

Consolidated Financial Statements of

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

Year ended December 31, 2025

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

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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 Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Township's consolidated financial statements.



Marnie Venditti
Acting Chief Administrative Officer



Philip Reniers, CPA, CGA
Director of Corporate Services/Treasurer



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INDEPENDENT AUDITOR'S 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, 2025
- the consolidated statement of operations and accumulated municipal equity for the year then ended
- the consolidated statement of change in net financial (debt) 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, 2025, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

Auditor's 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 auditor's 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.

- 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.



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- 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 auditor's 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 auditor's 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 15, 2026

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Consolidated Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Financial assets:		
Cash and cash equivalents	\$ 7,955,666	\$ 9,586,398
Taxes receivable (note 4)	2,524,564	2,278,465
Accounts receivable	2,001,354	2,432,137
Long-term receivables (note 5)	45,894	65,994
Loan receivable (note 6)	183,000	195,000
	<u>12,710,478</u>	<u>14,557,994</u>
Financial liabilities:		
Accounts payable and accrued liabilities	2,515,468	6,167,602
Asset retirement obligations (note 12)	3,237,041	3,156,253
Prepaid property taxes	480,786	468,129
Other current liabilities	1,083,645	1,535,635
Deferred revenue - obligatory reserves (note 7)	692,544	1,488,259
Long-term liabilities (note 8)	6,774,492	362,879
	<u>14,783,976</u>	<u>13,178,757</u>
Net financial (debt) assets	(2,073,498)	1,379,237
Non-financial assets:		
Tangible capital assets (note 15)	51,675,561	46,357,217
Inventories	45,791	41,472
	<u>51,721,352</u>	<u>46,398,689</u>
Commitments (note 13)		
Contingent liabilities (note 14)		
Accumulated municipal equity (note 9)	\$ 49,647,854	\$ 47,777,926

See accompanying notes to 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, 2025, with comparative information for 2024

	2025 Budget (note 17)	2025 Actual	2024 Actual
Revenues:			
Property taxation	\$ 13,029,200	\$ 12,854,451	\$ 12,107,330
User charges	1,343,700	1,487,166	1,412,570
Government grants	1,522,000	1,429,965	1,453,612
Licenses and permits	642,500	556,470	470,484
Investment income	165,000	229,476	508,509
Penalties and interest on taxes	250,000	352,926	299,905
Other	1,041,700	1,069,529	1,186,065
Total revenues	17,960,700	17,979,983	17,438,475
Expenses (note 16):			
General government	2,954,800	2,819,595	2,982,594
Protection to persons and property	4,514,300	5,646,398	4,862,361
Transportation services	3,322,700	5,034,903	4,825,561
Environmental services	1,680,600	1,766,820	1,820,033
Health services	89,500	127,998	82,812
Recreation and cultural services	1,474,500	1,660,827	1,638,028
Planning and development	860,400	685,248	731,372
Total expenses	14,896,800	17,741,789	16,942,761
Annual operating surplus	3,063,900	238,194	495,714
Revenue related to capital:			
Deferred revenues earned (note 7)	1,757,500	1,531,715	900,226
Government transfers	—	42,638	123,601
Gain/(loss) on disposal of tangible capital assets	—	57,381	(28,201)
	1,757,500	1,631,734	995,626
Annual surplus	4,821,400	1,869,928	1,491,340
Accumulated municipal equity, beginning of year	47,777,926	47,777,926	46,286,586
Accumulated municipal equity, end of year	\$ 52,599,326	\$ 49,647,854	\$ 47,777,926

See accompanying notes to consolidated financial statements.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Consolidated Statement of Change in Net Financial (Debt) Assets

Year ended December 31, 2025, with comparative information for 2024

	2025 Budget (note 17)	2025 Actual	2024 Actual
Annual surplus	\$ 4,821,400	\$ 1,869,928	\$ 1,491,340
Acquisition of tangible capital assets	(16,956,400)	(8,254,174)	(8,703,924)
(Gain)/loss on disposal of tangible capital assets	—	(57,381)	28,201
Proceeds on disposal of tangible capital assets	—	255,029	97,430
Amortization of tangible capital assets	—	2,738,182	2,604,244
Change in inventories	—	(4,319)	19,161
	(16,956,400)	(5,322,663)	(5,954,888)
Change in net financial assets	(12,135,000)	(3,452,735)	(4,463,548)
Net financial assets, beginning of year	1,379,237	1,379,237	5,842,785
Net financial (debt) assets, end of year	\$ (10,755,763)	\$ (2,073,498)	\$ 1,379,237

See accompanying notes to consolidated financial statements.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Consolidated Statement of Cash Flows

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Operating activities:		
Annual surplus	\$ 1,869,928	\$ 1,491,340
Item not involving cash:		
Amortization of tangible capital assets	2,738,182	2,604,244
(Gain)/loss on disposal of tangible capital assets	(57,381)	28,201
Accretion of asset retirement obligations	80,788	78,434
	2,761,589	2,710,879
Changes in non-cash assets and liabilities:		
Taxes receivable	(246,099)	(347,395)
Accounts receivable	430,783	(236,273)
Accounts payable and accrued liabilities	(3,652,134)	4,373,112
Prepaid property taxes	12,657	8,309
Other current liabilities	(451,990)	567,442
Deferred revenue – obligatory reserves	(795,715)	(113,326)
Inventories	(4,319)	19,161
	(4,706,817)	4,271,030
	(75,300)	8,473,249
Capital activities:		
Cash used to acquire tangible capital assets	(8,254,174)	(8,703,924)
Proceeds on disposal of tangible capital assets	255,029	97,430
	(7,999,145)	(8,606,494)
Investing activities:		
Decrease in long-term receivables	20,100	33,831
Decrease in loan receivables	12,000	12,000
	32,100	45,831
Financing activities:		
Proceeds from long-term debt	6,545,336	–
Debt principal repayments	(133,723)	(65,891)
	6,411,613	(65,891)
Decrease in cash and cash equivalents	(1,630,732)	(153,305)
Cash and cash equivalents, beginning of year	9,586,398	9,739,703
Cash and cash equivalents, end of year	\$ 7,955,666	\$ 9,586,398

See accompanying notes to consolidated financial statements.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements

Year ended December 31, 2025

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, 2025

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 improvements	20
Buildings	50
Vehicles and equipment	7 to 20
Linear assets	
Roads	40
Bridges	75
Streetlights	40
Storm drains	40
Water and sewer	40

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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:

Inventories 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, 2025

2. Significant accounting policies (continued):

(i) Deferred revenue - obligatory reserve funds:

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) Revenue recognition:

Government transfers are recognized as revenue when the transfer is authorized, any eligible criteria has been met and the amount can be reasonably estimated. User charges, generally consisting of user fees, are recognized when the goods are sold or the services are provided, performance obligations fulfilled, and future economic benefits are measurable and expected to be obtained. Other restricted contributions received in advance of the related expenditure are deferred until the related expenditure is incurred.

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

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

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

2. Significant accounting policies (continued):

(k) Asset retirement obligations:

An asset retirement obligation liability is recognized when all of the following criteria are met as at the financial reporting date:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The Township's obligation arises from the acquisition, construction or development and normal use of an asset. Asset retirement obligation liabilities for the closure and post-closure care of landfill sites as well as facilities containing asbestos are initially recognized at the best estimate of future expenses.

Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded.

Differences between the actual remediation costs incurred and the associated liabilities are recognized in the Statement of Operations and Accumulated Surplus at the time of remediation.

For assets in productive use, asset retirement obligations are discounted using a present value calculation and recorded as a liability with an annual adjustment for accretion expense. As a result, there is a corresponding increase to the associated tangible capital asset which is then expensed over the useful life of the tangible capital asset in accordance with the policies outlined in note 2(c). For assets that are no longer in productive use the liability is offset against accumulated surplus in the period and for assets that were never recorded, the liability is offset against accretion expense in the period.

(l) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and reported on the Statement of Financial Position.

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Operations and Accumulated Municipal Equity.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

2. Significant accounting policies (continued):

(l) Financial instruments (continued):

All financial assets are assessed for impairment on an annual basis. Where a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations and Accumulated Municipal Equity and any unrealized gain is adjusted through the Statement of Remeasurement Gains and Losses. On sale, the statement of remeasurement gains and losses associated with that instrument are reversed and recognized in the Statement of Operations and Accumulated Municipal Equity.

(m) Statement of remeasurement gains and losses:

A statement of remeasurement gains and losses has not been provided as there are no significant unrealized gains or losses at December 31, 2025 or 2024.

(n) 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.

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	
	2025	2024	2025	2024
Property taxes	\$ 4,556,690	\$ 4,529,706	\$ 10,509,741	\$ 9,947,790
Taxation from other governments	18,368	112,188	199,084	278,719
Amounts requisitioned and paid	\$ 4,575,058	\$ 4,641,894	\$ 10,708,825	\$ 10,226,509

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

4. Taxes receivable:

Taxes receivable consist of the following:

	2025	2024
Current year taxes	\$ 68,299	\$ 465,453
Prior years' taxes	2,211,377	1,683,003
Penalties and interest	250,388	135,509
	2,530,064	2,283,965
Allowance for impairment	(5,500)	(5,500)
	\$ 2,524,564	\$ 2,278,465

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.

Principal payments over the next two years are due as follows:

	Tile loans	Municipal drain loans	Total
2026	\$ 6,537	\$ 15,757	\$ 22,294
2027	5,465	18,135	23,600
Total	\$ 12,002	\$ 33,892	\$ 45,894

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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.

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:

	2025	2024
Balance, beginning of year	\$ 1,488,259	\$ 1,601,585
Revenue transfers as follows:		
Canada Community Building Fund	321,082	312,915
Parkland	52,165	60,509
Ontario Community Infrastructure Funds	310,093	352,266
Investment income	52,660	61,210
Utilized – capital	(1,531,715)	(900,226)
Balance, end of year	\$ 692,544	\$ 1,488,259

Analyzed as follows:

	2025	2024
Canada Community Building Fund	\$ 121,514	\$ 849,879
Parkland	353,643	435,277
OCIF	217,387	203,103
	\$ 692,544	\$ 1,488,259

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

8. Long-term liabilities:

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

	2025	2024
Fixed rate bank loan with the Bank of Montreal (3.87%), with blended monthly payments of \$34,081 for principal and interest, due July 2028.	\$ 6,477,143	\$ —
Fixed rate bank loan with the Bank of Montreal (2.26%), with monthly principal payments of \$5,006, due November 2027.	\$ 285,347	\$ 345,420
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.	12,002	17,459
	<u>\$ 6,774,492</u>	<u>\$ 362,879</u>

- (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
2026	\$ 6,537	\$ 469,040	\$ 475,577
2027	5,465	634,241	639,706
2028	—	5,659,209	5,659,209
Total	<u>\$ 12,002</u>	<u>\$ 6,762,490</u>	<u>\$ 6,774,492</u>

- (c) Interest expense on long-term liabilities amounted to \$111,143 (2024 - \$9,940).
- (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, 2025

9. Accumulated municipal equity:

Accumulated municipal equity consists of:

	2025	2024
Investment in tangible capital assets:		
Tangible capital assets	\$ 51,675,561	\$ 46,357,217
Financed through long-term liabilities	(6,762,490)	(345,420)
Unfinanced capital	(859,946)	(5,678,356)
	44,053,125	40,333,441
Asset retirement obligations (unfunded)	(3,237,041)	(3,156,253)
Reserves and reserve funds (Schedule 1)	9,420,191	10,395,928
Operating (deficit) surplus:		
General purpose	\$ (588,421)	\$ 204,810
Accumulated municipal equity	\$ 49,647,854	\$ 47,777,926

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, 2025 and at that time, the plan reported a \$1.3 billion actuarial deficit (2024 - \$2.9 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 2025, the contributions made by the Township were \$405,528 (2024 - \$372,858) 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 \$377,256 (2024 - \$293,258) 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, 2025

12. Asset retirement obligations:

The Township owns and operates the following assets that have asset retirement obligations associated with them:

(a) Landfill obligation:

The Environment Protection Act sets out the regulatory requirements to properly close and maintain all active inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites.

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. The following schedule provides an overview of the liability associated with each site:

Asset retirement obligation	Lansdowne	Briar Hill	Escott	Balance, December 31, 2025
Opening balance	\$ 1,435,775	\$ 748,023	\$ 509,118	\$ 2,692,916
Accretion expense	43,073	22,441	15,274	80,788
Closing balance	\$ 1,478,848	\$ 770,464	\$ 524,392	\$ 2,773,704

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.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

12. Asset retirement obligations (continued):

(a) Landfill obligation (continued):

Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at 3% (2024 - 3%) and using 2% (2024 - 2%) for inflation. Included in the liabilities on the Consolidated Statement of Financial Position at December 31, 2025 is \$2,773,704 (2024 - \$2,692,916).

(b) Asbestos obligation:

Asbestos and other designated hazardous materials represent a health hazard upon disturbance and as a result carry a renovation or legal obligation to remove them when a facility undergoes a significant renovation or demolition. The Township owns and operates several assets that are known to have asbestos and as a result recognized an obligation relating to the removal of the hazardous materials upon adoption of the PS 3280 Asset Retirement Obligations. The liability is valued at \$457,937 for 2025 (2024 - \$457,937). The date of retirement is unknown and accordingly, this liability has not been discounted.

(c) Well decommissioning obligation:

The Groundwater Protection Regulation provides specific guidelines for decommissioning wells which give rise to a retirement obligation. The Township must recognize an asset retirement obligation related to one well owned by the Township that will be required to be decommissioned at the end of life. The liability is valued at \$5,400 for 2025 (2024 - \$5,400). The date of the retirement is unknown and accordingly, this liability has not been discounted.

The Township's asset retirement obligations are comprised of the following:

2025				
Asset retirement obligation	Landfill closure	Asbestos abatement	Well decom-missioning	Balance, December 31, 2025
Opening balance	\$ 2,692,916	\$ 457,937	\$ 5,400	\$ 3,156,253
Accretion expense	80,788	—	—	80,788
Closing balance	\$ 2,773,704	\$ 457,937	\$ 5,400	\$ 3,237,041

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

12. Asset retirement obligations (continued):

2024				
Asset retirement obligation	Landfill closure	Asbestos abatement	Well decom-missioning	Balance, December 31, 2024
Opening balance	\$ 2,614,482	\$ 457,937	\$ 5,400	\$ 3,077,819
Accretion expense	78,434	—	—	78,434
Closing balance	\$ 2,692,916	\$ 457,937	\$ 5,400	\$ 3,156,253

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 \$290,833 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 term of the contract expires December 2027.

Included in the Consolidated Statement of Operations and Accumulated Municipal Equity are the costs paid to the Ontario Clean Water Agency of \$306,566 (2024 - \$298,046).

- (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 \$1,735,561 (2024 - \$1,712,424).

- (c) The Township has entered into a new four-year recreation cost sharing agreement with the Town of Gananoque. The agreement is for the 2025 to 2028 years. This is an extension of the previous two-year agreement. The amount paid under the contract in 2025 was \$161,500 (2024 - \$158,500).

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, 2025, 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.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

14. Contingent liabilities (continued):

(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.

As at December 31, 2025, 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, 2025	Additions	Transfers and disposals	Balance at December 31, 2025
Land	\$ 829,079	\$ 70,724	\$ —	\$ 899,803
Buildings	14,954,894	2,656,279	4,430,247	22,041,420
Land improvements	4,079,417	234,023	—	4,313,440
Vehicles and equipment	14,004,089	2,020,002	(335,785)	15,688,306
Linear assets:				
Roads	43,235,937	1,561,020	(27,146)	44,769,811
Bridges	5,013,310	92,889	—	5,106,199
Streetlights	164,546	—	—	164,546
Storm drains	2,916,764	—	—	2,916,764
Water and sewer	2,796,879	—	—	2,796,879
Construction in progress	5,355,553	1,619,237	(4,701,944)	2,272,846
	<u>\$ 93,350,468</u>	<u>\$ 8,254,174</u>	<u>\$ (634,628)</u>	<u>\$100,970,014</u>

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

15. Tangible capital assets (continued):

Accumulated amortization	Balance at January 1, 2025	Amortization	Transfers and disposals	Balance at December 31, 2025
Land	\$ —	\$ —	\$ —	\$ —
Buildings	7,824,558	532,389	(143,846)	8,213,101
Land improvements	627,167	124,549	—	751,716
Vehicles and equipment	7,364,724	933,302	(246,230)	8,051,796
Linear assets:				
Roads	27,083,570	955,238	(46,904)	27,991,904
Bridges	1,255,438	68,924	—	1,324,362
Streetlights	67,852	5,499	—	73,351
Storm drains	1,010,636	73,848	—	1,084,484
Water and sewer	1,759,306	44,433	—	1,803,739
Construction in progress	—	—	—	—
	\$ 46,993,251	\$ 2,738,182	\$ (436,980)	\$ 49,294,453

	Net book value 2024	Net book value 2025
Land	\$ 829,079	\$ 899,803
Buildings	7,130,336	13,828,319
Land improvements	3,452,250	3,561,724
Vehicles and equipment	6,639,365	7,636,510
Linear assets:		
Roads	16,152,367	16,777,907
Bridges	3,757,872	3,781,837
Streetlights	96,694	91,195
Storm drains	1,906,128	1,832,280
Water and sewer	1,037,573	993,140
Construction in progress	5,355,553	2,272,846
	\$ 46,357,217	\$ 51,675,561

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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, 2025

16. Segmented information (continued):

	Salaries, wages & employee benefits	Debtenture debt interest	Materials & Services	External Transfers	Accretion	Amortization	2025 TOTAL
General Government							
Governance	164,891	-	36,666	-	-	-	201,557
Corporate Management	714,363	105,237	416,602	288,581	-	162,248	1,687,031
Program Support	714,181	-	216,826	-	-	-	931,007
	1,593,435	105,237	670,094	288,581	-	162,248	2,819,595
Protection Services							
Fire	997,769	4,149	923,000	38,639	-	701,999	2,665,556
Police	-	-	1,736,830	-	-	-	1,736,830
Conservation Authority	-	-	-	186,456	-	-	186,456
Protective inspection and control	124,615	-	52,545	-	-	-	177,160
Building permit and inspection services	629,033	-	251,363	-	-	-	880,396
	1,751,417	4,149	2,963,738	225,095	-	701,999	5,646,398
Transportation Services							
Roads Paved	123,190	-	171,092	-	-	-	294,282
Roads unpaved	90,098	-	409,228	-	-	-	499,326
Roads - Bridges & culverts	53,898	-	100,717	-	-	-	154,615
Roads - traffic operations & roadside	1,058,527	-	957,535	-	-	1,523,618	3,539,680
Winter control - except sidewalks, parking lots	249,536	-	283,990	-	-	-	533,526
Street lighting	108	-	13,366	-	-	-	13,474
	1,575,357	-	1,935,928	-	-	1,523,618	5,034,903
Environmental services							
Wastewater treatment & disposal	-	-	200,217	-	-	2,601	202,818
Water treatment	-	-	305,670	-	-	41,832	347,502
Solid waste collection	-	-	43,750	-	-	-	43,750
Solid waste disposal	349,137	-	598,433	-	80,788	12,985	1,041,343
Waste diversion	-	-	125,881	-	-	-	125,881
Other - source water protection	-	-	5,526	-	-	-	5,526
	349,137	-	1,279,477	-	80,788	57,418	1,766,820
Health Services							
Public health	-	-	84,309	-	-	-	84,309
Cemeteries	6,668	-	14,921	22,100	-	-	43,689
	6,668	-	99,230	22,100	-	-	127,998
Recreation & Cultural services							
Parks	168,822	-	143,904	-	-	4,636	317,362
Recreation programs	-	-	20,566	-	-	-	20,566
Rec Fac all other	121,479	-	224,633	164,950	-	245,749	756,811
Libraries	410,203	-	115,030	-	-	30,044	555,277
Cultural services	-	-	10,811	-	-	-	10,811
	700,504	-	514,944	164,950	-	280,429	1,660,827
Planning & development							
Planning and zoning	417,482	-	52,863	-	-	12,470	482,815
Commerical & industrial	77,732	-	50,419	-	-	-	128,151
Agriculture & reforestation	13,213	-	59,312	-	-	-	72,525
Tile drainage/shoreline assistance	-	1,757	-	-	-	-	1,757
	508,427	1,757	162,594	-	-	12,470	685,248
	6,484,945	111,143	7,626,005	700,726	80,788	2,738,182	17,741,789

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

16. Segmented information (continued):

	Salaries, wages & employee benefits	Debt interest	Materials & Services	External Transfers	Accretion	Amortization	2024 TOTAL
General Government							
Governance	149,139	-	27,744	-	-	-	176,883
Corporate Management	926,695	3,602	506,093	258,768	-	202,031	1,897,189
Program Support	667,803	-	240,719	-	-	-	908,522
	1,743,637	3,602	774,556	258,768	-	202,031	2,982,594
Protection Services							
Fire	729,199	4,941	704,843	37,597	-	522,584	1,999,164
Police	-	-	1,712,424	-	-	-	1,712,424
Conservation Authority	-	-	-	177,785	-	-	177,785
Protective inspection and control	110,966	-	44,576	-	-	-	155,542
Building permit and inspection services	589,556	-	227,404	-	-	-	816,960
Emergency measures	39	-	447	-	-	-	486
	1,429,760	4,941	2,689,694	215,382	-	522,584	4,862,361
Transportation Services							
Roads Paved	141,394	-	160,342	-	-	-	301,736
Roads unpaved	104,353	-	396,972	-	-	-	501,325
Roads - Bridges & culverts	65,979	-	116,810	-	-	-	182,789
Roads - traffic operations & roadside	958,845	-	917,682	-	-	1,548,023	3,424,550
Winter control - except sidewalks, parking lots	189,678	-	209,389	-	-	-	399,067
Street lighting	-	-	16,094	-	-	-	16,094
	1,460,249	-	1,817,289	-	-	1,548,023	4,825,561
Environmental services							
Wastewater treatment & disposal	-	-	201,642	-	-	3,046	204,688
Water treatment	-	-	250,117	-	-	40,393	290,510
Solid waste collection	-	-	42,739	-	-	-	42,739
Solid waste disposal	347,793	-	621,797	-	78,434	10,241	1,058,265
Waste diversion	-	-	211,610	-	-	-	211,610
Other - source water protection	-	-	12,221	-	-	-	12,221
	347,793	-	1,340,126	-	78,434	53,680	1,820,033
Health Services							
Public health	-	-	37,174	-	-	-	37,174
Cemeteries	7,954	-	12,684	25,000	-	-	45,638
	7,954	-	49,858	25,000	-	-	82,812
Recreation & Cultural services							
Parks	168,076	-	133,278	-	-	3,140	304,494
Recreation programs	-	-	25,657	-	-	-	25,657
Rec Fac all other	95,801	-	229,347	162,050	-	234,418	721,616
Libraries	402,789	-	147,478	-	-	32,697	582,964
Cultural services	-	-	3,297	-	-	-	3,297
	666,666	-	539,057	162,050	-	270,255	1,638,028
Planning & development							
Planning and zoning	360,665	-	134,445	-	-	7,671	502,781
Commercial & industrial	70,984	-	73,672	-	-	-	144,656
Agriculture & reforestation	14,017	-	68,521	-	-	-	82,538
Tile drainage/shoreline assistance	-	1,397	-	-	-	-	1,397
	445,666	1,397	276,638	-	-	7,671	731,372
	6,101,725	9,940	7,487,218	661,200	78,434	2,604,244	16,942,761

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

17. Budget information:

The 2025 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.

	2025 Budget
Reported on consolidated statement of operations and accumulated municipal equity:	
Operating revenue	\$ 17,960,700
Capital revenue	1,757,500
Operation expenses	(14,896,800)
Total budgeted surplus on the consolidated financial statements	\$ 4,821,400
Budget not reported on consolidated financial statements:	
Capital expenses	\$ 16,956,400
Principal repayment of long-term liabilities	66,200
Capital expenses to be funded by long-term liabilities	(7,101,600)
Reserve and reserve funds transfers, net	(5,099,600)
Total budgeted deficit not reported on the consolidated financial statements	\$ 4,821,400

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

19. Financial risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Township is exposed to credit risk with respect to the receivables.

The Township assesses, on a continuous basis, receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Township as at December 31, 2025 is the carrying value of these assets. The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts is \$Nil (2024 - \$Nil).

(b) Liquidity risk:

Liquidity risk is the risk that the Township will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Township manages its liquidity risk by monitoring its operating requirements. The Township prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates. Financial assets and liabilities with variable interest rates expose the Township to cash flow interest rate risk.

There have been no changes to the risk exposures from 2024.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Schedule 1: Continuity of Reserves and Reserve Funds

Year ended December 31, 2025

	2025 Budget (note 17)	2025 Actual	2024 Actual
Net transfers from (to) other funds:			
Transfers from operations	\$ 3,836,400	\$ 4,431,442	\$ 4,158,780
Transfer to capital acquisitions	(8,097,300)	(4,869,140)	(3,587,200)
Transfers to operations	(838,700)	(538,039)	(935,000)
	(5,099,600)	(975,737)	(363,420)
Reserves and reserve funds balances, beginning of year	10,395,928	10,395,928	10,759,348
Reserves and reserve funds balances, end of year	\$ 5,296,328	\$ 9,420,191	\$ 10,395,928

Analyzed as follows:

	2025	2024
Reserves and reserve funds set aside for specific purposes by Council:		
Working capital	\$ 1,149,094	\$ 1,033,763
Election purposes	91,762	78,263
Landfill obligation	176,355	99,789
Contingencies	390,849	284,046
COVID-10 contingency	126,993	126,993
Tax rate stabilization	455,331	284,196
Heritage Conservation and Celebration grant	44,599	44,097
Community improvement	236,435	249,566
Community grants	57,690	54,084
Planning and development	(275,929)	56,501
Special project/studies	731,449	558,293
Library	124,613	122,126
	3,309,241	2,991,717
For capital purposes:		
Infrastructure - Road Network	3,235,376	3,059,316
Bridges and culverts	738,907	495,376
Fleet, equipment and machinery	(96,281)	265,553
Facilities and buildings	461,519	1,900,600
Parks and land improvements	157,340	139,268
Library IT reserve	87,541	84,804
Water	518,625	606,561
Wastewater	1,007,923	852,733
	6,110,950	7,404,211
Total reserve and reserve funds	\$ 9,420,191	\$ 10,395,928



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INDEPENDENT AUDITOR'S 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, 2025
- 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, 2025, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

Auditor's 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 auditor's 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.

- 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



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attention in our auditor's 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 auditor's 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

June 15, 2026

TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Trust Funds

Statement of Financial Position

December 31, 2025, with comparative information for 2024

	Subdivision Security	Cemeteries	2025	2024
Assets				
Cash	\$ 318,370	\$ –	\$ 318,370	\$ 284,849
Investments	–	58,886	58,886	8,409
	\$ 318,370	\$ 58,886	\$ 377,256	\$ 293,258

Liabilities and Fund Balance

Fund balance	\$ 318,370	\$ 58,886	\$ 377,256	\$ 293,258
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See accompanying notes to financial statements.

Trust Funds

Statement of Continuity

Year ended December 31, 2025, with comparative information for 2024

	Subdivision Security	Cemeteries	2025	2024
Revenue:				
Received from developers	\$ 24,380	\$ –	\$ 24,380	\$ 27,839
Received from care and maintenance funds	–	50,958	50,958	–
Bank interest	9,141	–	9,141	11,836
	33,521	50,958	84,479	39,675
Expenses	–	481	481	14,417
Annual surplus	33,521	50,477	83,998	25,258
Balance, beginning of year	284,849	8,409	293,258	268,000
Balance, end of year	\$ 318,370	\$ 58,886	\$ 377,256	\$ 293,258

See accompanying notes to financial statements.

TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Trust Funds

Notes to Financial Statements

Year ended December 31, 2025

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.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition, and reported on the Statement of Financial Position.

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Trust Funds

Notes to Financial Statements (continued)

Year ended December 31, 2025

1. Significant accounting policies (continued):

(e) Financial instruments (continued):

All financial assets are assessed for impairment on an annual basis. Where a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations and any unrealized gain is adjusted through the Statement of Remeasurement Gains and Losses. On sale, the statement of remeasurement gains and losses associated with that instrument are reversed and recognized in the Statement of Operations.

(f) Statement of remeasurement gains and losses:

A statement of remeasurement gains and losses has not been provided as there are no significant unrealized gains or losses at December 31, 2025 or 2024.

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.

3. Financial instruments:

The Trusts' financial instruments consist of cash and investments. Unless otherwise noted, it is management's opinion that the Trusts is not exposed to significant credit, liquidity or market risks arising from these financial instruments. The fair value of the Trusts' financial instruments approximates their carrying value due to their short-term nature.