,688,526
Taxation from other governments	1,052,000	1,105,376	1,130,525
User charges	5,394,900	5,533,035	5,271,779
Government grants	3,151,700	3,448,244	2,970,597
Penalties and interest on taxes	160,000	170,296	164,420
Investment income	25,900	90,945	36,096
Net from deferred revenue – obligatory reserve funds	–	10,229	–
Other	72,000	82,579	96,927
Total revenues	15,795,700	16,516,312	15,358,870
Expenditures (note 12):			
General government	1,117,200	1,199,059	1,189,220
Protection to persons and property	3,309,100	3,063,512	2,936,607
Transportation services	4,367,300	4,545,377	4,134,302
Environmental services	2,963,800	2,883,884	2,982,691
Health services - cemeteries	8,500	14,725	9,193
Recreation and cultural services	1,752,800	1,701,236	1,683,441
Planning and development	277,300	295,085	264,097
Total expenditures	13,796,000	13,702,878	13,199,551
Net revenue	1,999,700	2,813,434	2,159,319
Financing and transfers:			
Change in non-financial assets	–	(5,134)	(808)
Transfers to capital fund	2,220,500	(2,361,593)	(1,742,868)
Transfers from (to) reserves and reserve funds	123,100	(266,443)	(720,730)
Change in employee benefit obligations to be recovered	–	76,342	43,963
Change in landfill closure and post-closure liability to be recovered	–	(20,839)	268,628
Net financing and transfers	2,343,600	(2,577,667)	(2,151,815)
Change in current fund balance	(343,900)	235,767	7,504
Opening current fund balance	343,900	604,638	597,134
Closing current fund balance	\$ –	\$ 840,405	\$ 604,638

LOYALIST TOWNSHIP

Consolidated Schedule of Capital Fund Operations

Year ended December 31, 2005, with comparative figures for 2004

	Budget 2005	Actual 2005	Actual 2004
	(Unaudited, note 8)		
Revenues:			
Government grants	\$ 476,500	\$ 194,067	\$ 27,377
Contributions, benefiting landowners	130,900	251,221	306,818
Transfers from deferred revenue – obligatory reserve funds	293,700	233,899	125,247
Proceeds from land sales	–	380,715	–
Other	65,500	31,776	91,395
Total revenues	966,600	1,091,678	550,837
Expenditures:			
General government	27,000	35,494	154,546
Protection to persons and property	162,000	162,867	391,522
Transportation services	1,874,000	728,255	666,437
Environmental services	2,542,000	1,070,078	578,951
Health services – cemeteries	10,000	–	–
Recreation and cultural services	254,500	266,699	274,024
Planning and development	120,500	75,354	6,315
Total expenditures	4,990,000	2,338,747	2,071,795
Net expenditures	(4,023,400)	(1,247,069)	(1,520,958)
Financing and transfers:			
Transfers from current fund	1,459,600	2,361,593	1,742,868
Transfers (to) from reserves and reserve funds	795,300	(124,624)	(39,370)
Net financing and transfers	2,254,900	2,236,969	1,703,498
Change in capital fund balance	(1,768,500)	989,900	182,540
Opening capital fund balance	(4,271,700)	(4,271,679)	(4,454,219)
Closing capital fund balance	\$ (6,040,200)	\$ (3,281,779)	\$ (4,271,679)

LOYALIST TOWNSHIP

Consolidated Schedule of Reserves and Reserve Funds

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Revenues:		
Investment income	\$ 52,760	\$ 31,161
Lot levies under subdivision agreement	225,161	172,432
<u>Total revenues</u>	277,921	203,593
Net transfers to other funds:		
Transfers from current fund	266,443	720,730
Transfers from capital fund	124,624	39,370
<u>Total net transfers</u>	391,067	760,100
Change in reserves and reserve fund balance	668,988	963,693
Opening reserves and reserve fund balance	3,950,945	2,987,252
<u>Closing reserves and reserve fund balance</u>	<u>\$ 4,619,933</u>	<u>\$ 3,950,945</u>
Analyzed as follows:		
Reserves set aside for specific purposes by Council:		
Future expenditures	\$ 34,140	\$ 21,027
Working capital	652,425	652,425
Tax rate stabilization	204,991	-
<u>Total reserves</u>	891,556	673,452
Reserve funds set aside for specific purposes by Council:		
General rate:		
Violet Road Landfill	251,814	245,304
Capital works – general rate	12,477	100,000
Quarry rehabilitation	31,448	30,628
Bath Hydro sale proceeds	59,281	57,706
Bath Hydro Community Groups	51,162	51,022
Zamboni	18,202	9,520
Scholarships	10,064	10,076
Museum	5,432	5,291
Industrial development	4,120	4,012
Subdivision charges	37,196	36,226
Workplace Safety Insurance Board claims	64,632	53,064
Ernestown Ward	150,872	-
	<u>696,700</u>	<u>602,849</u>
Special area rate:		
Ferry berthage	305,107	236,387
Water transportation operations	250,914	313,459
Ferry dock	161,450	219,113
Amherstview transit area	105,318	118,309
Amherstview sewer area	1,133,355	937,082
Fairfield water area	120,777	117,517
Bath sewer area	708,536	494,190
Bath water area	246,220	238,587
	<u>3,031,677</u>	<u>2,674,644</u>
<u>Total reserve funds</u>	<u>3,728,377</u>	<u>3,277,493</u>
<u>Total reserves and reserve funds</u>	<u>\$ 4,619,933</u>	<u>\$ 3,950,945</u>

LOYALIST TOWNSHIP

Six-Year Financial Review
(Unaudited)

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

	2005	2004	2003	2002	2001	2000
1. Population at the end of the year	14,590	14,590	14,590	14,590	15,000	14,400
2. Employees - continuous						
full-time	90	91	90	88	88	88
- part time	69	176	191	222	226	198
3. Revenue for general municipal services						
Taxation	\$ 6,076	\$ 5,689	\$ 5,102	\$ 4,401	\$ 4,587	\$ 4,487
Payments in lieu of taxes	1,105	1,131	1,227	1,333	1,412	1,260
Ontario grants	3,549	2,993	3,246	3,191	3,442	3,511
Fees and service charges	5,758	5,444	4,801	5,140	4,251	3,569
Other	1,398	856	646	1,581	1,225	718
Total	\$ 17,886	\$ 16,113	\$ 15,022	\$ 15,646	\$ 14,917	\$ 13,545
4. Tax arrears						
- per capita	\$ 79	\$ 70	\$ 68	\$ 75	\$ 100	\$ 68
- percentage of of current levy	7%	7%	7%	8%	11.1%	6.8%
5. Expenditure - general municipal	16,042	15,271	15,367	15,058	14,331	15,291
6. Transfers to the county	5,777	5,195	4,802	4,661	4,488	4,592
7. Transfers to the school boards	4,417	4,455	4,437	4,314	4,385	5,437
8. Capital financing during the year						
Contributions from own funds	\$ 2,237	\$ 1,703	\$ 1,164	\$ 3,178	\$ 1,313	\$ 1,835
Ontario grants	100	22	128	332	627	868
Other	741	222	122	200	841	2,670
Contributions, benefiting landowners	251	307	196	888	-	-
Total	\$ 3,329	\$ 2,254	\$ 1,610	\$ 4,598	\$ 2,781	\$ 5,373
9. Capital expenditure during the year	\$ 2,339	\$ 2,072	\$ 2,780	\$ 3,207	\$ 3,005	\$ 4,603
10. General purpose operating surplus (deficit) at end of year	\$ 697	\$ 427	\$ (20)	\$ 286	\$ 307	\$ (204)
11. Reserves and reserve funds	\$ 4,620	\$ 3,951	\$ 2,987	\$ 3,221	\$ 3,320	\$ 2,510



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 statements of financial position of the trust funds of the Corporation of Loyalist Township as at December 31, 2005 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, 2005 and the continuity of the trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Kingston, Canada

April 21, 2006

LOYALIST TOWNSHIP

Trust Funds

Statement of Financial Position

Year ended December 31, 2005, with comparative figures for 2004

Name of Fund	Ontario Home Renewal Plan	Glenwood and Pentland Cemetery	Old Lutheran (Union) Cemetery	2005	2004
Assets					
Cash	\$ -	\$ 43,071	\$ 9,025	\$ 52,096	\$ 49,436
Ontario Home Renewal Plan loans receivable (note 2)	3,817	-	-	3,817	4,310
	\$ 3,817	\$ 43,071	\$ 9,025	\$ 55,913	\$ 53,746
Capital					
Fund balance:					
Capital Care and Maintenance Fund/Perpetual Care	\$ 3,817	\$ -	\$ -	\$ 3,817	\$ 4,310
Monument and marker fund	-	40,171	8,475	48,646	46,496
	-	2,900	550	3,450	2,940
	\$ 3,817	\$ 43,071	\$ 9,025	\$ 55,913	\$ 53,746

See accompanying notes to financial statements.

LOYALIST TOWNSHIP

Trust Funds

Statement of Continuity

Year ended December 31, 2005, with comparative figures for 2004

	Ontario Home Renewal Plan	Glenwood and Pentland Cemetery	Old Lutheran (Union) Cemetery	2005	2004
Balance at beginning of year	\$ 4,310	\$ 40,611	\$ 8,825	\$ 53,746	\$ 53,451
Interest earned	314	1,099	235	1,648	1,453
Sale of perpetual care Monument and marker fund	—	2,000	150	2,150	150
	—	460	50	510	280
	4,624	44,170	9,260	58,054	55,334
Ontario Home Renewal Plan:					
- Administration charges	53	—	—	53	31
- Return of capital to Ministry of Municipal Affairs and Housing	754	—	—	754	444
Interest transferred to operating fund	—	1,099	235	1,334	1,113
	807	1,099	235	2,141	1,588
Balance at end of year	\$ 3,817	\$ 43,071	\$ 9,025	\$ 55,913	\$ 53,746

See accompanying notes to financial statements.

LOYALIST TOWNSHIP

Trust Funds
Notes to Financial Statements

Year ended December 31, 2005

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, 2005 are comprised of repayable loans of \$3,817 (2004 - \$4,310) and forgivable loans of \$Nil (2004 - \$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.