

Consolidated Financial Statements of

**CORPORATION OF THE
TOWNSHIP OF NORTH DUNDAS**

Year ended December 31, 2006

Consolidated Financial Statements of

CORPORATION OF THE TOWNSHIP OF NORTH DUNDAS

Year ended December 31, 2006

CORPORATION OF THE TOWNSHIP OF NORTH DUNDAS

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AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of North Dundas

We have audited the consolidated statement of financial position of the Corporation of the Township of North Dundas 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 of North Dundas 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. Below the signature is a long, horizontal, slightly wavy line that underlines the text.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada
July 6, 2007

CORPORATION OF THE TOWNSHIP OF NORTH DUNDAS

Consolidated Statement of Financial Position

December 31, 2006, with comparative figures for 2005

	2006	2005
Assets		
Financial assets:		
Cash and cash equivalents (note 3)	\$ 7,586,868	\$ 3,807,413
Taxes receivable	1,236,630	1,152,813
Accounts receivable	1,234,320	1,224,807
Note receivable (note 4)	108,627	200,000
Long-term investments (note 3)	163,836	3,578,071
	10,330,281	9,963,104
Liabilities:		
Accounts payable and accrued liabilities	1,032,166	939,305
Landfill closure and post-closure liabilities (note 13)	1,070,547	1,007,430
Deferred revenues – obligatory reserve funds (note 12)	679,474	538,266
Deferred revenue	6,714	3,814
	2,788,901	2,488,815
Net financial assets	7,541,380	7,474,289
Other non-financial assets:		
Inventory and prepaid expenses	97,774	93,857
Total net assets	\$ 7,639,154	\$ 7,568,146
Municipal position (note 2):		
Current fund	\$ –	\$ 724
Capital fund	(790,016)	(891,365)
Reserves	4,723,047	4,737,991
Reserve funds	4,776,670	4,728,226
	8,709,701	8,575,576
Amounts to be recovered from future revenues	(463,535)	(423,128)
Amounts to be recovered from reserve funds	(607,012)	(584,302)
	(1,070,547)	(1,007,430)
Commitments (note 11)		
Contingent liabilities (note 5(c), 16)		
Total municipal position	\$ 7,639,154	\$ 7,568,146

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

CORPORATION OF THE TOWNSHIP OF NORTH DUNDAS

Consolidated Statement of Financial Activities

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

	2006	2005
Revenues:		
Property taxation	\$ 4,322,339	\$ 4,212,900
User charges	2,602,108	2,653,073
Government grants – province	1,702,969	1,623,961
Government grants – federal	18,848	131,088
Transfer from deferred revenue – obligatory reserve fund	128,673	42,127
Investment income	349,556	270,271
Penalties and interest on taxes	165,688	170,295
Donations	106,686	163,111
Sale of assets	7,913	274,667
Contributions, benefiting landowners	50,500	148,165
Other	26,981	45,507
Revenue from other municipalities	36,044	26,082
Total revenues	9,518,305	9,761,247
Expenditures:		
Current (note 15):		
General government	1,092,277	976,835
Protection to persons and property	581,497	561,445
Transportation services	1,879,660	1,866,277
Environmental services	1,673,481	1,565,417
Social and family services	2,340	634
Recreation and cultural services	1,149,486	1,055,909
Planning and development	211,964	208,098
Total current expenditures	6,590,705	6,234,615
Capital:		
General government	296,175	301,597
Protection to persons and property	334,353	148,419
Transportation services	1,749,346	354,792
Environmental services	312,658	1,283,583
Recreation and cultural services	164,812	193,430
Planning and development	3,165	1,640
Total capital expenditures	2,860,509	2,283,461
Total expenditures	9,451,214	8,518,076
Net revenues	67,091	1,243,171
Change in amount to be recovered:		
Change in landfill closure and post closure liability	63,117	33,918
Increase in amount to be recovered	63,117	33,918
Increase in non-financial assets	3,917	11,473
Increase in fund balances	\$ 134,125	\$ 1,288,562

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

CORPORATION OF THE TOWNSHIP OF NORTH DUNDAS

Consolidated Statement of Changes in Financial Position

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

	2006	2005
Operations:		
Net revenues	\$ 67,091	\$ 1,243,171
Sources (uses) of funds:		
Increase in taxes receivable	(83,817)	(159,697)
Decrease (increase) in accounts receivable	(9,513)	34,668
Decrease (increase) in mortgage receivable	91,373	(200,000)
Increase in accounts payable and accrued liabilities	92,861	400
Increase in landfill closure and post-closure liabilities	63,117	33,918
Increase in deferred revenues – obligatory reserve funds	141,208	216,564
Increase (decrease) in deferred revenue	2,900	(19,126)
	298,129	(93,273)
Net change in cash from operations	365,220	1,149,898
Investments:		
Decrease (increase) in long-term investments	3,414,235	(129,171)
Increase in cash and cash equivalents	3,779,455	1,020,727
Cash and cash equivalents, beginning of year	3,807,413	2,786,686
Cash and cash equivalents, end of year	\$ 7,586,868	\$ 3,807,413

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

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

CORPORATION OF THE TOWNSHIP OF NORTH DUNDAS

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 North Dundas (the "Township") are the representation of management prepared in accordance with Canadian generally accepted accounting principles prescribed for local government as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Township are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

These consolidated statements reflect the assets, liabilities, revenues, expenditures and fund balances of the revenue fund, capital fund, reserve funds and reserves of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards 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.

(ii) Non-consolidated entities:

There are no non-consolidated entities.

(iii) Accounting for County and school board transactions:

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the United Counties of Stormont, Dundas and Glengarry 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 consolidated, but are reported separately on the "Trust Funds Statement of Continuity and Statement of Financial Position".

(b) Basis of accounting:

(i) 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.

CORPORATION OF THE TOWNSHIP OF NORTH DUNDAS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

(ii) Workplace Safety and Insurance Board ("WSIB") obligations:

The Township bears the cost of certain insurance and pension benefits awarded under workplace safety and insurance legislation and accrues an estimate of the future cost of these obligations based on amounts actuarially determined by WSIB.

Actuarial gains or losses arising from changes in the annual estimate are recognized immediately in the year that they arise.

(iii) Landfill closure and post-closure liabilities:

The Township accrues landfill closure and post-closure care requirements that have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a forty-five year period using the best information available to management.

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

(iv) The charges for long-term liabilities assumed by individuals in the case of the drainage and shoreline property assistance loans are not reflected in the financial statements.

(c) Long-term investments:

Long-term investments are recorded at cost plus accrued interest, which approximates market value.

(d) Deferred revenues – obligatory reserve funds:

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

(e) Amounts to be recovered:

Amounts to be recovered are comprised of municipal debt, accrued interest on municipal debt, landfill closure and post-closure liabilities and Workplace Safety and Insurance Board future benefit obligations.

CORPORATION OF THE TOWNSHIP OF NORTH DUNDAS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

1. Significant accounting policies (continued):

(f) Use of estimates:

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

2. Municipal position at the end of the year:

(a) The balances on the "Consolidated Statement of Financial Position" of municipal position of \$7,639,154 (2005 - \$7,568,146), at the end of the year are comprised of the following:

	2006	2005
Fund balances at the end of the year, surplus (deficit):		
Current fund	\$ -	\$ 724
Capital fund:		
Capital expenditures to be financed from taxation or user charges	(790,016)	(891,365)
Reserves	4,723,047	4,737,991
Reserve funds	4,776,670	4,728,226
	<u>8,709,701</u>	<u>8,575,576</u>
Amounts to be recovered from future revenues and reserve funds:		
Landfill closure and post-closure liabilities	(1,070,547)	(1,007,430)
	<u>\$ 7,639,154</u>	<u>\$ 7,568,146</u>

CORPORATION OF THE TOWNSHIP OF NORTH DUNDAS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

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

- (b) Approval of the Ontario Municipal Board has been obtained for those pending issues of long-term liabilities and commitments to be financed by revenues extending beyond the term of Council and approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law. The principal and interest payments required to service these pending issues and commitments are within the debt repayment limit prescribed by the Ministry of Municipal Affairs & Housing.
- (c) The balance available for the general reduction of taxation at December 31, 2006 has been reduced by an amount of \$2,226 (2005 - \$610,906) transferred to the reserves and reserve funds as authorized by Council.

Had this reduction not been made, the current fund - general purpose balance would have shown a surplus of \$2,226 (2005 - \$611,630).

3. Restricted assets:

Cash and cash equivalents and long-term investments in the amount of \$5,456,144 (2005 - \$5,266,492) have been restricted to support reserve funds.

4. Note receivable:

The note receivable is due September 15, 2008 and bears interest at an annual rate of 4% and is secured by land. Interest is due until September 15, 2008 or until the note is received in full and will be received semi-annually starting March 15, 2006.

CORPORATION OF THE TOWNSHIP OF NORTH DUNDAS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

5. Municipal debt:

- (a) The municipal debt reported on the "Consolidated Statement of Financial Position" is made up of the following:

	2006	2005
Total municipal debt incurred by the Township including those incurred on behalf of other municipalities and municipal enterprises and outstanding at the end of the year amount to	\$ 358,247	\$ 478,142
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges for tile drainage and shore-line property assistance loans has been assumed by individuals. At the end of the year, the outstanding principal amount of the liability is	(231,873)	(229,971)
Loans from reserve fund eliminated upon consolidation:		
Sewer Ward 3 – repayable in monthly instalments of \$1,128, interest at 4%, matures April 2008	(17,469)	(30,037)
Sewer Ward 4 – repayable in monthly instalments of \$1,915, interest at 4%, matures April 2008	(29,654)	(50,987)
Sewer Ward 3 – repayable in monthly instalments of \$7,748, interest at 4%, matures November 2007	(79,251)	(167,147)
Municipal debt at the end of the year	\$ –	\$ –

- (b) The long-term liabilities in (a), issued in the name of the Township, have been approved by either the Ontario Municipal Board or by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs & Housing.
- (c) As issuer, the Township is contingently liable for payment of the long-term liabilities with respect to tile drainage and shore-line property assistance loans in the amount of \$231,873 (2005 - \$229,971), which are not reported on the "Consolidated Statement of Financial Position".

CORPORATION OF THE TOWNSHIP OF NORTH DUNDAS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

5. Municipal debt (continued):

(d) During the fiscal year ended December 31, 2002, the Township paid off long-term debt held by various banking institutions in the total amount of \$744,788 with respect to water and sewer capital projects. As a means of funding these repayments, the Operating Fund borrowed these amounts from the Infrastructure Reserve Fund. This interfund debt is secured by promissory notes and is to be repaid over a predetermined period of time. Council approved the financing arrangements and ultimate repayment of these amounts through the current budget process. For the purpose of these financial statements, this interfund debt is reflected as interfund transfers and therefore eliminated upon consolidation. The related capital projects are reported as unfinanced capital at December 31, 2006 in the amount of \$126,375 (2005 - \$248,171) to be financed from taxation and user charges as the interfund debt is repaid.

6. Bank demand loan:

As part of its financial arrangements, the Township entered into an agreement with its banker to provide for a credit facility in the amount of \$1,000,000 with interest to be charged at the bank's prime lending rate. As at December 31, 2006, no amount has been drawn against this demand loan.

7. Operations of school boards and the United Counties of Stormont, Dundas and Glengarry:

During 2006, requisitions were made by the school boards and the United Counties of Stormont, Dundas and Glengarry requesting the Township to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	School Boards		United Counties of Stormont, Dundas and Glengarry	
	2006	2005	2006	2005
Amounts requisitioned	\$ 3,614,523	\$ 3,737,119	\$ 5,566,911	\$ 5,457,773

CORPORATION OF THE TOWNSHIP OF NORTH DUNDAS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

8. Trust funds:

Trust funds administered by the Township amounting to \$8,613 (2005 - \$9,919) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities".

9. Pension agreements:

The Township makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 38 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 \$110,745 (2005 - \$97,460) for current service and is included as an expenditure on the "Consolidated Statement of Financial Activities".

10. Budget figures:

The approved operating and capital budgets for 2006 are reflected on the "Consolidated Schedule of Current Fund Operations" and "Consolidated Schedule of Capital Fund Operations". These numbers have not been audited but are presented for information purposes only.

11. Commitments:

In 2002, the Township pledged a total of \$700,000 to the Winchester District Memorial Hospital to be paid by annual instalments of \$70,000 commencing in 2003 through to 2012.

CORPORATION OF THE TOWNSHIP OF NORTH DUNDAS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

12. Deferred revenue – obligatory reserve funds:

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

	2006	2005
Balance, beginning of year	\$ 538,265	\$ 321,702
Development contributions	120,965	131,466
Recreational land	15,700	9,000
Investment income	25,834	10,841
Grants – Federal Gas Tax	107,383	107,383
Transfers to revenue fund (Development charges)	(3,423)	(7,508)
Transfer to capital fund	(125,250)	(34,619)
Balance, end of year	\$ 679,474	\$ 538,265
Analyzed as follows:		
Parkland	\$ 122,379	\$ 102,350
Development charges	336,752	328,308
Federal Gas Tax	220,343	107,607
	\$ 679,474	\$ 538,265

13. 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 industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a forty-five year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

CORPORATION OF THE TOWNSHIP OF NORTH DUNDAS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

13. Landfill closure and post-closure liabilities (continued):

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 6.0%. The estimated total landfill closure and post-closure care expenditures are calculated to be \$1,599,956. The estimated liability for these expenditures is recognized as the landfill site's capacity is used. Included on the "Consolidated Statement of Financial Position" at December 31, 2006 is an amount of \$1,070,547 (2005 - \$1,007,430) with respect to landfill closure and post-closure liabilities recognized to date.

The estimated remaining capacity of the Boyne landfill site is 39% of its total estimated capacity and its estimated remaining life is 13 years, after which the period for post-closure care is estimated to be 25 years.

The estimated remaining capacity of the Mountain landfill site is 24% of its total estimated capacity and its estimated remaining life is 18 years, after which the period for post-closure care is estimated to be 25 years.

14. Workplace Safety and Insurance Board future benefit obligations:

In common with schedule 2 employers, the Township funds its obligations to the Workplace Safety and Insurance Board on a "pay-as-you-go" basis for employees. During the year, the Township was provided with an estimate for future benefit costs and administrative loading, as actuarially determined by the Workplace Safety and Insurance Board as at December 31, 2006, in the amount of \$Nil (2005 - \$ Nil).

Actuarial gains or losses arising from changes in the annual estimate are recognized immediately in the year that they arise.

15. Supplementary information:

	2006	2005
Current fund expenditure by object:		
Salaries, wages and employee benefits	\$ 2,476,893	\$ 2,366,990
Materials, services, rents and financial expenses	3,927,056	3,703,849
Transfers to others	186,756	163,776
Total	\$ 6,590,705	\$ 6,234,615

CORPORATION OF THE TOWNSHIP OF NORTH DUNDAS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

16. Contingent liabilities:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2006, management believes that the Township has valid defences and appropriate insurance coverage in place. In the opinion of management, the aggregate amount of any potential liability is not expected to have a material effect on the Township's financial position.

17. Fair value of financial assets and financial liabilities:

The carrying values of cash and short-term investments, taxes receivable, accounts receivable, long-term investments and accounts payable and other 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.

18. Comparative figures:

Certain 2005 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2006.

CORPORATION OF THE TOWNSHIP OF NORTH DUNDAS

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	\$ 4,233,757	\$ 4,322,339	\$ 4,212,900
User charges	2,716,030	2,602,108	2,653,073
Government grants - province	1,142,307	944,740	1,498,347
- federal	850	-	5,474
Revenue from other municipalities	4,000	5,496	26,082
Contributing landowners	4,366	3,600	-
Interest	115,100	155,527	93,925
Penalties and interest on taxes	170,000	165,688	170,295
Sale of assets	-	-	74,667
Donations	113,000	106,686	122,380
Transfer from obligatory reserve funds	4,400	3,423	7,508
Total revenues	8,503,810	8,309,607	8,864,651
Expenditures:			
General government	1,137,905	1,092,277	976,835
Protection to persons and property	613,407	581,497	561,445
Transportation services	1,878,425	1,879,660	1,866,277
Environmental services	1,817,363	1,673,481	1,565,417
Social and family services	3,000	2,340	634
Recreation and cultural services	1,110,554	1,149,486	1,055,909
Planning and development	234,585	211,964	208,098
Total expenditures	6,795,239	6,590,705	6,234,615
Net revenue	1,708,571	1,718,902	2,630,036
Financing and transfers:			
Transfers to capital fund	(951,228)	(1,116,505)	(912,774)
Transfers to reserves and reserve funds	(757,343)	(670,155)	(1,707,931)
Change in landfill closure and post closure liability	-	63,117	33,918
Change in non-financial assets	-	3,917	11,473
Net financing and transfers	(1,708,571)	(1,719,626)	(2,575,314)
Change in current fund balance	-	(724)	54,722
Opening current fund balance	-	724	(53,998)
Closing current fund balance	\$ -	\$ -	\$ 724

CORPORATION OF THE TOWNSHIP OF NORTH DUNDAS

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 - province	\$ 595,488	\$ 488,229	\$ 125,614
- COMRIF	273,000	270,000	-
- federal	19,175	18,848	125,615
- other municipalities	22,000	30,548	-
Donations	-	-	40,730
Sale of assets	95,300	7,913	200,000
Waste Diversion Organization	9,761	9,761	30,771
Contributing landowners	34,900	46,900	148,165
Insurance recoveries	-	-	14,736
Transfer from obligatory reserve funds	135,150	125,250	34,619
Other	-	1,659	-
Total revenues	1,184,774	999,108	720,250
Expenditures:			
General government	287,862	296,175	301,597
Protection to persons and property	334,100	334,353	148,419
Transportation services	1,650,000	1,749,346	354,792
Environmental services	518,528	312,658	1,283,583
Recreation and cultural services	383,625	164,812	193,430
Planning and development	4,200	3,165	1,640
Total expenditures	3,178,315	2,860,509	2,283,461
Net expenditures	(1,993,541)	(1,861,401)	(1,563,211)
Financing and transfers:			
Transfers from current fund	951,228	1,116,505	912,775
Transfers from reserves and reserve funds	1,042,313	846,245	158,563
Net financing and transfers	1,993,541	1,962,750	1,071,338
Change in capital fund balance	-	101,349	(491,873)
Opening capital fund balance	-	(891,365)	(399,492)
Closing capital fund balance	\$ -	\$ (790,016)	\$ (891,365)

CORPORATION OF THE TOWNSHIP OF NORTH DUNDAS

Consolidated Schedule of Reserves and Reserve Funds

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

	2006	2005
Revenues:		
Investment income	\$ 194,029	\$ 176,346
Additional contributions	15,561	-
	209,590	176,346
Net transfers from (to) other funds:		
Transfers from current fund	670,155	1,707,931
Transfers to capital fund	(846,245)	(158,564)
Total net transfers	(176,090)	1,549,367
Change in reserves and reserve fund balance	33,500	1,725,713
Opening reserves and reserve fund balance	9,466,217	7,740,504
Closing reserves and reserve fund balance	\$ 9,499,717	\$ 9,466,217
Analyzed as follows:		
Reserves set aside for specific purposes by Council for:		
Working capital	\$ 1,350,373	\$ 1,658,707
Fire	346,796	432,996
Sewer and water	1,455,068	1,220,516
Roads	953,048	993,998
Recreation and culture	391,201	359,404
Waste management	96,661	67,470
Hospital building	125,000	-
Other	4,900	4,900
Total reserves	4,723,047	4,737,991
Reserve funds set aside for specific purpose by legislation, regulation or agreement for:		
Infrastructure	4,000,000	4,000,000
Recreation	7,672	7,605
Waste management	607,012	584,302
Association and events	146,578	136,319
South Mountain Union Cemetery	15,408	-
Total reserve funds	4,776,670	4,728,226
Total reserves and reserve funds	\$ 9,499,717	\$ 9,466,217

CORPORATION OF THE TOWNSHIP OF NORTH DUNDAS

Four-Year Financial Review
(Unaudited)

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

	2006	2005	2004	2003
Population at the end of the year	11,784	11,644	11,488	11,338
Employees - continuous full time	38	38	38	38
- part time	32	32	32	30
Number of households	4,284	4,235	4,307	4,133
1. Assessment				
Taxable assessment upon which the year's rates of taxation were set:				
Residential and farm	\$ 760,377	\$ 681,419	\$ 673,266	\$ 554,411
Commercial, multi-residential and industrial	65,225	63,089	63,501	66,103
Pipeline and managed forests	44,310	43,972	43,937	43,518
Total	\$ 869,912	\$ 788,480	\$ 780,704	\$ 664,032
Per capita	\$ 73,821	\$ 67,716	\$ 67,958	\$ 58,567
Commercial, multi-residential and industrial as a percentage of total taxable assessment	7.5%	8.0%	8.1%	9.9%
Exempt assessment	\$ 28,706	\$ 30,864	\$ 30,972	\$ 31,209
2. Revenue for general municipal services				
Taxation	\$ 4,277	\$ 4,128	\$ 4,062	\$ 3,665
Payments in lieu of taxes	87	84	84	79
Ontario and Federal grants	944	1,483	1,272	1,352
Fees and service charges	2,602	2,684	2,499	2,325
Other	399	496	388	329
Total	\$ 8,309	\$ 8,875	\$ 8,305	\$ 7,750
3. Tax arrears - per capita	\$ 104.94	\$ 99.00	\$ 86.45	\$ 85.19
- percentage of current levy	9.3	8.7	7.5	7.7
4. Expenditure - general municipal	\$ 6,591	\$ 6,235	\$ 6,422	\$ 6,238
5. Transfers to the region or county	\$ 5,567	\$ 5,457	\$ 5,392	\$ 5,219
6. Transfers to the school boards	\$ 3,615	\$ 3,737	\$ 3,874	\$ 3,786
7. Capital financing during the year				
Contributions from own funds	\$ 2,088	\$ 1,106	\$ 1,433	\$ 1,457
Ontario and Federal grants	777	252	17	98
Other	97	435	101	157
Total	\$ 2,962	\$ 1,793	\$ 1,551	\$ 1,712
8. Capital expenditure during the year	\$ 2,860	\$ 2,283	\$ 1,335	\$ 1,668
9. Capital fund balance	\$ 790	\$ 891	\$ (399)	\$ (615)
10. Current fund balance	\$ -	\$ 1	\$ (54)	\$ (54)
11. Reserves and reserve funds	\$ 9,500	\$ 9,466	\$ 7,741	\$ 7,033



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AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the
Corporation of the Township of North Dundas

We have audited the statement of financial position of the trust funds of the Corporation of the Township of North Dundas as at December 31, 2006 and the statement of continuity of the trust funds for the year then ended. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust funds of the Township of North Dundas as at December 31, 2006 and the continuity of the trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Chartered Accountants, Licensed Public Accountants

Kingston, Canada
July 6, 2007

CORPORATION OF THE TOWNSHIP OF NORTH DUNDAS

Trust Funds

Statement of Financial Position

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

	2006	2005
Assets		
Cash	\$ 1,713	\$ 1,671
Ontario Home Renewal Plan loans receivable	8,613	9,919
	<u>\$ 10,326</u>	<u>\$ 11,590</u>
Liabilities and Capital		
Liabilities:		
Accounts payable	\$ 1,713	\$ 1,671
Fund balance:		
Capital	8,613	9,919
	<u>\$ 10,326</u>	<u>\$ 11,590</u>

See accompanying notes to financial statements.

CORPORATION OF THE TOWNSHIP OF NORTH DUNDAS

Trust Funds

Statement of Continuity

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

	2006	2005
Balance at beginning of year	\$ 9,919	\$ 11,086
Interest earned	407	504
	10,326	11,590
Expenditures:		
Ontario Home Renewal Plan:		
- Administration charges	131	89
- Return of capital to Ministry of Municipal Affairs and Housing	1,582	1,582
	1,713	1,671
Balance at end of year	\$ 8,613	\$ 9,919

See accompanying notes to financial statements.

CORPORATION OF THE TOWNSHIP OF NORTH DUNDAS

Trust Funds
Notes to Financial Statements

Year ended December 31, 2006

1. Accounting policies:

Basis of accounting:

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

2. Ontario Home Renewal Program:

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

Ontario Home Renewal Program loans receivable at December 31, 2006 are comprised of repayable loans of \$8,613 (2005 - \$9,919) and forgivable loans of \$Nil (2005 - \$Nil). Loan forgiveness is earned and recorded at a rate of up to \$600 per year of continued ownership and occupancy. In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balances of the repayable loan and the unearned forgivable loan immediately become due and payable by the homeowner.

The Ontario Home Renewal Program was cancelled on July 16, 1993 and municipalities were prohibited from issuing further Ontario Home Renewal Program loans effective on that date. Municipalities are required to remit the cash balance in the Ontario Home Renewal Trust as of December 31, 2006 to the province by March 1, 2007.