

Consolidated Financial Statements of

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

Year ended December 31, 2023

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

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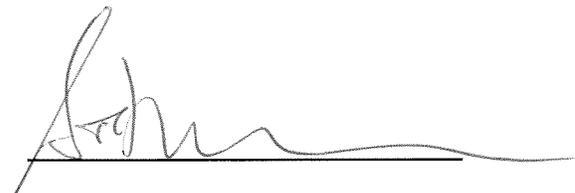
Management's Responsibility for the Consolidated Financial Statements

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.



Stephen Donachey
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, 2023
- 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, 2023, 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.



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Emphasis of Matter - Comparative Information

We draw attention to Note 18 to the financial statements ("Note 18"), which explains that certain comparative information presented for the year ended December 31, 2022 has been restated as a result of the modified retroactive application of the asset retirement obligation standard. Note 18 explains the reason for the restatement and explains the adjustments that were applied to restate certain comparative information. Our opinion is not modified in respect of this matter.

Other Matter - Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

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.



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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 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

September 16, 2024

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022 (Restated - note 18)
Financial assets:		
Cash and cash equivalents	\$ 9,739,703	\$ 11,289,498
Taxes receivable (note 4)	1,931,070	2,201,435
Accounts receivable	2,195,864	1,461,565
Long-term receivables (note 5)	99,825	105,314
Loan receivable (note 6)	207,000	219,000
	14,173,462	15,276,812
Financial liabilities:		
Accounts payable and accrued liabilities	1,794,490	1,891,972
Asset retirement obligations (note 12)	3,077,819	3,001,669
Prepaid property taxes	459,820	408,542
Other current liabilities	968,193	592,545
Deferred revenue - obligatory reserves (note 7)	1,601,585	785,610
Long-term liabilities (note 8)	428,770	494,332
	8,330,677	7,174,670
Net financial assets	5,842,785	8,102,142
Non-financial assets:		
Tangible capital assets (note 15)	40,383,168	37,134,837
Inventories	60,633	107,754
	40,443,801	37,242,591
Commitments (note 13)		
Contingent liabilities (note 14)		
Accumulated municipal equity (note 9)	\$ 46,286,586	\$ 45,344,733

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, 2023, with comparative information for 2022

	2023 Budget (note 17)	2023 Actual	2022 Actual (Restated - note 18)
Revenue:			
Property taxation	\$ 11,318,000	\$ 11,286,630	\$ 10,859,428
User charges	1,210,600	1,609,682	1,313,518
Government grants	1,334,600	1,532,679	1,341,507
Licenses and permits	529,100	901,211	605,286
Investment income	150,900	511,104	274,055
Penalties and interest on taxes	310,000	231,066	277,618
Other	779,500	1,232,802	1,160,127
Total revenue	15,632,700	17,305,174	15,831,539
Expenses (note 16):			
General government	2,550,000	2,728,893	2,604,824
Protection to persons and property	4,109,500	4,807,236	4,627,477
Transportation services	2,869,200	4,817,776	4,180,939
Environmental services	1,626,600	1,676,991	1,634,362
Health services	62,500	46,414	51,730
Recreation and cultural services	1,364,900	1,569,218	1,488,252
Planning and development	789,000	790,424	680,043
Total expenses	13,371,700	16,436,952	15,267,627
Annual operating surplus	2,261,000	868,222	563,912
Revenue related to capital:			
Government transfers	-	100,000	513,749
(Loss) gain on disposal of tangible capital assets	-	(26,369)	21,672
Annual surplus	2,261,000	941,853	1,099,333
Accumulated municipal equity, beginning of year, as previously stated	45,344,733	45,344,733	44,795,284
Adjustment on adoption of asset retirement obligation standard (note 18)	-	-	(549,884)
Accumulated municipal equity, beginning of year, as restated	45,344,733	45,344,733	44,245,400
Accumulated municipal equity, end of year	\$ 47,605,733	\$ 46,286,586	\$ 45,344,733

See accompanying notes to 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, 2023, with comparative information for 2022

	2023 Budget (note 17)	2023 Actual	2022 Actual (Restated - note 18)
Annual surplus	\$ 2,261,000	\$ 941,853	\$ 1,099,333
Acquisition of tangible capital assets	(9,143,000)	(5,845,861)	(3,636,098)
Loss (gain) on disposal of tangible capital assets	-	26,369	(21,672)
Proceeds on disposal of tangible capital assets	-	27,669	56,815
Amortization of tangible capital assets	-	2,543,492	2,310,335
Change in inventories	-	47,121	(38,090)
	(9,143,000)	(3,201,210)	(1,328,710)
Change in net financial assets	(6,882,000)	(2,259,357)	(229,377)
Net financial assets, beginning of year, as previously stated	8,102,142	8,102,142	8,921,439
Adjustment on adoption of asset retirement obligation standard (note 18)	-	-	(589,920)
Net financial assets, beginning of year, as restated	8,102,142	8,102,142	8,331,519
Net financial assets, end of year	\$ 1,220,142	\$ 5,842,785	\$ 8,102,142

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, 2023, with comparative information for 2022

	2023	2022 (Restated - note 18)
Operating activities:		
Annual surplus	\$ 941,853	\$ 1,099,333
Item not involving cash:		
Amortization of tangible capital assets	2,543,492	2,310,335
Loss (gain) on disposal of tangible capital assets	26,369	(21,672)
Accretion of asset retirement obligations	76,150	73,932
	2,646,011	2,362,595
Changes in non-cash assets and liabilities:		
Taxes receivable	270,365	(92,057)
Accounts receivable	(734,299)	(115,627)
Accounts payable and accrued liabilities	(97,482)	659,982
Prepaid property taxes	51,278	58,823
Other current liabilities	375,648	79,570
Deferred revenue – obligatory reserves	815,975	203,154
Inventories	47,121	(38,090)
	728,606	755,755
Net change in cash from operations	4,316,470	4,217,683
Capital activities:		
Cash used to acquire tangible capital assets	(5,845,861)	(3,636,098)
Proceeds on disposal of tangible capital assets	27,669	56,815
	(5,818,192)	(3,579,283)
Investing activities:		
Decrease in long-term receivables	5,489	43,080
Decrease in loan receivables	12,000	12,000
	17,489	55,080
Financing activities:		
Debt principal repayments	(65,562)	(66,289)
(Decrease) increase in cash and cash equivalents	(1,549,795)	627,191
Cash and cash equivalents, beginning of year	11,289,498	10,662,307
Cash and cash equivalents, end of year	\$ 9,739,703	\$ 11,289,498

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, 2023

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, 2023

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, 2023

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, 2023

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) 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.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

2. Significant accounting policies (continued):

(k) Asset retirement obligations (continued):

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.

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, 2023 or 2022.

(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. Significant estimates include the liabilities for landfill closure and post-closure costs as well as other asset retirement obligations.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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	
	2023	2022	2023	2022
Property taxes	\$ 2,606,807	\$ 4,605,107	\$ 8,551,974	\$ 8,739,753
Taxation from other governments	33,697	17,252	165,900	175,014
Amounts requisitioned and paid	\$ 2,640,504	\$ 4,622,359	\$ 8,717,874	\$ 8,914,767

4. Taxes receivable:

Taxes receivable consist of the following:

	2023	2022
Current year taxes	\$ 1,242,317	\$ 1,438,263
Prior years' taxes	554,995	585,104
Penalties and interest	139,258	183,568
	1,936,570	2,206,935
Allowance for impairment	(5,500)	(5,500)
	\$ 1,931,070	\$ 2,201,435

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, 2023

5. Long-term receivables (continued):

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

		Tile loans	Municipal drain loans	Total
2024	\$	5,818	\$ 29,264	\$ 35,082
2025		6,167	15,296	21,463
2026		6,537	15,757	22,294
2027		4,755	16,231	20,986
Total	\$	23,277	\$ 76,548	\$ 99,825

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, 2023

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:

	2023	2022
Balance, beginning of year	\$ 785,610	\$ 582,456
Revenue transfers as follows:		
Canada Community Building Fund	313,235	300,184
Parkland	48,350	30,721
Ontario Community Infrastructure Funds	414,432	369,625
Investment income	39,958	16,373
Utilized - operating	-	(513,749)
Balance, end of year	\$ 1,601,585	\$ 785,610

Analyzed as follows:

	2023	2022
Canada Community Building Fund	\$ 525,273	\$ 201,243
Parkland	358,264	296,939
OCIF	718,048	287,428
	\$ 1,601,585	\$ 785,610

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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:

	2023	2022
Fixed rate bank loan with the Bank of Montreal (2.26%), with monthly principal payments of \$5,006, due September 2030.	\$ 405,493	\$ 465,566
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.	23,277	28,766
	\$ 428,770	\$ 494,332

- (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
2024	\$ 5,818	\$ 60,073	\$ 65,891
2025	6,167	60,073	66,240
2026	6,537	60,073	66,610
2027	4,755	60,073	64,828
2028	-	60,073	60,073
Thereafter	-	105,128	105,128
Total	\$ 23,277	\$ 405,493	\$ 428,770

- (c) Interest expense on long-term liabilities amounted to \$11,620 (2022 - \$13,348).
- (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, 2023

9. Accumulated municipal equity:

Accumulated municipal equity consists of:

	2023	2022 (Restated - note 18)
Investment in tangible capital assets:		
Tangible capital assets	\$ 40,383,168	\$ 37,134,837
Long-term liabilities	(405,493)	(465,566)
Unfinanced capital	(4,026,534)	(600,129)
	<u>35,951,141</u>	<u>36,069,142</u>
Asset retirement obligations	(3,077,819)	(3,001,669)
Reserves and reserve funds (Schedule 1)	10,759,348	9,779,108
Unrestricted surplus	2,653,916	2,498,152
Accumulated municipal equity	\$ 46,286,586	\$ 45,344,733

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, 2023 and at that time, the plan reported a \$4.2 billion actuarial deficit (2022 - \$6.7 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 2023, the contributions made by the Township were \$364,842 (2022 - \$339,577) 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 \$268,000 (2022 - \$243,630) 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, 2023

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 sold 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, 2023
Opening balance	\$ 1,353,356	\$ 705,083	\$ 479,893	\$ 2,538,332
Accretion expense	40,600	21,153	14,397	76,150
Closing balance	\$ 1,393,956	\$ 726,236	\$ 494,290	\$ 2,614,482

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, 2023

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 3.0% (2022 - 3.5%) and using 2.0% (2022 - 4.0%) for inflation. The estimated total landfill closure and post-closure care expenses are calculated to be approximately \$4.7 million (2022 - \$3.5 million). Included in the liabilities on the Consolidated Statement of Financial Position at December 31, 2023 is \$2,614,482 (2022 - \$2,538,332).

(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 2023 (2022 - \$457,937). The obligations are expected to be retired between 2032 and 2075 with the regular replacement, renovation, or disposal of the assets.

(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. This resulted in an increase of \$5,400 to the retirement liability. This well was previously unrecognized and as a result the corresponding amount was recognized as accretion expense.

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

Asset retirement obligation	Landfill closure	Asbestos abatement	Well decommissioning	Balance, December 31, 2023
Opening balance	\$ 2,538,332	\$ 457,937	\$ 5,400	\$ 3,001,669
Accretion expense	76,150	-	-	76,150
Closing balance	\$ 2,614,482	\$ 457,937	\$ 5,400	\$ 3,077,819

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

12. Asset retirement obligations (continued):

2022				
Asset retirement obligation	Landfill closure	Well Asbestos abatement	Balance, decommissioning	December 31, 2022
Opening balance, as previously stated	\$ 2,337,817	\$ -	\$ -	\$ 2,337,817
Initial recognition under PS3280 (note 1)	126,583	457,937	5,400	589,920
Opening balance, as restated	2,464,400	457,937	5,400	2,927,737
Accretion expense	73,932	-	-	73,932
Closing balance	\$ 2,538,332	\$ 457,937	\$ 5,400	\$ 3,001,669

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 \$278,023 (2022 - \$276,437).

- (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 \$1,743,850 (2022 - \$1,760,533).
- (c) The Township has entered into a two-year recreation cost sharing agreement with the Town of Gananoque. The agreement is for the 2023 and 2024 years. The amount paid under the contract in 2023 was \$158,500 (2022 -\$145,274).

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, 2023, 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, 2023

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, 2023, 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, 2023	Additions	Transfers and disposals	Balance at December 31, 2023
	(Restated - note 18)			
Land	\$ 829,079	\$ —	\$ —	\$ 829,079
Buildings	14,335,538	445,577	(33,316)	14,747,799
Land improvements	1,657,108	26,508	(17,441)	1,666,175
Vehicles and equipment	10,936,736	2,047,207	(159,630)	12,824,313
Linear assets:				
Roads	41,345,339	851,144	(91,072)	42,105,411
Bridges	4,424,214	218,620	23,702	4,666,536
Streetlights	164,546	—	—	164,546
Storm drains	2,916,764	—	—	2,916,764
Water and sewer	2,754,692	—	—	2,754,692
Construction in progress	290,391	2,256,805	(67,271)	2,479,925
	\$ 79,654,407	\$ 5,845,861	\$ (345,028)	\$ 85,155,240

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

15. Tangible capital assets (continued):

Accumulated amortization	Balance at January 1, 2023 (Restated - note 18)	Amortization	Transfers and disposals	Balance at December 31, 2023
Land	\$ —	\$ —	\$ —	\$ —
Buildings	6,875,800	560,714	(44,383)	7,392,131
Land improvements	465,998	73,697	(17,441)	522,254
Vehicles and equipment	6,000,051	805,693	(156,308)	6,649,436
Linear assets:				
Roads	25,456,235	919,507	(72,858)	26,302,884
Bridges	1,128,379	61,979	—	1,190,358
Streetlights	56,854	5,499	—	62,353
Storm drains	862,940	73,848	—	936,788
Water and sewer	1,673,313	42,555	—	1,715,868
Construction in progress	—	—	—	—
	\$ 42,519,570	\$ 2,543,492	\$ (290,990)	\$ 44,772,072

	Net book value 2023	Net book value 2022
Land	\$ 829,079	\$ 829,079
Buildings	7,355,668	7,459,738
Land improvements	1,143,921	1,191,110
Vehicles and equipment	6,174,877	4,936,685
Linear assets:		
Roads	15,802,527	15,889,104
Bridges	3,476,178	3,295,835
Streetlights	102,193	107,692
Storm drains	1,979,976	2,053,824
Water and sewer	1,038,824	1,081,379
Construction in progress	2,479,925	290,391
	\$ 40,383,168	\$ 37,134,837

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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, 2023

16. Segmented information (continued):

	2023						2022
	Salaries, wages & employee benefits	Debt interest	Materials & Services	External Transfers	Amortization	TOTAL	TOTAL
General government							
Governance	\$ 142,425	\$ -	\$ 22,331	\$ -	\$ -	\$ 164,756	\$ 171,907
Corporate management and program support	1,325,840	4,227	702,324	265,948	265,798	2,564,137	2,432,917
	<u>1,468,265</u>	<u>4,227</u>	<u>724,655</u>	<u>265,948</u>	<u>265,798</u>	<u>2,728,893</u>	<u>2,604,824</u>
Protection to persons and property							
Fire	675,455	5,668	748,588	36,393	511,806	1,977,910	1,894,098
Police	-	-	1,743,850	-	-	1,743,850	1,760,533
Conservation authority	-	-	-	170,169	-	170,169	164,395
Protective inspection	121,437	-	24,355	-	-	145,792	138,068
Building permit and inspection services	540,913	-	222,979	-	-	763,892	659,419
Emergency measures	3,600	-	2,023	-	-	5,623	10,964
	<u>1,341,405</u>	<u>5,668</u>	<u>2,741,795</u>	<u>206,562</u>	<u>511,806</u>	<u>4,807,236</u>	<u>4,627,477</u>
Transportation services							
Roads - paved	162,674	-	222,386	-	-	385,060	225,565
Roads - unpaved	90,125	-	371,953	-	-	462,078	423,797
Roads - bridges and culverts	52,390	-	149,017	-	-	201,407	162,755
Roads - traffic operations and roadside	873,568	-	982,965	-	1,467,835	3,324,368	2,985,636
Winter control	176,034	-	256,782	-	-	432,816	372,656
Street lighting	-	-	12,047	-	-	12,047	10,530
	<u>1,354,791</u>	<u>-</u>	<u>1,995,150</u>	<u>-</u>	<u>1,467,835</u>	<u>4,817,776</u>	<u>4,180,939</u>
Environmental services							
Wastewater treatment and disposal	-	-	421,830	-	42,556	464,386	552,787
Waste services	330,434	-	666,934	-	10,032	1,007,400	922,197
Recycling	-	-	205,205	-	-	205,205	159,378
	<u>330,434</u>	<u>-</u>	<u>1,293,969</u>	<u>-</u>	<u>52,588</u>	<u>1,676,991</u>	<u>1,634,362</u>
Health services							
Public health	-	-	31,328	-	-	31,328	35,830
Cemeteries	3,894	-	11,192	-	-	15,086	15,900
	<u>3,894</u>	<u>-</u>	<u>42,520</u>	<u>-</u>	<u>-</u>	<u>46,414</u>	<u>51,730</u>
Recreation and cultural services							
Parks	116,978	-	96,559	-	1,366	214,903	205,892
Recreation facilities and programs	140,286	-	280,500	162,850	209,619	793,255	807,719
Libraries	340,826	-	186,178	-	32,630	559,634	469,439
Cultural services	-	-	1,426	-	-	1,426	5,202
	<u>598,090</u>	<u>-</u>	<u>564,663</u>	<u>162,850</u>	<u>243,615</u>	<u>1,569,218</u>	<u>1,488,252</u>
Planning & development							
Planning and zoning	352,504	-	135,452	-	1,850	489,806	361,708
Commercial and industrial	136,782	-	70,549	-	-	207,331	316,236
Agriculture & reforestation	14,322	-	77,239	-	-	91,561	-
Municipal drains	-	1,726	-	-	-	1,726	2,099
	<u>503,608</u>	<u>1,726</u>	<u>283,240</u>	<u>-</u>	<u>1,850</u>	<u>790,424</u>	<u>680,043</u>
Total	\$ 5,600,487	\$ 11,621	\$ 7,645,992	\$ 635,360	\$ 2,543,492	\$ 16,436,952	\$ 15,267,627

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

16. Segmented information (continued):

	2022						2021
	Salaries, wages & employee benefits	Debt interest	Materials & Services	External Transfers	Amortization	TOTAL	TOTAL
General government							
Governance	\$ 146,295	\$ -	\$ 25,612	\$ -	\$ -	\$ 171,907	\$ 154,976
Corporate management and program support	1,316,335	4,828	667,409	307,234	137,111	2,432,917	2,416,441
	1,462,630	4,828	693,021	307,234	137,111	2,604,824	2,571,417
Protection to persons and property							
Fire	662,614	6,421	694,289	35,228	495,546	1,894,098	1,406,801
Police	-	-	1,760,533	-	-	1,760,533	1,811,733
Conservation authority	-	-	-	164,395	-	164,395	161,655
Protective inspection	114,327	-	23,741	-	-	138,068	135,598
Building permit and inspection services	477,689	-	181,730	-	-	659,419	418,674
Emergency measures	883	-	10,081	-	-	10,964	76,021
	1,255,513	6,421	2,670,374	199,623	495,546	4,627,477	4,010,482
Transportation services							
Roads - paved	122,997	-	102,568	-	-	225,565	80,449
Roads - unpaved	88,269	-	335,528	-	-	423,797	368,881
Roads - bridges and culverts	50,676	-	112,079	-	-	162,755	108,355
Roads - traffic operations and roadside	848,989	-	831,349	-	1,305,298	2,985,636	3,097,726
Winter control	193,181	-	179,475	-	-	372,656	277,296
Street lighting	362	-	10,168	-	-	10,530	26,423
	1,304,474	-	1,571,167	-	1,305,298	4,180,939	3,959,130
Environmental services							
Wastewater treatment & disposal	-	-	437,060	-	115,727	552,787	474,476
Waste services	287,824	-	634,373	-	-	922,197	1,136,741
Recycling	-	-	159,378	-	-	159,378	159,378
	287,824	-	1,230,811	-	115,727	1,634,362	1,770,595
Health services							
Public health	-	-	35,830	-	-	35,830	33,819
Cemeteries	5,489	-	10,411	-	-	15,900	15,914
	5,489	-	46,241	-	-	51,730	49,733
Recreation and cultural services							
Parks	102,290	-	103,602	-	-	205,892	149,529
Recreation facilities and programs	141,268	-	297,131	147,974	221,346	807,719	707,646
Libraries	324,471	-	112,205	-	32,763	469,439	468,622
Cultural services	-	-	5,202	-	-	5,202	8,483
	568,029	-	518,140	147,974	254,109	1,488,252	1,334,280
Planning & development							
Planning and zoning	316,345	-	42,819	-	2,544	361,708	364,234
Commercial and industrial	189,009	-	127,227	-	-	316,236	270,077
Municipal drains	-	2,099	-	-	-	2,099	184,337
	505,354	2,099	170,046	-	2,544	680,043	818,648
Total	\$ 5,389,313	\$ 13,348	\$ 6,899,800	\$ 654,831	\$ 2,310,335	\$ 15,267,627	\$ 14,514,285

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

17. Budget figures:

The 2023 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.

	2023 Budget
Reported on consolidated statement of operations and accumulated municipal equity:	
Operating revenue	\$ 15,632,700
Capital revenue	-
Operation expenses	(13,371,700)
Total budgeted surplus on the consolidated financial statements	\$ 2,261,000
Budget not reported on consolidated financial statements:	
Capital expenses	\$ 9,143,000
Principal repayment of long-term liabilities	65,700
Capital expenses to be funded by long-term liabilities	(5,264,800)
Reserve and reserve funds transfers, net	(1,682,900)
Total budgeted deficit not reported on the consolidated financial statements	\$ 2,261,000

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

18. Change in accounting policy - adoption of new accounting standards:

- (a) Effective January 1, 2022, Leeds and the Thousand Islands adopted PS 3280 *Asset Retirement Obligations*. The new standard establishes guidelines for acknowledging, assessing, presenting, and disclosing legal responsibilities connected with the retirement of tangible capital assets, superseding PS 3270 *Solid Waste Landfill Closure and Post-Closure Liability*. The Township has chosen the modified retroactive approach where liabilities are recognized from the time the legal obligation arose but allows for the discount rate and assumptions used for initial recognition to correspond with those in place as of the standard's adoption date.

Landfill obligation:

Upon adoption of PS 3280, the Township removed the liability associated with the landfill closure and post-closure costs to date and recognized the landfill closure and post-closure costs following the new standard. This resulted in an increase in the liability associated with the landfill of \$126,583 and provided an equal decrease in the accumulated surplus. The accretion expenses recognized for the period is \$73,932 which provides an equal increase to the retirement liability.

Asbestos obligation:

Also, the Township initially recognized an asset retirement obligation associated with asbestos within several assets that will need to be abated upon retirement. This resulted in an asset retirement liability of \$457,937, an increase in building assets of \$158,287, an accretion expense of \$299,650 (for AROs associated with an unrecognized asset), an accompanying opening accumulated amortization adjustment of \$118,252 with the offset decreasing accumulated surplus by \$118,252.

Well closure:

Lastly, the Township recognized an asset retirement obligation for the decommissioning of one well. Well closures are mandatory under the Ontario Water Resource Act and this requirement gives rise to an asset retirement obligation. The liability associated with the closure and therefore recognized is \$5,400 with the offset to accretion expense due to the fact the well was not previously recognized in the tangible capital asset register.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

18. Change in accounting policy - adoption of new accounting standards (continued):

(a) (continued)

In accordance with the provisions of this new standard, the Township reflected the following adjustments as at December 31, 2022.

2022	As previously reported	Adjustments	As restated
Consolidated Statement of Financial Position:			
Tangible capital assets	\$ 37,097,716	\$ 37,121	\$ 37,134,837
Asset retirement obligations	-	3,001,669	3,001,669
Accrued landfill closure and post-closure	2,419,146	(2,419,146)	-
Accumulated municipal equity	45,890,135	(545,402)	45,344,733
Consolidated Statement of Operations and Accumulated Municipal Equity:			
Amortization of tangible capital assets	2,307,420	2,915	2,310,335
Accretion expense	-	73,932	73,932
Adjustment to landfill liability	81,329	(81,329)	-
Annual surplus	1,094,851	4,482	1,099,333
Consolidated Statement of Change in Net Financial Assets:			
Annual surplus	1,094,851	4,482	1,099,333
Amortization of tangible capital assets	2,307,420	2,915	2,310,335
Change in net financial assets	(236,774)	7,397	(229,377)

(b) The Township adopted the following standards concurrently beginning January 1, 2023 prospectively: PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation*, PS 3041 *Portfolio Investments*, and PS 3450 *Financial Instruments*.

(i) PS 1201 *Financial Statement Presentation* replaces PS 1200 *Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations and Accumulated Municipal Equity. Requirements in PS 2601 *Foreign Currency Translation*, PS 3450 *Financial Instruments*, and PS 3041 *Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

18. Change in accounting policy - adoption of new accounting standards (continued):

(b) (continued)

- (ii) PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denoted in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses.
- (iii) PS 3041 *Portfolio Investments* replaces PS 3040 *Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 *Financial Instruments*. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 *Temporary Investments* no longer applies.
- (iv) PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.

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, 2023 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 (2022 - \$Nil).

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

19. Financial risks (continued):

(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 2022.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Schedule 1: Continuity of Reserves and Reserve Funds

Year ended December 31, 2023

	2023 Budget (note 17)	2023 Actual	2022 Actual
Net transfers from (to) other funds:			
Transfers from operations	\$ 2,725,600	\$ 3,440,642	\$ 3,022,158
Transfer to capital acquisitions	(3,878,200)	(2,266,379)	(2,494,327)
Transfers to operations	(530,300)	(194,023)	(246,579)
	(1,682,900)	980,240	281,252
Reserves and reserve funds balances, beginning of year	9,779,108	9,779,108	9,497,856
Reserves and reserve funds balances, end of year	\$ 8,096,208	\$ 10,759,348	\$ 9,779,108

Analyzed as follows:

	2023	2022
Reserves and reserve funds set aside for specific purposes by Council:		
Working capital	\$ 1,118,947	\$ 1,044,508
Election purposes	63,606	46,693
Contingencies	191,063	145,600
COVID-19 contingency	126,993	126,993
Tax rate stabilization	231,360	179,377
Heritage Conservation and Celebration grant	35,556	24,732
Community improvement	198,171	191,989
Community grants	4,548	1,925
Planning and development	390,481	279,586
Special project/studies	638,584	712,194
Library	139,989	135,691
	3,139,298	2,889,288
For capital purposes:		
Infrastructure - Road Network	3,258,942	3,598,723
Bridges and culverts	487,893	389,542
Fleet, equipment and machinery	772,084	351,081
Facilities and buildings	1,546,498	1,379,207
Parks and land improvements	196,674	87,504
Library IT reserve	79,889	75,158
Water	578,437	476,628
Wastewater	699,633	531,977
	7,620,050	6,889,820
Total reserve and reserve funds	\$ 10,759,348	\$ 9,779,108



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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, 2023
- 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, 2023, 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.



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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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

September 16, 2024

TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Trust Funds

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	Subdivision Security	Pine Hill Cemetery	2023	2022
Assets				
Cash	\$ 259,976	\$ –	\$ 259,976	\$ 235,805
Investments	–	8,024	8,024	7,825
	<u>\$ 259,976</u>	<u>\$ 8,024</u>	<u>\$ 268,000</u>	<u>\$ 243,630</u>

Liabilities and Fund Balance

Fund balance	\$ 259,976	\$ 8,024	\$ 268,000	\$ 243,630
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See accompanying notes to financial statements.

Trust Funds

Statement of Continuity

Year ended December 31, 2023, with comparative information for 2022

	Subdivision Security	Cemeteries	2023	2022
Revenue:				
Received from developers	\$ 21,839	\$ –	\$ 21,839	\$ 21,839
Bank interest	9,236	–	9,236	4,492
	<u>31,075</u>	<u>–</u>	<u>31,075</u>	<u>26,331</u>
Expenses (recovery)	6,904	(199)	6,705	1,054
Annual surplus	<u>24,171</u>	<u>199</u>	<u>24,370</u>	<u>25,277</u>
Balance, beginning of year	235,805	7,825	243,630	218,353
Balance, end of year	<u>\$ 259,976</u>	<u>\$ 8,024</u>	<u>\$ 268,000</u>	<u>\$ 243,630</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Trust Funds

Notes to Financial Statements

Year ended December 31, 2023

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, 2023

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, 2023 or 2022.

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.

4. Change in accounting policies - adoption of new accounting standards:

- (a) On January 1, 2023, the Trusts adopted Public Accounting Standard PS 3280 *Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in buildings owned by public sector entities.

The adoption of this standard did not result in an accounting policy change for the Trusts, and did not result in any adjustments to the financial statements as at January 1, 2023.

TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Trust Funds

Notes to Financial Statements (continued)

Year ended December 31, 2023

4. Change in accounting policies - adoption of new accounting standards:

- (b) The Trusts adopted the following standards concurrently beginning January 1, 2023 prospectively with no impact to the financial statements: PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation*, PS 3041 *Portfolio Investments*, and PS 3450 *Financial Instruments*.
- (i) PS 1201 *Financial Statement Presentation* replaces PS 1200 *Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 *Foreign Currency Translation*, PS 3450 *Financial Instruments*, and PS 3041 *Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.
- (ii) PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denoted in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses.
- (iii) PS 3041 *Portfolio Investments* replaces PS 3040 *Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 *Financial Instruments*. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 *Temporary Investments* no longer applies.
- (iv) PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.