

Consolidated Financial Statements of

**CORPORATION OF THE
TOWNSHIP OF LEEDS AND
THE THOUSAND ISLANDS**

Year ended December 31, 2021

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Year ended December 31, 2021

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

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Independent Auditors' Report

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Township of Leeds and The Thousand Islands (the "Township") are the responsibility of the Township's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies is contained in note 2 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Township's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Management meets with the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to Council approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Township. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Township's consolidated financial statements.

Stephen Donachey
Chief Administrative Officer

Kate Tindal, CPA, CGA
Director of Finance



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of the Township of Leeds and The Thousand Islands (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of operations and accumulated municipal equity for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

May 2, 2022

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Financial assets:		
Cash and cash equivalents	\$ 10,662,307	\$ 8,311,817
Taxes receivable (note 4)	2,109,378	2,615,757
Accounts receivable	1,345,938	738,300
Long-term receivables (note 5)	148,394	172,515
Loan receivable (note 6)	231,000	243,000
	14,497,017	12,081,389
Financial liabilities:		
Accounts payable and accrued liabilities	1,231,990	1,354,405
Accrued landfill closure and post closure (note 12)	2,337,817	2,030,263
Prepaid property taxes	349,719	338,610
Other current liabilities	512,975	336,502
Deferred revenue - obligatory reserves (note 7)	582,456	240,046
Long-term liabilities (note 8)	560,621	626,558
	5,575,578	4,926,384
Net financial assets	8,921,439	7,155,005
Other non-financial assets:		
Tangible capital assets (note 15)	36,933,804	37,642,079
Inventories	69,664	75,990
	37,003,468	37,718,069
Commitments (note 13)		
Contingent liabilities (note 14)		
Subsequent events (note 19)		
Accumulated municipal equity (note 9)	\$ 45,924,907	\$ 44,873,074

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

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Consolidated Statement of Operations and Accumulated Municipal Equity

Year ended December 31, 2021, with comparative information for 2020

	Budget 2021	Actual 2021	Actual 2020
	(note 17)		
Revenue:			
Property taxation	\$ 10,489,440	\$ 10,501,768	\$ 9,952,946
User charges	1,145,785	1,401,376	1,227,848
Government grants	1,312,039	1,596,680	1,734,590
Licenses and permits	386,630	480,907	332,250
Investment income	148,900	105,695	109,596
Penalties and interest on taxes	300,000	341,967	279,279
Other	173,850	622,655	670,035
Total revenue	13,956,644	15,051,048	14,306,544
Expenses (note 16):			
General government	2,301,750	2,571,417	2,525,785
Protection to persons and property	3,667,370	4,010,482	3,907,908
Transportation services	2,522,200	3,959,130	3,350,765
Environmental services	1,587,920	1,770,595	1,822,908
Health services	46,300	49,733	41,943
Recreation and cultural services	1,343,025	1,334,280	1,356,866
Planning and development	879,550	818,648	832,965
Total expenses	12,348,115	14,514,285	13,839,140
Annual operating surplus	1,608,529	536,763	467,404
Revenue related to capital:			
Deferred revenues earned (note 7)	-	-	2,868
Government transfers	427,500	515,070	439,730
Total revenue related to capital	427,500	515,070	442,598
Annual surplus	2,036,029	1,051,833	910,002
Accumulated municipal equity, beginning of year:			
As previously stated		44,873,074	43,632,512
Correction of an error		-	330,560
As restated		44,873,074	43,963,072
Accumulated municipal equity, end of year		\$ 45,924,907	\$ 44,873,074

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

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2021, with comparative information for 2020

	Budget (note 17)	2021	2020
Annual surplus	\$ 2,036,029	\$ 1,051,833	\$ 910,002
Acquisition of tangible capital assets	(2,406,200)	(1,388,366)	(2,547,082)
Amortization of tangible capital assets	–	2,096,641	2,020,576
Acquisition of inventories	–	6,326	(13,835)
	(2,406,200)	714,601	(540,341)
Change in net financial assets	(370,171)	1,766,434	369,661
Net financial assets, beginning of year	5,655,267	7,155,005	6,785,344
Net financial assets, end of year	\$ 5,285,096	\$ 8,921,439	\$ 7,155,005

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

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Consolidated Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Operating activities:		
Annual surplus	\$ 1,051,833	\$ 910,002
Item not involving cash:		
Amortization of tangible capital assets	2,096,641	2,020,576
Changes in non-cash assets and liabilities:		
Taxes receivable	506,379	57,206
Accounts receivable	(607,637)	449,838
Accounts payable and accrued liabilities	(122,417)	(67,264)
Accrued landfill closure and post closure	307,554	319,901
Prepaid property taxes	11,109	62,279
Other current liabilities	176,474	47,265
Deferred revenue - obligatory reserves	342,410	16,968
Inventories	6,326	(13,835)
	620,199	872,358
Net change in cash from operations	3,768,672	3,802,936
Capital activities:		
Cash used to acquire tangible capital assets	(1,388,366)	(2,547,082)
Investing activities:		
Long-term receivables	24,121	72,866
Loan receivables	12,000	12,000
	36,121	84,866
Financing activities:		
Debt principal repayments	(65,937)	(109,652)
Increase in cash and cash equivalents	2,350,490	1,231,068
Cash and cash equivalents, beginning of year	8,311,817	7,080,749
Cash and cash equivalents, end of year	\$ 10,662,307	\$ 8,311,817

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

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements

Year ended December 31, 2021

1. Status of the Corporation of the Township of Leeds and The Thousand Island:

The Corporation of 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 United Counties of Leeds and Grenville, 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 Township are the representation of management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Township are as follows:

(i) Reporting entity:

The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenses, 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:

- Township of Leeds and the Thousand Islands Public Library Board

(ii) Accounting for upper tier and school board transactions:

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

(iii) Trust funds

Trust funds and their related operations administered by the Township are not consolidated but are reported separately on the Trust Funds Statement of Financial Position and Statement of Continuity.

(a) 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. Expenses 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.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

2. Significant accounting policies (continued):

(a) Basis of accounting (continued):

- (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 annual surplus or deficit, provides the change in net financial assets for the year.

(b) Taxation and related revenues:

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation ('MPAC'). Tax rates are established by Township Council, incorporating amounts to be raised for local services, amounts to be raised on behalf of the United Counties of Leeds and Grenville for regional services, and amounts the Township is required to collect on behalf of the Province of Ontario in respect of education taxes. Taxation revenues are recorded at the time tax billings are issued. Adjustments to taxation revenue can occur during the year related to the issuance of supplementary tax billings and/or assessment appeals. These adjustments are recorded when the amount of the adjustments can be quantified. The Township is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period in which the interest and penalties are applied.

(c) Tangible capital assets:

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

Asset	Years
Land	
Land improvements	20
Buildings	50
Vehicles and equipment	7 to 20
Signs	20
Linear assets	
Roads	40
Bridges	75
Streetlights	40
Storm drains	40
Water and sewer	40
Construction in progress	

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

2. Significant accounting policies (continued):

(c) Tangible capital assets (continued):

Amortization is charged from the date of acquisition. Construction in progress is not amortized until the asset is available for productive use.

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.

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the Consolidated Statement of Operations and Accumulated Municipal Equity in the year of disposal. Transfers of assets to third parties are recorded as an expense equal to the net book value of the 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 benefits:

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

(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 as revenue in the consolidated financial statements when the transfer is authorized, any eligibility criteria are met and reasonable estimate of the amounts can be made except when and to the extent that stipulations by the transferor give rise to an obligation that meets the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

2. Significant accounting policies (continued):

(i) Deferred revenue - obligatory reserve funds:

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.

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

(j) Deferred revenue:

Deferred revenue represents certain user charges and fees which have been collected but for which the related services have yet to be performed. Deferred revenue also represents contributions that the Township has received pursuant to legislation, regulation or agreement that may only be used for certain programs or in the completion of specific work. These amounts are recognized as revenue in the fiscal year the services are performed or related expenses incurred.

(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 expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

(l) Use of estimates:

The preparation of consolidated financial statements 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 revenue and expenses during the period. Actual results could differ from those estimates. Significant estimates include the liabilities for landfill closure and post-closure costs.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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

During the year, 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		United Counties	
	2021	2020	2021	2020
Property taxes	\$ 4,564,549	\$ 5,371,281	\$ 8,471,836	\$ 8,576,666
Taxation from other governments	20,769	23,283	183,762	166,555
Amounts requisitioned and paid	\$ 4,585,318	\$ 5,394,564	\$ 8,655,598	\$ 8,743,221

4. Taxes receivable:

Taxes receivable consist of the following:

	2021	2020
Current year taxes	\$ 1,188,993	\$ 1,532,829
Prior years' taxes	719,946	891,921
Penalties and interest	205,939	196,507
	2,114,878	2,621,257
Allowance for doubtful accounts	(5,500)	(5,500)
	\$ 2,109,378	\$ 2,615,757

5. Long-term receivables:

Long-term receivables are comprised of the tile drainage loans and municipal drainage loans.

Tile drainage loans are due from individuals who have received loans under the Ontario Tile Loan Program. The loans are repayable over ten years with fixed annual repayments which are collected through the property tax billing. The Province advances the funds to the Township. The corresponding debt obligation is included in long-term liabilities (note 8).

Municipal drain loans due from landowners to recover the capital costs for the Smith Bolger drain. The funds are repayable over 10 years with fixed annual repayments.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

5. Long-term receivables (continued):

Principal payments over the next five years and thereafter are due as follows:

		Tile Loans	Municipal Drain Loans	Total
2022	\$	6,216	\$ 17,529	\$ 23,745
2023		5,489	18,057	23,546
2024		5,818	18,600	24,418
2025		6,167	19,160	25,327
2026		6,537	19,736	26,273
Thereafter		4,755	20,330	25,085
Total	\$	34,982	\$ 113,412	\$ 148,394

6. Loan receivable:

The loan receivable is a loan agreement with St. Lawrence District Medical Centre. The funds were used for the expansion of the existing medical centre owned by St. Lawrence Medical Centre. The initial term of the loan is five years, followed by four more automatically renewing five-year terms.

The loan is interest free for the 25-year term of the loan. Monthly principal payments of \$1,000 commenced April 1, 2016. The borrower has the privilege of prepaying all or part of the principal sum outstanding at any time without notice or bonus.

The loan is secured by a mortgage on the property.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

7. Deferred revenue - obligatory reserves:

A requirement of the CPA Canada Public Sector Accounting Handbook is that obligatory reserves be reported as deferred revenue. This requirement is in place as provincial and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the Township are summarized below:

	2021	2020
Balance, beginning of year	\$ 240,046	\$ 223,078
Revenue transfers as follows:		
Federal grant - gasoline tax	588,759	287,132
Parkland	31,429	12,388
Ontario Community Infrastructure Funds	152,597	152,597
Investment income	3,543	7,449
Utilized - operating	(433,918)	(439,730)
Utilized - capital	-	(2,868)
Balance, end of year	\$ 582,456	\$ 240,046

Analyzed as follows:

	2021	2020
Federal grant - gasoline tax	\$ 321,501	\$ 5,633
Development contributions	-	6,418
Parkland	260,338	227,511
OCIF	617	484
Balance, end of year	\$ 582,456	\$ 240,046

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

8. Long-term liabilities:

- (a) The balance of net long-term liabilities reported on the Consolidated Statement of Financial Position is made up of the following:

	2021	2020
Fixed rate bank loan with the Bank of Montreal (2.26%), with monthly principal payments of \$5,006, due September 2030.	\$ 525,639	\$ 585,711
Instalment debentures with the Province of Ontario under the Ontario Tile Loan Program. The responsibility for payment of principal and interest charges for tile drainage assistance loans has been assumed by individuals.	34,982	40,847
Long-term liabilities at the end of the year	\$ 560,621	\$ 626,558

- (b) Principal due on long-term liabilities from individuals and general municipal revenues for the next five years and thereafter are summarized as follows:

	Individuals	General Revenues	Total
2022	\$ 6,216	\$ 60,073	\$ 66,289
2023	5,489	60,073	65,562
2024	5,818	60,073	65,891
2025	6,167	60,073	66,240
2026	6,537	60,073	66,610
Thereafter	4,755	225,274	230,029
Total	\$ 34,982	\$ 525,639	\$ 560,621

- (c) Interest expense on long-term liabilities amounted to \$15,057 (2020 - \$25,026).
- (d) These payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

9. Accumulated municipal equity:

Accumulated municipal equity consists of:

	2021	2020
Investment in tangible capital assets:		
Tangible capital assets	\$ 36,933,804	\$ 37,642,079
Long-term liabilities	(525,639)	(585,711)
	<u>36,408,165</u>	<u>37,056,368</u>
Unrestricted surplus	18,886	63,133
Reserves and reserve funds (Schedule 1)	9,497,856	7,753,573
Accumulated municipal equity	<u>\$ 45,924,907</u>	<u>\$ 44,873,074</u>

10. Pension contributions:

The Township makes contributions to the Ontario Municipal Employees Retirement System Pension Fund ("OMERS"), which is a multi-employer plan, on behalf of its employees. As a result, the Township does not recognize any share of the OMERS pension surplus or deficit. The last available report was at December 31, 2021 and at that time, the plan reported a \$3.1 billion actuarial deficit (2020 - \$3.2 billion actuarial deficit). The plan is a contributory 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. Employers and employees contribute to the plan.

In 2021, the contributions made by the Township were \$294,618 (2020 - \$291,385) and are included as a component of expenses on the Consolidated Statement of Operations and Accumulated Municipal Equity.

11. Trust funds:

Trust funds administered by the Township amounting to \$209,474 (2020 - \$195,721) 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.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

12. Landfill closure and post closure liability:

The Environment 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 liabilities are 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 expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The Township currently has three active landfill sites Lansdowne, Briar Hill and Escott and three inactive sites, Leeds, LaRue Mills and Reynolds Road. Closure, post closure and remaining life for the sites are summarized as follows:

	Remaining Life	Closure Costs	Post Closure Costs/Year
Lansdowne	3 years	\$ 934,245	\$ 22,000
Briar Hill	31 years	509,094	21,000
Escott	1 year	131,208	17,600
Leeds	closed	–	12,500
LaRue Mills	closed	–	–
Reynolds Road	closed	–	–

For the active sites, the anticipated closure plan involves placing and compacting a minimum of 600mm of low permeability material over the waste, placing a 150mm layer of soil capable of maintaining vegetative growth, seeding the covered waste mound and improving drainage at each site. Monitoring costs are the annual costs to monitor the groundwater and surface water at each site and report the findings to the Ministry of Environment. Post monitoring costs are calculated at 25 years following landfill closure.

The landfill closure costs are accrued on an annual basis based on the estimated life of the landfill sites.

Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the Township's average long-term borrowing rate of 2.94% and using 3.0% for inflation. The estimated total landfill closure and post closure care expenses are calculated to be approximately \$3.1 million (2020 - \$2.6 million). Included in the liabilities on the Consolidated Statement of Financial Position at December 31, 2021 is \$2,337,817 (2020 - \$2,030,263).

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

13. Commitments:

- (a) The Township has negotiated a five-year contract with Ontario Clean Water Agency to manage the water treatment plant and the sewage treatment plant. The contract base is \$244,600 and provides an annual adjustment for inflation, hydro costs and insurance. The contract does not include capital expenses or unexpected expenses in the nature of addressing equipment failure. The initial term of the contract expired December 2020, which was then renewed for two additional one-year periods, expiring December 2022.

Included in the Consolidated Statement of Operations and Accumulated Municipal Equity are the costs paid to the Ontario Clean Water Agency of \$264,786 (2020 - \$263,207).

- (b) 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 \$1,811,733 (2020 - \$1,839,434).
- (c) The Township has entered into a four-year recreation cost sharing agreement with the Town of Gananoque. The agreement sets out the annual fee for each of the four years and expires December 2021. The amount paid under the contract in 2021 was \$140,030 (2020 \$130,955).

14. Contingent liabilities:

- (a) The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2021, 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.

- (b) Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:
- (i) an environmental standard exists;
 - (ii) contamination exceeds the environmental standard;
 - (iii) the Township:
 - (i) is directly responsible; or
 - (ii) accepts responsibility
 - (iv) it is expected that future economic benefit will be given up; and
 - (v) a reasonable estimate of the amount can be made.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

14. Contingent liabilities (continued):

(b) (continued):

As at December 31, 2021, contamination has been identified on certain assets of the Township, however due to the uncertainty surrounding the timing and nature of the remediation, no liability has been recognized in the Township's financial statements.

15. Tangible capital assets:

Cost	Balance at January 1, 2021	Additions	Disposals	Balance at December 31, 2021
Land	\$ 296,777	\$ —	\$ —	\$ 296,777
Buildings	13,649,718	—	—	13,649,718
Land improvements	1,016,036	297,104	—	1,313,140
Vehicles and equipment	9,608,464	184,427	—	9,792,891
Signs	149,363	18,339	—	167,702
Linear assets:				
Roads	39,281,490	969,077	74,267	40,176,300
Bridges	4,388,949	—	—	4,388,949
Streetlights	156,465	—	—	156,465
Storm drains	2,858,919	—	—	2,858,919
Water and sewer	2,743,943	—	—	2,743,943
Construction in progress	75,361	53,417	59,731	69,047
	\$ 74,225,485	\$ 1,522,364	\$ 133,998	\$ 75,613,851

Accumulated amortization	Balance at January 1, 2021	Amortization	Disposals	Balance at December 31, 2021
Land	\$ —	\$ —	\$ —	\$ —
Buildings	4,270,425	287,136	—	4,557,561
Land improvements	311,502	55,676	—	367,178
Vehicles and equipment	4,820,759	734,988	—	5,555,747
Signs	60,516	8,401	—	68,917
Linear assets:				
Roads	23,696,676	834,315	6,628	24,524,363
Bridges	1,002,266	59,751	—	1,062,017
Streetlights	59,119	15,648	—	74,767
Storm drains	716,329	73,125	—	789,454
Water and sewer	1,645,814	34,229	—	1,680,043
Construction in progress	—	—	—	—
	\$ 36,583,406	\$ 2,103,269	\$ 6,628	\$ 38,680,047

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

15. Tangible capital assets (continued):

	Net book value 2021	Net book value 2020
Land	\$ 296,777	\$ 296,777
Buildings	9,092,157	9,379,293
Land improvements	945,962	704,534
Vehicles and equipment	4,237,144	4,787,705
Signs	98,785	88,847
Linear assets:		
Roads	15,651,937	15,584,814
Bridges	3,326,932	3,386,683
Streetlights	81,698	97,346
Storm drains	2,069,465	2,142,590
Water and sewer	1,063,900	1,098,129
Construction in progress	69,047	75,361
	\$ 36,933,804	\$ 37,642,079

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 Operations and Accumulated Municipal Equity.

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

For each reported segment, expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

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.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

16. Segmented information (continued):

	2021					2020	
	Salaries, wages & employee benefits	Debenture debt interest	Materials & Services	External Transfers	Amortization	TOTAL	TOTAL
General government							
Governance	\$ 140,922	\$ -	\$ 14,054	\$ -	\$ -	\$ 154,976	\$ 160,418
Corporate Management & Program Support	1,080,619	5,462	972,566	177,924	179,870	2,416,441	2,365,367
	1,221,541	5,462	986,620	177,924	179,870	2,571,417	2,525,785
Protection to persons and property							
Fire	544,085	7,144	481,097	34,099	340,376	1,406,801	1,347,346
Police	-	-	1,811,733	-	-	1,811,733	1,839,434
Court Security	-	-	-	-	-	-	-
Prisoner Transportation	-	-	-	-	-	-	-
Conservation Authority	-	-	-	161,655	-	161,655	158,279
Protective inspection	109,561	-	17,901	-	8,136	135,598	116,181
Building permit and inspection services	334,124	-	84,550	-	-	418,674	330,701
Emergency measures	28,286	-	47,735	-	-	76,021	115,967
	1,016,056	7,144	2,443,016	195,754	348,512	4,010,482	3,907,908
Transportation services							
Roads - paved	51,282	-	29,167	-	-	80,449	1,326,692
Roads - unpaved	89,667	-	279,214	-	-	368,881	231,206
Roads - bridges and culverts	30,470	-	77,885	-	-	108,355	52,710
Roads - traffic operations and roadside	890,940	-	863,573	-	1,343,213	3,097,726	1,425,351
Winter control	144,340	-	132,956	-	-	277,296	285,905
Winter control - sidewalks, parking lots only	-	-	-	-	-	-	-
Transit	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-
Street lighting	-	-	26,423	-	-	26,423	28,901
	1,206,699	-	1,409,218	-	1,343,213	3,959,130	3,350,765

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

16. Segmented information (continued):

	2021					2020	
	Salaries, wages & employee benefits	Debenture debt interest	Materials & Services	External Transfers	Amortization	TOTAL	TOTAL
Environmental services							
Wastewater treatment & disposal	-	-	430,705	-	43,771	474,476	495,254
Rural storm drains	-	-	-	-	-	-	73,125
Waste services	267,965	-	868,776	-	-	1,136,741	1,082,607
Recycling	-	-	159,378	-	-	159,378	171,922
	267,965	-	1,458,859	-	43,771	1,770,595	1,822,908
Health services							
Public health	-	-	33,819	-	-	33,819	33,354
Cemeteries	7,357	-	8,557	-	-	15,914	8,589
	7,357	-	42,376	-	-	49,733	41,943
Recreation and cultural services							
Parks	77,655	-	71,874	-	-	149,529	117,982
Recreation facilities and programs	156,662	-	260,929	142,330	147,725	707,646	814,125
Libraries	317,647	-	117,425	-	33,550	468,622	421,858
Cultural services	-	-	8,483	-	-	8,483	2,901
Other	-	-	-	-	-	-	-
	551,964	-	458,711	142,330	181,275	1,334,280	1,356,866
Planning & development							
Planning and zoning	290,395	-	73,839	-	-	364,234	411,153
Commercial and industrial	132,629	-	137,448	-	-	270,077	259,809
Municipal drains	-	2,451	181,886	-	-	184,337	162,003
	423,024	2,451	393,173	-	-	818,648	832,965
Total	\$ 4,694,606	\$ 15,057	\$ 7,191,973	\$ 516,008	\$ 2,096,641	\$ 14,514,285	\$ 13,839,140

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

17. Budget figures:

The 2021 budget amounts that were approved were not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). Approved budget figures also include council approved budget estimates for Public Sector Accounting Board (PSAB) reporting requirements. 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 amounts. The chart below reconciles the approved Township operating budgets and PSAB budget estimates to the total consolidated budget figures as reported on the Consolidated Statement of Operations and Accumulated Municipal Equity.

	2021 Budget
Reported on consolidated statement of operations:	
Operating revenue	\$ 13,956,644
Capital revenue	427,500
Operation expenses	(12,348,115)
Total budgeted surplus on the consolidated financial statements	\$ 2,036,029
Budget not reported on consolidated statements:	
Capital expenses	\$ 2,406,200
Reserve and reserve funds transfers, net	(370,171)
Total budgeted deficit not reported on the consolidated financial statements	\$ 2,036,029

18. Impact of COVID-19 pandemic:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social distancing impact. The Township continues to respond to the pandemic and plan for continued operational and financial impacts during the 2022 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues as the Township has access to sufficient financial resources to sustain operations in the coming year. The outcome and time frame to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its financial effect on future operations at this time.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

19. Subsequent events

Subsequent to year-end, the Township purchased two properties for \$285,000 and \$235,000, respectively. These amounts will be funded and capitalized in fiscal 2022.

20. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Schedule 1: Continuity of Reserves and Reserve Funds

Year ended December 31, 2021

	Budget (note 17)	2021	2020
Net transfers from (to) other funds:			
Transfers from operations	\$ 1,608,529	\$ 2,708,986	\$ 3,391,441
Transfer to capital acquisitions	(1,978,700)	(964,703)	(2,547,082)
	(370,171)	1,744,283	844,359
Reserves and reserve funds balances, beginning of year	7,753,573	7,753,573	6,909,214
Reserves and reserve funds balances, end of year	\$ 7,383,402	\$ 9,497,856	\$ 7,753,573

Analyzed as follows:

	2021	2020
Reserves and reserve funds set aside for specific purposes by Council:		
Working capital	\$ 1,028,597	\$ 1,459,925
Election purposes	69,944	53,259
Contingencies	135,255	102,850
COVID-19 Contingency	135,017	-
Tax rate stabilization	133,313	87,500
Heritage Conservation & Celebration Grant	19,607	17,705
Community improvement	190,801	159,657
Community Grants	126,203	75,684
Greening/IT	-	4,474
Planning and development	338,811	209,376
Special project/studies	790,550	343,995
Library	133,851	123,421
	3,101,949	2,637,846
For capital purposes:		
Infrastructure – Road Network	3,511,803	2,192,639
Bridges & Culverts	410,698	-
Fleet, Equipment & Machinery	206,971	556,202
Facilities & Buildings	1,104,099	604,587
Fire equipment	-	257,026
Recreation and culture	-	561,919
Parks & Land Improvements	38,432	-
Library information technology	85,289	84,742
Water and wastewater system	-	858,612
Water	517,578	-
Wastewater	521,037	-
	6,395,907	5,115,727
Total reserve and reserve funds	\$ 9,497,856	\$ 7,753,573



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of the Trust Funds of the Township of Leeds and The Thousand Islands (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of continuity for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and the continuity of trust funds for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.



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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

May 2, 2022

TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Trust Funds Statement of Financial Position

December 31, 2021, with comparative information for 2020

	Subdivision Security	Pine Hill Cemetery	2021	2020
Assets				
Cash	\$ 209,474	\$ -	\$ 209,474	\$ 186,851
Investments	-	8,879	8,879	8,870
	\$ 209,474	\$ 8,879	\$ 218,353	\$ 195,721

Liabilities and Fund Balance

Fund balance	\$ 209,474	\$ 8,879	\$ 218,353	\$ 195,721
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The accompanying notes are an integral part of these financial statements.

Trust Funds Statement of Continuity

Year ended December 31, 2021, with comparative information for 2020

	Subdivision Security	Cemeteries	2021	2020
Revenue:				
Received from developers	\$ 21,839	\$ -	\$ 21,839	\$ 23,477
Bank interest	784	9	793	2,282
	22,623	9	22,632	25,759
Expenses	-	-	-	-
Net revenue	22,623	9	22,632	25,759
Balance, beginning of year	186,851	8,870	195,721	169,962
Balance, end of year	\$ 209,474	\$ 8,879	\$ 218,353	\$ 195,721

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

TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Trust Funds
Notes to Financial Statements

Year ended December 31, 2021

1. Significant accounting policies:

The financial statements of the Township of Leeds and The Thousand Islands Trust Funds (the "Trusts") are prepared by management in accordance with Canadian public sector accounting standards.

(a) Basis of presentation:

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

(b) Basis of accounting:

Revenue and expenses are recorded on an accrual basis.

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

(c) Use of estimates:

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

(d) Investments:

Investments are recorded at cost plus accrued interest and amortization of purchase premiums and discounts. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

Interest earned on investments are reported as revenue in the period earned.

2. Statement of cash flows:

A statement of cash flows has not been included in these financial statements as it would not provide additional meaningful information.