

Consolidated Financial Statements of

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

Year ended December 31, 2022

Consolidated Financial Statements of

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Year ended December 31, 2022

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Page

Management's Responsibility for the Consolidated Financial Statements

Independent Auditor's Report

Audited Financial Statements:

| | |
|---|----|
| Consolidated Statement of Financial Position | 1 |
| Consolidated Statement of Operations and Accumulated Municipal Equity | 2 |
| Consolidated Statement of Change in Net Financial Assets | 3 |
| Consolidated Statement of Cash Flows | 4 |
| Notes to Consolidated Financial Statements | 5 |
| | |
| Schedule 1: Continuity of Reserves and Reserve Funds | 23 |

TRUST FUNDS

Independent Auditor's Report

Audited Financial Statements:

| | |
|---------------------------------|----|
| Statement of Financial Position | 27 |
| Statement of Continuity | 27 |
| Notes to Financial Statements | 28 |

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

Kate Tindal, CPA, CGA
Director of Finance



KPMG LLP
863 Princess Street, Suite 400
Kingston ON K7L 5N4
Canada
Tel 613-549-1550
Fax 613-549-6349

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, 2022
- 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, 2022, 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.



Page 3

- 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

May 8, 2023

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

| | 2022 | 2021 |
|---|---------------|-------------------------|
| | | (Recasted - note 18) |
| Assets | | |
| Financial assets: | | |
| Cash and cash equivalents | \$ 11,289,498 | \$ 10,662,307 |
| Taxes receivable (note 4) | 2,201,435 | 2,109,378 |
| Accounts receivable | 1,461,565 | 1,345,938 |
| Long-term receivables (note 5) | 105,314 | 148,394 |
| Loan receivable (note 6) | 219,000 | 231,000 |
| | 15,276,812 | 14,497,017 |
| Financial liabilities: | | |
| Accounts payable and accrued liabilities | 1,891,972 | 1,231,990 |
| Accrued landfill closure and post closure (note 12) | 2,419,146 | 2,337,817 |
| Prepaid property taxes | 408,542 | 349,719 |
| Other current liabilities | 592,545 | 512,975 |
| Deferred revenue - obligatory reserves (note 7) | 785,610 | 582,456 |
| Long-term liabilities (note 8) | 494,332 | 560,621 |
| | 6,592,147 | 5,575,578 |
| Net financial assets | 8,684,665 | 8,921,439 |
| Other non-financial assets: | | |
| Tangible capital assets (note 15) | 37,097,716 | 35,804,181 |
| Inventories | 107,754 | 69,664 |
| | 37,205,470 | 35,873,845 |
| Commitments (note 13) | | |
| Contingent liabilities (note 14) | | |
| Subsequent events (note 19) | | |
| Accumulated municipal equity (note 9) | \$ 45,890,135 | \$ 44,795,284 |

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

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Consolidated Statement of Operations and Accumulated Municipal Equity

Year ended December 31, 2022, with comparative information for 2021

| | Budget 2022 (note 17) | Actual 2022 | Actual 2021 (Recasted - note 18) |
|---|-----------------------------|----------------------|---|
| Revenue: | | | |
| Property taxation | \$ 10,821,400 | \$ 10,859,428 | \$ 10,501,768 |
| User charges | 1,149,700 | 1,313,518 | 1,401,376 |
| Government grants | 1,261,000 | 1,341,507 | 1,596,680 |
| Licenses and permits | 427,700 | 625,928 | 480,907 |
| Investment income | 148,900 | 218,271 | 105,695 |
| Penalties and interest on taxes | 300,000 | 277,618 | 341,967 |
| Other | 462,100 | 1,216,941 | 622,655 |
| Total revenue | 14,570,800 | 15,853,211 | 15,051,048 |
| Expenses (note 16): | | | |
| General government | 2,571,500 | 2,604,824 | 2,571,417 |
| Protection to persons and property | 3,803,750 | 4,627,477 | 4,010,482 |
| Transportation services | 2,566,600 | 4,180,939 | 3,959,130 |
| Environmental services | 1,521,500 | 1,641,759 | 1,770,595 |
| Health services | 49,500 | 51,730 | 49,733 |
| Recreation and cultural services | 1,276,400 | 1,485,337 | 1,334,280 |
| Planning and development | 806,200 | 680,043 | 818,648 |
| Total expenses | 12,595,450 | 15,272,109 | 14,514,285 |
| Annual operating surplus | 1,975,350 | 581,102 | 536,763 |
| Revenue related to capital: | | | |
| Government transfers | 452,700 | 513,749 | 515,070 |
| Annual surplus before the undernoted | 2,428,050 | 1,094,851 | 1,051,833 |
| Accumulated municipal equity, beginning of year: | | | |
| As previously stated | 44,795,284 | 44,795,284 | 44,873,074 |
| Correction of an error (note 18) | - | - | (1,129,623) |
| As restated | 44,795,284 | 44,795,284 | 43,743,451 |
| Accumulated municipal equity, end of year | \$ 47,223,334 | \$ 45,890,135 | \$ 44,795,284 |

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

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2022, with comparative information for 2021

| | Budget (note 17) | 2022 | 2021 (Recasted - note 18) |
|---|---------------------|--------------|---------------------------------|
| Annual surplus | \$ 2,428,050 | \$ 1,094,851 | \$ 1,051,833 |
| Acquisition of tangible capital assets | (5,723,600) | (3,636,098) | (1,388,366) |
| Gain on disposal of tangible capital assets | - | 35,143 | - |
| Amortization of tangible capital assets | - | 2,307,420 | 2,096,641 |
| Acquisition of inventories | - | (38,090) | 6,326 |
| | (5,723,600) | (1,331,625) | 714,601 |
| Change in net financial assets | (3,295,550) | (236,774) | 1,766,434 |
| Net financial assets, beginning of year | 8,921,439 | 8,921,439 | 7,155,005 |
| Net financial assets, end of year | \$ 5,625,889 | \$ 8,684,665 | \$ 8,921,439 |

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

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Consolidated Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

| | 2022 | 2021 (Recasted - note 18) |
|---|----------------------|---------------------------------|
| Operating activities: | | |
| Annual surplus | \$ 1,094,851 | \$ 1,051,833 |
| Item not involving cash: | | |
| Amortization of tangible capital assets | 2,307,420 | 2,096,641 |
| Changes in non-cash assets and liabilities: | | |
| Taxes receivable | (92,057) | 506,379 |
| Accounts receivable | (115,627) | (607,637) |
| Accounts payable and accrued liabilities | 659,982 | (122,417) |
| Accrued landfill closure and post closure | 81,329 | 307,554 |
| Prepaid property taxes | 58,823 | 11,109 |
| Other current liabilities | 79,570 | 176,474 |
| Deferred revenue – obligatory reserves | 203,154 | 342,410 |
| Inventories | (38,090) | 6,326 |
| | 837,084 | 620,198 |
| Net change in cash from operations | 4,239,355 | 3,768,672 |
| Capital activities: | | |
| Cash used to acquire tangible capital assets | (3,636,098) | (1,388,366) |
| Gain on disposal of tangible capital assets | 35,143 | – |
| | (3,600,955) | (1,388,366) |
| Investing activities: | | |
| Long-term receivables | 43,080 | 24,121 |
| Loan receivables | 12,000 | 12,000 |
| | 55,080 | 36,121 |
| Financing activities: | | |
| Debt principal repayments | (66,289) | (65,937) |
| Increase in cash and cash equivalents | 627,191 | 2,350,490 |
| Cash and cash equivalents, beginning of year | 10,662,307 | 8,311,817 |
| Cash and cash equivalents, end of year | \$ 11,289,498 | \$ 10,662,307 |

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

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements

Year ended December 31, 2022

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, 2022

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, 2022

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, 2022

2. Significant accounting policies (continued):

(i) Deferred revenue - obligatory reserve funds:

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

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

(j) Deferred revenue:

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

(k) Landfill closure and post-closure liabilities:

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

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

(l) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Significant estimates include the liabilities for landfill closure and post-closure costs.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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 | |
|---------------------------------|---------------|--------------|-----------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Property taxes | \$ 4,605,107 | \$ 4,564,549 | \$ 8,739,753 | \$ 8,471,836 |
| Taxation from other governments | 17,252 | 20,769 | 175,014 | 183,762 |
| Amounts requisitioned and paid | \$ 4,622,359 | \$ 4,585,318 | \$ 8,914,767 | \$ 8,655,598 |

4. Taxes receivable:

Taxes receivable consist of the following:

| | 2022 | 2021 |
|---------------------------------|--------------|--------------|
| Current year taxes | \$ 1,438,263 | \$ 1,188,993 |
| Prior years' taxes | 585,104 | 719,946 |
| Penalties and interest | 183,568 | 205,939 |
| | 2,206,935 | 2,114,878 |
| Allowance for doubtful accounts | (5,500) | (5,500) |
| | \$ 2,201,435 | \$ 2,109,378 |

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, 2022

5. Long-term receivables (continued):

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

| | | Tile Loans | Municipal Drain Loans | Total |
|--------------|-----------|---------------|--------------------------|-------------------|
| 2023 | \$ | 5,489 | \$ 14,415 | \$ 19,904 |
| 2024 | | 5,818 | 14,849 | 20,667 |
| 2025 | | 6,167 | 15,296 | 21,463 |
| 2026 | | 6,537 | 15,757 | 22,294 |
| 2027 | | 4,755 | 16,231 | 20,986 |
| Total | \$ | 28,766 | \$ 76,548 | \$ 105,314 |

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, 2022

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:

| | 2022 | 2021 |
|--|------------|------------|
| Balance, beginning of year | \$ 582,456 | \$ 240,046 |
| Revenue transfers as follows: | | |
| Canada Community Building Fund | 300,184 | 588,759 |
| Parkland | 30,721 | 31,429 |
| Ontario Community Infrastructure Funds | 369,625 | 152,597 |
| Investment income | 16,373 | 3,543 |
| Utilized - operating | (513,749) | (433,918) |
| Balance, end of year | \$ 785,610 | \$ 582,456 |

Analyzed as follows:

| | 2022 | 2021 |
|--------------------------------|------------|------------|
| Canada Community Building Fund | \$ 201,243 | \$ 321,501 |
| Parkland | 296,939 | 260,338 |
| OCIF | 287,428 | 617 |
| Balance, end of year | \$ 785,610 | \$ 582,456 |

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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:

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Fixed rate bank loan with the Bank of Montreal (2.26%), with monthly principal payments of \$5,006, due September 2030. | \$ 465,566 | \$ 525,639 |
| 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. | 28,766 | 34,982 |
| Long-term liabilities at the end of the year | \$ 494,332 | \$ 560,621 |

- (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 |
|--------------|------------------|-------------------|-------------------|
| 2023 | \$ 5,489 | \$ 60,073 | \$ 65,562 |
| 2024 | 5,818 | 60,073 | 65,891 |
| 2025 | 6,167 | 60,073 | 66,240 |
| 2026 | 6,537 | 60,073 | 66,610 |
| 2027 | 4,755 | 60,073 | 64,828 |
| Thereafter | - | 165,201 | 165,201 |
| Total | \$ 28,766 | \$ 465,566 | \$ 494,332 |

- (c) Interest expense on long-term liabilities amounted to \$13,348 (2021 - \$15,057).
- (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, 2022

9. Accumulated municipal equity:

Accumulated municipal equity consists of:

| | 2022 | 2021 (Recasted - note 18) |
|---|----------------------|---------------------------------|
| Investment in tangible capital assets: | | |
| Tangible capital assets | \$ 37,097,716 | \$ 35,804,181 |
| Long-term liabilities | (465,566) | (525,639) |
| Unfinanced capital | (600,129) | - |
| | <u>36,032,021</u> | <u>35,278,542</u> |
| Reserves and reserve funds (Schedule 1) | 9,779,108 | 9,497,855 |
| Excess revenue over expenditures | 79,006 | 18,887 |
| Accumulated municipal equity | <u>\$ 45,890,135</u> | <u>\$ 44,795,284</u> |

10. Pension contributions:

The Township makes contributions to the Ontario Municipal Employees Retirement System Pension Fund ("OMERS"), which is a multi-employer plan, on behalf of its employees. As a result, the Township does not recognize any share of the OMERS pension surplus or deficit. The last available report was at December 31, 2022 and at that time, the plan reported a \$6.7 billion actuarial deficit (2021 - \$3.1 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 2022, the contributions made by the Township were \$339,577 (2021 - \$294,618) 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 \$243,630 (2021 - \$218,353) 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, 2022

12. Landfill closure and post closure liability:

The Environment Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liabilities are based on estimates and assumptions with respect to events extending over a twenty-five year period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

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

| | Remaining Life | Closure Costs | Post Closure Costs/Year |
|---------------|----------------|---------------|-------------------------|
| Lansdowne | 8 years | \$ 934,245 | \$ 22,000 |
| Briar Hill | 30 years | 509,094 | 21,000 |
| Escott | 19 years | 131,208 | 17,600 |
| Leeds | closed | – | 12,500 |
| LaRue Mills | closed | – | – |
| Reynolds Road | closed | – | – |

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

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

Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at 3.5% (2021 – 2.94%) and using 4.0% (2021 – 3.0%) for inflation. The estimated total landfill closure and post closure care expenses are calculated to be approximately \$3.5 million (2021 - \$3.1 million). Included in the liabilities on the Consolidated Statement of Financial Position at December 31, 2022 is \$2,419,146 (2021 - \$2,337,817).

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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 \$276,437 (2021 - \$264,786).

- (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 \$1,760,533 (2021 - \$1,811,733).
- (c) The Township has entered into a one-year recreation cost sharing agreement with the Town of Gananoque. The agreement is for the 2022 year. The amount paid under the contract in 2022 was \$145,274 (2021 -\$140,030). Prior to year end, the Township renewed the cost sharing agreement for 2023 and 2024.

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, 2022, management believes that the Township has valid defences and appropriate insurance coverages in place.

In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Township's financial position.

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

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

14. Contingent liabilities (continued):

(b) (continued):

As at December 31, 2022, 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, 2022 | Additions | Transfers and Disposals | Balance at December 31, 2022 |
|--------------------------|----------------------------------|--------------|----------------------------|------------------------------------|
| | (Recasted - note 18) | | | |
| Land | \$ 296,777 | \$ 240,803 | \$ 291,499 | \$ 829,079 |
| Buildings | 14,104,855 | 82,812 | (10,416) | 14,177,251 |
| Land improvements | 1,583,001 | 74,107 | — | 1,657,108 |
| Vehicles and equipment | 9,764,392 | 1,382,639 | (210,295) | 10,936,736 |
| Linear assets: | | | | |
| Roads | 40,278,748 | 1,074,672 | — | 41,353,420 |
| Bridges | 4,424,214 | — | — | 4,424,214 |
| Streetlights | 156,465 | — | — | 156,465 |
| Storm drains | 2,858,919 | 57,845 | — | 2,916,764 |
| Water and sewer | 2,553,941 | 200,751 | — | 2,754,692 |
| Construction in progress | 69,048 | 522,469 | (301,126) | 290,391 |
| | \$ 76,090,360 | \$ 3,636,098 | \$ (230,338) | \$ 79,496,120 |

| Accumulated amortization | Balance at January 1, 2022 | Amortization | Transfers and Disposals | Balance at December 31, 2022 |
|-----------------------------|----------------------------------|--------------|----------------------------|------------------------------------|
| | (Recasted - note 18) | | | |
| Land | \$ — | \$ — | \$ — | \$ — |
| Buildings | 6,313,762 | 443,172 | (2,300) | 6,754,634 |
| Land improvements | 391,476 | 74,522 | — | 465,998 |
| Vehicles and equipment | 5,452,598 | 740,348 | (192,895) | 6,000,051 |
| Linear assets: | | | | |
| Roads | 24,578,971 | 877,264 | — | 25,456,235 |
| Bridges | 1,067,747 | 60,632 | — | 1,128,379 |
| Streetlights | 51,517 | 5,337 | — | 56,854 |
| Storm drains | 789,454 | 73,486 | — | 862,940 |
| Water and sewer | 1,640,654 | 32,659 | — | 1,673,313 |
| Construction in progress | — | — | — | — |
| | \$ 40,286,179 | \$ 2,307,420 | \$ (195,195) | \$ 42,398,404 |

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

15. Tangible capital assets (continued):

| | Net book value 2022 | Net book value 2021 (Recasted - note 18) |
|--------------------------|---------------------------|--|
| Land | \$ 829,079 | \$ 296,777 |
| Buildings | 7,422,617 | 7,791,093 |
| Land improvements | 1,191,110 | 1,191,525 |
| Vehicles and equipment | 4,936,685 | 4,311,794 |
| Linear assets: | | |
| Roads | 15,897,185 | 15,699,777 |
| Bridges | 3,295,835 | 3,356,467 |
| Streetlights | 99,611 | 104,948 |
| Storm drains | 2,053,824 | 2,069,465 |
| Water and sewer | 1,081,379 | 913,287 |
| Construction in progress | 290,391 | 69,048 |
| | \$ 37,097,716 | \$ 35,804,181 |

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, 2022

16. Segmented information (continued):

| | 2022 | | | | | | 2021 |
|---|-------------------------------------|-------------------------|----------------------|--------------------|--------------|------------|------------|
| | Salaries, wages & employee benefits | Debenture debt interest | Materials & Services | External Transfers | Amortization | TOTAL | TOTAL |
| General government | | | | | | | |
| Governance | \$ 146,295 | \$ - | \$ 25,612 | \$ - | \$ - | \$ 171,907 | \$ 154,976 |
| Corporate Management & 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 |

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

16. Segmented information (continued):

| | 2022 | | | | | | 2021 |
|---|-------------------------------------|-------------------------|----------------------|--------------------|---------------------|----------------------|----------------------|
| | Salaries, wages & employee benefits | Debenture debt interest | Materials & Services | External Transfers | Amortization | TOTAL | TOTAL |
| Environmental services | | | | | | | |
| Wastewater treatment & disposal | - | - | 437,060 | - | 115,727 | 552,787 | 474,476 |
| Waste services | 287,824 | - | 641,770 | - | - | 929,594 | 1,136,741 |
| Recycling | - | - | 159,378 | - | - | 159,378 | 159,378 |
| | 287,824 | - | 1,238,208 | - | 115,727 | 1,641,759 | 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 | 218,431 | 804,804 | 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 | 251,194 | 1,485,337 | 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 | \$ 6,907,197 | \$ 654,831 | \$ 2,307,420 | \$ 15,272,109 | \$ 14,514,285 |

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

17. Budget figures:

The 2022 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.

| | 2022 Budget |
|---|---------------------|
| Reported on consolidated statement of operations: | |
| Operating revenue | \$ 14,570,800 |
| Capital revenue | 452,700 |
| Operation expenses | (12,595,450) |
| Total budgeted surplus on the consolidated financial statements | \$ 2,428,050 |
| Budget not reported on consolidated statements: | |
| Capital expenses | \$ 5,723,600 |
| Principal repayment of long-term liabilities | 66,600 |
| Capital expenses to be funded by long-term liabilities | (2,600,000) |
| Reserve and reserve funds transfers, net | (762,150) |
| Total budgeted deficit not reported on the consolidated financial statements | \$ 2,428,050 |

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

18. Prior period adjustment:

During the year, through the asset management planning process, management determined that the Township had not captured certain tangible capital assets on the financial statements as well as determined that amortization was not being calculated correctly on certain tangible capital assets. The impact of including these assets on the financial statements of the Township and adjusting amortization to the correct amount has been recorded retroactively and the cumulative effect up to January 1, 2021 has been recorded as a \$1,129,623 decrease to accumulated municipal equity.

| | 2021 |
|---|--------------------|
| Accumulated municipal equity, beginning of year: | |
| As previously stated | \$ 44,873,074 |
| To correct error in relation to: | |
| Understatement of contributed tangible capital assets prior to 2021 | 476,508 |
| <u>Understatement of amortization prior to 2021</u> | <u>(1,606,131)</u> |
| | (1,129,623) |
| Accumulated municipal equity, beginning of year, as restated | \$ 43,743,451 |
| | |
| | 2021 |
| Tangible capital assets: | |
| As previously stated | \$ 36,933,804 |
| To correct error in relation to: | |
| Understatement of contributed tangible capital assets prior to 2021 | 476,508 |
| <u>Understatement of amortization prior to 2021</u> | <u>(1,606,131)</u> |
| | (1,129,623) |
| Tangible capital assets, as restated | \$ 35,804,181 |

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

19. Subsequent events:

- (a) Subsequent to year end, the Council entered into an agreement to purchase a fire service pumper in the amount \$845,072 plus applicable taxes. The estimated arrival date of the truck is October 2023.
- (b) During the year, the Township entered into a capital contract for the Seeley's Bay Fire Hall construction. The project will be complete in 2024. The remaining contract is \$331,903 plus applicable taxes.

20. Comparative information:

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

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Schedule 1: Continuity of Reserves and Reserve Funds

Year ended December 31, 2022

| | Budget (note 17) | 2022 | 2021 |
|---|---------------------|---------------------|---------------------|
| Net transfers from (to) other funds: | | | |
| Transfers from operations | \$ 1,908,750 | \$ 3,022,158 | \$ 2,708,986 |
| Transfer to capital acquisitions | (2,670,900) | (2,740,906) | (964,703) |
| | (762,150) | 281,252 | 1,744,283 |
| Reserves and reserve funds balances, beginning of year | 9,487,856 | 9,497,856 | 7,753,573 |
| Reserves and reserve funds balances, end of year | \$ 8,725,706 | \$ 9,779,108 | \$ 9,497,856 |

Analyzed as follows:

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Reserves and reserve funds set aside for specific purposes by Council: | | |
| Working capital | \$ 1,044,508 | \$ 1,028,597 |
| Election purposes | 46,693 | 69,944 |
| Contingencies | 145,600 | 135,255 |
| COVID-19 Contingency | 126,993 | 135,017 |
| Tax rate stabilization | 179,377 | 133,313 |
| Heritage Conservation & Celebration Grant | 24,732 | 19,607 |
| Community improvement | 191,989 | 190,801 |
| Community Grants | 1,925 | 126,203 |
| Planning and development | 279,586 | 338,811 |
| Special project/studies | 712,194 | 790,550 |
| Library | 135,691 | 133,851 |
| | 2,889,288 | 3,101,949 |
| For capital purposes: | | |
| Infrastructure – Road Network | 3,598,723 | 3,511,803 |
| Bridges & Culverts | 389,542 | 410,698 |
| Fleet, Equipment & Machinery | 351,081 | 206,971 |
| Facilities & Buildings | 1,379,207 | 1,104,099 |
| Parks & Land Improvements | 87,504 | 38,432 |
| Library IT Reserve | 75,158 | 85,289 |
| Water | 476,628 | 517,578 |
| Wastewater | 531,977 | 521,037 |
| | 6,889,820 | 6,395,907 |
| Total reserve and reserve funds | \$ 9,779,108 | \$ 9,497,856 |



KPMG LLP
863 Princess Street, Suite 400
Kingston ON K7L 5N4
Canada
Tel 613-549-1550
Fax 613-549-6349

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, 2022
- 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, 2022, 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.



Page 26

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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

May 8, 2023

TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Trust Funds Statement of Financial Position

December 31, 2022, with comparative information for 2021

| | Subdivision Security | Pine Hill Cemetery | 2022 | 2021 |
|---------------|-------------------------|-----------------------|------------|------------|
| Assets | | | | |
| Cash | \$ 235,805 | \$ – | \$ 235,805 | \$ 209,474 |
| Investments | – | 7,825 | 7,825 | 8,879 |
| | \$ 235,805 | \$ 7,825 | \$ 243,630 | \$ 218,353 |

Liabilities and Fund Balance

| | | | | |
|--------------|------------|----------|------------|------------|
| Fund balance | \$ 235,805 | \$ 7,825 | \$ 243,630 | \$ 218,353 |
|--------------|------------|----------|------------|------------|

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

Trust Funds Statement of Continuity

Year ended December 31, 2022, with comparative information for 2021

| | Subdivision Security | Cemeteries | 2022 | 2021 |
|-----------------------------|-------------------------|------------|------------|------------|
| Revenue: | | | | |
| Received from developers | \$ 21,839 | \$ – | \$ 21,839 | \$ 21,839 |
| Bank interest | 4,492 | – | 4,492 | 793 |
| | 26,331 | – | 26,331 | 22,632 |
| Expenses | – | 1,054 | 1,054 | – |
| Net revenue (expense) | 26,331 | (1,054) | 25,277 | 22,632 |
| Balance, beginning of year | 209,474 | 8,879 | 218,353 | 195,721 |
| Balance, end of year | \$ 235,805 | \$ 7,825 | \$ 243,630 | \$ 218,353 |

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

TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Trust Funds
Notes to Financial Statements

Year ended December 31, 2022

1. Significant accounting policies:

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

(a) Basis of presentation:

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

(b) Basis of accounting:

Revenue and expenses are recorded on an accrual basis.

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

(c) Use of estimates:

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

(d) Investments:

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

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

2. Statement of cash flows:

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