CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

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Township of Leeds and
The Thousand Islands
Consolidated
Financial Statements
December 31, 2010

Township of Leeds and The Thousand Islands
Five Year Financial Review
(not subject to audit)

December 31	2010	2009	2008	2007	2006
Population (Statistics Canada)	**9,037**	8,999	8,759	8,742	8,675
Number of Households (MPAC)	**5,819**	5,803	5,740	5,727	5,683
Taxable Assessment (000's)	**$**	$	$	$	$
Residential and farm	**1,436,393**	1,311,341	1,183,272	1,159,096	1,148,007
Commercial and industrial	**68,942**	63,166	62,413	59,764	58,939
Total	**1,505,335**	1,374,507	1,245,685	1,218,860	1,206,946
Commercial, industrial as % of assessment	**4.58%**	4.59%	5.90%	4.90%	4.89%
Rates of Taxation					
Residential					
▸ for general municipal purposes	**0.325759**	0.325771	0.354056	0.350624	0.310383
▸ for county purposes	**0.392896**	0.409801	0.427357	0.418969	0.406970
▸ for school board purposes	**0.241000**	0.252000	0.264000	0.264000	0.264000
Total	**0.959655**	0.987572	1.045413	1.033593	0.981353
Multi-Residential (total)	**0.959655**	0.987572	1.162470	1.263855	1.303158
Commercial (total)	**2.521700**	2.608222	2.713664	2.699005	2.628670
Industrial (total)	**3.492650**	3.647565	3.783845	3.858187	3.768015
Tax Arrears ▸ percentage of current levy	**10.22%**	11.09%	12.04%	11.60%	9.20%
Taxes Transferred (000's)					
▸ County	**6,236**	6,020	5,699	5,598	5,310
▸ School Boards	**4,382**	4,256	4,059	4,119	3,968
Revenues (000's)	**$**	$	$	$	$
▸ Taxation and payments in lieu	**5,116**	4,758	4,689	4,593	3,958
▸ Government transfers	**1,767**	1,138	1,924	2,155	1,696
▸ Fees and service charges	**821**	853	729	756	715
▸ Other	**2,318**	2,528	2,349	2,574	2,637
▸ Revenues related to capital assets	**2,476**	3,934	1,608	---	---
Total	**12,498**	13,211	11,299	10,078	9,006
Expenditures (000's)					
▸ Operations	**10,077**	9,178	8,615	9,287	9,317
▸ Amortization	**1,312**	1,112	1,062	---	---

(Note: All dollar amounts are in thousands of dollars.)

Township of Leeds and The Thousand Islands
Five Year Financial Review
(not subject to audit)

December 31	**2010**	2009	2008	2007	2006
	$	$	$	$	$
Long Term Debt					
▸ Net long term debt (000's)	**1,176**	43	89	151	235
▸ Long term debt charges (000's)	**35**	50	88	95	168
▸ Annual repayment limit (000's)	**1,932**	1,918	1,774	1,786	1,677
▸ Long term debt per household	**202**	7	16	26	41
▸ Debt charges (000's)					
▸ tax supported	**35**	50	88	95	168
Accumulated Surplus (000's)					
▸ Surplus and Reserves	**3,272**	4,691	5,006	4,743	4,048
▸ Invested in capital assets	**29,129**	25,289	20,940	---	---
Financial Indicators					
▸ Sustainability					
▸ financial assets to liabilities	**1.52**	2.75	1.98		
▸ financial assets to liabilities excluding long term debt	**2.18**	2.79	2.01		
▸ long term debt to tangible capital assets	**3.88%**	0.17%	0.43%		
▸ Flexibility					
▸ Debt charges to total operating revenue	**0.35%**	0.54%	0.91%		
▸ Total operating revenue to taxable assessment	**0.67%**	0.67%	0.78%		
▸ Vulnerability					
▸ Operating government transfers					
▸ to operating revenue	**17.63%**	12.27%	18.86%		
▸ Total government transfers					
▸ to total revenues	**30.67%**	38.39%	28.06%		

Allan

Chartered Accountant Professional Corporation

TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Leeds and The Thousand Islands:

We have audited the consolidated statement of financial position of the Corporation of the Township of Leeds and The Thousand Islands as at December 31, 2010 and the consolidated statement of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
The Corporation of the Township of Leeds and The Thousand Islands' management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the Township of Leeds and The Thousand Islands as at December 31, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Allan

Chartered Accountants
Licenced Public Accountants
Perth, Ontario,
July 25, 2011.

22 Wilson Street West, Perth, Ontario K7H 2M9 (613) 267-6580 Voice (613) 267-7563 Facsimile allanca.com

Township of Leeds and The Thousand Islands
Consolidated Statement of Financial Position

December 31	2010	2009
	$	$
ASSETS		
Financial Assets		
Cash and short term deposits	**679,652**	4,418,844
Taxes receivable (net of allowance $5,500)	**1,602,145**	1,660,704
Accounts receivable	**3,693,473**	1,145,106
	5,975,270	7,224,654
LIABILITIES		
Accounts payable and accrued liabilities	**1,376,672**	1,406,006
Accrued landfill closure and post closure (note 11)	**940,000**	690,000
Prepaid property taxes	**124,397**	124,167
Accrued employee benefit obligations (note 10)	**32,314**	32,314
Other current liabilities	**11,427**	14,203
Deferred revenues ▸ obligatory reserve funds (note 5)	**261,306**	288,965
▸ other	---	28,913
Debt (note 6)	**1,176,196**	42,892
	3,922,312	2,627,460
NET FINANCIAL ASSETS	**2,052,958**	4,597,194
NON-FINANCIAL ASSETS		
Tangible capital assets (note 15)	**30,305,520**	25,332,033
Inventories	**42,736**	50,516
	30,348,256	25,382,549
ACCUMULATED SURPLUS (note 7)	**32,401,214**	29,979,743

Contingent Liabilities (note 13)

Approved On Behalf of Council:

Mayor

Finance Chair

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

Township of Leeds and The Thousand Islands
Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31	(Note 17) Budget	2010	2009
	$	$	$
REVENUES			
Taxation ▸ residential	4,579,105	**4,539,601**	4,178,515
▸ commercial	317,229	**325,544**	302,036
▸ garbage collection and local improvement	30,536	**32,960**	28,469
▸ other governments	193,200	**218,675**	248,725
User charges ▸ general government	35,875	**74,095**	50,850
▸ transportation services	10,000	**28,966**	64,029
▸ protection to persons and property	10,300	**11,049**	4,185
▸ environment	582,075	**598,317**	594,113
▸ parks and recreation	75,750	**66,951**	84,239
▸ planning and zoning	66,550	**41,840**	55,552
Government grants	1,773,710	**1,766,681**	1,138,261
Contributions from developers	99,850	**11,637**	40,635
Licenses and permits	261,472	**192,404**	225,378
Investment income	36,400	**29,385**	169,937
Penalties and interest on taxes	245,000	**241,136**	206,738
Other	1,782,620	**1,843,710**	1,885,806
TOTAL REVENUES	10,099,672	**10,022,951**	9,277,468
EXPENDITURES			
Current operations			
General government	1,145,469	**1,086,758**	874,109
Protection to persons and property	2,885,353	**2,684,595**	2,714,194
Transportation services	2,576,723	**2,441,706**	2,986,575
Environmental services	2,107,840	**2,051,670**	996,476
Health services	41,960	**40,055**	90,355
Recreation and cultural services	1,668,532	**1,546,086**	1,317,914
Planning and development	211,467	**226,383**	198,390
TOTAL EXPENDITURES	10,637,344	**10,077,253**	9,178,013
NET (EXPENDITURES) REVENUES FROM OPERATIONS	(537,672)	**(54,302)**	99,455
OTHER			
Grants and transfers related to capital			
Government transfers	2,744,516	**2,066,587**	3,934,354
Contribution from developers	76,000	**74,968**	---
Gain on disposition of tangible capital assets	75,000	**334,218**	---
	2,895,516	**2,475,773**	3,934,354
ANNUAL SURPLUS	2,357,844	**2,421,471**	4,033,809
ACCUMULATED SURPLUS, BEGINNING OF YEAR	29,979,743	**29,979,743**	25,945,934
ACCUMULATED SURPLUS, END OF YEAR	32,337,587	**32,401,214**	29,979,743

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

Township of Leeds and The Thousand Islands
Consolidated Statement of Cash Flows

For the year ended December 31	2010	2009
	$	$
OPERATING		
Annual surplus for the year	**2,421,471**	4,033,809
Amortization	**1,311,815**	1,112,094
	3,733,286	5,145,903
Net Change in Non-Cash Working Capital Balances		
Taxes receivable	**58,559**	4,622
Accounts receivable	**(2,548,367)**	(534,853)
Accounts payable and accrued liabilities	**(29,334)**	450,097
Accrued landfill closure and post closure	**250,000**	100,000
Prepaid property taxes	**230**	31,090
Other current liabilities	**(2,776)**	(4,265)
Deferred revenues	**(56,572)**	(2,891,504)
Inventories	**7,780**	(3,321)
	(2,320,480)	(2,848,134)
Working Capital from Operations	**1,412,806**	2,297,769
CAPITAL		
Acquisition of tangible capital assets	**(6,285,302)**	(5,414,789)
Net investment in tangible capital assets	**(4,872,496)**	(5,414,789)
FINANCING		
Debt issued for Township purposes	**1,166,670**	---
Debt principal repayments	**(33,366)**	(46,562)
Net increase (decrease) in cash from financing activities	**1,133,304**	(46,562)
NET DECREASE IN CASH	**(3,739,192)**	(3,163,582)
CASH, BEGINNING OF YEAR	**4,418,844**	7,582,426
CASH, END OF YEAR	**679,652**	4,418,844

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

Township of Leeds and The Thousand Islands
Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	(Note 17) Budget	**2010**	2009
	$	**$**	$
ANNUAL SURPLUS	2,368,844	**2,421,471**	4,033,809
Amortization of tangible capital assets	1,311,815	**1,311,815**	1,112,094
Acquisition of tangible capital assets	(7,352,061)	**(6,285,302)**	(5,414,789)
Acquisition of supplies inventories	---	**7,780**	(3,321)
DECREASE IN NET FINANCIAL ASSETS	(3,671,402)	**(2,544,236)**	(272,207)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	4,597,194	**4,597,194**	4,869,401
NET FINANCIAL ASSETS, END OF YEAR	925,792	**2,058,958**	4,597,194

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

1. Status of the Township of Leeds and The Thousand Islands

The Township of Leeds and The Thousand Islands (the 'Township') was incorporated January 1, 2001 by amalgamating three historic municipalities, the Front of Leeds and Lansdowne, the Rear of Leeds and Lansdowne and the Front of Escott and assumed its responsibilities under the authority of the Provincial Secretary. The Township operates as a lower tier government in the County of Lanark, in the Province of Ontario, Canada and provides municipal services such as police, fire, public works, planning, parks and recreation, library and other general government operations.

2. Significant Accounting Policies

The consolidated financial statements of the Corporation of the Township of Leeds and The Thousand Islands are the representations of management and have been prepared in all material respects in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ('PSAB') of the Canadian Institute of Chartered Accountants.

(a) Reporting Entity

(i) The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves, reserve funds and changes in investments in tangible capital assets of the Township. 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:

- Public Library Board

(ii) The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal fund balances of these consolidated financial statements.

(b) Basis of Accounting

(i) The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenditures are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.

(ii) 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. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

(iii) Trust funds and their related operations administered by the Township are not included in these consolidated financial statements but are reported separately on the Trust Funds Statement of Financial Activities and Financial Position.

2. Significant Accounting Policies / continued

(c) Tangible Capital Assets

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

Land	
Buildings	50 years
Linear Assets	
Roads	40 years
Equipment	7 to 20 years
Bridges	75 years
Underground Networks	
▸ water and sewer	40 years
▸ storm drains	40 years
Streetlights	40 years
Signs	20 years
Construction in Progress	

Amortization is charged from the date of acquisition. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The Township has a capitalization threshold of $5,000 for vehicles and equipment and $20,000 for linear assets and buildings so that individual capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operations reasons.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of other asset as of the date of transfer.

(d) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(e) Inventories and Prepaid Expenses

Inventories and prepaid expenses held for consumption are recorded at the lower of cost or replacement cost.

(f) Pension and Employee Benefits

The Township accounts for its participation in the Ontario Municipal Employees Retirement System ('OMERS'), a multi-employer public sector pension fund, as a defined benefit plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

2. Significant Accounting Policies / continued

(f) Pension and Employee Benefits / continued

Employee benefits include vacation entitlement and sick leave benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave benefits are accrued in accordance with the Township's policy.

(g) Cash and Cash Equivalents

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

(h) Government Transfers

Government transfers are recognized in the consolidated financial statements as revenues in the period in which 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.

(i) Deferred Revenues

The Township defers recognition of user charges and fees which have been collected but for which the related services have yet to be performed. Government transfers of gas taxes, development charges collected under the *Development Charges Act, 1997,* and recreational land collected under the Planning Act are reported as deferred revenues in the Consolidated Statement of Financial Position. These amounts will be recognized as revenues in the fiscal year the services are performed.

(j) Investments

Short-term and long-term investments are recorded at cost plus accrual interest. If the market value of investments become lower than cost and the decline in value is considered to be other than temporary, the investments are written down to market value.

Investment income earned on surplus current funds, capital funds, reserves and reserve funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on development charges and parkland obligatory reserve funds is added to the fund balance and forms part of respective deferred revenue balances.

(k) 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 twenty-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.

2. Significant Accounting Policies / continued

(l) Financial Instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Township has classified each financial instrument into one of the following categories: held-for-trading financial assets and liabilities, loans and receivables, held-to-maturity financial assets and other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Held-for-trading financial assets and liabilities are subsequently measured at fair value with changes in those fair values recognized in net revenues.

Loans and receivables, held-to-maturity financial assets and other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Township classifies cash and cash equivalents as held-for-trading financial assets, accounts receivable as loans and receivables, and accounts payable and accrued liabilities as other financial liabilities.

(m) Estimates

The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

3. Operations of the School Boards and United Counties of Leeds and Grenville

During 2010, the Township collected and made property tax transfers including payments in lieu of property taxes, to the United Counties of Leeds and Grenville and School Boards as follows:

	School Boards $	County $
Property taxes	4,332,473	5,863,830
Taxation from other governments	49,049	372,096
Amounts requisitioned and paid	4,381,522	6,235,926

4. Bank Indebtedness

The Township's financial agreement with its bank provides for an operating credit facility of up to $1,000,000 to finance expenses, pending receipt of property taxes and other income. Interest on funds drawn is charged at the bank's prime rate. As at December 31, 2010, there was $Nil (2009 $Nil) drawn on the facility.

5. Deferred Revenues

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 legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds of the Township are summarized below:

	Federal Gas Tax	Development Charges	Parkland	**Total**
	$	$	$	**$**
December 31, 2009	28,433	65,684	194,848	**288,965**
Contributions from developers	---	41,054	42,830	**83,884**
Interest	---	655	1,893	**2,548**
Government grants	290,364	---	---	**290,364**
Transfer to capital fund	(317,850)	(50,000)	(24,968)	**(392,818)**
Transfer to revenue fund	---	---	(11,637)	**(11,637)**
December 31, 2010	947	57,393	202,966	**261,306**

6. Debt

(a) The balance of debt reported on the "Consolidated Statement of Financial Position" is comprised of the following:

	2010	2009
	$	$
Total long term liabilities incurred by the Township including those incurred on behalf of school boards, other municipalities and municipal enterprises and outstanding at the end of the year amount to:	**1,441,981**	421,000
Of the long term liabilities shown above, the responsibility for payment of principal and interest charges has been assumed by unconsolidated local boards, municipal enterprises and utilities, and other municipalities. At the end of the year, the outstanding principal amount of this liability is	**(265,785)**	(378,108)
Net long term liabilities at the end of the year	**1,176,196**	42,892

6. Debt / continued

(b) Principal payments fall due as follows:

	General Revenues
	$
2011	**22,559**
2012	**23,218**
2013	**23,337**
2014	**21,241**
2015	**21,970**
2016 and thereafter	**1,063,871**
	1,176,196

(c) These payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

(d) Interest expense on long term liabilities in 2010 amounted to $1,381 (2009 $3,746).

7. Accumulated Surplus

Accumulated surplus consists of:

	2010	2009
	$	$
Surplus		
Tangible capital assets	**30,305,520**	25,332,032
Less: debt	**(1,176,196)**	(42,892)
Invested in tangible capital assets	**29,129,324**	25,289,140
Unrestricted surplus	**334,636**	326,858
Unfinanced Capital Projects		
Water and sewer	**(23,658)**	(34,890)
Reserves (Schedule 1)	**2,960,912**	4,398,635
	32,401,214	29,979,743

8. Pension Contributions

The Township makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all permanent 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 was $109,640 (2009 $98,801) for current services and is included as an expenditure on the Consolidated Statement of Operations and Accumulated Surplus classified under the appropriate functional expenditure. Contributions by employees were a similar amount.

9. Trust Funds

Trust funds administered by the Township amounting to $7,628 (2009 $8,499) are presented in a separate financial statement of trust fund balances and operations. As such balances are held in trust by the Township for the benefit of others, they are not presented as part of the Township's financial position or financial activities.

10. Employee Benefit Obligations

The Township provides extended health care, dental and life insurance benefits to employees who have taken early retirement during the amalgamation. Beginning in 2005, the accrued benefit obligation has been recognized using a present value approach with a discount rate of 3%.

The amount was funded in 2005.

11. Landfill Closure and Post Closure Liability

The Environment Protectión 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 liabilities is based on estimates and assumptions with respect to events extending over a twenty-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.

11. Landfill Closure and Post Closure Liability / continued

The Township currently has three active and one inactive landfill sites. The Escott, Lansdowne and Briar Hill sites are still in operation and have estimated lives of approximately 11.5 years, 8.5 years and 10 years respectively. The anticipated closure plan involves placement of a clay cap and topsoil over the buried wastes, landscaping and revegetation and ongoing monitoring and maintenance costs at an estimated capital cost of $900,416 for the Escott site, $1,608,852 for the Lansdowne site and $768,432 for the Briar Hill site. Annual post closure maintenance and monitoring requirements are estimated to be $48,000 per annum.

The Leeds site was closed and involved covering the site with a clay cap and topsoil. Annual site monitoring costs are estimated at $11,250 per annum.

12. Contractual Obligations

The Township has negotiated a five year contract for the period 2006 to 2010 (with the provision of annual renewals subsequent to the five year period) with Ontario Clean Water Agency to manage the water treatment plant and the sewage treatment plant. The contract base is $197,000 and provides an annual adjustment for inflation, hydro costs and insurance. The contract does not include capital expenditures or unexpected expenses in the nature of addressing equipment failure.

Included in the consolidated statement of financial activities are the costs paid to the Ontario Clean Water Agency of $210,318 (2009 $208,230).

The Township receives policing services from the Ontario Provincial Police. Annual charges are based on an estimate determined at the beginning of the year and reconciled to actual costs in the following year. The fees paid in the current year and adjusted for the previous year's reconciliation were $1,180,957 (2009 $1,066,734).

13. 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, 2010, 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.

14. Risk Management

In the normal course of operations, the Township is exposed to a variety of financial risks which are actively managed by the Township.

14. Risk Management / continued

The Township's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities. The fair values of cash, accounts receivable, investments, accounts payable and accrued liabilities approximate their carrying values because of their expected short term maturity and treatment on normal trade terms.

The Township's exposure to and management of risk has not changed materially from December 31, 2009.

(a) Credit Risk

Credit risk arises from the possibility that the entities to which the Township provides services to may experience difficulty and be unable to fulfill their obligations. The Township is exposed to financial risk that arises from the credit quality of the entities to which it provides services. The Township does not have a significant exposure to any individual customer or counter party. As a result, the requirement for credit risk related reserves for accounts receivable is minimal.

(b) Interest Rate Risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Township is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates on its cash and cash equivalents and operating loan. Changes in variable interest rates could cause unanticipated fluctuations in the Township's operating results.

(c) Currency Risk

Currency risk is the risk that the fair value of future cash flows of financial instruments denominated in currencies other than the functional currency of the Township will fluctuate due to changes in foreign exchange rates.

(d) Liquidity Risk

Liquidity risk is the risk that the Township will not be able to meet its obligations as they fall due. The Township requires working capital to meet day-to-day operating activities. Management expects that the Township's cash flows from operating activities will be sufficient to meet these requirements.

The fair values of these financial instruments are as follows:

	2010		2009	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	$	**$**	$	$
Held-For-Trading Financial Assets				
Cash and cash equivalents	**679,652**	**679,652**	4,418,844	4,418,844
Loans and Receivables				
Accounts receivable	**3,693,473**	**3,693,473**	1,145,106	1,145,106
Taxes receivable	**1,602,145**	**1,602,145**	1,660,704	1,660,704

14. Risk Management / continued

(d) Liquidity Risk / continued

	2010		2009	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	$	**$**	$	$
Other Financial Liabilities (not held-for-trading)				
Accounts payable and accrued liabilities	**1,376,672**	**1,376,672**	1,406,006	1,406,006
Accrued landfill closure and post closure	**940,000**	**940,000**	690,000	690,000
Other current liabilities	**43,741**	**43,741**	46,517	46,517
Prepaid property tax	**124,397**	**124,397**	124,167	124,167
Deferred revenues	**261,306**	**261,306**	317,878	317,878
Long term debt	**1,176,196**	**1,176,196**	42,892	42,892

15. Tangible Capital Assets

	2010	2009
	$	$
Land	**195,855**	195,855
Buildings	**9,723,198**	2,292,246
Roads	**14,251,894**	13,704,151
Equipment	**2,555,567**	2,511,448
Bridges	**1,712,742**	1,664,697
Water and Sewer	**236,508**	274,846
Storm Drains	**1,508,280**	767,792
Streetlights	**41,008**	42,114
Signs	**80,468**	84,938
Construction in Progress	---	3,793,946
	30,305,520	25,332,033

For additional information, see Schedule 2 ▸ Tangible Capital Assets.

16. Segmented Information

The Township is a diversified municipal government that provides a wide range of services to its citizens. The services are provided by departments and their activities are reported in the consolidated statement of financial activities.

Departments have been separately disclosed in the segmented information, along with the service they provide, are set out in the schedule below.

16. Segmented Information / continued

For each reported segment, expenditures 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.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 2.

2010	Salaries, Wages & Employee Benefits	Debenture Debt Interest	Materials & Services	External Transfers	Amortization	Total
	$	$	$	$	$	$
General Government						
Governance	131,126	---	18,465	---	---	149,591
Corporate Management & Program Support	479,977	---	367,026	80,365	9,798	937,166
Protection to Persons & Property						
Fire	283,411	---	582,478	---	172,506	1,038,395
Police	---	---	1,180,957	---	---	1,180,957
Conservation Authority	---	---	---	111,952	---	111,952
Protective Inspection	151,478	---	201,813	---	---	353,291
Transportation						
Roadways	585,853	557	726,060	---	917,632	2,230,102
Winter Control	81,808	---	109,101	---	---	190,909
Street Lighting	---	---	20,695	---	---	20,695
Environmental						
Sanitary Sewer	---	824	1,204,029	---	---	1,204,853
Waste Services	189,923	---	579,677	---	2,060	771,660
Recycling	---	---	75,157	---	---	75,157
Health Services						
Hospitals	---	---	---	24,121	---	24,121
Cemeteries	4,770	---	11,164	---	---	15,934
Recreation & Cultural Services						
Parks	151,651	---	82,099	---	---	233,750
Recreation Facilities & Programs	155,719	---	475,330	---	205,122	836,171
Libraries	293,441	---	140,953	---	37,041	471,435
Cultural Services	---	---	4,731	---	---	4,731
Planning & Development						
Planning & Zoning	75,503	---	148,151	---	2,729	226,383
2010	**2,584,660**	**1,381**	**5,927,886**	**216,438**	**1,346,888**	**10,077,253**

16. Segmented Information / continued

2009	Salaries, Wages & Employee Benefits	Debenture Debt Interest	Materials & Services	External Transfers	Amortization	Total
	$	$	$	$	$	$
General Government						
Governance	128,569	---	14,988	---	1,509	145,066
Corporate Management & Program Support	467,170	---	201,655	60,218	---	729,043
Protection to Persons & Property						
Fire	337,423	---	683,171	---	139,972	1,160,566
Police	---	---	1,066,734	---	---	1,066,734
Conservation Authority	---	---	---	93,126	---	93,126
Protective Inspection	199,095	---	194,673	---	---	393,768
Transportation						
Roadways	594,771	---	1,238,792	16,683	884,955	2,735,201
Winter Control	107,417	---	124,066	---	---	231,483
Street Lighting	---	---	19,891	---	---	19,891
Environmental						
Sanitary Sewer	---	1,681	269,948	---	2,060	273,689
Waste Services	222,173	---	410,735	---	---	632,908
Recycling	---	---	89,879	---	---	89,879
Health Services						
Hospitals	---	---	---	29,736	---	29,736
Cemeteries	3,244	---	57,375	---	---	60,619
Recreation & Cultural Services						
Parks	95,130	---	262,502	---	42,132	399,764
Recreation Facilities & Programs	80,122	---	373,160	---	---	453,282
Libraries	239,235	---	154,192	29,887	34,415	457,729
Cultural Services	657	---	6,482	---	---	7,139
Planning & Development						
Planning & Zoning	86,920	1,681	102,738	---	7,051	198,390
2009	**2,561,926**	**3,362**	**5,270,981**	**229,650**	**1,112,094**	**9,178,013**

17. Budget Figures

The operating budget approved by Township Council, for 2010 is reflected on the Consolidated Statement of Operations and Accumulated Surplus. The budgets established for capital investment in tangible capital assets are on a project oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. As well, the Township does not budget activity within Reserves and Reserve Funds, with the exception being those transactions, which affect either operations or capital investments. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements.

Township of Leeds and The Thousand Islands
Schedule 1 ▸ Continuity of Reserves and Reserve Funds

For the year ended December 31	(Note 17) Budget	2010	2009
	$	$	$
Revenues			
Investment income	---	---	---
Expenditures			
Transfer to reserve fund	---	---	---
Net Transfers From/(To) Other Funds			
Transfers from operations	885,790	**1,057,212**	2,147,364
Transfers to capital acquisitions	(3,298,878)	**(2,494,935)**	(2,643,665)
Total Net Transfers	(2,413,088)	**(1,437,723)**	(496,301)
Reserves and Reserve Fund Balances, Change in Year	(2,413,088)	**(1,437,723)**	(496,301)
Reserves and Reserve Fund Balances, Beginning of Year	4,398,635	**4,398,635**	4,894,936
Reserves and Reserve Fund Balances, End of Year	1,985,547	**2,960,912**	4,398,635

Composition of Reserves and Reserve Funds

For the year ended December 31	2010	2009
	$	$
Reserves set aside for specific purposes by Council:		
▸ for working capital	**800,000**	800,000
▸ for election purposes	**4,475**	45,000
▸ for acquisition of capital assets	**938,273**	2,269,872
▸ for contingencies	**371,669**	297,286
▸ for equipment	**164,132**	302,196
▸ for waste management	**9,834**	7,054
▸ for recreation and culture	**223,251**	141,792
▸ for library	**115,572**	129,161
▸ for water system	**79,929**	234,991
▸ for heritage	**253,777**	171,283
Total Reserves and Reserve Funds	**2,960,912**	4,398,635

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

Township of Leeds and The Thousand Islands
Schedule 2 ▸ 2010 Tangible Capital Assets

Asset Class	Cost 01/01/10	Additions	(Disposals)	**Cost 31/12/10**
	$	$	$	**$**
Land	195,855	---	---	**195,855**
Buildings	3,983,020	7,691,577	(179,460)	**11,495,137**
Roads	28,562,884	1,285,945	---	**29,848,829**
Equipment	4,008,368	300,974	(27,294)	**4,282,048**
Bridges	2,427,157	67,175	---	**2,494,332**
Water and Sewer	1,612,684	---	---	**1,612,684**
Storm Drains	788,875	760,871	---	**1,549,746**
Streetlights	44,330	---	---	**44,330**
Signs	89,408	---	---	**89,408**
Construction in Progress	3,793,946	---	(3,793,946)	**---**
	45,506,527	10,106,542	(4,000,700)	**51,612,369**

Asset Class	Accumulated Amortization 01/01/10	Amortization	(Disposals)	**Accumulated Amortization 31/12/10**	**Net Book Value 31/12/10**
	$	$	$	**$**	**$**
Land	---	---	---	**---**	**195,855**
Buildings	1,690,774	260,625	(179,460)	**1,771,939**	**9,723,198**
Roads	14,858,733	738,202	---	**15,596,935**	**14,251,894**
Equipment	1,496,920	256,855	(27,294)	**1,726,481**	**2,555,567**
Bridges	762,460	19,130	---	**781,590**	**1,712,742**
Water and Sewer	1,337,838	38,338	---	**1,376,176**	**236,508**
Storm Drains	21,083	20,383	---	**41,466**	**1,508,280**
Streetlights	2,216	1,106	---	**3,322**	**41,008**
Signs	4,470	4,470	---	**8,940**	**80,468**
Construction in Progress	---	---	---	**---**	**---**
	20,174,494	1,339,109	(206,754)	**21,306,849**	**30,305,520**

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

Township of Leeds and The Thousand Islands
Schedule 2 ▸ 2009 Tangible Capital Assets

Asset Class	Cost 01/01/09	Additions	(Disposals)	**Cost 31/12/09**
	$	$	$	**$**
Land	195,855	---	---	**195,855**
Buildings	3,648,680	334,340	---	**3,983,020**
Roads	28,103,640	459,244	---	**28,562,884**
Equipment	3,764,343	244,025	---	**4,008,368**
Bridges	2,342,022	85,135	---	**2,427,157**
Water and Sewer	1,612,684	---	---	**1,612,684**
Storm Drains	54,444	734,431	---	**788,875**
Streetlights	44,330	---	---	**44,330**
Signs	---	89,408	---	**89,408**
Construction in Progress	325,740	3,468,206	---	**3,793,946**
	40,091,738	5,414,789	---	**45,506,527**

Asset Class	Accumulated Amortization 01/01/09	Amortization	(Disposals)	**Accumulated Amortization 31/12/09**	**Net Book Value 31/12/09**
	$	$	$	**$**	**$**
Land	---	---	---	**---**	**195,855**
Buildings	1,623,346	67,428	---	**1,690,774**	**2,292,246**
Roads	14,161,866	696,867	---	**14,858,733**	**13,704,151**
Equipment	1,232,340	264,580	---	**1,496,920**	**2,511,448**
Bridges	742,879	19,581	---	**762,460**	**1,664,697**
Water and Sewer	1,299,500	38,338	---	**1,337,838**	**274,846**
Storm Drains	1,361	19,722	---	**21,083**	**767,792**
Streetlights	1,108	1,108	---	**2,216**	**42,114**
Signs	---	4,470	---	**4,470**	**84,938**
Construction in Progress	---	---	---	**---**	**3,793,946**
	19,062,400	1,112,094	---	**20,174,494**	**25,332,033**

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

Allan

Chartered Accountant Professional Corporation

TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS' TRUST FUNDS

AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Leeds and The Thousand Islands:

We have audited the statement of financial position of the trust funds of the Corporation of the Township of Leeds and The Thousand Islands as at December 31, 2010 and the statement of financial activities of the trust funds for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
The Corporation of the Township of Leeds and The Thousand Islands' management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust funds of the Corporation of the Township of Leeds and The Thousand Islands as at December 31, 2010 and the financial activities for the year then ended in accordance with Canadian generally accepted accounting principles.

Allan

Chartered Accountants
Licenced Public Accountants
Perth, Ontario,
July 25, 2011.

22 Wilson Street West, Perth, Ontario K7H 2M9 (613) 267-6580 Voice (613) 267-7563 Facsimile allanca.com

Township of Leeds and The Thousand Islands
Trust Funds
Statement of Financial Position

December 31	Pine Hill Cemetery	OHRP	**2010**	2009
	$	$	**$**	$
ASSETS				
Cash	---	1,107	**1,107**	1,060
Investments (market value $7,074)	7,114	---	**7,114**	7,111
Long term receivables	---	696	**696**	1,623
	7,114	1,803	**8,917**	9,794
LIABILITIES				
Accounts payable	---	1,289	**1,289**	1,295
Fund balance	7,114	514	**7,628**	8,499
	7,114	1,803	**8,917**	9,794

Statement of Financial Activities

For the year ended December 31	Cemeteries	OHRP	**2010**	2009
	$	$	**$**	$
REVENUES				
Loan interest	---	53	**53**	128
Bank interest	278	7	**285**	303
	278	60	**338**	431
EXPENDITURES				
Perpetual care	221	---	**221**	244
Administration charges	54	53	**107**	104
Repayment to Province	---	881	**881**	996
	275	934	**1,209**	1,344
NET REVENUES (EXPENDITURES) FOR THE YEAR	3	(874)	**(871)**	(913)
BALANCE AT THE BEGINNING OF THE YEAR	7,111	1,388	**8,499**	9,412
BALANCE AT THE END OF THE YEAR	7,114	514	**7,628**	8,499

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

1. Significant Accounting Policies

Reporting Entity

Perpetual care receipts are reported on the cash basis of accounting and interest income is reported on the accrual basis of accounting.

Expenditures are reported on the cash basis of accounting with the exception of administrative expenses which are reported on the accrual basis of accounting, which recognizes expenditures 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.

2. Ontario Home Renewal Program (O.H.R.P.)

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, are repayable by the owner occupant. 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 loan immediately become due and payable by the homeowner.

The OHRP program was discontinued by the Ontario Ministry of Housing in July 1993. At that time the Ministry requested the repayment of all trust funds held by the Township. The cash accumulated in the trust fund is being repaid to the Ministry on an annual basis.

Allan

Chartered Accountant Professional Corporation

TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS PUBLIC LIBRARY BOARD

AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the
Township of Leeds and The Thousand Islands Public Library Board:

We have audited the statement of financial position of the Corporation of the Township of Leeds and The Thousand Islands Public Library Board as at December 31, 2010 and the statement of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
The Corporation of the Township of Leeds and The Thousand Islands Public Library Board's management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, these financial statements present fairly, in all material respects, the financial position of the Township of Leeds and The Thousand Islands Public Library Board as at December 31, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Allan

Chartered Accountants
Licenced Public Accountants
Perth, Ontario,
April 15, 2011.

22 Wilson Street West, Perth, Ontario K7H 2M9 (613) 267-6580 Voice (613) 267-7563 Facsimile allanca.com

Township of Leeds and The Thousand Islands
Public Library Board
Statement of Financial Position

December 31	2010	2009
	$	$
ASSETS		
Financial Assets		
Cash and short term deposits	**95,629**	153,461
Accounts receivable	**54,575**	24,548
	150,204	178,009
LIABILITIES		
Accounts payable and accrued liabilities	**34,632**	19,935
Deferred revenue	---	28,913
	34,632	48,848
NET FINANCIAL ASSETS	**115,572**	129,161
NON-FINANCIAL ASSETS		
Tangible capital assets (note 4)	**122,843**	114,210
ACCUMULATED SURPLUS (note 3)	**238,415**	243,371

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

Township of Leeds and The Thousand Islands
Public Library Board
Statement of Operations and Accumulated Surplus

For the year ended December 31	(Note 5) Budget	2010	2009
	$	$	$
REVENUES			
Government Grants			
Province of Ontario ▸ operating	26,069	**26,069**	26,069
▸ Strategic Development Fund	28,913	**28,913**	20,871
▸ Read Everyday	---	**7,451**	10,000
Municipal Grants	362,240	**362,240**	355,200
Other Grants	9,693	**64,566**	29,515
Other municipalities	1,000	**---**	4,816
Service charges and fines	6,620	**10,657**	8,986
Investment Income	1,305	**1,252**	1,251
Donations and fundraising	1,000	**3,137**	3,059
TOTAL REVENUES	436,840	**504,285**	459,767
EXPENDITURES			
Current operations			
Amortization	40,700	**37,041**	34,415
Salaries and benefits	256,427	**256,938**	239,235
Telephone and internet	12,700	**14,107**	12,478
Other supplies and services	25,950	**30,056**	32,488
Literacy program	10,000	**8,434**	14,310
Strategic Development Fund Grant	28,913	**29,011**	20,871
Read Everyday Grant	---	**4,093**	9,016
Technical services	17,500	**22,182**	19,281
Facility maintenance and utilities	45,150	**42,940**	65,724
Other special grant expenses	---	**35,275**	---
Minor Capital			
CAP program	5,000	**9,795**	9,813
Equipment and furniture	9,500	**19,369**	---
TOTAL EXPENDITURES	451,840	**509,241**	457,631
ANNUAL (DEFICIT) SURPLUS	(15,000)	**(4,956)**	2,136
ACCUMULATED SURPLUS, BEGINNING OF YEAR	243,371	**243,371**	241,235
ACCUMULATED SURPLUS, END OF YEAR	228,371	**238,415**	243,371

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

Township of Leeds and The Thousand Islands
Public Library Board
Statement of Cash Flows

For the year ended December 31	2010	2009
	$	$
OPERATING		
Annual (deficit) surplus	(4,956)	2,136
Non cash changes ▸ amortization	37,041	34,415
	32,085	36,551
Net Change in Non-Cash Working Capital Items		
Accounts receivable	(30,027)	(8,415)
Accounts payable and accrued liabilities	14,697	(6,295)
Deferred revenue	(28,913)	28,913
	(44,243)	14,203
Working Capital from Operations	(12,158)	50,754
CAPITAL		
Acquisition of tangible capital assets	(45,674)	(44,492)
NET (DECREASE) INCREASE IN CASH	(57,832)	6,262
CASH, BEGINNING OF YEAR	153,461	147,199
CASH, END OF YEAR	95,629	153,461

Statement of Change in Net Financial Assets

For the year ended December 31	2010	2009
	$	$
ANNUAL (DEFICIT) SURPLUS	(4,956)	2,136
Amortization of tangible capital assets	37,041	34,415
Acquisition of tangible capital assets	(45,674)	(44,492)
DECREASE IN NET FINANCIAL ASSETS	(13,589)	(7,941)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	129,161	137,102
NET FINANCIAL ASSETS, END OF YEAR	115,572	129,161

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

1. Status of the Board

The Leeds and The Thousand Islands Public Library Board (the 'Board') was established under the Public Library Act, 1992, R.S.O. 1990 in accordance with the Section 15 of the Minister of Municipal Affairs Restructuring Order which amalgamated the former Townships of Front of Leeds and Lansdowne, Rear of Leeds and Lansdowne and Front of Escott effective January 1, 2001.

2. Significant Accounting Policies

The financial statements of the Township of Leeds and The Thousand Islands Public Library Board are the representations of management and have been prepared in all material respects in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ('PSAB') of the Canadian Institute of Chartered Accountants.

(a) Reporting Entity

The financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves, reserve funds and changes in investment in tangible capital assets of the Board.

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenditures are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.

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. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

(c) Tangible Capital Assets

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

Assets	Estimated Useful Life
Library Collection	7 years

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of other assets as of the date of transfer.

2. Significant Accounting Policies / continued

(d) Cash and Cash Equivalents

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

(e) Government Transfers

Government transfers are recognized in the financial statements as revenues in the period in which 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.

(f) Deferred Revenues

The Board defers recognition of user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(g) Financial Instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Board has classified each financial instrument into one of the following categories: held-for-trading financial assets and liabilities, loans and receivables, held-to-maturity financial assets and other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Held-for-trading financial assets and liabilities are subsequently measured at fair value with changes in those fair values recognized in net revenues.

Loans and receivables, held-to-maturity financial assets and other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Board classifies cash and cash equivalents as held-for-trading financial assets, accounts receivable as loans and receivables, and accounts payable and accrued liabilities as other financial liabilities.

(h) 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 these estimates.

3. Accumulated Surplus

Accumulated surplus consists of individual fund surplus (deficit) and reserves as follows:

	2010	2009
	$	$
Surplus		
Invested in tangible capital assets	**122,843**	114,210
Reserves		
Working fund	**54,588**	55,949
Technology	**25,747**	25,747
Building	**19,423**	25,075
Literacy	**13,830**	18,401
Ada Hare	**1,984**	1,984
UCLG Read Everyday	---	984
Lyndhurst branch	---	600
Badgley	---	421
	115,572	129,161
Accumulated Surplus	**238,415**	243,371

4. Tangible Capital Assets

Net Book Value of Assets	**2010**	2009
	$	$
Library Collection	**122,843**	114,210

For additional information, see Schedule 1 ▸ Tangible Capital Assets.

5. Budget Figures

Leeds and The Thousand Islands Public Library Board reviews its operating and capital budgets each year. The approved operating budget for 2010 is included in the budget figures presented in the Consolidated Statement of Operations and Accumulated Surplus.

Township of Leeds and The Thousand Islands
Public Library Board
Schedule 1 ▸ Tangible Capital Assets

December 31, 2010

Assets	**Cost 01/01/10**	Additions (Disposals)	Cost 31/12/10	Accumulated Amortization 01/01/10	Net Amortization 2010	Accumulated Amortization 31/12/10	**Net Book Value 31/12/10**
	$	$	$	$	$	$	**$**
Library Collection	**267,685**	18,380	286,065	153,475	9,747	163,222	**122,843**

December 31, 2009

Assets	**Cost 01/01/09**	Additions (Disposals)	Cost 31/12/09	Accumulated Amortization 01/01/09	Net Amortization 2009	Accumulated Amortization 31/12/09	**Net Book Value 31/12/09**
	$	$	$	$	$	$	**$**
Library Collection	**223,193**	44,492	267,685	119,060	34,415	153,475	**114,210**

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

Township of Leeds and The Thousand Islands
Schedule of Water and Sewer Operations
Statement of Financial Activities

For the year ended December 31	(Note 17) Budget	2010	2009
	$	$	$
REVENUES			
Taxation ▸ frontage and connection charges	8,490	**8,490**	8,662
User charges ▸ water and sewer bill revenue	334,160	**333,359**	326,026
▸ miscellaneous fees and service charges	525	**4,906**	8,399
▸ penalty and interest	2,500	**2,871**	2,623
▸ internal charge	825	**823**	823
Township reserves	100,000	**100,000**	---
Government grant	654,168	**586,895**	66,732
OSTAR Funding	22,940	**22,940**	22,940
Interest	1,500	**739**	1,387
TOTAL REVENUES	1,125,108	**1,061,023**	437,592
EXPENDITURES			
Current Operations			
OCWA contract	210,312	**207,690**	208,230
Insurance	10,000	**9,521**	8,953
Loan interest	990	**995**	1,105
Materials and supplies	25,665	**21,487**	27,552
Professional fees	22,000	**---**	15,881
Total Current	268,967	**239,693**	261,721
Minor Capital	1,041,450	**965,159**	136,373
TOTAL EXPENDITURES	1,310,417	**1,204,852**	398,094
(DECREASE) INCREASE IN FUND BALANCES	(185,309)	**(143,829)**	39,498
FUND BALANCES, BEGINNING OF YEAR			
Capital	(34,890)	**(34,890)**	(45,017)
Reserves	234,991	**234,991**	205,620
	200,101	**200,101**	160,603
FUND BALANCES, END OF YEAR			
Capital	(23,658)	**(23,658)**	(34,890)
Reserves	38,450	**79,929**	234,991
	14,792	**56,271**	200,101