

**CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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**Township of Leeds and  
The Thousand Islands  
Consolidated  
Financial Statements  
December 31, 2016**

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

<b>December 31</b>	<b>2016</b>	2015	2014	2013	2012
<b>Population</b> (Statistics Canada)	<b>9,465</b>	9,277	9,277	9,277	9,277
<b>Number of Households</b> (MPAC)	<b>5,925</b>	5,902	5,882	5,858	5,845
<b>Taxable Assessment</b> (000's)	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Residential and farm	<b>1,892,117</b>	1,829,038	1,770,097	1,710,837	1,688,440
Commercial and industrial	<b>79,936</b>	75,932	74,006	70,757	72,799
<b>Total</b>	<b>1,972,053</b>	1,904,970	1,844,103	1,781,594	1,761,339
Commercial, industrial as % of assessment	<b>4.05%</b>	4.00%	4.01%	3.97%	4.13%
<b>Rates of Taxation</b>					
Residential					
▸ for general municipal purposes	<b>0.365537</b>	0.361239	0.353634	0.321424	0.304087
▸ for counties' purposes	<b>0.363579</b>	0.367257	0.367257	0.373523	0.375854
▸ for school board purposes	<b>0.188000</b>	0.195000	0.203000	0.212000	0.221000
<b>Total</b>	<b>0.917116</b>	0.923496	0.923891	0.906947	0.900941
Multi-Residential (total)	<b>0.917116</b>	0.923496	0.923891	0.906947	0.900941
Commercial (total)	<b>2.290350</b>	2.325005	2.352049	2.356733	2.352829
Industrial (total)	<b>2.820721</b>	2.849597	2.865821	2.848827	2.821645
<b>Tax Arrears</b> ▸ percentage of current levy (<10%)** (note 4)	<b>20.14%</b>	11.11%	12.73%	11.85%	11.89%
<b>Taxes Transferred</b> (000's)					
▸ Counties	<b>7,827</b>	7,598	7,316	7,104	7,071
▸ School Boards	<b>5,920</b>	4,608	4,602	4,635	4,747
<b>Revenues</b> (000's)	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
▸ Taxation and payments in lieu	<b>7,620</b>	7,240	6,862	5,983	5,640
▸ Government transfers	<b>1,302</b>	1,160	1,032	1,357	1,360
▸ Fees and service charges	<b>1,025</b>	1,035	1,208	991	968
▸ Other	<b>2,466</b>	2,529	2,387	2,352	2,331
▸ Revenues related to capital assets	<b>414</b>	912	623	603	8
<b>Total</b>	<b>12,827</b>	12,876	12,112	11,286	10,307
<b>Expenditures</b> (000's)					
▸ Operations	<b>12,112</b>	11,140	10,559	9,703	9,762
▸ Amortization	<b>1,687</b>	1,638	1,502	1,427	1,419
<b>Net Financial Assets (Net Debt)</b>					
▸ % of Operating Revenue (>(20%))**	<b>50.30%</b>	53.70%	55.67%	49.15%	30.81%
▸ % of Taxation and User Charges (>(50%))**	<b>72.22%</b>	77.64%	79.25%	75.28%	48.02%

\*\* 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)

<b>December 31</b>	<b>2016</b>	2015	2014	2013	2012
	\$	\$	\$	\$	\$
<b>Long Term Debt</b>					
▶ Net long term debt (000's)	<b>812</b>	871	930	989	1,051
▶ Long term debt charges (000's)	<b>81</b>	95	92	96	99
▶ Total annual repayment limit (000's)	<b>2,587</b>	2,329	2,235	2,109	2,027
▶ Long term debt per household	<b>137</b>	148	158	169	180
▶ Debt charges (000's)					
▶ tax supported	<b>81</b>	95	92	96	99
<hr/>					
<b>Municipal Equity (000's)</b>					
▶ Surplus and Reserves	<b>7,805</b>	8,071	7,400	6,283	4,315
▶ Invested in capital assets	<b>31,810</b>	30,829	29,763	29,327	29,712
▶ Asset consumption ratio	<b>46.64%</b>	46.47%	46.70%	45.58%	43.83%
▶ Reserves as % of operating expenses (>20%) **	<b>63.89%</b>	71.61%	69.38%	63.80%	43.31%
<hr/>					
<b>Financial Indicators</b>					
▶ Sustainability					
▶ financial assets to liabilities	<b>2.28</b>	2.38	2.27	2.03	1.68
▶ financial assets to liabilities excluding long term debt	<b>2.84</b>	3.03	2.88	2.61	2.29
▶ long term debt to tangible capital assets	<b>2.89%</b>	3.06%	3.44%	3.78%	4.08%
▶ capital reserves to accumulated amortization	<b>20.15%</b>	20.97%	19.26%	17.08%	10.25%
▶ Flexibility					
▶ Debt charges to total operating revenue (<5%) **	<b>0.87%</b>	1.19%	1.14%	1.41%	1.31%
▶ Total operating revenue to taxable assessment	<b>0.63%</b>	0.62%	0.62%	0.60%	0.58%
▶ Working capital to operating expenses (>10%) **	<b>59.50%</b>	66.58%	70.58%	65.92%	45.35%
▶ Vulnerability					
▶ Operating government transfers ▶ to operating revenue	<b>10.49%</b>	9.66%	8.98%	12.70%	13.20%
▶ Total government transfers ▶ to total revenues	<b>12.99%</b>	12.28%	13.66%	17.39%	13.27%



## **Management's Responsibility for the Consolidated Financial Statements**

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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.

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Mr. Greg Borduas, CAO

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Treasurer



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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of the Corporation of the Township of Leeds and The Thousand Islands which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statement of operations, changes in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

The Corporation of the Township of Leeds and The Thousand Islands' management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**Opinion**

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the Township of Leeds and The Thousand Islands as at December 31, 2016 and its consolidated results of operations, changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.



Allan and Partners LLP  
Chartered Professional Accountants  
Licensed Public Accountants

Perth, Ontario,  
July 11, 2017.

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

December 31	2016	2015
	\$	\$
<b>ASSETS</b>		
<b>Financial Assets</b>		
Cash and short term deposits	5,206,155	7,839,005
Taxes receivable (net of allowance \$5,500) (note 4)	4,297,545	2,155,858
Accounts receivable	1,177,101	661,799
Long term receivables (note 7)	150,027	121,040
Loan receivable (note 5)	291,000	300,000
	<b>11,121,828</b>	<b>11,077,702</b>
<b>LIABILITIES</b>		
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	1,469,752	531,172
Accrued landfill closure and post closure (note 11)	1,650,286	2,227,732
Prepaid property taxes	231,037	261,028
Other current liabilities	331,193	395,942
Deferred revenues (note 6)	232,899	244,783
Long term liabilities (note 7)	962,264	992,349
	<b>4,877,431</b>	<b>4,653,006</b>
<b>NET FINANCIAL ASSETS</b>	<b>6,244,397</b>	<b>6,424,696</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 15)	33,303,916	32,381,341
Inventories	66,743	93,532
	<b>33,370,659</b>	<b>32,474,873</b>
Contingent Liabilities (note 13)		
<b>MUNICIPAL EQUITY</b> (note 8)	<b>39,615,056</b>	<b>38,899,569</b>

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	2016	2015
	\$	\$	\$
<b>REVENUES</b>			
Taxation ▶ residential	6,742,560	<b>6,763,094</b>	6,458,955
▶ commercial	435,439	<b>686,686</b>	409,759
▶ local improvement	26,000	<b>26,825</b>	28,740
▶ other governments	251,100	<b>143,703</b>	342,512
User charges ▶ general government	55,400	<b>50,351</b>	71,780
▶ transportation services	20,500	<b>12,823</b>	15,879
▶ protection to persons and property	76,750	<b>129,781</b>	156,736
▶ environment	684,723	<b>695,318</b>	644,893
▶ parks and recreation	83,236	<b>85,025</b>	80,919
▶ planning and zoning	136,525	<b>52,195</b>	64,844
Government grants	1,136,994	<b>1,301,800</b>	1,159,931
Licenses and permits	282,994	<b>245,104</b>	305,669
Investment income	82,230	<b>75,495</b>	92,774
Penalties and interest on taxes	278,500	<b>317,501</b>	318,991
Other	1,712,900	<b>1,827,685</b>	1,811,951
<b>TOTAL REVENUES</b>	12,005,851	<b>12,413,386</b>	11,964,333
<b>EXPENDITURES</b>			
General government	1,849,753	<b>1,768,558</b>	1,705,114
Protection to persons and property	3,400,429	<b>3,895,557</b>	3,418,697
Transportation services	2,276,985	<b>3,367,261</b>	3,152,200
Environmental services	1,075,042	<b>1,070,223</b>	1,049,592
Health services	43,685	<b>42,566</b>	42,018
Recreation and cultural services	1,314,571	<b>1,577,203</b>	1,429,883
Planning and development	416,384	<b>390,390</b>	342,184
<b>TOTAL EXPENDITURES</b>	10,376,849	<b>12,111,758</b>	11,139,688
<b>NET REVENUES FROM OPERATIONS</b>	1,629,002	<b>301,628</b>	824,645
<b>OTHER</b>			
Grants and transfers related to capital			
Deferred revenues earned (note 6)	145,000	<b>49,997</b>	562,913
Government transfers	301,794	<b>314,225</b>	300,794
Other	---	<b>49,637</b>	48,000
	446,794	<b>413,859</b>	911,707
<b>ANNUAL SURPLUS</b>	2,075,796	<b>715,487</b>	1,736,352
<b>MUNICIPAL EQUITY, BEGINNING OF YEAR</b>	38,899,569	<b>38,899,569</b>	37,163,217
<b>MUNICIPAL EQUITY, END OF YEAR</b>	40,975,365	<b>39,615,056</b>	38,899,569

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	2016	2015
	\$	\$	\$
<b>ANNUAL SURPLUS</b>	2,075,796	<b>715,487</b>	1,736,352
Amortization of tangible capital assets	---	<b>1,686,962</b>	1,638,182
Acquisition of tangible capital assets	(4,071,000)	<b>(2,700,924)</b>	(3,326,130)
Disposal of tangible capital assets	---	<b>91,387</b>	---
Acquisition of supplies inventories	---	<b>26,789</b>	(19,533)
	(4,071,000)	<b>(895,786)</b>	(1,707,481)
<b>(DECREASE) INCREASE IN NET FINANCIAL ASSETS</b>	(1,995,204)	<b>(180,299)</b>	28,871
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	6,424,696	<b>6,424,696</b>	6,395,825
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	4,429,492	<b>6,244,397</b>	6,424,696

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	2016	2015
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Annual surplus for the year	715,487	1,736,352
Amortization	1,686,962	1,638,182
	<b>2,402,449</b>	<b>3,374,534</b>
<b>Net Change in Non-Cash Working Capital Balances</b>		
Taxes receivable	(2,141,687)	167,048
Accounts receivable	(515,302)	(19,272)
Long term receivables	(28,987)	4,846
Loan receivable	9,000	---
Accounts payable and accrued liabilities	938,580	(100,283)
Accrued landfill closure and post closure	(577,446)	87,732
Prepaid property taxes	(29,991)	57,150
Accrued employee benefit obligations	---	(32,314)
Other current liabilities	(64,749)	157,404
Deferred revenues	(11,884)	(476,419)
Inventories	26,789	(19,533)
	<b>(2,395,677)</b>	<b>(173,641)</b>
<b>Working Capital from Operations</b>	<b>6,772</b>	<b>3,200,893</b>
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(2,700,924)	(3,326,130)
Disposal of capital assets	91,387	---
<b>Net investment in tangible capital assets</b>	<b>(2,609,537)</b>	<b>(3,326,130)</b>
<b>FINANCING ACTIVITIES</b>		
Debt issued for tile loan debentures	51,900	35,300
Debt principal repayments	(81,985)	(99,218)
<b>Net decrease in cash from financing activities</b>	<b>(30,085)</b>	<b>(63,918)</b>
<b>NET DECREASE IN CASH</b>	<b>(2,632,850)</b>	<b>(189,155)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>7,839,005</b>	<b>8,028,160</b>
<b>CASH, END OF YEAR</b>	<b>5,206,155</b>	<b>7,839,005</b>

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

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# Township of Leeds and The Thousand Islands

## Notes to the Consolidated Financial Statements

December 31, 2016

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### 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.

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### 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.

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# Township of Leeds and The Thousand Islands

## Notes to the Consolidated Financial Statements

December 31, 2016

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### 2. Significant Accounting Policies / continued

#### 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.

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.

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# Township of Leeds and The Thousand Islands

## Notes to the Consolidated Financial Statements

December 31, 2016

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### 2. Significant Accounting Policies / continued

#### **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.

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.

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

December 31, 2016

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## 2. Significant Accounting Policies / continued

### Investments / continued

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.

### 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.

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

December 31, 2016

## 2. Significant Accounting Policies / continued

### Financial Instruments / continued

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 2016, 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	5,899,892	7,698,603
Taxation from other governments	20,494	127,992
Amounts requisitioned and paid	5,920,386	7,826,595

## 4. Taxes Receivable

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

	2016 \$	2015 \$
Current year taxes	3,436,742	1,204,285
Prior year taxes	699,107	778,837
Penalties	167,196	178,236
Allowance for doubtful accounts	(5,500)	(5,500)
	4,297,545	2,155,858

The increase in current year taxes is largely due to supplemental assessment received late in 2016. Subsequent to the year end, significant outstanding balances of 2.4 million have been collected.

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

December 31, 2016

### 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, 2016	77,795	5,928	161,060	<b>244,783</b>
Contributions from developers	---	---	34,975	<b>34,975</b>
Interest	700	322	2,116	<b>3,138</b>
Transfer for tangible capital assets	(49,997)	---	---	<b>(49,997)</b>
December 31, 2016	28,498	6,250	198,151	<b>232,899</b>

### 7. Long Term Liabilities

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

	2016	2015
	\$	\$
Fixed rate bank loan with the Bank of Montreal (2.55%), with monthly principal payments of \$4,922.65, due September 2030.	<b>812,237</b>	871,309
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:	<b>150,027</b>	121,040
Net long term liabilities at the end of the year	<b>962,264</b>	992,349



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

**December 31, 2016**

**7. Long Term Liabilities / continued**

(b) Principal payments fall due as follows:

	Individuals	General Revenues	Total
	\$	\$	\$
2017	28,226	59,072	<b>87,298</b>
2018	24,346	59,072	<b>83,418</b>
2019	20,701	59,072	<b>79,773</b>
2020	15,150	59,072	<b>74,222</b>
2021	11,820	59,072	<b>70,892</b>
2022 and thereafter	49,784	516,877	<b>566,661</b>
	<b>150,027</b>	<b>812,237</b>	<b>962,264</b>

(c) Interest expense on long term liabilities in 2016 amounted to \$29,247 (2015 \$43,357).

(d) These payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

**8. Municipal Equity**

Municipal equity consists of:

	2016	2015
	\$	\$
Investment in tangible capital assets		
Tangible capital assets	<b>33,303,916</b>	32,381,341
Long term liabilities	<b>(812,237)</b>	(871,309)
Unfinanced capital	<b>(681,348)</b>	(681,348)
	<b>31,810,331</b>	30,828,684
Unrestricted surplus		
Invested in inventory	<b>66,743</b>	93,532
Reserves (Schedule 1)	<b>7,737,982</b>	7,977,353
<b>Total Municipal Equity</b>	<b>39,615,056</b>	38,899,569

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# Township of Leeds and The Thousand Islands

## Notes to the Consolidated Financial Statements

December 31, 2016

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### 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 \$212,063 (2015 \$207,728) 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.

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### 10. Trust Funds

Trust funds administered by the Township amounting to \$93,804 (2015 \$63,369) 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.

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### 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	4 years	1,315,468	31,400
Briar Hill	13 years	616,909	33,400
Escott	13 years	289,828	34,400
Leeds	closed	Nil	17,400
LaRue Mills	closed	Nil	17,000
Reynolds Road	closed	Nil	17,000

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# Township of Leeds and The Thousand Islands

## Notes to the Consolidated Financial Statements

**December 31, 2016**

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### **11. Landfill Closure and Post Closure Liability / continued**

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, 2016 is \$1,650,286 (2015 \$2,227,732).

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### **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.

Included in the consolidated statement of financial activities are the costs paid to the Ontario Clean Water Agency of \$244,600 (2015 \$239,806).

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 \$1,783,243 (2015 \$1,416,552).

The Township has entered into a three year agreement with Zycom for the provision of information technology services. The contract may be extended a further two years. The contract expires April 2017. The cost for 2016 was \$33,900 (2015 \$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 expires December 2016. The cost for 2016 was \$76,719 (2015 \$73,967).

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### **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, 2016, 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.

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# Township of Leeds and The Thousand Islands

## Notes to the Consolidated Financial Statements

**December 31, 2016**

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### **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, 2015.

#### **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.

#### **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.

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

**December 31, 2016**

**15. Tangible Capital Assets**

	<b>2016</b>	2015
	\$	\$
Land	<b>296,778</b>	233,872
Buildings	<b>9,211,945</b>	9,391,661
Vehicles and Equipment	<b>3,877,386</b>	3,467,592
Signs	<b>58,367</b>	63,152
Linear Assets		
Roads	<b>15,034,809</b>	14,357,275
Bridges	<b>1,978,625</b>	1,961,533
Streetlights	<b>43,603</b>	35,468
Storm drains	<b>2,418,062</b>	2,489,251
Water and sewer	<b>372,573</b>	381,537
Construction in progress		
Buildings	<b>11,768</b>	---
	<b>33,303,916</b>	32,381,341

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.

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.

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

December 31, 2016

**16. Segmented Information / continued**

2016	Salaries, Wages & Employee Benefits	Debenture Debt Interest	Materials & Services	External Transfers	Amortization	Total
\$	\$	\$	\$	\$	\$	\$
<b>General Government</b>						
Governance	125,897	---	25,401	---	---	151,298
Corporate Management & Program Support	999,985	9,426	492,649	105,476	9,724	1,617,260
<b>Protection to Persons &amp; Property</b>						
Fire	342,975	12,558	911,122	31,493	239,042	1,537,190
Police	---	---	1,783,243	---	---	1,783,243
Conservation Authority	---	---	---	142,255	---	142,255
Protective Inspection	216,920	---	195,563	20,386	---	432,869
<b>Transportation</b>						
Roadways	1,003,428	---	885,345	14,124	1,152,624	3,055,521
Winter Control	158,960	---	114,537	---	---	273,497
Street Lighting	---	---	33,414	---	4,829	38,243
<b>Environmental</b>						
Water and Sewer Services	---	---	290,761	---	13,929	304,690
Waste Services	328,259	---	353,892	---	6,663	688,814
Recycling	---	---	76,719	---	---	76,719
<b>Health Services</b>						
Hospitals	---	---	35,470	---	---	35,470
Cemeteries	2,114	---	4,982	---	---	7,096
<b>Recreation &amp; Cultural Services</b>						
Parks	126,764	---	74,501	---	---	201,265
Recreation Facilities & Programs	171,819	---	447,407	---	216,966	836,192
Libraries	323,977	---	150,959	---	39,368	514,304
Cultural Services	16,284	---	9,158	---	---	25,442
<b>Planning &amp; Development</b>						
Planning & Zoning	194,065	---	164,192	21,053	3,817	383,127
Municipal Drains	---	7,263	---	---	---	7,263
<b>2016</b>	<b>4,011,447</b>	<b>29,247</b>	<b>6,049,315</b>	<b>334,787</b>	<b>1,686,962</b>	<b>12,111,758</b>

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

December 31, 2016

### 16. Segmented Information / continued

2015	Salaries, Wages & Employee Benefits	Debenture Debt Interest	Materials & Services	External Transfers	Amortization	Total
	\$	\$	\$	\$	\$	\$
<b>General Government</b>						
Governance	124,577	---	27,850	---	---	152,427
Corporate Management & Program Support	979,057	15,369	459,554	88,983	9,724	1,552,687
<b>Protection to Persons &amp; Property</b>						
Fire	343,543	20,375	744,698	31,058	223,652	1,363,326
Police	---	---	1,416,552	---	---	1,416,552
Conservation Authority	---	---	---	138,981	---	138,981
Protective Inspection	151,029	---	348,809	---	---	499,838
<b>Transportation</b>						
Roadways	857,458	---	888,249	---	1,124,576	2,870,283
Winter Control	126,981	---	125,904	---	---	252,885
Street Lighting	---	---	27,924	---	1,108	29,032
<b>Environmental</b>						
Water and Sewer Services	---	---	263,991	---	8,280	272,271
Waste Services	286,213	---	417,836	---	6,663	710,712
Recycling	---	---	66,609	---	---	66,609
<b>Health Services</b>						
Hospitals	---	---	33,129	---	---	33,129
Cemeteries	3,420	---	5,469	---	---	8,889
<b>Recreation &amp; Cultural Services</b>						
Parks	127,373	---	47,695	---	---	175,068
Recreation Facilities & Programs	118,154	---	311,823	116,498	216,554	763,029
Libraries	311,264	---	128,008	---	41,079	480,351
Cultural Services	7,373	---	4,062	---	---	11,435
<b>Planning &amp; Development</b>						
Planning & Zoning	214,317	---	94,016	16,474	6,546	331,353
Municipal Drains	---	7,613	3,218	---	---	10,831
<b>2015</b>	<b>3,650,759</b>	<b>43,357</b>	<b>5,415,396</b>	<b>391,994</b>	<b>1,638,182</b>	<b>11,139,688</b>

### 17. Budget Figures

The 2016 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.

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

**December 31, 2016**

**17. Budget Figures / continued**

	Approved Budget	Actual
	\$	\$
Total Revenues	12,005,851	12,413,386
Total Expenditures	10,376,849	12,111,758
Net Revenues	1,629,002	301,628
Amortization	---	1,686,962
Adjusted Net Revenues	1,629,002	1,988,590
Capital Revenues	446,794	413,859
Funds Available	2,075,796	2,402,449
Capital Expenditures	(4,071,000)	(2,700,924)
Disposal of Tangible Capital Assets	---	91,387
Acquisition (Consumption) of Inventory	---	26,789
Principal Repayments	(59,072)	(81,985)
Net Long Term Debt Acquired	644,000	51,900
(Increase) Decrease in Long Term Receivables	---	(28,987)
Increase (Decrease) in Operating Surplus	(1,410,276)	(239,371)
<b>Allocated as follows:</b>		
Net Transfers (to) from reserves	(1,410,276)	(239,371)



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

For the year ended December 31	(Note 17) Budget	2016	2015
	\$	\$	\$
<b>Net Transfers From / (To) Other Funds</b>			
Transfers from operations	2,025,630	<b>2,232,367</b>	2,199,088
Transfers to capital acquisitions	(3,435,906)	<b>(2,471,738)</b>	(1,547,941)
<b>Total Net Transfers</b>	(1,410,276)	<b>(239,371)</b>	651,147
<b>Reserves and Reserve Fund Balances, Change in Year</b>	(1,410,276)	<b>(239,371)</b>	651,147
<b>Reserves and Reserve Fund Balances, Beginning of Year</b>	7,977,353	<b>7,977,353</b>	7,326,206
<b>Reserves and Reserve Fund Balances, End of Year</b>	6,567,077	<b>7,737,982</b>	7,977,353

**Composition of Reserves and Reserve Funds**

For the year ended December 31	2016	2015
	\$	\$
<b>Reserves set aside for specific purposes by Council:</b>		
▶ for working capital	<b>1,316,826</b>	1,351,192
▶ for election purposes	<b>32,975</b>	16,725
▶ for contingencies	<b>196,000</b>	444,254
▶ for waste management	---	1,751
▶ for heritage	<b>219,794</b>	219,794
▶ for community improvement	<b>61,283</b>	---
▶ for grants	<b>21,126</b>	---
▶ for greening	<b>24,865</b>	---
▶ for winter control	---	50,000
	<b>1,872,869</b>	2,083,716
<b>For Capital Purposes:</b>		
▶ for infrastructure	<b>2,308,560</b>	2,438,378
▶ for capital assets	---	1,556,158
▶ for equipment	<b>441,690</b>	26,814
▶ for facilities	<b>547,096</b>	---
▶ for fire equipment	<b>736,881</b>	---
▶ for recreation and culture	<b>440,866</b>	768,144
▶ for library	<b>366,886</b>	295,799
▶ for water system	<b>1,023,134</b>	808,344
	<b>5,865,113</b>	5,893,637
<b>Total Reserves and Reserve Funds</b>	<b>7,737,982</b>	7,977,353

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

**Township of Leeds and The Thousand Islands  
Schedule 2 ► 2016 Tangible Capital Assets**

Asset Class	Cost 01/01/16	Additions	(Disposals)	Cost 31/12/16
	\$	\$	\$	\$
Land	233,872	62,906	---	296,778
Buildings	12,342,044	74,512	---	12,416,556
Vehicles and Equipment	6,632,050	986,572	(781,838)	6,836,784
Signs	95,702	---	---	95,702
Linear Assets				
Roads	33,623,271	1,489,430	---	35,112,701
Bridges	2,744,779	56,807	---	2,801,586
Streetlights	44,330	13,964	---	58,294
Storm drains	2,847,557	---	---	2,847,557
Water and sewer	1,927,261	4,965	---	1,932,226
Construction in Progress				
Buildings	---	11,768	---	11,768
	60,490,866	2,700,924	(781,838)	62,409,952

Asset Class	Accumulated Amortization 01/01/16	Amortization	(Disposals)	Accumulated Amortization 31/12/16	Net Book Value 31/12/16
	\$	\$	\$	\$	\$
Land	---	---	---	---	296,778
Buildings	2,950,383	254,228	---	3,204,611	9,211,945
Vehicles and Equipment	3,164,458	485,391	(690,451)	2,959,398	3,877,386
Signs	32,550	4,785	---	37,335	58,367
Linear Assets					
Roads	19,265,996	811,896	---	20,077,892	15,034,809
Bridges	783,246	39,715	---	822,961	1,978,625
Streetlights	8,862	5,829	---	14,691	43,603
Storm drains	358,306	71,189	---	429,495	2,418,062
Water and sewer	1,545,724	13,929	---	1,559,653	372,573
Construction in Progress					
Buildings	---	---	---	---	11,768
	28,109,525	1,686,962	(690,451)	29,106,036	33,303,916

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

**Township of Leeds and The Thousand Islands  
Schedule 2 ▶ 2015 Tangible Capital Assets**

Asset Class	Cost 01/01/15	Additions	(Disposals)	Cost 31/12/15
	\$	\$	\$	\$
Land	233,872	---	---	233,872
Buildings	12,342,044	---	---	12,342,044
Vehicles and Equipment	5,883,672	950,827	(202,449)	6,632,050
Signs	95,702	---	---	95,702
Linear Assets				
Roads	31,640,772	1,982,499	---	33,623,271
Bridges	2,494,332	471,930	(221,483)	2,744,779
Streetlights	44,330	---	---	44,330
Storm drains	2,847,557	---	---	2,847,557
Water and sewer	1,706,265	220,996	---	1,927,261
Construction in Progress				
Bridges	79,126	(79,126)	---	---
Water and sewer	220,996	(220,996)	---	---
	<b>57,588,668</b>	<b>3,326,130</b>	<b>(423,932)</b>	<b>60,490,866</b>

Asset Class	Accumulated Amortization 01/01/15	Amortization	(Disposals)	Accumulated Amortization 31/12/15	Net Book Value 31/12/15
	\$	\$	\$	\$	\$
Land	---	---	---	---	233,872
Buildings	2,713,203	237,180	---	2,950,383	9,391,661
Vehicles and Equipment	2,898,812	468,095	(202,449)	3,164,458	3,467,592
Signs	27,765	4,785	---	32,550	63,152
Linear Assets					
Roads	18,503,663	762,333	---	19,265,996	14,357,275
Bridges	919,517	85,212	(221,483)	783,246	1,961,533
Streetlights	7,754	1,108	---	8,862	35,468
Storm drains	287,117	71,189	---	358,306	2,489,251
Water and sewer	1,537,444	8,280	---	1,545,724	381,537
Construction in Progress					
Bridges	---	---	---	---	---
Water and sewer	---	---	---	---	---
	<b>26,895,275</b>	<b>1,638,182</b>	<b>(423,932)</b>	<b>28,109,525</b>	<b>32,381,341</b>

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



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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of the trust funds of the Corporation of the Township of Leeds and The Thousand Islands as at December 31, 2016 and the statement of financial activities of the trust funds for the year then ended and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

The Corporation of the Township of Leeds and The Thousand Islands' management is responsible for the preparation and fair presentation of these 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust funds of the Corporation of the Township of Leeds and The Thousand Islands as at December 31, 2016 and the financial activities for the year then ended in accordance with Canadian Public Sector Accounting Standards.

A handwritten signature in cursive script, appearing to read "Allan".

Allan and Partners LLP  
Chartered Professional Accountants  
Licensed Public Accountants

Perth, Ontario,  
July 11, 2017.

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

December 31	Subdivision Security	Pine Hill Cemetery	2016	2015
	\$	\$	\$	\$
<b>ASSETS</b>				
Cash				
Investments	85,620	---	<b>85,620</b>	55,565
(market value \$8,323)	---	8,184	<b>8,184</b>	7,804
	85,620	8,184	<b>93,804</b>	63,369
<b>LIABILITIES</b>				
Fund balance	85,620	8,184	<b>93,804</b>	63,369
	85,620	8,184	<b>93,804</b>	63,369

**Statement of Financial Activities**

For the year ended December 31	Subdivision Security	Cemeteries	2016	2015
	\$	\$	\$	\$
<b>REVENUES</b>				
Received from developers	29,477	---	<b>29,477</b>	53,901
Perpetual care	---	100	<b>100</b>	---
Bank interest	578	381	<b>959</b>	1,915
	30,055	481	<b>30,536</b>	55,816
<b>EXPENDITURES</b>				
Administration charges	---	101	<b>101</b>	1,556
<b>NET REVENUES FOR THE YEAR</b>	30,055	380	<b>30,435</b>	54,260
<b>BALANCE AT THE BEGINNING OF THE YEAR</b>	55,565	7,804	<b>63,369</b>	9,109
<b>BALANCE AT THE END OF THE YEAR</b>	85,620	8,184	<b>93,804</b>	63,369

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

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

**December 31, 2016**

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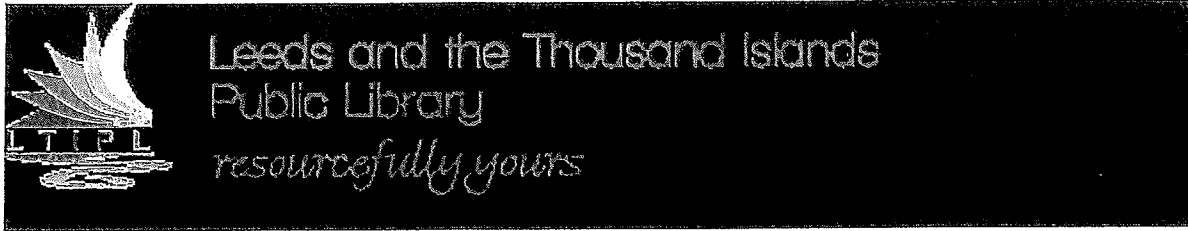
**1. Significant Accounting Policies**

**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.

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## Management's Responsibility for the Financial Statements

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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





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## INDEPENDENT AUDITOR'S REPORT

---

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

We have audited the accompanying financial statements of the Corporation of the Township of Leeds and The Thousand Islands Public Library Board which comprise the statement of financial position as at December 31, 2016 and the statement of operations, changes in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Financial Statements**

The Corporation of the Township of Leeds and The Thousand Islands Public Library Board's management is responsible for the preparation and fair presentation of these 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.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Township of Leeds and The Thousand Islands Public Library Board as at December 31, 2016 and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

A handwritten signature in cursive script, appearing to read "Allan".

Allan and Partners LLP  
Chartered Professional Accountants  
Licensed Public Accountants

Perth, Ontario,  
April 19, 2017.

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

December 31	2016	2015
	\$	\$
<b>ASSETS</b>		
<b>Financial Assets</b>		
Cash and short term deposits	322,297	323,271
Accounts receivable	106,693	12,538
	<b>428,990</b>	<b>335,809</b>
<b>LIABILITIES</b>		
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	23,201	12,323
Due to Township	34,127	18,770
Deferred revenue	4,776	8,917
	<b>62,104</b>	<b>40,010</b>
<b>NET FINANCIAL ASSETS</b>	<b>366,886</b>	<b>295,799</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 5)	108,837	115,687
<b>ACCUMULATED SURPLUS</b> (note 4)	<b>475,723</b>	<b>411,486</b>

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	2016	2015
	\$	\$	\$
<b>REVENUES</b>			
Government Grants			
Municipal Grants	505,038	<b>505,038</b>	485,570
Province of Ontario - operating	28,494	<b>28,494</b>	28,494
Other Grants	10,000	<b>30,811</b>	13,934
Service charges and fines	6,701	<b>9,184</b>	9,596
Investment Income	1,830	<b>2,556</b>	3,082
Donations and fundraising	1,000	<b>2,458</b>	2,349
<b>TOTAL REVENUES</b>	553,063	<b>578,541</b>	543,025
<b>EXPENDITURES</b>			
Amortization	33,000	<b>39,368</b>	41,079
Salaries and benefits	354,900	<b>323,977</b>	311,264
Telephone and internet	14,780	<b>13,020</b>	13,366
Other supplies and services	42,525	<b>37,135</b>	42,563
Technical services	25,560	<b>20,079</b>	12,810
Facility maintenance and utilities	53,238	<b>43,688</b>	40,505
Other special grant expenses	10,060	<b>19,492</b>	1,438
Minor Capital			
Equipment and furniture	19,000	<b>17,545</b>	17,356
<b>TOTAL EXPENDITURES</b>	553,063	<b>514,304</b>	480,381
<b>ANNUAL SURPLUS</b>	---	<b>64,237</b>	62,644
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	411,486	<b>411,486</b>	348,842
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	411,486	<b>475,723</b>	411,486

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	2016	2015
	\$	\$
<b>ANNUAL SURPLUS</b>	<b>64,237</b>	62,644
Amortization of tangible capital assets	<b>39,368</b>	41,079
Acquisition of tangible capital assets	<b>(32,518)</b>	(33,395)
<b>INCREASE IN NET FINANCIAL ASSETS</b>	<b>71,087</b>	70,328
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<b>295,799</b>	225,471
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>366,886</b>	295,799

**Statement of Cash Flows**

For the year ended December 31	2016	2015
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Annual surplus	<b>64,237</b>	62,644
Non cash changes ▶ amortization	<b>39,368</b>	41,079
	<b>103,605</b>	103,723
<b>Net Change in Non-Cash Working Capital Items</b>		
Accounts receivable	<b>(94,155)</b>	(1,453)
Accounts payable and accrued liabilities	<b>10,878</b>	(1,064)
Due to the Township	<b>15,357</b>	(71,998)
Deferred revenue	<b>(4,141)</b>	8,917
	<b>(72,061)</b>	(65,598)
<b>Working Capital from Operations</b>	<b>31,544</b>	38,125
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	<b>(32,518)</b>	(33,395)
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(974)</b>	4,730
<b>CASH, BEGINNING OF YEAR</b>	<b>323,271</b>	318,541
<b>CASH, END OF YEAR</b>	<b>322,297</b>	323,271

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

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

**December 31, 2016**

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**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.

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**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:

<b>Assets</b>	<b>Estimated Useful Life</b>
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, 2016**

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**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.

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

**December 31, 2016**

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**2. Significant Accounting Policies / continued**

**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.

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.

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**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, 2015.

**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.



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

**December 31, 2016**

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**3. 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 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.

**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.

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**4. Accumulated Surplus**

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

	2016	2015
	\$	\$
<b>Surplus</b>		
Invested in tangible capital assets	<b>108,837</b>	115,687
<b>Reserves</b>		
Working fund	<b>62,568</b>	62,568
Technology	<b>80,620</b>	62,620
Building and capital	<b>190,223</b>	154,136
Literacy	<b>31,491</b>	14,491
Ada Hare	<b>1,984</b>	1,984
	<b>366,886</b>	295,799
<b>Accumulated Surplus</b>	<b>475,723</b>	411,486

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

**December 31, 2016**

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**5. Tangible Capital Assets**

<b>Net Book Value of Assets</b>	<b>2016</b>	<b>2015</b>
	\$	\$
Library Collection	<b>108,837</b>	115,687

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

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**6. Budget Figures**

Leeds and The Thousand Islands Public Library Board reviews its operating and capital budgets each year. The approved operating budget for 2016 is included in the budget figures presented in the Statement of Operations.

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

**December 31, 2016**

Assets	Cost 01/01/16	Net Additions (Disposals)	Cost 31/12/16	Accumulated Amortization 01/01/16	Net Amortization 2016	Accumulated Amortization 31/12/16	Net Book Value 31/12/16
	\$	\$	\$	\$	\$	\$	\$
Library Collection	424,147	32,518	456,665	308,460	39,368	347,828	108,837

**December 31, 2015**

Assets	Cost 01/01/15	Net Additions (Disposals)	Cost 31/12/15	Accumulated Amortization 01/01/15	Net Amortization 2015	Accumulated Amortization 31/12/15	Net Book Value 31/12/15
	\$	\$	\$	\$	\$	\$	\$
Library Collection	390,752	33,395	424,147	267,381	41,079	308,460	115,687

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	2016	2015
	\$	\$	\$
<b>REVENUES</b>			
Taxation ▶ frontage and connection charges	---	---	8,490
User charges ▶ water and sewer bill revenue	487,748	<b>498,478</b>	445,941
▶ miscellaneous fees and service charges	1,010	<b>290</b>	734
▶ penalty and interest	2,240	<b>3,129</b>	3,220
▶ rent	260	<b>823</b>	823
Interest	4,900	<b>7,799</b>	6,681
<b>TOTAL REVENUES</b>	496,158	<b>510,519</b>	465,889
<b>EXPENDITURES</b>			
OCWA contract	244,600	<b>244,600</b>	239,806
Insurance	9,980	<b>9,836</b>	10,353
Materials and supplies	20,664	<b>10,860</b>	6,403
Professional fees	25,500	---	---
Minor capital repair	20,400	<b>19,228</b>	10,045
Program Support - internal	6,240	<b>6,240</b>	5,875
Amortization	---	<b>13,929</b>	8,280
<b>TOTAL EXPENDITURES</b>	327,384	<b>304,693</b>	280,762
<b>INCREASE IN FUND BALANCES</b>	168,774	<b>205,826</b>	185,127
<b>FUND BALANCES, BEGINNING OF YEAR</b>			
Invested in capital assets		<b>381,537</b>	389,817
Reserves		<b>808,344</b>	614,937
		<b>1,189,881</b>	1,004,754
<b>FUND BALANCES, END OF YEAR</b>			
Invested in capital assets		<b>372,573</b>	381,537
Reserves		<b>1,023,134</b>	808,344
		<b>1,395,707</b>	1,189,881
<b>Net Book Value of Capital Assets</b>			
Water tower		<b>106,910</b>	110,938
Pumping stations		<b>265,663</b>	270,599
		<b>372,573</b>	381,537