

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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**Township of Leeds and
The Thousand Islands
Consolidated
Financial Statements
December 31, 2018**

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

December 31	2018	2017	2016	2015	2014
Population (Statistics Canada)	9,465	9,465	9,465	9,277	9,277
Number of Households (MPAC)	5,963	5,936	5,925	5,902	5,882
Taxable Assessment (000's)	\$	\$	\$	\$	\$
Residential and farm	1,994,116	1,928,470	1,892,117	1,829,038	1,770,097
Commercial and industrial	172,218	168,220	79,936	75,932	74,006
Total	2,166,334	2,096,690	1,972,053	1,904,970	1,844,103
Commercial, industrial as % of assessment	8.64%	8.02%	4.05%	4.00%	4.01%
Rates of Taxation					
Residential					
▸ for general municipal purposes	0.380140	0.375478	0.365537	0.361239	0.353634
▸ for counties' purposes	0.370869	0.370869	0.363579	0.367257	0.367257
▸ for school board purposes	0.170000	0.179000	0.188000	0.195000	0.203000
Total	0.921009	0.925347	0.917116	0.923496	0.923891
Multi-Residential (total)	0.921009	0.925347	0.917116	0.923496	0.923891
Commercial (total)	2.303465	2.313550	2.290350	2.325005	2.352049
Industrial (total)	2.700378	2.741933	2.820721	2.849597	2.865821
Tax Arrears ▸ percentage of current levy (<10%)**	11.24%	11.05%	20.14%	11.11%	12.73%
Taxes Transferred (000's)					
▸ Counties	8,300	8,056	7,827	7,598	7,316
▸ School Boards	5,605	5,680	5,920	4,608	4,602
Revenues (000's)	\$	\$	\$	\$	\$
▸ Taxation and payments in lieu	8,509	7,914	7,620	7,240	6,862
▸ Government transfers	1,306	1,232	1,302	1,160	1,032
▸ Fees and service charges	1,179	1,314	1,025	1,035	1,208
▸ Other	2,430	2,498	2,466	2,529	2,387
▸ Revenues related to capital assets	428	538	414	912	623
Total	13,852	13,496	12,827	12,876	12,112
Expenditures (000's)					
▸ Operations	13,392	12,512	12,112	11,140	10,559
▸ Amortization	1,924	1,829	1,687	1,638	1,502
Net Financial Assets (Net Debt)					
▸ % of Operating Revenue (>(20%))**	40.35%	46.06%	50.30%	53.70%	55.67%
▸ % of Taxation and User Charges (>(50%))**	55.91%	64.67%	72.22%	77.64%	79.25%

** Represents the Provincial Low Risk Indicator.
(Note: All dollar amounts are in thousands of dollars.)

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

December 31	2018	2017	2016	2015	2014
	\$	\$	\$	\$	\$
Long Term Debt					
▸ Net long term debt (000's)	694	753	812	871	930
▸ Long term debt charges (000's)	84	79	81	95	92
▸ Total annual repayment limit (000's)	2,850	2,711	2,587	2,329	2,235
▸ Long term debt per household	117	127	137	148	158
▸ Debt charges (000's)					
▸ tax supported	84	79	81	95	92
<hr/>					
Municipal Equity (000's)					
▸ Surplus and Reserves	6,172	6,812	7,805	8,071	7,400
▸ Invested in capital assets	36,007	34,213	32,237	30,829	29,763
▸ Asset consumption ratio	47.49%	46.83%	46.64%	46.47%	46.70%
▸ Reserves as % of operating expenses (>20%) **	45.63%	53.71%	63.89%	71.61%	69.38%
<hr/>					
Financial Indicators					
▸ Sustainability					
▸ financial assets to liabilities	2.18	2.09	2.28	2.38	2.27
▸ financial assets to liabilities excluding long term debt	2.65	2.50	2.84	3.03	2.88
▸ long term debt to tangible capital assets	2.27%	2.58%	2.89%	3.06%	3.44%
▸ capital reserves to accumulated amortization	14.96%	17.09%	20.15%	20.97%	19.26%
▸ Flexibility					
▸ Debt charges to total operating revenue (<5%) **	0.83%	0.98%	0.87%	1.19%	1.14%
▸ Total operating revenue to taxable assessment	0.62%	0.62%	0.63%	0.62%	0.62%
▸ Working capital to operating expenses (>10%) **	44.56%	52.67%	59.50%	66.58%	70.58%
▸ Vulnerability					
▸ Operating government transfers ▸ to operating revenue	9.73%	9.51%	10.49%	9.66%	8.98%
▸ Total government transfers ▸ to total revenues	12.14%	12.13%	12.99%	12.28%	13.66%



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 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 significant accounting policies are described in note 2 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, 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 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 Allan and Partners LLP, independent external auditors appointed by the Township. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Township's consolidated financial statements.

Steve Potter,
Acting Chief Administrative Officer

Nigel White,
Director of Financial Services



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 Corporation of the Township of Leeds and The Thousand Islands (the 'Entity'), which comprise:

- the consolidated statement of financial position as at December 31, 2018;
- the consolidated statement of operations and municipal equity for the year then ended;
- the consolidated statement of changes in net financial assets for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- and the 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, 2018, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the '**Auditors' Responsibilities for the Audit of the Financial Statements**' section of our 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 judgement 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 of 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario
June 17, 2019.

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

December 31	2018	2017
	\$	\$
ASSETS		
Financial Assets		
Cash and short term deposits	5,936,556	7,127,754
Taxes receivable (net of allowance \$5,500) (note 4)	2,513,391	2,386,634
Accounts receivable	1,171,243	1,494,654
Long term receivables (note 7)	122,839	148,084
Loan receivable (note 5)	267,000	279,000
	10,011,029	11,436,126
LIABILITIES		
Financial Liabilities		
Accounts payable and accrued liabilities	1,148,930	2,022,186
Accrued landfill closure and post closure (note 11)	1,620,362	1,651,023
Prepaid property taxes	291,988	340,351
Other current liabilities	410,311	299,647
Deferred revenues (note 6)	305,413	254,109
Long term liabilities (note 7)	816,933	901,249
	4,593,937	5,468,565
NET FINANCIAL ASSETS	5,417,092	5,967,561
NON-FINANCIAL ASSETS		
Tangible capital assets (note 15) (Schedule 2)	36,007,435	34,965,888
Inventories	60,480	91,076
	36,067,915	35,056,964
Contingent Liabilities (note 13)		
MUNICIPAL EQUITY (note 8)	41,485,007	41,024,525

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

**Township of Leeds and The Thousand Islands
Consolidated Statement of Operations**

For the year ended December 31	(Note 17) Budget	2018	2017
	\$	\$	\$
REVENUES			
Taxation ▶ residential	7,336,609	7,368,836	7,063,923
▶ commercial	868,884	953,752	676,061
▶ local improvement	30,000	28,865	28,980
▶ other governments	143,800	158,022	144,892
User charges ▶ general government	54,150	74,310	29,676
▶ transportation services	13,500	19,615	18,537
▶ protection to persons and property	113,750	110,032	362,192
▶ environment	751,960	746,322	726,800
▶ parks and recreation	109,700	138,374	119,448
▶ planning and zoning	99,400	90,231	56,941
Government grants	1,221,884	1,306,223	1,231,724
Licenses and permits	286,300	395,797	282,885
Investment income	45,500	133,121	82,129
Penalties and interest on taxes	315,000	333,242	360,640
Other	1,791,200	1,567,632	1,771,998
TOTAL REVENUES	13,181,637	13,424,374	12,956,826
EXPENDITURES			
General government	1,911,348	2,073,724	1,641,562
Protection to persons and property	3,837,718	3,744,928	3,742,468
Transportation services	3,666,529	3,696,531	3,662,412
Environmental services	1,022,851	1,250,430	1,183,638
Health services	43,651	41,669	45,421
Recreation and cultural services	2,050,917	1,800,646	1,606,154
Planning and development	653,244	783,702	630,497
TOTAL EXPENDITURES	13,186,258	13,391,630	12,512,152
NET REVENUES (EXPENDITURES) FROM OPERATIONS	(4,621)	32,744	444,674
OTHER			
Grants and transfers related to capital			
Deferred revenues earned (note 6)	150,000	---	---
Government transfers	7,405,940	375,345	404,789
Other	700,000	---	133,316
Gain on sale of tangible capital assets	---	52,393	---
	8,255,940	427,738	538,105
ANNUAL SURPLUS	8,251,319	460,482	982,779
MUNICIPAL EQUITY, BEGINNING OF YEAR	41,024,525	41,024,525	40,041,746
MUNICIPAL EQUITY, END OF YEAR	49,275,844	41,485,007	41,024,525

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

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

For the year ended December 31	(Note 17) Budget	2018	2017
	\$	\$	\$
ANNUAL SURPLUS	8,251,319	460,482	982,779
Amortization of tangible capital assets	2,080,945	1,923,613	1,829,287
Acquisition of tangible capital assets	(15,320,605)	(3,048,713)	(3,064,570)
Disposal of tangible capital assets	---	83,553	---
Disposal (acquisition) of supplies inventories	---	30,596	(24,332)
	(13,239,660)	(1,010,951)	(1,259,615)
DECREASE IN NET FINANCIAL ASSETS	(4,988,341)	(550,469)	(276,836)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	5,967,561	5,967,561	6,244,397
NET FINANCIAL ASSETS, END OF YEAR	979,220	5,417,092	5,967,561

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

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

For the year ended December 31	2018	2017
	\$	\$
OPERATING ACTIVITIES		
Annual surplus for the year	460,482	982,779
Amortization	1,923,613	1,829,287
	2,384,095	2,812,066
Net Change in Non-Cash Working Capital Balances		
Taxes receivable	(126,757)	1,910,911
Accounts receivable	323,411	(317,553)
Long term receivables	25,245	1,943
Loan receivable	12,000	12,000
Accounts payable and accrued liabilities	(873,256)	552,434
Accrued landfill closure and post closure	(30,661)	737
Prepaid property taxes	(48,363)	109,314
Other current liabilities	110,664	(31,546)
Deferred revenues	51,304	21,210
Inventories	30,596	(24,332)
	(525,817)	2,235,118
Working Capital from Operations	1,858,278	5,047,184
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(3,048,713)	(3,064,570)
Disposal of tangible capital assets	83,553	---
Net investment in tangible capital assets	(2,965,160)	(3,064,570)
FINANCING ACTIVITIES		
Debt issued for tile loan debentures	---	37,100
Debt principal repayments	(84,316)	(98,115)
Net decrease in cash from financing activities	(84,316)	(61,015)
NET (DECREASE) INCREASE IN CASH	(1,191,198)	1,921,599
CASH, BEGINNING OF YEAR	7,127,754	5,206,155
CASH, END OF YEAR	5,936,556	7,127,754

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

Township of Leeds and The Thousand Islands

Notes to the Consolidated Financial Statements

December 31, 2018

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

The Township of Leeds and The Thousand Islands (the 'Township') was incorporated January 1, 2001 by amalgamating three historic municipalities, the Front of Leeds and Lansdowne, the Rear of Leeds and Lansdowne and the Front of Escott and assumed its responsibilities under the authority of the Provincial Secretary. The Township operates as a lower tier government in the 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 Corporation of the Township of Leeds and The Thousand Islands are the representations of management and have been prepared in all material respects in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies by the Township are as follows:

Reporting Entity

- (i) The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves, reserve funds and changes in investments in tangible capital assets of the Township. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Township and which are owned or controlled by the Township. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated. These consolidated financial statements include:

- ▶ Public Library Board

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

Basis of Accounting

- (i) The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenditures are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.
- (ii) Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.
- (iii) Trust funds and their related operations administered by the Township are not included in these consolidated financial statements but are reported separately on the Trust Funds Statement of Financial Activities and Financial Position.

Township of Leeds and The Thousand Islands

Notes to the Consolidated Financial Statements

December 31, 2018

2. Significant Accounting Policies / continued

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.

Tangible Capital Assets

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

Land	
Buildings	50 years
Vehicles and Equipment	7 to 20 years
Signs	20 years
Linear Assets	
Roads	40 years
Bridges	75 years
Streetlights	40 years
Storm drains	40 years
Water and sewer	40 years
Construction in Progress	

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

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

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

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 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.

Township of Leeds and The Thousand Islands

Notes to the Consolidated Financial Statements

December 31, 2018

2. Significant Accounting Policies / continued

Tangible Capital Assets / continued

When conditions indicate that a tangible capital asset no longer contributes to the Township's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the consolidated statement of operations.

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.

Inventories and Prepaid Expenses

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

Pension and Employee Benefits

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

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

Cash and Cash Equivalents

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

Government Transfers

Government transfers are recognized in the consolidated financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Deferred Revenues

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

Township of Leeds and The Thousand Islands Notes to the Consolidated Financial Statements

December 31, 2018

2. Significant Accounting Policies / continued

Deferred Revenues / continued

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.

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.

Investments

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

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

Landfill Closure and Post-Closure Liabilities

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

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

Liability for Contaminated Sites

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. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- (a) an environmental standard exists;
- (b) contamination exceeds the environmental standard;
- (c) the Township:
 - (i) is directly responsible; or
 - (ii) accepts responsibility
- (d) it is expected that future economic benefit will be given up; and
- (e) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of cost of pos-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

Township of Leeds and The Thousand Islands Notes to the Consolidated Financial Statements

December 31, 2018

2. Significant Accounting Policies / continued

Financial Instruments

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

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

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

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

Measurement Uncertainty

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 expenditures during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the consolidated financial statements in the period in which they become known.

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

During 2018, 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 \$
Property taxes	5,587,136	8,167,820
Taxation from other governments	17,414	131,949
Amounts requisitioned and paid	<u>5,604,550</u>	<u>8,299,769</u>

Township of Leeds and The Thousand Islands Notes to the Consolidated Financial Statements

December 31, 2018

4. Taxes Receivable

At the year end, taxes receivable consist of the following:

	2018 \$	2017 \$
Current year taxes	1,458,252	1,515,104
Prior year taxes	830,812	703,378
Penalties	229,827	173,652
Allowance for doubtful accounts	(5,500)	(5,500)
	2,513,391	2,386,634

5. 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.

6. Deferred Revenues

A requirement of the public sector accounting standards of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds of the Township are summarized below:

	Federal Gas Tax	Development Charges	Parkland	Total
	\$	\$	\$	\$
January 1, 2018	29,200	6,272	218,637	254,109
Contributions from developers	---	---	36,140	36,140
Interest	301	90	4,239	4,630
Government grants	10,534	---	---	10,534
December 31, 2018	40,035	6,362	259,016	305,413

Township of Leeds and The Thousand Islands Notes to the Consolidated Financial Statements

December 31, 2018

7. Long Term Liabilities

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

	2018	2017
	\$	\$
Fixed rate bank loan with the Bank of Montreal (2.55%), with monthly principal payments of \$4,922.65, due September 2030.	694,094	753,165
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. At the end of the year, the outstanding principal of this liability is:	122,839	148,084
Net long term liabilities at the end of the year	816,933	901,249

- (b) Principal payments fall due as follows:

	Individuals	General Revenues	Total
	\$	\$	\$
2019	21,651	59,072	80,723
2020	16,157	59,072	75,229
2021	12,887	59,072	71,959
2022	13,660	59,072	72,732
2023	13,379	59,072	72,451
2024 and thereafter	45,105	398,734	443,839
	122,839	694,094	816,933

- (c) Interest expense on long term liabilities in 2018 amounted to \$27,391 (2017 \$29,339).
- (d) These payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

**Township of Leeds and The Thousand Islands
Notes to the Consolidated Financial Statements**

December 31, 2018

8. Municipal Equity

Municipal equity consists of:

	2018	2017
	\$	\$
Investment in tangible capital assets		
Tangible capital assets	36,007,435	34,965,888
Long term liabilities	(694,094)	(753,165)
	35,313,341	34,212,723
Unrestricted surplus		
Invested in inventory	60,480	91,076
Reserves (Schedule 1)	6,111,186	6,720,726
Total Municipal Equity	41,485,007	41,024,525

9. Pension Contributions

The Township makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all permanent members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employers and employees contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Township does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

The amount contributed to OMERS was \$249,139 (2017 \$232,196) for current services and is included as an expenditure on the Consolidated Statement of Operations classified under the appropriate functional expenditure. Contributions by employees were a similar amount.

10. Trust Funds

Trust funds administered by the Township amounting to \$146,742 (2017 \$120,312) 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.

Township of Leeds and The Thousand Islands

Notes to the Consolidated Financial Statements

December 31, 2018

11. 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 is based on estimates and assumptions with respect to events extending over a twenty-five year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

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
		\$	\$
Lansdowne	3 years	1,315,468	31,400
Briar Hill	12 years	616,909	33,400
Escott	12 years	289,828	34,400
Leeds	closed	Nil	17,400
LaRue Mills	closed	Nil	17,000
Reynolds Road	closed	Nil	17,000

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 typically required for at least 25 years following landfill closure.

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

The estimated total landfill closure and post closure care expenditures are calculated to be approximately \$3.0 million. Included in the liabilities on the Consolidated Statement of Financial Position at December 31, 2018 is \$1,620,362 (2017 \$1,651,023).

12. Contractual Obligations

The Township has negotiated a five year contract with Ontario Clean Water Agency to manage the water treatment plant and the sewage treatment plant. The contract base is \$244,600 and provides an annual adjustment for inflation, hydro costs and insurance. The contract does not include capital expenditures or unexpected expenses in the nature of addressing equipment failure. The initial term of the contract expires December 2020 and then may be renewed for successive two year terms.

Township of Leeds and The Thousand Islands Notes to the Consolidated Financial Statements

December 31, 2018

12. Contractual Obligations /continued

Included in the consolidated statement of financial activities are the costs paid to the Ontario Clean Water Agency of \$253,236 (2017 \$273,791).

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 \$1,802,775 (2017 \$1,837,464).

The Township has entered into a three year agreement with Zycom for the provision of information technology services. The contract has been extended to June 30, 2019. The cost for 2018 was \$43,062 (2017 \$33,900).

The Township has entered into a two year agreement with Manco Recycling Systems Inc. for the collection and disposal of recycled materials. The contract is based on the volume of recycled goods. The contract expired December 2016. The contract has been extended on a month by month basis. The cost for 2018 was \$126,977 (2017 \$105,875).

13. Contingent Liabilities

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2018, management believes that the Township has valid defences and appropriate insurance coverages in place.

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

14. Risk Management

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

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

The Township's exposure to and management of risk has not changed materially from December 31, 2017.

Credit Risk

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

Township of Leeds and The Thousand Islands Notes to the Consolidated Financial Statements

December 31, 2018

14. Risk Management / continued

Interest Rate Risk

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

Liquidity Risk

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

15. Tangible Capital Assets

	2018	2017
	\$	\$
Land	296,777	296,777
Buildings	9,869,620	9,549,132
Vehicles and Equipment	4,749,140	4,345,027
Signs	48,797	53,582
Linear Assets		
Roads	16,159,062	15,815,469
Bridges	2,103,986	2,144,523
Streetlights	47,904	55,861
Storm drains	2,275,684	2,346,873
Water and sewer	344,715	358,644
Construction in progress		
Buildings	75,575	---
Bridges	36,175	---
	36,007,435	34,965,888

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

16. Segmented Information

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

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

Township of Leeds and The Thousand Islands Notes to the Consolidated Financial Statements

December 31, 2018

16. Segmented Information / continued

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

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

2018	Salaries, Wages & Employee Benefits	Debenture Debt Interest	Materials & Services	External Transfers	Amortization	Total
	\$	\$	\$	\$	\$	\$
General Government						
Governance	121,550	---	85,953	---	---	207,503
Corporate Management & Program Support	1,063,203	7,958	682,204	103,132	9,724	1,866,221
Protection to Persons & Property						
Fire	455,572	10,548	555,035	---	287,214	1,308,369
Police	---	---	1,802,775	---	---	1,802,775
Conservation Authority	---	---	---	148,387	---	148,387
Protective Inspection	424,177	---	52,821	8,399	---	485,397
Transportation						
Roadways	955,254	---	2,271,254	12,358	---	3,238,866
Winter Control	190,661	---	225,794	---	---	416,455
Street Lighting	---	---	33,253	---	7,957	41,210
Environmental						
Water and Sewer Services	---	---	356,954	---	13,929	370,883
Waste Services	272,044	---	475,923	---	4,603	752,570
Recycling	---	---	126,977	---	---	126,977
Health Services						
Hospitals	---	---	32,148	---	---	32,148
Cemeteries	4,996	---	4,525	---	---	9,521
Recreation & Cultural Services						
Parks	167,054	---	134,256	---	---	301,310
Recreation Facilities & Programs	247,419	---	525,872	---	236,911	1,010,202
Libraries	329,513	---	117,391	---	36,905	483,809
Cultural Services	---	---	5,325	---	---	5,325
Planning & Development						
Planning & Zoning	344,740	---	276,556	---	3,817	625,113
Municipal Drains	---	8,885	149,704	---	---	158,589
2018	4,576,183	27,391	7,914,720	272,276	601,060	13,391,630

Township of Leeds and The Thousand Islands Notes to the Consolidated Financial Statements

December 31, 2018

16. Segmented Information / continued

2017	Salaries, Wages & Employee Benefits	Debenture Debt Interest	Materials & Services	External Transfers	Amortization	Total
\$	\$	\$	\$	\$	\$	\$
General Government						
Governance	123,764	---	29,451	---	---	153,215
Corporate Management & Program Support	1,045,998	8,605	359,201	64,819	9,724	1,488,347
Protection to Persons & Property						
Fire	479,307	11,407	547,642	32,060	266,134	1,336,550
Police	---	---	1,837,464	---	---	1,837,464
Conservation Authority	---	---	---	146,124	---	146,124
Protective Inspection	347,910	---	69,971	4,449	---	422,330
Transportation						
Roadways	923,043	---	1,059,934	14,595	1,265,240	3,262,812
Winter Control	162,769	---	192,438	---	---	355,207
Street Lighting	---	---	35,372	---	9,021	44,393
Environmental						
Water and Sewer Services	---	---	353,409	---	13,929	367,338
Waste Services	280,693	---	433,050	---	6,663	720,406
Recycling	---	---	95,894	---	---	95,894
Health Services						
Hospitals	---	---	39,195	---	---	39,195
Cemeteries	904	---	5,322	---	---	6,226
Recreation & Cultural Services						
Parks	107,006	---	84,900	---	---	191,906
Recreation Facilities & Programs	268,350	---	439,811	---	217,451	925,612
Libraries	306,534	---	135,921	---	37,308	479,763
Cultural Services	4,792	---	4,081	---	---	8,873
Planning & Development						
Planning & Zoning	257,795	---	309,637	---	3,817	571,249
Municipal Drains	---	9,327	49,921	---	---	59,248
2017	4,308,865	29,339	6,082,614	262,047	1,829,287	12,512,152

Township of Leeds and The Thousand Islands Notes to the Consolidated Financial Statements

December 31, 2018

17. Budget Figures

The 2018 budget amounts that were approved were not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget included capital items such as infrastructure replacements and estimated costs for constructed assets, as program expenses, but the actual expenses have been removed in the Consolidated Statement of Operations. The revenues attributable to these items continue to be included in the Consolidated Statement of Operations, resulting in a significant variance. The following analysis is provided to assist readers in their understanding of differences between the approved budget and the audited consolidated financial statements.

	Approved Budget	Actual
	\$	\$
Total Revenues	13,181,637	13,424,374
Total Expenditures	13,186,258	13,391,630
Net Revenues	(4,621)	32,744
Amortization	2,080,945	1,923,613
Adjusted Net Revenues	2,076,324	1,956,357
Capital Revenues	8,255,940	427,738
Funds Available	10,332,264	2,384,095
Capital Expenditures	(15,320,605)	(3,048,713)
Disposal of Tangible Capital Assets	---	83,553
Acquisition of Inventory	---	30,596
Principal Repayments	(59,072)	(84,316)
Net Long Term Debt Acquired	3,978,000	---
Decrease in Long Term Receivables	---	25,245
Decrease in Operating Surplus	(1,069,413)	(609,540)
Allocated as follows:		
Net Transfers to reserves	(1,069,413)	(609,540)

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

For the year ended December 31	(Note 17) Budget	2018	2017
	\$	\$	\$
Net Transfers From / (To) Other Funds			
Transfers from operations	2,698,527	2,535,847	3,157,816
Transfers to capital acquisitions	(3,767,940)	(3,145,387)	(4,175,072)
Total Net Transfers	(1,069,413)	(609,540)	(1,017,256)
Reserves and Reserve Fund Balances, Change in Year	(1,069,413)	(609,540)	(1,017,256)
Reserves and Reserve Fund Balances, Beginning of Year	6,720,726	6,720,726	7,737,982
Reserves and Reserve Fund Balances, End of Year	5,651,313	6,111,186	6,720,726

Composition of Reserves and Reserve Funds

For the year ended December 31	2018	2017
	\$	\$
Reserves set aside for specific purposes by Council:		
▶ for working capital	745,424	853,568
▶ for election purposes	20,759	49,225
▶ for contingencies	87,850	142,835
▶ for heritage	123,742	219,794
▶ for community improvement	80,907	103,370
▶ for grants	31,806	40,482
▶ for greening	74,865	49,865
▶ for building	73,454	---
	1,238,807	1,459,139
For Capital Purposes:		
▶ for infrastructure	1,620,436	1,810,618
▶ for equipment	304,606	193,855
▶ for facilities	186,693	307,099
▶ for fire equipment	448,846	807,210
▶ for recreation and culture	494,705	524,413
▶ for library	412,372	403,119
▶ for water system	1,404,721	1,215,273
	4,872,379	5,261,587
Total Reserves and Reserve Funds	6,111,186	6,720,726

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

**Township of Leeds and The Thousand Islands
Schedule 2 ▶ 2018 Tangible Capital Assets**

Asset Class	Cost 01/01/18	Additions	(Disposals)	Cost 31/12/18
	\$	\$	\$	\$
Land	296,777	---	---	296,777
Buildings	13,012,649	598,683	---	13,611,332
Vehicles and Equipment	7,657,182	1,086,956	(229,496)	8,514,642
Signs	95,702	---	---	95,702
Linear Assets				
Roads	36,831,022	1,251,324	---	38,082,346
Bridges	3,006,663	---	---	3,006,663
Streetlights	79,573	---	---	79,573
Storm drains	2,847,557	---	---	2,847,557
Water and sewer	1,932,226	---	---	1,932,226
Construction in Progress				
Buildings	---	75,575	---	75,575
Bridges	---	36,175	---	36,175
	65,759,351	3,048,713	(229,496)	68,578,568

Asset Class	Accumulated Amortization 01/01/18	Amortization	(Disposals)	Accumulated Amortization 31/12/18	Net Book Value 31/12/18
	\$	\$	\$	\$	\$
Land	---	---	---	---	296,777
Buildings	3,463,517	278,195	---	3,741,712	9,869,620
Vehicles and Equipment	3,312,155	599,290	(145,943)	3,765,502	4,749,140
Signs	42,120	4,785	---	46,905	48,797
Linear Assets					
Roads	21,015,553	907,731	---	21,923,284	16,159,062
Bridges	862,140	40,537	---	902,677	2,103,986
Streetlights	23,712	7,957	---	31,669	47,904
Storm drains	500,684	71,189	---	571,873	2,275,684
Water and sewer	1,573,582	13,929	---	1,587,511	344,715
Construction in Progress					
Buildings	---	---	---	---	75,575
Bridges	---	---	---	---	36,175
	30,793,463	1,923,613	(145,943)	32,571,133	36,007,435

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

**Township of Leeds and The Thousand Islands
Schedule 2 ▶ 2017 Tangible Capital Assets**

Asset Class	Cost 01/01/17	Additions	(Disposals)	Cost 31/12/17
	\$	\$	\$	\$
Land	296,778	---	(1)	296,777
Buildings	12,416,556	596,093	---	13,012,649
Vehicles and Equipment	6,836,784	1,023,213	(202,815)	7,657,182
Signs	95,702	---	---	95,702
Linear Assets				
Roads	35,600,346	1,230,676	---	36,831,022
Bridges	2,801,586	205,077	---	3,006,663
Streetlights	58,294	21,279	---	79,573
Storm drains	2,847,557	---	---	2,847,557
Water and sewer	1,932,226	---	---	1,932,226
Construction in Progress				
Bridges	---	---	---	---
Water and sewer	11,768	(11,768)	---	---
	62,897,597	3,064,570	(202,816)	65,759,351

Asset Class	Accumulated Amortization 01/01/17	Amortization	(Disposals)	Accumulated Amortization 31/12/17	Net Book Value 31/12/17
	\$	\$	\$	\$	\$
Land	---	---	---	---	296,077
Buildings	3,204,611	258,906	---	3,463,517	9,549,132
Vehicles and Equipment	2,959,398	555,572	(202,815)	3,312,155	4,345,027
Signs	37,335	4,785	---	42,120	53,582
Linear Assets					
Roads	20,138,847	876,706	---	21,015,553	15,815,469
Bridges	822,961	39,179	---	862,140	2,144,523
Streetlights	14,691	9,021	---	23,712	55,861
Storm drains	429,495	71,189	---	500,684	2,346,873
Water and sewer	1,559,653	13,929	---	1,573,582	358,644
Construction in Progress					
Bridges	---	---	---	---	---
Water and sewer	---	---	---	---	---
	29,166,991	1,829,287	(202,815)	30,793,463	34,965,888

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



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 statement of financial statements of the trust fund of the Corporation of the Township of Leeds and The Thousand Islands (the 'Entity'), which comprise:

- the statement of financial position as at December 31, 2018;
- the statement of financial activities for the year then ended;
- and the 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, 2018, and its financial activities for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the '**Auditors' Responsibilities for the Audit of the Financial Statements**' section of our 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 judgement 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 of 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario
June 17, 2019.

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

December 31	Subdivision Security	Pine Hill Cemetery	2018	2017
	\$	\$	\$	\$
ASSETS				
Cash				
Investments	138,508	---	138,508	112,122
(market value \$8,120)	---	8,234	8,234	8,190
	138,508	8,234	146,742	120,312
LIABILITIES				
Fund balance	138,508	8,234	146,742	120,312
	138,508	8,234	146,742	120,312

Statement of Financial Activities

For the year ended December 31	Subdivision Security	Cemeteries	2018	2017
	\$	\$	\$	\$
REVENUES				
Received from developers	25,748	---	25,748	27,839
Bank interest	2,176	264	2,440	1,220
	27,924	264	28,188	29,059
EXPENDITURES				
Transfer to Township	1,538	164	1,702	2,495
Administration charges	---	56	56	56
	1,538	220	1,758	2,551
NET REVENUES FOR THE YEAR	26,386	44	26,430	26,508
BALANCE AT THE BEGINNING OF THE YEAR	112,122	8,190	120,312	93,804
BALANCE AT THE END OF THE YEAR	138,508	8,234	146,742	120,312

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

**Township of Leeds and The Thousand Islands
Trust Funds
Notes to the Financial Statements**

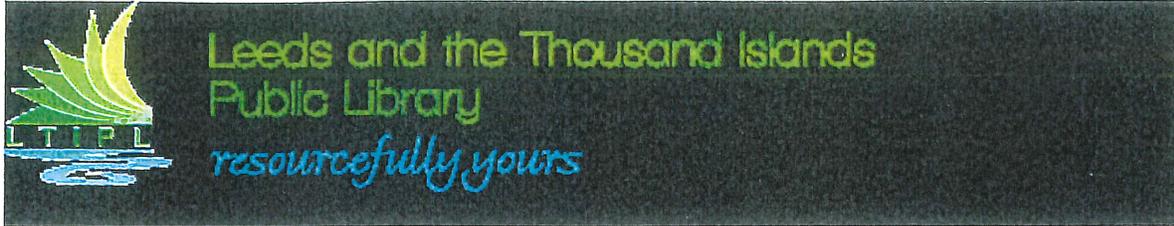
December 31, 2018

1. Significant Accounting Policies

Reporting Entity

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

Expenditures are reported on the cash basis of accounting with the exception of administrative expenses which are reported on the accrual basis of accounting, which recognizes expenditures as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.



Management's Responsibility for the Financial Statements

The accompanying financial statements of the Township of Leeds and The Thousand Islands Public Library Board are the responsibility of the Board's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of significant accounting policies are described in note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Board'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 financial statements. These systems are monitored and evaluated by management.

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

The financial statements have been audited by Allan and Partners LLP, independent external auditors appointed by the Board. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Board's financial statements.

Tara Mendez, CEO



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the Township of Leeds and The Thousand Islands Public Library Board (the 'Entity'), which comprise:

- the statement of financial position as at December 31, 2018;
- the statement of operations and accumulated surplus for the year then ended;
- the statement of changes in net financial assets for the year then ended;
- the statement of cash flows for the year then ended;
- and the 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, 2018, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the '**Auditors' Responsibilities for the Audit of the Financial Statements**' section of our 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 judgement 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 of 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario
April 17, 2019.

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

December 31	2018	2017
	\$	\$
ASSETS		
Financial Assets		
Cash and short term deposits	487,023	399,756
Accounts receivable	10,692	20,278
	497,715	420,034
LIABILITIES		
Financial Liabilities		
Accounts payable and accrued liabilities	42,000	11,127
Due to Township	43,343	---
Deferred revenue	---	5,788
	85,343	16,915
NET FINANCIAL ASSETS	412,372	403,119
NON-FINANCIAL ASSETS		
Tangible capital assets (note 5)	107,849	102,779
ACCUMULATED SURPLUS (note 4)	520,221	505,898

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

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

For the year ended December 31	(Note 6) Budget	2018	2017
	\$	\$	\$
REVENUES			
Government Grants			
Municipal Grants	528,603	443,576	440,031
Province of Ontario ▶ operating	28,494	28,493	28,493
Other Grants	10,580	10,517	29,237
Service charges and fines	---	4,973	5,021
Investment income	---	6,597	4,094
Donations and fundraising	---	3,976	3,092
TOTAL REVENUES	567,677	498,132	509,968
EXPENDITURES			
Advertising	1,500	1,500	---
Amortization	---	36,905	37,308
Salaries and benefits	400,733	329,513	306,534
Telephone and internet	13,286	12,101	11,949
Other supplies and services	39,326	39,037	50,621
Technical services	17,308	15,634	20,192
Facility maintenance and utilities	33,619	29,308	27,326
Other special grant expenses	4,000	3,495	9,968
Professional fees	1,930	2,450	1,900
Minor Capital			
Equipment and furniture	14,000	13,866	13,995
TOTAL EXPENDITURES	525,702	483,809	479,793
ANNUAL SURPLUS	41,975	14,323	30,175
ACCUMULATED SURPLUS, BEGINNING OF YEAR	505,898	505,898	475,723
ACCUMULATED SURPLUS, END OF YEAR	547,873	520,221	505,898

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

**Township of Leeds and The Thousand Islands
Public Library Board
Statement of Changes in Net Financial Assets**

For the year ended December 31	(Note 6) Budget	2018	2017
	\$	\$	\$
ANNUAL SURPLUS	41,975	14,323	30,175
Amortization of tangible capital assets	---	36,905	37,308
Acquisition of tangible capital assets	(41,975)	(41,975)	(31,250)
INCREASE IN NET FINANCIAL ASSETS	---	9,253	36,233
NET FINANCIAL ASSETS, BEGINNING OF YEAR	452,372	403,119	366,886
NET FINANCIAL ASSETS, END OF YEAR	452,372	412,372	403,119

Statement of Cash Flows

For the year ended December 31	2018	2017
	\$	\$
OPERATING ACTIVITIES		
Annual surplus	14,323	30,175
Non cash changes ▶ amortization	36,905	37,308
	51,228	67,483
Net Change in Non-Cash Working Capital Items		
Accounts receivable	9,586	6,415
Accounts payable and accrued liabilities	30,873	(12,074)
Due to the Township	43,343	45,873
Deferred revenue	(5,788)	1,012
	78,014	41,226
Working Capital from Operations	129,242	108,709
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(41,975)	(31,250)
NET INCREASE IN CASH	87,267	77,459
CASH, BEGINNING OF YEAR	399,756	322,297
CASH, END OF YEAR	487,023	399,756

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

**Township of Leeds and The Thousand Islands
Public Library Board
Notes to the Financial Statements**

December 31, 2018

1. Status of the Board

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

2. Significant Accounting Policies

The financial statements of the Township of Leeds and The Thousand Islands Public Library Board are the representations of management and have been prepared in all material respects in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies by the Board are as follows:

Reporting Entity

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

Basis of Accounting

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

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

Tangible Capital Assets

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

Assets	Estimated Useful Life
Library Collection	7 years

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

**Township of Leeds and The Thousand Islands
Public Library Board
Notes to the Financial Statements**

December 31, 2018

2. Significant Accounting Policies / continued

Tangible Capital Assets / continued

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 statement of operations 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.

When conditions indicate that a tangible capital asset no longer contributes to the Board's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the statement of operations.

Cash and Cash Equivalents

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

Government Transfers

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Deferred Revenue

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

The Board receives restricted contributions under the authority of Federal and Provincial legislation and Board 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.

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 Board 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.

Financial Instruments

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

**Township of Leeds and The Thousand Islands
Public Library Board
Notes to the Financial Statements**

December 31, 2018

2. Significant Accounting Policies / continued

Financial Instruments / continued

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

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

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

Measurement Uncertainty

The preparation of 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 financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

3. Risk Management

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

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

The Board's exposure to and management of risk has not changed materially from December 31, 2017.

Credit Risk

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

Interest Rate Risk

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

**Township of Leeds and The Thousand Islands
Public Library Board
Notes to the Financial Statements**

December 31, 2018

3. Risk Management / continued

Liquidity Risk

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

4. Accumulated Surplus

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

	2018	2017
	\$	\$
Surplus		
Invested in tangible capital assets	107,849	102,779
Unrestricted surplus	9,253	---
	117,102	102,779
Reserves		
Working fund	62,568	62,568
Technology	84,742	84,742
Building and capital	194,334	194,334
Literacy / Opening Day Collection	61,475	61,475
	403,119	403,119
Accumulated Surplus	520,221	505,898

5. Tangible Capital Assets

Net Book Value of Assets	2018	2017
	\$	\$
Library Collection	107,849	102,779

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

**Township of Leeds and The Thousand Islands
Public Library Board
Notes to the Financial Statements**

December 31, 2018

6. Budget Figures

Leeds and The Thousand Islands Public Library Board reviews its operating and capital budgets each year. The approved operating budget for 2018 is included in the budget figures presented in the Statement of Operations.

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

December 31, 2018

Assets	Cost 01/01/18	Net Additions (Disposals)	Cost 31/12/18	Accumulated Amortization 01/01/18	Net Amortization 2018	Accumulated Amortization 31/12/18	Net Book Value 31/12/18
	\$	\$	\$	\$	\$	\$	\$
Library Collection	487,915	41,975	529,890	385,136	36,905	422,041	107,849

December 31, 2017

Assets	Cost 01/01/17	Net Additions (Disposals)	Cost 31/12/17	Accumulated Amortization 01/01/17	Net Amortization 2017	Accumulated Amortization 31/12/17	Net Book Value 31/12/17
	\$	\$	\$	\$	\$	\$	\$
Library Collection	456,665	31,250	487,915	347,828	37,308	385,136	102,779

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

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

For the year ended December 31	(Note 17) Budget	2018	2017
	\$	\$	\$
REVENUES			
User charges ▶ water and sewer bill revenue	545,500	536,452	517,737
▶ miscellaneous fees and service charges	60	70	318
▶ penalty and interest	3,200	3,789	3,457
▶ rent	12,500	411	13,323
Interest	10,500	24,420	10,713
TOTAL REVENUES	571,760	565,142	545,548
EXPENDITURES			
OCWA contract	254,500	253,236	273,791
Insurance	11,200	11,296	11,175
Materials and supplies	28,800	23,626	10,927
Professional fees	2,200	23,626	13,507
Minor capital repair	---	45,170	25,269
Program Support - internal	19,350	18,740	18,740
Amortization	13,929	13,929	13,929
TOTAL EXPENDITURES	329,979	389,623	367,338
INCREASE IN FUND BALANCES	241,781	175,519	178,210
FUND BALANCES, BEGINNING OF YEAR			
Invested in capital assets		358,644	372,573
Reserves		1,215,273	1,023,134
		1,573,917	1,395,707
FUND BALANCES, END OF YEAR			
Invested in capital assets		344,715	358,644
Reserves		1,404,721	1,215,273
		1,749,436	1,573,917
Net Book Value of Capital Assets			
Water tower		98,853	102,882
Pumping stations		245,862	255,762
		344,715	358,644