

Audited Financial Statements of

**CORPORATION OF THE
TOWNSHIP OF SOUTH FRONTENAC**

Year ended December 31, 2006

Audited Financial Statements

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Year ended December 31, 2006

TOWNSHIP OF SOUTH FRONTENAC

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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, 2006 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, 2006 and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. A horizontal line is drawn underneath the signature, extending from the left side of the 'K' towards the right.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada
July 18, 2007

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Statement of Financial Position

December 31, 2006, with comparative figures for 2005

	2006	2005
Net Assets		
Financial assets:		
Cash (note 2)	\$ 9,436,918	\$ 5,336,897
Taxes receivable	2,348,066	2,613,958
Accounts receivable	1,122,417	4,086,199
Long-term investments (note 2 and 6)	561,950	543,636
Tile drainage loan receivable (note 16)	15,200	-
Mortgage receivable (note 17)	130,000	-
	<u>13,614,551</u>	<u>12,580,690</u>
Liabilities:		
Accounts payable and accrued liabilities	1,618,116	3,453,379
Deferred revenues	636,038	341,637
Deferred revenues – obligatory reserve funds (note 8)	2,603,904	2,207,983
Landfill closure and post-closure liabilities (note 10)	872,235	817,862
Tile drainage debenture payable (note 16)	15,200	-
	<u>5,745,493</u>	<u>6,820,861</u>
Net financial assets	7,869,058	5,759,829
Non-financial assets:		
Inventory and prepaid expenses	93,525	114,485
Total net assets	<u>\$ 7,962,583</u>	<u>\$ 5,874,314</u>

Municipal Position

Current fund (note 3)	\$ 54,531	\$ 50,608
Capital fund (note 3)	(2,010,457)	(2,436,332)
Reserves	8,404,619	6,877,727
Reserve funds	2,386,125	2,200,173
	<u>8,834,818</u>	<u>6,692,176</u>
Landfill closure and post-closure liabilities to be recovered from reserves and reserve funds	(872,235)	(817,862)
Contingent liabilities (note 11)		
Commitments (note 12)		
Total municipal position	<u>\$ 7,962,583</u>	<u>\$ 5,874,314</u>

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

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Statement of Financial Activities

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
Revenues:		
Property taxation	\$ 10,173,204	\$ 9,801,452
User charges	577,655	426,560
Licenses, permits and rents	450,648	506,050
Government grants	3,143,437	4,630,210
Grants from other municipalities	1,295,418	632,204
Investment income	294,665	206,497
Penalties and interest on taxes	339,402	379,380
Transfers from deferred obligatory reserve funds	171,827	284,090
Sale of land and property	267,840	213,170
Other	828,974	149,644
Total revenues	17,543,070	17,229,257
Expenditures:		
Current (note 13):		
General government	1,025,524	904,707
Fire	692,691	775,781
Police	1,620,506	1,716,071
Conservation authority	111,655	113,708
Protective inspections and control	395,407	338,839
Emergency measures	190	382
Roadways and winter control	6,816,054	6,356,364
Street lighting	67,775	63,867
Waterworks	81,035	13,514
Garbage collection and disposal	958,663	840,043
Landfill closure and post-closure costs	54,373	(96,518)
Cemeteries	53,509	56,691
Parks, recreation and cultural services	466,413	421,620
Planning and development	143,664	174,108
Total current expenditures	12,487,459	11,679,177
Capital:		
General government	75,738	99,543
Fire	194,253	831,735
Protective inspections and control	28,402	6,877
Emergency measures	4,853	47
Roadways and winter control	794,272	104,006
Waterworks system	1,506,357	5,677,609
Garbage collection and disposal	237,214	346,691
Parks, recreation and cultural services	96,411	119,922
Planning and development	8,882	16,658
Total capital expenditures	2,946,382	7,203,088
Total expenditures	15,433,841	18,882,265
Net revenues (expenditures)	2,109,229	(1,653,008)
Financing and transfers:		
Change in landfill closure and post-closure costs	54,373	(96,518)
Change in non-financial assets	(20,960)	(4,829)
	33,413	(101,347)
Increase (decrease) in fund balances	\$ 2,142,642	\$ (1,754,355)

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

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Statement of Changes in Financial Position

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
Operations:		
Net revenues (expenditures)	\$ 2,109,229	\$(1,653,008)
Net change in non-cash working capital items:		
Decrease (increase) in taxes receivable	265,892	(59,061)
Decrease (increase) in accounts receivable	2,963,782	(2,742,281)
Increase (decrease) in accounts payable and accrued liabilities	(1,835,263)	2,077,327
Increase in deferred revenue	294,401	82,169
Increase in deferred revenue – obligatory reserve funds	395,921	383,456
Increase (decrease) in landfill closure and post-closure liabilities	54,373	(96,518)
	2,139,106	(354,908)
Net change in cash from operations	4,248,335	(2,007,916)
Investing:		
Increase in long-term investments	(18,314)	(32,898)
Increase in mortgage receivable	(130,000)	–
	(148,314)	(32,898)
Increase (decrease) in cash and cash equivalents	4,100,021	(2,040,814)
Cash and cash equivalents, beginning of year	5,336,897	7,377,711
Cash and cash equivalents, end of year	\$ 9,436,918	\$ 5,336,897

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 financial statements.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements

Year ended December 31, 2006

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, revenues, expenditures and fund balances of the current, capital and reserve funds 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 proportional consolidation method of accounting and reporting, whereby the municipality's pro-rata share of each of the assets, liabilities, revenues 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 transactions:

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards are 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, 2006

1. Significant accounting policies (continued):

(b) Capital assets:

The historical cost and accumulated amortization 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) 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-seven years 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.

(d) Deferred revenues – 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 expenditures are recorded as revenue in the fiscal period they are expended.

(e) 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.

(f) Amounts to be recovered:

Amounts to be recovered are comprised of landfill closure and post-closure liabilities.

(g) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

2. Restricted assets:

Cash and long-term investments in the amount of \$4,990,029 (2005 - \$4,408,156) have been restricted to support reserve funds and deferred revenues - obligatory reserve funds.

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

(a) The current and capital fund balances on the "Consolidated Statement of Financial Position" of \$(1,955,926) (2005 - \$2,385,724) at the end of the year are comprised of the following:

	2006	2005
- to be applied to operations of the Cemetery boards	\$ 21,857	\$ 17,056
- to be applied to operations of the North Frontenac Community Arena	32,674	33,552
	54,531	50,608
- acquisition of fixed assets to be recovered from taxation or user charges	(2,010,457)	(2,436,332)
	<u>\$(1,955,926)</u>	<u>\$(2,385,724)</u>

(b) Approval by by-law has been obtained for those pending issues of long-term liabilities and commitments to be financed by revenues beyond the term of Council. 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.

(c) The balance available for general reduction of taxation for the fiscal year ending December 31, 2006 has been reduced by an amount of \$1,536,848 (2005 - \$530,780) transferred to reserves. Had this reduction not been made the balance available to be applied to operations of the operating fund would have shown a surplus of \$1,536,848 (2005 - \$530,780).

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

During 2006, 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	
	2006	2005	2006	2005
Amounts collected and remitted	\$ 4,924,350	\$ 4,530,182	\$ 4,879,342	\$ 4,648,403

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

5. Contributions to consolidated joint board:

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

	2006	2005
North Frontenac Community Arena	\$ 10,620	\$ 21,712

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	\$ 32,674	\$ 33,552
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6. Long-term investments:

Total long-term investments of \$561,960 (2005 - \$543,636) reported on the "Consolidated Statement of Financial Position" at cost plus accrued interest, have a market value of \$561,403 (2005 - \$537,124) at the end of the year.

7. Trust funds:

Trust funds administered by the Township amounting to \$492,875 (2005 - \$470,582) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities".

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

8. 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:

	2006	2005
Balance, beginning of year	\$ 2,207,983	\$ 1,824,527
Development contributions	313,637	452,748
Investment income	94,069	54,757
Gasoline tax	160,041	160,041
Transfers to current fund	(25,000)	(83,850)
Transfers to capital fund	(146,826)	(200,240)
	\$ 2,603,904	\$ 2,207,983
Analyzed as follows:		
Development charges	\$ 1,595,928	\$ 1,421,386
Cash in lieu of parkland	680,365	626,556
Gasoline tax	327,611	160,041
	\$ 2,603,904	\$ 2,207,983

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 2006 was \$112,088 (2005 - \$104,202) for current service and is included as an expenditure on the "Consolidated Statement of Financial Activities".

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

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-seven years 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.

The Township currently has six active and three inactive landfill sites. The estimated remaining capacity of the active landfill sites ranges from 6% to 53% of the total estimated capacity and the estimated remaining life of the active landfill sites ranges from three years to forty-one years. The period for post-closure care for all sites is estimated to be fifteen years.

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% (2005 – 6%). The estimated total landfill closure and post-closure care expenditures are calculated to be approximately \$1,162,795 (2005 - \$1,114,621). For sites that are still active, the estimated liability for these expenditures is recognized as the landfill site's capacity is used. For sites that are inactive, the estimated liability for these expenditures is recognized immediately. Included in liabilities at December 31, 2006 is an amount of \$872,235 (2005 - \$817,862) with respect to landfill closure and post-closure liabilities recognized to date.

11. 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, 2006, 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.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

12. 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, 2003 at an annual cost of approximately \$1.6 million.
- (b) The Township has entered into an agreement with the Ontario Small Town and Rural Development (OSTAR) Infrastructure Initiative, to receive approximately \$4.9 million in funding from the federal and provincial governments for the construction of a new water system. Total project costs are expected to be approximately \$8.1 million. Costs incurred to date on this project are approximately \$7.7 million.
- Total project costs are to be financed by grants, user charges and long-term debt.
- (c) 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 is three years commencing April 1, 2006 at an annual cost of approximately \$97,000.

13. Supplementary information:

	2006	2005
Current fund expenditure by object:		
Salaries, wages and employee benefits	\$ 2,929,198	\$ 2,972,528
Materials, services, rents and financial expenses	9,365,867	8,516,201
Transfers to others	192,394	190,448
	\$ 12,487,459	\$ 11,679,177

14. Budget figures:

The Township reviews its operating and capital budgets annually. The approved operating and capital budgets for 2006 are reflected on the Schedules of Current and Capital Fund Operations. Budget figures have not been audited and are presented for information purposes only.

Budgets established for capital funds are based on a project-oriented basis, the costs of which may be carried out over one or more years.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

15. 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 6.

16. 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.

17. 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

Consolidated Schedule of Current Fund Operations

Year ended December 31, 2006, with comparative figures for 2005

	Budget 2006 (unaudited)	Actual 2006	Actual 2005
Revenues:			
Property taxation	\$ 10,027,597	\$ 10,130,963	\$ 9,757,516
Taxation from other governments	41,555	42,241	43,936
User charges	410,023	577,655	426,560
Licenses, permits and rents	514,755	450,648	506,050
Government grants	1,992,099	1,977,696	1,194,659
Grants from other municipalities	1,238,304	1,295,418	632,204
Investment income	60,000	210,140	151,601
Penalties and interest on taxes	365,000	339,402	379,380
Transfers from deferred obligatory reserve funds	110,000	25,000	83,850
Sale of land and property	–	267,840	213,170
Other	63,204	107,447	91,603
Total revenues	14,822,537	15,424,450	13,480,529
Expenditures:			
General government	1,080,665	1,025,524	904,707
Fire	848,411	692,691	775,781
Policing	1,790,231	1,620,506	1,716,071
Conservation authority	108,882	111,655	113,708
Protection inspections and control	378,232	395,407	338,839
Emergency measures	3,350	190	382
Roadways and winter control	8,379,523	6,816,054	6,356,364
Street lighting	68,540	67,775	63,867
Waterworks	4,286	81,035	13,514
Garbage collection and disposal	938,395	958,663	840,043
Landfill closure and post-closure costs	–	54,373	(96,518)
Cemeteries	14,222	53,509	56,691
Parks, recreation and cultural services	478,824	466,413	421,620
Planning and zoning	155,239	143,664	174,108
Total expenditures	14,248,800	12,487,459	11,679,177
Net revenue	573,737	2,936,991	1,801,352
Financing and transfers:			
Transfers to capital fund	(252,240)	(247,965)	(492,017)
Transfers to reserves and reserve funds	(355,049)	(2,718,516)	(1,200,012)
Change in non-financial assets	–	(20,960)	(4,829)
Change in landfill closure and post-closure costs	–	54,373	(96,518)
Net financing and transfers	(607,289)	(2,933,068)	(1,793,376)
Change in current fund balance	(33,552)	3,923	7,976
Opening current fund balance	50,608	50,608	42,632
Closing current fund balance	\$ 17,056	\$ 54,531	\$ 50,608

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Schedule of Capital Fund Operations

Year ended December 31, 2006, with comparative figures for 2005

	Budget 2006 (unaudited)	Actual 2006	Actual 2005
Revenues:			
Government grants	\$ 846,341	\$ 1,165,741	\$ 3,435,551
Transfers from deferred obligatory reserve funds	448,350	146,827	200,240
Other	650,000	721,027	57,541
Total revenues	1,944,691	2,033,595	3,693,332
Expenditures:			
General government	148,875	75,738	99,543
Fire	239,331	194,253	831,735
Protection to persons and property	61,338	28,402	6,877
Emergency preparedness	10,000	4,853	47
Transportation services	1,005,680	794,272	104,006
Waterworks system	2,250,516	1,506,357	5,677,609
Garbage collection and disposal	339,951	237,214	346,691
Cemeteries	3,000	—	—
Recreational and cultural services	308,038	96,411	119,922
Planning and zoning	15,550	8,882	16,658
Total expenditures	4,382,279	2,946,382	7,203,088
Net expenditures	(2,437,588)	(912,787)	(3,509,756)
Financing and transfers:			
Transfers from reserves and reserve funds	1,470,173	1,090,697	765,741
Transfers from current fund	252,240	247,965	492,017
Net financing and transfers	1,722,413	1,338,662	1,257,758
Change in capital fund balance	(715,175)	425,875	(2,251,998)
Opening capital fund balance	(2,436,332)	(2,436,332)	(184,334)
Closing capital fund balance	\$(3,151,507)	\$(2,010,457)	\$(2,436,332)

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Consolidated Schedule of Reserves and Reserve Funds

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
Revenues:		
Investment income	\$ 84,525	\$ 54,896
Other	500	500
Total revenues	85,025	55,396
Financing and transfers:		
Transfers from current fund	2,718,516	1,200,012
Transfers to capital fund	(1,090,697)	(765,741)
Net financing and transfers	1,627,819	434,271
Change in reserves and reserve fund balances	1,712,844	489,667
Opening reserves and reserve fund balances	9,077,900	8,588,233
Closing reserves and reserve fund balances	\$10,790,744	\$ 9,077,900
Analyzed as follows:		
Reserves set aside for specific purposes by Council:		
Working funds	\$ 3,026,766	\$ 2,855,836
Contingencies	4,668	4,668
Replacement of equipment	1,382,150	1,678,427
Mill rate stabilization	1,118,697	561,431
General government capital	433,799	242,190
Roadways capital	1,665,231	853,577
Sydenham water	44,033	54,055
Future landfill closing	538,038	467,878
Recreation capital	100,264	95,990
Planning capital	26,798	-
Other capital	64,175	63,675
	8,404,619	6,877,727
Reserve funds set aside for specific purposes by Council:		
Election	14,692	43,564
General government capital	1,177,869	853,962
Protection services capital	17,168	20,451
Roadways capital	477,791	562,149
Future landfill closing	563,025	596,616
Recreation capital	130,427	118,278
Other capital	5,153	5,153
	2,386,125	2,200,173
	\$10,790,744	\$ 9,077,900



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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, 2006 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, 2006 and the continuity of trust funds for the year then ended in accordance with the Canadian generally accepted accounting principles.

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Chartered Accountants, Licensed Public Accountants

Kingston, Canada

July 18, 2007

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Trust Funds

Statements of Financial Position

December 31, 2006, with comparative figures for 2005

Name of Fund	Subdivider deposits	Cemetery perpetual care	Monument perpetual care	Muriel Burns	Ontario home renewal program	Grant family memorial endowment	Total 2006	Total 2005
Assets								
Current assets:								
Cash	\$ 9,971	\$ 317,435	\$ 45,896	\$ 25,000	\$ 2,451	\$ 26,741	\$ 427,494	\$ 353,345
Investments at cost, which approximates market value:								
Provincial	–	–	–	–	–	–	–	–
Term deposits	–	32,500	–	–	–	–	32,500	88,230
	–	32,500	–	–	–	–	42,471	88,230
Accounts receivable	–	–	–	–	–	–	–	1,429
Loans receivable (note 2)	–	–	–	–	35,332	–	35,332	37,471
	\$ 9,971	\$ 349,935	\$ 45,896	\$ 25,000	\$ 37,783	\$ 26,741	\$ 495,326	\$ 480,475
Liabilities and Capital								
Current liabilities:								
Accounts payable	\$ –	\$ –	\$ –	\$ –	\$ 2,451	\$ –	\$ 2,451	\$ 9,893
Capital (note 3):								
Bedford district	1,488	–	–	–	16,995	–	18,483	19,795
Loughborough district	8,483	68,361	10,221	–	16,015	26,741	129,821	125,226
Portland district	–	185,693	25,184	–	1,077	–	211,954	198,199
Storrington district	–	95,881	10,491	25,000	1,245	–	132,617	127,362
	9,971	349,935	45,896	25,000	35,332	26,741	492,875	470,582
	\$ 9,971	\$ 349,935	\$ 45,896	\$ 25,000	\$ 37,783	\$ 26,741	\$ 495,326	\$ 480,475
Statements of Continuity								
Year ended December 31, 2006, with comparative figures for 2005								
Balance, beginning of year	\$ 9,589	\$ 332,335	\$ 40,473	\$ 25,000	\$ 37,471	\$ 25,714	\$ 470,582	\$ 457,821
Sales of perpetual care	–	17,600	3,750	–	–	–	21,350	20,039
Interest earned	382	12,314	1,673	983	806	1,027	17,185	12,142
	382	29,914	5,423	983	806	1,027	38,535	32,181
Expenditures:								
Transfer to operating fund	–	12,314	–	983	494	–	13,791	10,086
Capital donations	–	–	–	–	–	–	–	850
Refund to province	–	–	–	–	2,451	–	2,451	8,484
	–	12,314	–	983	2,945	–	16,242	19,420
Balance, end of year	\$ 9,971	\$ 349,935	\$ 45,896	\$ 25,000	\$ 35,332	\$ 26,741	\$ 492,875	\$ 470,582

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, 2006

1. Accounting policies:

Basis of accounting:

Capital receipts and income are reported on the accrual basis of accounting.

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, 2006 are comprised of repayable loans of \$34,932 (2005 - \$37,071) and forgivable loans of \$400 (2005 - \$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.

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 \$7,692 (2005 - \$6,019) is available for future expenditures related to monument perpetual care.



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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, 2006 and the statements of financial activities and current fund balance 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, 2006 and the results of their operations and changes in their financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Chartered Accountants, Licensed Public Accountants

Kingston, Canada
July 18, 2007

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Cemetery Boards

Statements of Financial Position

December 31, 2006, with comparative figures for 2005

Name of Board	Portland	Sandhill	Sydenham	Total 2006	Total 2005
Net Assets					
Financial assets:					
Cash	\$ 4,868	\$ 14,423	\$ 6,956	\$ 26,247	\$ 17,739
Accounts receivable	–	–	–	–	1,409
	4,868	14,423	6,956	26,247	19,148
Liabilities:					
Accounts payable	786	2,232	270	3,288	1,122
Prepaid burials and vandalism fund	–	–	1,100	1,100	970
	786	2,232	1,370	4,388	2,092
Net financial assets	\$ 4,082	\$ 12,191	\$ 5,586	\$ 21,859	\$ 17,056

Municipal Position

Current fund	\$ 4,082	\$ 12,191	\$ 5,586	\$ 21,859	\$ 17,056
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The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC

Cemetery Boards

Statements of Financial Activities and Current Fund Balance

Year ended December 31, 2006, with comparative figures for 2005

Name of Boards	Portland	Sandhill	Sydenham	Total 2006	Total 2005
Revenue:					
Sale of plots	\$ 14,700	\$ 8,100	\$ 6,500	\$ 29,300	\$ 29,620
Less portion transferred to the Perpetual Care Fund capital account	11,760	3,240	2,600	17,600	16,590
	2,940	4,860	3,900	11,700	13,030
Transfer from Perpetual Care Fund	6,699	3,015	2,601	12,315	8,716
Burial charges-opening and closing	10,975	–	4,600	15,575	15,950
Sale of cornerstones	780	850	660	2,290	3,260
Bank interest	282	610	277	1,169	509
Interest from Muriel Burns Trust Fund	–	983	–	983	647
Municipal contribution from tax levy	–	13,000	–	13,000	16,000
Miscellaneous income	8	172	126	306	3,736
Total revenues	21,684	23,490	12,164	57,338	61,848
Expenditures:					
Administration and general	935	3,728	755	5,418	6,462
Maintenance and care of plots	19,912	17,549	9,656	47,117	49,222
Total expenditures	20,847	21,277	10,411	52,535	55,684
Net revenue (expenditures)	837	2,213	1,753	4,803	6,164
Opening current fund balance	3,245	9,978	3,833	17,056	10,892
Closing current fund balance	\$ 4,082	\$ 12,191	\$ 5,586	\$ 21,859	\$ 17,056

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, 2006

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:

(a) Basis of accounting:

- (i) The historical cost and accumulated depreciation of capital assets are not reported for municipal purposes. Capital assets are reported as an expenditure on the "Statements of Financial Activities and Current Fund Balance" in the year of acquisition.
- (ii) 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.

(b) 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.

2. Trust funds:

The Perpetual Care Trust Funds administered by the Cemetery Boards amounting to \$395,831 (2005 - \$372,808) have not been included in the "Statements of Financial Position" nor have their operations been included in the "Statements of Financial Activities and Current Fund Balance".

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.