

Audited Financial Statements of

**CORPORATION OF THE
TOWNSHIP OF SOUTH FRONTENAC**

Year ended December 31, 2009

Audited Financial Statements

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Year ended December 31, 2009

TOWNSHIP OF SOUTH FRONTENAC

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Township of South Frontenac (the "Township") are the responsibility of the Township'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 Township'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 Council 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 Township. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Township's consolidated financial statements.

Wayne Orr
Chief Administrative Officer

Deborah Bracken
Treasurer



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AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of South Frontenac

We have audited the consolidated statement of financial position of the Corporation of the Township of South Frontenac as at December 31, 2009 and the consolidated statements of operations and accumulated municipal surplus, changes in net financial assets 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'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that underlines the text.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada
November 17, 2010

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Statement of Financial Position

December 31, 2009, with comparative figures for 2008

	2009	2008 (Restated, note 2)
Financial assets:		
Cash	\$ 13,835,729	\$ 13,408,383
Taxes receivable	2,228,454	2,495,174
Accounts receivable	889,029	943,960
Long-term investments (note 5)	542,575	538,192
Tile drainage loan receivable (note 17)	11,529	12,824
Sydenham Water Works debenture receivable (note 18)	412,065	423,795
Mortgage receivable (note 19)	99,889	110,624
Total financial assets	18,019,270	17,932,952
Financial liabilities:		
Accounts payable and accrued liabilities	2,886,908	1,315,490
Deferred revenue	640,864	463,235
Deferred revenue – obligatory reserve funds (note 7)	3,773,864	4,982,900
Tile drainage debenture payable (note 17)	11,529	12,824
Sydenham Water Works debenture (note 18)	412,065	423,795
Landfill closure and post-closure liabilities (note 10)	870,343	738,287
Employee post employment benefit liability (note 8)	108,939	98,112
Total financial liabilities	8,704,512	8,034,643
Net financial assets	9,314,758	9,898,309
Non-financial assets:		
Inventory and prepaid expenses	238,568	240,239
Tangible capital assets	79,107,546	80,733,840
Total non-financial assets	79,346,114	80,974,079
Contingent liabilities (note 12)		
Commitments (note 13)		
Accumulated municipal surplus (note 11)	\$ 88,660,872	\$ 90,872,388

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

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Statement of Operations and Accumulated Municipal Surplus

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

	Budget (Unaudited, note 15)	2009	2008 (Restated, note 2)
Revenue:			
Property taxation	\$ 11,494,572	\$ 11,641,459	\$ 11,343,092
User charges	818,415	1,044,674	1,380,103
Licenses, permits and rents	487,800	493,452	489,128
Government grants	2,984,500	4,188,899	3,422,825
Grants from other municipalities	633,000	715,540	583,510
Investment income	213,225	76,140	312,556
Penalties and interest on taxes	350,000	362,194	371,660
Donations	2,000	40,745	–
Gain on sale of capital assets	23,220	146,768	79,807
Other	205,465	246,437	1,468,185
Total revenue	17,212,197	18,956,308	19,450,866
Expenses:			
General government	2,389,077	1,145,675	1,252,542
Fire	846,253	1,248,935	1,142,213
Police	2,118,524	2,186,535	1,951,419
Conservation authority	140,761	143,516	135,575
Protective inspections and control	414,177	384,259	408,263
Emergency measures	–	93	58
Roadways and winter control	8,674,850	12,979,590	10,746,108
Street lighting	74,000	64,774	61,965
Waterworks	200,000	339,976	333,267
Garbage collection and disposal	1,440,222	1,528,365	1,346,413
Landfill closure and post-closure costs	–	132,056	(156,966)
Cemeteries	16,465	59,544	56,922
Parks, recreation and cultural services	537,867	706,389	487,060
Planning and development	171,126	248,117	211,815
Total expenses	17,023,322	21,167,824	17,976,654
Annual surplus (deficit)	188,875	(2,211,516)	1,474,212
Accumulated municipal surplus, beginning of year		90,872,388	89,398,176
Accumulated municipal surplus, end of year		\$ 88,660,872	\$ 90,872,388

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

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Statement of Changes in Net Financial Assets

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

	2009	2008 (Restated, note 2)
Annual surplus (deficit)	\$ (2,211,516)	\$ 1,474,212
Amortization of tangible capital assets	9,618,971	6,179,753
Acquisition of tangible capital assets	(8,163,430)	(5,633,427)
Proceeds on disposal of tangible capital assets	146,768	79,807
Change in inventories, prepaid expenses	1,671	-
Gain on sale of tangible capital assets	(146,768)	(11,450)
Write-down of tangible capital assets	170,753	(79,807)
	1,627,965	534,876
Change in net financial assets	(583,551)	2,009,088
Net financial assets, beginning of year	9,898,309	7,889,221
Net financial assets, end of year	\$ 9,314,758	\$ 9,898,309

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

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Statement of Cash Flows

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

	2009	2008
Operations:		
Annual surplus (deficit)	\$ (2,211,516)	\$ 1,474,212
Items not involving cash:		
Amortization	9,618,971	6,179,753
Gain on sale of tangible capital assets	(146,768)	(79,807)
Write-down of tangible capital assets	170,753	-
Change in landfill liability	132,056	(156,966)
Change in employee benefit obligations	10,827	98,112
	<u>7,574,323</u>	<u>7,515,304</u>
Change in non-financial assets:		
Decrease (increase) in prepaid expenses	1,669	(11,452)
Change in non-cash assets and liabilities:		
Decrease (increase) in taxes receivable	266,720	(137,574)
Decrease in accounts receivable	54,933	697,620
Increase (decrease) in accounts payable and accrued liabilities	1,571,418	(598,270)
Increase in deferred revenue	177,629	38,644
Increase (decrease) in deferred revenue – obligatory reserve funds	(1,209,036)	2,302,771
	<u>861,664</u>	<u>2,303,191</u>
Net change in cash from operations	<u>8,437,656</u>	<u>9,807,043</u>
Investing transactions:		
Redemption (purchase) of long-term investments	(4,383)	56,646
Decrease in mortgage receivable	10,735	10,021
	<u>6,352</u>	<u>66,667</u>
Capital transactions:		
Proceeds on sale of tangible capital assets	146,768	79,807
Cash used to acquire tangible capital assets	(8,163,430)	(5,633,425)
	<u>(8,016,662)</u>	<u>(5,553,618)</u>
Increase in cash	427,346	4,320,092
Cash, beginning of year	13,408,383	9,088,291
Cash, end of year	<u>\$ 13,835,729</u>	<u>\$ 13,408,383</u>

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

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2009

1. Significant accounting policies:

The consolidated financial statements of the Corporation of the Township of South Frontenac (the "Township") are prepared by management in accordance with Canadian generally accepting accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Township are as follows:

(a) Basis of consolidation:

- (i) The consolidated financial statements reflect the assets, liabilities, revenue and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Township and which are owned or controlled by the Township. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

These consolidated financial statements include:

Sydenham Cemetery Board
Sandhill Cemetery Board
Portland Cemetery Board
North Frontenac Community Arena (proportionately consolidated)

Proportionate consolidation:

The North Frontenac Community Arena is accounted for using the proportionate consolidation method of accounting and reporting, whereby the municipality's pro-rata share of each of the assets, liabilities, revenue and expenses is combined on a line-by-line basis in the financial statements.

- (ii) The charges for long-term liabilities assumed by consolidated entities or by individuals in the case of the drainage and shoreline property assistance loans are reflected in the financial statements.

(iii) Accounting for school board and county transactions:

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

- (iv) Trust funds and their related operations administered by the Township are not included in these financial statements but are reported on separately on the Trust Fund Statements of Continuity and Statements of Financial Position.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

1. Significant accounting policies (continued):

(b) Basis of accounting:

Revenue and expenses are reported on the accrual basis of accounting. Revenue is recognized as it is earned 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) Deferred revenue – obligatory reserve funds:

The Township receives restricted contributions under the authority of provincial legislation and Township by-laws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

(d) Investments:

Long-term investments are recorded at cost plus accrued interest, which approximates market value. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

(e) Financial instruments:

Unless otherwise noted, it is management's opinion that the Township is not exposed to significant interest, currency or credit risks arising from its financial instruments and the carrying amount of its financial instruments approximate their fair value.

(f) Government transfers:

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

(g) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and 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.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

1. Significant accounting policies (continued):

(h) Landfill closure and post-closure liabilities:

The Township accrues landfill closure and post-closure care requirements that have been defined in accordance with Ministry standards and include final covering and landscaping of the landfill, ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a period of up to fifty years using the best information available to management.

Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

(i) Deferred revenue:

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

(j) Employee future benefits:

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

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

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

1. Significant accounting policies (continued):

(k) 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 - 20
Buildings and building improvements	20 - 50
Vehicles	8 - 20
Machinery and equipment	3 - 25
Water infrastructure	50 - 70
Roads and bridges infrastructure	7 - 50

Annual amortization is charged in the year of acquisition. 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) Natural resources:

Natural resources that have not been purchased are not recognized as assets in the financial statements.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

1. Significant accounting policies (continued):

(k) Non-financial assets (continued):

(iv) 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.

(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 Consumer Price Index or 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 THE TOWNSHIP OF SOUTH FRONTENAC

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 at January 1, 2008:	
Current fund balance	\$ 26,373
Capital fund balance	(2,360,834)
Reserves	8,726,434
Reserve funds	2,621,289
Amounts to be recovered	(895,253)
Accumulated surplus, as previously reported	8,118,009
Net book value of tangible capital assets recorded	81,280,167
Accumulated surplus as of January 1, 2008, as restated	\$ 89,398,176
Annual surplus for 2008:	
Net revenue, as previously reported	\$ 2,009,089
Assets capitalized but previously expensed	5,633,425
Amortization expense not previously recorded	(6,179,753)
Change in non-financial assets not previously reported as expense	11,451
Annual surplus, as restated	\$ 1,474,212

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

3. Operations of school boards and the County of Frontenac:

During 2009, the Township collected property taxes and payments in lieu of property taxes on behalf of the school boards and the County of Frontenac. The amounts collected and remitted are summarized below:

	School Boards		County of Frontenac	
	2009	2008	2009	2008
Amounts collected and remitted	\$ 5,135,896	\$ 4,983,144	\$ 4,875,111	\$ 4,849,649

4. Contributions to consolidated joint board:

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

	2009	2008
North Frontenac Community Arena	\$ 32,719	\$ 15,930

The Township is contingently liable for its share, which is approximately 59% of any accumulated deficits as at the end of the year for this board. The Township's share of the accumulated surpluses (or deficits) of this joint board is as follows:

North Frontenac Community Arena	\$ 527,507	\$ 484,837
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The Township paid \$490,643 on behalf of North Frontenac Community Arena for expenses relating to Project End Zone. In the current year, \$67,462 has been repaid leaving a receivable balance of \$173,325 at year end.

5. Long-term investments:

Total long-term investments of \$542,575 (2008 - \$538,192) reported on the "Consolidated Statement of Financial Position" at cost plus accrued interest, have a market value of \$547,745 (2008 - \$542,673) at the end of the year.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

6. Trust funds:

Trust funds administered by the Township amounting to \$531,595 (2008 - \$515,767) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Operations and Accumulated Municipal Surplus".

7. Deferred revenue – obligatory reserve funds:

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the Township are summarized below:

	2009	2008
Balance, beginning of year	\$ 4,982,900	\$ 2,680,129
Development contributions	284,944	387,838
Investment income	49,052	128,946
Gasoline tax	596,063	266,087
Provincial conditional grants	–	2,037,213
Funds utilized	(2,139,095)	(517,313)
	\$ 3,773,864	\$ 4,982,900
Analyzed as follows:		
Gasoline tax	\$ 268,227	\$ 413,222
MTO-Roads and bridges infrastructure	704,579	1,195,522
Investment in Ontario	291,215	859,968
Development charges	1,667,187	1,605,847
Cash in lieu of parkland	842,656	908,341
	\$ 3,773,864	\$ 4,982,900

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

8. Employee post employment benefit liability:

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

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

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

The accrued benefit obligation relating to employee non-pension retirement benefits has been actuarially determined using the projected benefit method pro-rated on services. At December 31, 2009, based on an actuarial update, the accrued benefit obligation was \$114,321 (2008 - \$104,167).

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

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

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

	2009	2008
Accrued benefit liability, beginning of year	\$ 98,112	\$ 87,641
Expense recognized for the year	6,749	5,985
Interest cost	6,030	5,933
Benefits paid for the year	(1,952)	(1,447)
Accrued benefit liability, end of year	\$ 108,939	\$ 98,112

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

	2009	2008
Accrued benefit obligation, end of year	\$ 114,321	\$ 104,167
Unamortized actuarial loss	(5,382)	(6,055)
Accrued benefit liability, end of year	\$ 108,939	\$ 98,112

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

9. Pension agreements:

The Township makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of forty-two members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2009 was \$135,412 (2008 - \$138,623) for current service and is included as an expense on the "Consolidated Statement of Operations and Accumulated Municipal Surplus".

10. Landfill closure and post-closure liabilities:

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

Landfill closure and post-closure care requirements have been defined in accordance with Ministry standards and include final covering and landscaping of the landfill, ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a period of up to fifty years using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The Township currently has six active and three inactive landfill sites. The estimated remaining capacity of the active landfill sites ranges from 4.1% to 54% of the total estimated capacity and the estimated remaining life of the active landfill sites ranges from two years to thirty-three years. The period for post-closure care for all sites is estimated to be fifteen years.

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% (2008 - 6%). The estimated total landfill closure and post-closure care expenses are calculated to be approximately \$1,322,307 (2008 - \$1,143,125). For sites that are still active, the estimated liability for these expenses is recognized as the landfill site's capacity is used. For sites that are inactive, the estimated liability for these expenses is recognized immediately. Included in liabilities at December 31, 2009 is an amount of \$870,343 (2008 - \$738,287) with respect to landfill closure and post-closure liabilities recognized to date.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

11. Accumulated municipal surplus:

Accumulated municipal surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2009	2008
Cemetery boards	\$ 14,327	\$ 24,662
North Frontenac Community Arena	(23,697)	(28,441)
Invested in tangible capital assets:		
Tangible capital assets	79,107,546	80,733,840
Unfinanced capital expense	(746,311)	(854,215)
Landfill closure and post-closure to be recovered	(870,343)	(738,287)
Total surplus	77,481,522	79,137,559
Reserves set aside for specific purposes by Council:		
Working funds	\$ 2,662,408	\$ 2,905,696
Contingencies	4,668	4,668
Replacement of equipment	495,265	1,480,328
Mill rate stabilization	1,367,657	953,948
General government capital	464,582	548,343
Roadways capital	1,945,778	1,807,852
Sydenham water	125,524	90,731
Future landfill closing	782,668	813,927
Cemeteries	30,000	20,000
Recreation capital	90,519	90,524
Other capital	267,015	267,015
	8,236,084	8,983,032
Reserve funds set aside for specific purposes by Council:		
Election	71,482	53,015
General government capital	1,482,139	1,366,315
Protection services capital	13,487	10,340
Roadways capital	679,089	649,777
Future landfill closing	511,206	517,748
Recreation capital	170,690	149,450
Accessibility	10,021	-
Other capital	5,152	5,152
	2,943,266	2,751,797
Total accumulated municipal surplus	\$ 88,660,872	\$ 90,872,388

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

12. Contingent liabilities:

The nature of the Township's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at December 31, 2009, management believes that the Township has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Township's financial position. As a result, no provision has been made in these financial statements for any settlement which may arise as a result of these claims.

13. Commitments:

- (a) The Township has entered into an agreement with the Ontario Provincial Police for the provision of police services. The term of the agreement is five years, commencing April 1, 2008 at an annual cost of approximately \$1.9 million.
- (b) The Township entered into an Agreement with 1425445 Ontario Limited operating as Utilities Kingston for the operation and maintenance of the water system. The term of the Agreement expired on April 1, 2009 at an annual cost of \$97,000 (2008 - \$137,328) with the terms now being reviewed on a monthly basis until there is a new agreement.

14. Supplementary information:

	2009	2008
Expense by object:		
Salaries, wages and employee benefits	\$ 3,056,722	\$ 3,515,153
Materials, services, rents and financial expenses	8,271,959	8,102,006
Transfers to others	220,171	179,743
Amortization	9,618,972	6,179,752
	<hr/> \$ 21,167,824	<hr/> \$ 17,976,654

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

15. Budget figures:

The unaudited budget data presented in these consolidated financial statements is based upon the 2009 operating and capital budgets approved by Council on May 5, 2009. Amortization was not contemplated on development of the budget and, as such, has not been included. The approved budget to the budget figures reported in these consolidated financial statements are listed below:

	2009 Budget
Reported on statement of operations:	
Revenue	\$ 17,212,197
Expenses	17,023,322
Annual surplus	\$ 188,875
Budget not reported on statements:	
Transfer to capital	\$ 119,500
Transfer to reserve and reserve fund	46,234
North Frontenac Community Arena	23,141
Total budget transfers not reported on statement	\$ 188,875

16. Fair value of financial assets and financial liabilities:

The carrying value of taxes receivable, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

The market value of long-term investments is disclosed in note 5.

17. Tile drainage loan receivable and payable:

The loan bears annual interest at 6% and is repayable in 10 equal instalments of principal and interest of \$2,065. The responsibility for payment of principal and interest for the loan has been assumed by individuals and therefore has been shown in the financial statements as both a loan receivable and payable.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

18. Sydenham Water Works debenture receivable and payable:

The debenture was issued on December 1, 2008, bears annual interest at 5.75% and is repayable in forty equal bi-annual instalments of blended principal and interest of \$17,966 commencing June 1, 2009. The responsibility for payment of principal and interest for the loan has been assumed by individuals and therefore has been shown in the financial statements as both a loan receivable and payable.

19. Mortgage receivable:

The mortgage receivable bears annual interest at 7%, is repayable in 120 equal instalments of principal and interest of \$1,503 and is due on December 1, 2016.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

20. Tangible capital assets:

Cost	Balance at December 31, 2008 (note 2)	Additions	Disposals	Balance at December 31, 2009
Land	\$ 2,718,989	\$ 211,172	\$ -	\$ 2,930,161
Land improvements	21,750	72,024	-	93,774
Buildings and building improvements	3,977,119	715,264	-	4,692,383
Vehicles, machinery and equipment	8,273,823	1,757,307	-	10,031,130
Roads and bridges infrastructure	111,738,504	5,235,845	528,784	116,445,565
Water infrastructure	7,799,000	127,307	-	7,926,307
Assets under construction	-	43,715	-	43,715
North Frontenac Community Arena	696,410	796	-	697,206
Total	\$ 135,225,595	\$ 8,163,430	\$ 528,784	\$ 142,860,241

Accumulated amortization	Balance at December 31, 2008 (note 2)	Disposals	Amortization expense	Balance at December 31, 2009
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	544	-	2,888	3,432
Buildings and building improvements	1,822,006	-	94,809	1,916,815
Vehicles, machinery and equipment	4,144,410	-	562,659	4,707,069
Roads and bridges infrastructure	48,187,227	358,029	8,804,542	56,633,740
Water infrastructure	204,486	-	137,597	342,083
Assets under construction	-	-	-	-
North Frontenac Community Arena	133,083	-	16,476	149,559
Total	\$ 54,491,756	\$ 358,029	\$ 9,618,971	\$ 63,752,698

	Net book value December 31, 2008	Net book value December 31, 2009
Land	\$ 2,718,989	\$ 2,930,161
Land improvements	21,206	90,342
Buildings and building improvements	2,155,113	2,775,568
Vehicles, machinery and equipment	4,129,413	5,324,061
Roads and bridges infrastructure	63,551,277	59,811,825
Water infrastructure	7,594,514	7,584,224
Assets under construction	-	43,715
North Frontenac Community Arena	563,327	547,647
Total	\$ 80,733,839	\$ 79,107,543

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

20. Tangible capital assets (continued):

Cost	Balance at December 31, 2007 (note 2)	Additions	Disposals	Balance at December 31, 2008
Land	\$ 2,499,993	\$ 218,996	\$ —	\$ 2,718,989
Land improvements	—	21,750	—	21,750
Buildings and building improvements	3,895,200	81,919	—	3,977,119
Vehicles, machinery and equipment	7,854,925	418,898	—	8,273,823
Roads and bridges infrastructure	106,948,540	4,789,964	—	111,738,504
Water infrastructure	7,799,000	—	—	7,799,000
North Frontenac Community Arena	594,512	101,898	—	696,410
Total	\$ 129,592,170	\$ 5,633,425	\$ —	\$ 135,225,595

Accumulated amortization	Balance at December 31, 2007 (note 2)	Disposals	Amortization expense	Balance at December 31, 2008
Land	\$ —	\$ —	\$ —	\$ —
Land improvements	—	—	544	544
Buildings and building improvements	1,734,902	—	87,104	1,822,006
Vehicles, machinery and equipment	3,646,530	—	497,880	4,144,410
Roads and bridges infrastructure	42,744,448	—	5,442,779	48,187,227
Water infrastructure	68,162	—	136,324	204,486
North Frontenac Community Arena	117,961	—	15,122	133,083
Total	\$ 48,312,003	\$ —	\$ 6,179,753	\$ 54,491,756

	Net book value December 31, 2007	Net book value December 31, 2008
Land	\$ 2,499,993	\$ 2,718,989
Land improvements	—	21,206
Buildings and building improvements	2,160,298	2,155,113
Vehicles, machinery and equipment	4,208,395	4,129,413
Roads and bridges infrastructure	64,204,092	63,551,277
Water infrastructure	7,730,838	7,594,514
North Frontenac Community Arena	476,551	563,327
Total	\$ 81,280,167	\$ 80,733,839

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

20. Tangible capital assets (continued):

(a) Assets under construction

Assets under construction having a value of \$43,715 (2008 - \$Nil) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) 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.

21. Segmented information:

The Township is a municipal government institution that provides a range of services to its citizens, including police, fire, transportation, recreational and environmental. For management reporting purposes the Township's operations and activities are organized and reported by department. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

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

(a) Administration:

Includes corporate services and governance of the Township. Administration as a segment includes human resource management, support to Council for policy development, by-law development in compliance with the Municipal Act, tax billing and collection responsibilities, financial management reporting, monitoring and overall budget status as well as frontline reception and customer service.

(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.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

21. Segmented information (continued):

(c) Transportation Services:

This department provides the winter and summer maintenance, the repair and the construction of the municipal roads system including bridges and culverts.

(d) Environmental Services:

Includes the management and maintenance of water treatment and distribution.

(e) Cemetery Boards:

Includes the management and maintenance of municipal cemeteries.

(f) Parks, Recreation and Culture:

Provides services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure programs and facilities including community halls, libraries, parks, recreation fields and the proportionate share of North Frontenac Community Arena.

(g) Planning and Development:

Manages development for business interests, environmental concerns, heritage matters, local neighbourhoods and community development. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of the zoning by-law and official plan, and the provision of geomatics services.

For each segment separately reported, the segment revenue and 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. These municipal services are funded primarily by property tax revenue. Taxation is apportioned to these services based on the funding requirement. Certain government transfers, transfer from other funds, and other revenue have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 1.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Schedule of Segment Information

Year ended December 31, 2009

	Administration	Protection Services	Transportation Services	Environmental Services	Cemetery Boards	Parks, Recreation and Culture	Planning and Development	Total
Revenue:								
Taxation	\$ (1,234,183)	\$ 3,311,617	\$ 7,862,724	\$ 1,245,400	\$ 24,200	\$ 282,037	\$ 102,226	\$ 11,594,021
Payments in lieu of taxation	47,438	–	–	–	–	–	–	47,438
Penalties and interest	361,189	1,005	–	–	–	–	–	362,194
Investment income	75,771	–	–	–	369	–	–	76,140
Government Unconditional Grants	1,624,500	174,400	–	–	–	–	–	1,798,900
Government conditional grants	2,010	26,792	1,977,038	342,809	–	36,394	4,956	2,389,999
Other municipalities	7,000	–	708,540	–	–	–	–	715,540
Licenses, permits and rents	153,618	305,991	16,231	8,870	–	8,742	–	493,452
User fees and service charges	5,516	69,100	178,333	394,401	28,479	275,958	92,887	1,044,674
Other	17,198	6,158	113,216	12,546	4,415	280,372	45	433,950
	1,060,057	3,895,063	10,856,082	2,004,026	57,463	883,503	200,114	18,956,308
Expenses:								
Salaries, wages and employee benefits	1,701,086	645,145	503,624	121,319	480	81,068	4,000	3,056,722
Interest on long-term debt	–	–	–	24,202	–	–	769	24,971
Materials	735,469	614,045	1,460,509	742,619	8,124	444,656	112,883	4,118,305
Contracted services	22,945	2,234,057	854,089	887,701	49,122	65,492	4,956	4,118,362
Rents and financial expenses	3,913	–	–	–	–	6,408	–	10,321
External transfers	9,400	149,759	9,558	725	–	50,729	–	220,171
Amortization	26,483	241,465	9,166,898	140,778	–	33,291	10,057	9,618,972
Inter-functional adjustments	(1,353,621)	78,867	1,049,686	83,053	1,818	24,745	115,452	–
Total expenses	1,145,675	3,963,338	13,044,364	2,000,397	59,544	706,389	248,117	21,167,824
Excess of revenue over expenses (expenses over revenue)								
	\$ (85,618)	\$ (68,275)	\$ (2,188,282)	\$ 3,629	\$ (2,081)	\$ 177,114	\$ (48,003)	\$ (2,211,516)



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AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of South Frontenac

We have audited the statements of financial position of the trust funds of the Corporation of the Township of South Frontenac as at December 31, 2009 and the statements of continuity of trust funds for the year then ended. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust funds of the Township as at December 31, 2009 and the continuity of trust funds for the year then ended in accordance with the Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that serves as a decorative underline.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada

November 17, 2010

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds

Statements of Financial Position

December 31, 2009, with comparative figures for 2008

Name of Fund	Subdivider deposits	Cemetery perpetual care	Monument perpetual care	Muriel Burns	Ontario home renewal program	Grant family memorial endowment	Total 2009	Total 2008
Assets								
Current assets:								
Cash	\$ 10,847	\$ 344,395	\$ 57,852	\$ 25,000	\$ 3,842	\$ 29,090	\$ 471,026	\$ 454,500
Investments at cost, which approximates market value:								
Term deposits	–	32,500	–	–	–	–	32,500	32,500
	10,847	376,895	57,852	25,000	3,842	29,090	503,526	487,000
Loans receivable (note 2)	–	–	–	–	–	–	–	32,264
Long-term notes receivable	–	–	–	–	32,038	–	32,038	–
	\$ 10,847	\$ 376,895	\$ 57,852	\$ 25,000	\$ 35,880	\$ 29,090	\$ 535,564	\$ 519,264
Liabilities and Capital								
Current liabilities:								
Accounts payable	\$ –	\$ –	\$ 128	\$ –	\$ 3,842	\$ –	\$ 3,970	\$ 3,497
Capital (note 3):								
Bedford district	1,619	–	–	–	15,184	–	16,803	16,790
Loughborough district	9,228	71,561	12,709	–	15,160	29,090	137,748	135,767
Portland district	–	199,613	31,343	–	450	–	231,406	224,380
Storrington district	–	105,721	13,672	25,000	1,244	–	145,637	138,830
	10,847	376,895	57,724	25,000	32,038	29,090	531,594	515,767
	\$ 10,847	\$ 376,895	\$ 57,852	\$ 25,000	\$ 35,880	\$ 29,090	\$ 535,564	\$ 519,264

Statements of Continuity

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

Balance, beginning of year	\$ 10,760	\$ 364,165	\$ 54,722	\$ 25,000	\$ 32,265	\$ 28,856	\$ 515,768	\$ 503,971
Sales of perpetual care	–	12,730	2,550	–	–	–	15,280	9,600
Interest earned	87	4,213	452	201	120	234	5,307	15,984
	87	16,943	3,002	201	120	234	20,587	25,584
Expenditures:								
Transfer to operating fund	–	4,213	–	201	–	–	4,414	12,891
Capital donations	–	–	–	–	–	–	–	–
Transfer to revenue fund	–	–	–	–	46	–	46	–
Refund to province	–	–	–	–	300	–	300	897
	–	4,213	–	201	346	–	4,760	13,788
Balance, end of year	\$ 10,847	\$ 376,895	\$ 57,724	\$ 25,000	\$ 32,039	\$ 29,090	\$ 531,595	\$ 515,767

The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds

Notes to Financial Statements

Year ended December 31, 2009

1. Significant accounting policies:

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

(a) Basis for accounting:

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

(b) Revenue recognition:

Revenue and expenditures are recorded on an accrual basis.

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

(c) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

2. Ontario Home Renewal Program:

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

Ontario Home Renewal Program loans receivable at December 31, 2009 are comprised of repayable loans of \$32,038 (2008 - \$32,264) and forgivable loans of \$400 (2008 - \$400). Loan forgiveness is earned and recorded at a rate of up to \$600 per year of continued ownership and occupancy. In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balances of the repayable loan and the unearned forgivable loan immediately become due and payable by the homeowner.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds

Notes to Financial Statements (continued)

Year ended December 31, 2009

3. Monument perpetual care:

The capital balance of monument perpetual care includes the original capital contributions received as well as accumulated unspent income on the capital contributions received. The unspent income of \$452 (2008 - \$1,707) is available for future expenses related to monument perpetual care.

4. 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.



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AUDITORS' REPORT

To the Board Members, Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of South Frontenac

We have audited the statements of financial position of the Corporation of the Township of South Frontenac Cemetery Boards as at December 31, 2009 and the statements of operations and accumulated surplus for the year then ended. These financial statements are the responsibility of the Boards' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Cemetery Boards of the Township as at December 31, 2009 and the results of their operations and their cash flow 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 curved line that underlines the text.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada
November 17, 2010

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Cemetery Boards

Statements of Financial Position

December 31, 2009, with comparative figures for 2008

Name of Board	Portland	Sandhill	Sydenham	Total 2009	Total 2008
Net Assets					
Financial assets:					
Cash	\$ 15,791	\$ 35,588	\$ 12,188	\$ 63,567	\$ 28,301
Accounts receivable	-	-	-	-	1
	15,791	35,588	12,188	63,567	28,302
Liabilities:					
Accounts payable	24,590	11,041	11,430	47,061	1,531
Deferred revenue					
Prepaid burials and vandalism fund	-	879	1,300	2,179	2,109
	24,590	11,920	12,730	49,240	3,640
Net financial assets (liabilities)	\$ (8,799)	\$ 23,668	\$ (542)	\$ 14,327	\$ 24,662

Accumulated Surplus (Deficit)

Accumulated surplus (deficit)	\$ (8,799)	\$ 23,667	\$ (542)	\$ 14,327	\$ 24,662
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The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Cemetery Boards

Statement of Operations and Accumulated Surplus

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

Name of Boards	Portland	Sandhill	Sydenham	Total 2009	Total 2008
Revenue:					
Sale of plots	\$ 6,900	\$ 15,500	\$ 2,880	\$ 25,280	\$ 11,960
Less portion transferred to the Perpetual Care Fund capital account	5,280	6,200	1,250	12,730	7,200
	1,620	9,300	1,630	12,550	4,760
Transfer from Perpetual Care Fund	2,830	813	570	4,213	11,902
Burial charges-opening and closing	8,310	-	4,000	12,310	14,595
Sale of cornerstones	470	2,100	480	3,050	1,840
Bank interest	58	247	64	369	1,541
Interest from Muriel Burns Trust Fund	-	202	-	202	819
Municipal contribution from tax levy	-	13,000	-	13,000	13,000
Miscellaneous income	171	230	169	570	2,034
Total revenue	13,459	25,892	6,913	46,264	50,491
Expenditures:					
Administration and general	875	5,199	643	6,717	5,558
Maintenance and care of plots	22,025	17,553	10,303	49,881	44,925
Maintenance and care of monuments	-	-	-	-	2,000
Total expenditures	22,900	22,752	10,946	56,598	52,483
Net revenue (expenditures)	(9,441)	3,140	(4,033)	(10,334)	(1,992)
Opening accumulated surplus	642	20,528	3,491	24,661	26,654
Closing accumulated surplus (deficit)	\$ (8,799)	\$ 23,668	\$ (542)	\$ 14,327	\$ 24,662

The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Cemetery Boards

Notes to Financial Statements

Year ended December 31, 2009

1. Significant accounting policies:

The financial statements of the Township of South Frontenac Cemetery Boards are the representation of management prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Boards are as follows:

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

(a) Revenue recognition:

Revenue and expenditures are recorded on an accrual basis.

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

(b) Non-consolidated trust funds:

The Perpetual Care Trust Funds and related operations are not consolidated but are reported separately on the "Trust Fund Statements of Financial Position and Statements of Continuity" of the Township of South Frontenac.

(c) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Cemetery Boards

Notes to Financial Statements (continued)

Year ended December 31, 2009

2. Trust funds:

The Perpetual Care Trust Funds administered by the Cemetery Boards amounting to \$436,748 (2008 - \$418,889) have not been included in the "Statements of Financial Position" nor have their operations been included in the "Statements of Operations and Accumulated Surplus".

3. Statement of changes in financial position:

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