

Consolidated Financial Statements of

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

Year ended December 31, 2020

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Independent Auditors' Report

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Township of Leeds and The Thousand Islands (the "Township") are the responsibility of the Township's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies is contained in note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Township's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

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

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Township. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Township's consolidated financial statements.

Stephen Donachey
Chief Administrative Officer

Kate Tindal, CPA, CGA
Director of Finance



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of the Township of Leeds and The Thousand Islands (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2020
- the consolidated statement of operations and accumulated municipal equity for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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.



Emphasis of Matter – Comparative information

We draw attention to Note 18 to the financial statements (“Note 18”), which explains that certain comparative information presented for the year ended December 31, 2019 has been restated.

Note 18 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2019, excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor who expressed an unmodified opinion on those financial statements on June 1, 2020.

As part of our audit of the financial statements for the year ended December 31, 2020, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2019. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year ended December 31, 2019. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

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.



Auditors' 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 auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw 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.



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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

May 10, 2021

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Consolidated Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
		(Restated note 18)
Assets		
Financial assets:		
Cash and cash equivalents	\$ 8,311,817	\$ 7,080,749
Taxes receivable (note 4)	2,615,757	2,672,963
Accounts receivable	738,300	1,188,138
Long-term receivables (note 5)	172,515	245,381
Loan receivable (note 6)	243,000	255,000
	12,081,389	11,442,231
Financial liabilities:		
Accounts payable and accrued liabilities	1,354,405	1,421,669
Accrued landfill closure and post closure (note 12)	2,030,263	1,710,362
Prepaid property taxes	338,610	276,331
Other current liabilities	336,502	289,237
Deferred revenue - obligatory reserve funds (note 7)	240,046	223,078
Net long-term liabilities (note 8)	626,558	736,210
	4,926,384	4,656,887
Net financial assets	7,155,005	6,785,344
Other non-financial assets:		
Tangible capital assets (note 15)	37,642,079	37,115,573
Inventories	75,990	62,155
	37,718,069	37,177,728
Commitments (note 13)		
Contingent liabilities (note 14)		
Accumulated municipal equity (note 9)	\$ 44,873,074	\$ 43,963,072

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

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Consolidated Statement of Operations and Accumulated Municipal Equity

Year ended December 31, 2020, with comparative information for 2019

	Budget 2020 (note 17)	Actual 2020	Actual 2019 (Restated note 18)
Revenue:			
Property taxation	\$ 9,947,071	\$ 9,952,946	\$ 9,122,619
User charges	1,164,360	1,227,848	1,301,284
Government grants	1,156,507	1,734,590	2,041,678
Licenses and permits	397,800	332,250	463,113
Investment income	155,000	109,596	175,105
Penalties and interest on taxes	325,000	279,279	353,610
Other	1,584,750	670,035	1,853,211
Total revenue	14,730,488	14,306,544	15,310,620
Expenses (note 16):			
General government	2,512,800	2,525,785	2,216,401
Protection to persons and property	3,640,345	3,907,908	3,845,628
Transportation services	2,587,550	3,350,765	3,732,486
Environmental services	1,512,600	1,822,908	1,588,984
Health services	46,200	41,943	43,881
Recreation and cultural services	1,361,570	1,356,866	1,646,871
Planning and development	990,300	832,965	642,558
Total expenses	12,651,365	13,839,140	13,716,809
Annual operating surplus	2,079,123	467,404	1,593,811
Revenue related to capital:			
Deferred revenues earned (note 7)	-	2,868	106,269
Government transfers	442,000	439,730	755,252
Other	-	-	7,000
Total revenue related to capital	442,000	442,598	868,521
Annual surplus	2,521,123	910,002	2,462,332
Accumulated municipal equity, beginning of year:			
As previously stated		43,632,512	41,485,007
Correction of an error (note 18)		330,560	15,733
As restated		43,963,072	41,500,740
Accumulated municipal equity, end of year		\$ 44,873,074	\$ 43,963,072

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

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2020, with comparative information for 2019

	Budget (note 17)	2020	2019 (Restated note 18)
Annual surplus	\$ 2,521,123	\$ 910,002	\$ 2,462,332
Acquisition of tangible capital assets	(3,651,200)	(2,547,082)	(3,188,826)
Amortization of tangible capital assets	–	2,020,576	2,080,688
Acquisition of inventories	–	(13,835)	(1,675)
	(3,651,200)	(540,341)	(1,109,813)
Change in net financial assets	(1,130,077)	369,661	1,352,519
Net financial assets, beginning of year	6,785,344	6,785,344	5,432,825
Net financial assets, end of year	\$ 5,655,267	\$ 7,155,005	\$ 6,785,344

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

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Consolidated Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019 (Restated note 18)
Operating activities:		
Annual surplus	\$ 910,002	\$ 2,462,332
Item not involving cash:		
Amortization of tangible capital assets	2,020,576	2,080,688
Changes in non-cash assets and liabilities:		
Taxes receivable	57,206	(159,572)
Accounts receivable	449,838	(163,380)
Accounts payable and accrued liabilities	(67,264)	272,739
Accrued landfill closure and post closure	319,901	90,000
Prepaid property taxes	62,279	(15,657)
Other current liabilities	47,265	(121,074)
Deferred revenues	16,968	(82,335)
Inventories	(13,835)	(1,675)
	872,358	(180,954)
Net change in cash from operations	3,802,936	4,362,066
Capital activities:		
Cash used to acquire tangible capital assets	(2,547,082)	(3,188,826)
Investing activities:		
Long-term receivables	72,866	39,676
Loan receivables	12,000	12,000
	84,866	51,676
Financing activities:		
Debt principal repayments	(109,652)	(80,723)
Increase in cash and cash equivalents	1,231,068	1,144,193
Cash and cash equivalents, beginning of year	7,080,749	5,936,556
Cash and cash equivalents, end of year	\$ 8,311,817	\$ 7,080,749

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

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements

Year ended December 31, 2020

1. Status of the Corporation of the Township of Leeds and The Thousand Island:

The Corporation of the Township of Leeds and The Thousand Islands (the 'Township') was incorporated January 1, 2001 by amalgamating three historic municipalities, the Front of Leeds and Lansdowne, the Rear of Leeds and Lansdowne and the Front of Escott and assumed its responsibilities under the authority of the Provincial Secretary. The Township operates as a lower tier government in the United Counties of Leeds and Grenville, in the Province of Ontario, Canada and provides municipal services such as police, fire, public works, planning, parks and recreation, library and other general government operations.

2. Significant accounting policies:

The consolidated financial statements of the Township are the representation of management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Township are as follows:

(i) Reporting entity:

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

- Public Library Board

(ii) Accounting for upper tier and school board transactions:

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

(iii) Trust funds

Trust funds and their related operations administered by the Township are not consolidated but are reported separately on the Trust Funds Statement of Financial Position and Statement of Continuity.

(a) Basis of accounting:

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

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

2. Significant accounting policies (continued):

(a) Basis of accounting (continued):

- (ii) Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus or deficit, provides the change in net financial assets for the year.

(b) Taxation and related revenues:

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation ('MPAC'). Tax rates are established by Township Council, incorporating amounts to be raised for local services, amounts to be raised on behalf of the United Counties of Leeds and Grenville for regional services, and amounts the Township is required to collect on behalf of the Province of Ontario in respect of education taxes. Taxation revenues are recorded at the time tax billings are issued. Adjustments to taxation revenue can occur during the year related to the issuance of supplementary tax billings and/or assessment appeals. These adjustments are recorded when the amount of the adjustments can be quantified. The Township is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period in which the interest and penalties are applied.

(c) Tangible capital assets:

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

Asset	Years
Land	
Land improvements	20
Buildings	50
Vehicles and equipment	7 to 20
Signs	20
Linear assets	
Roads	40
Bridges	75
Streetlights	40
Storm drains	40
Water and sewer	40
Construction in process	

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

2. Significant accounting policies (continued):

(c) Tangible capital assets (continued):

Amortization is charged from the date of acquisition. Construction in progress are not amortized until the asset is available for productive use.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue.

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the Consolidated Statement of Operations in the year of disposal. Transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

(d) Leases:

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(e) Inventories and prepaid expenses:

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

(f) Pension benefits:

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

(g) Cash and cash equivalents:

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

(h) Government transfers:

Government transfers are recognized as revenue in the consolidated financial statements when the transfer is authorized, any eligibility criteria are met and reasonable estimate of the amounts can be made except when and to the extent that stipulations by the transferor give rise to an obligation that meets the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

2. Significant accounting policies (continued):

(i) Deferred revenue - obligatory reserve funds:

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

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

(j) Deferred revenue:

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

(k) Landfill closure and post-closure liabilities:

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

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

(l) Use of estimates:

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

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

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

During the year, the Township collected and made property tax transfers including payments in lieu of property taxes, to the United Counties of Leeds and Grenville and School Boards as follows:

	School Boards		United Counties	
	2020	2019	2020	2019
Property taxes	\$ 5,371,281	\$ 5,463,644	\$ 8,576,666	\$ 8,366,984
Taxation from other governments	23,283	22,561	166,555	135,391
Amounts requisitioned and paid	\$ 5,394,564	\$ 5,486,205	\$ 8,743,221	\$ 8,502,375

4. Taxes receivable:

Taxes receivable consist of the following:

	2020	2019
Current year taxes	\$ 1,532,829	\$ 1,485,510
Prior years' taxes	891,921	958,296
Penalties and interest	196,507	234,657
	2,621,257	2,678,463
Allowance for doubtful accounts	(5,500)	(5,500)
	\$ 2,615,757	\$ 2,672,963

5. Long-term receivables:

Long-term receivables are comprised of the tile drainage loans and municipal drainage loans.

Tile drainage loans are due from individuals who have received loans under the Ontario Tile Loan Program. The loans are repayable over ten years with fixed annual repayments which are collected through the property tax billing. The Province advances the funds to the Township. The corresponding debt obligation is included in long-term liabilities.

Municipal drain loans due from landowners to recover the capital costs for the Smith Bolger drain. The funds are repayable over 10 years with fixed annual repayments.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

5. Long-term receivables (continued):

Principal payments are due as follows:

		Tile Loans	Municipal Drain Loans	Total
2021	\$	5,865	\$ 17,186	\$ 23,051
2022		6,216	17,696	23,912
2023		5,489	18,228	23,717
2024		5,818	18,777	24,595
2025		6,167	19,342	25,509
2026 and thereafter		11,292	40,439	51,731
Total	\$	40,847	\$ 131,668	\$ 172,515

6. Loan receivable:

The loan receivable is a loan agreement with St. Lawrence District Medical Centre. The funds were used for the expansion of the existing medical centre owned by St. Lawrence Medical Centre. The initial term of the loan is five years, followed by four more automatically renewing five-year terms.

The loan is interest free for the 25-year term of the loan. Monthly principal payments of \$1,000 commenced April 1, 2016. The borrower has the privilege of prepaying all or part of the principal sum outstanding at any time without notice or bonus.

The loan is secured by a mortgage on the property.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

7. Deferred revenues:

A requirement of the CPA Canada Public Sector Accounting Handbook is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the Township are summarized below:

	2020	2019
Balance, beginning of year	\$ 223,078	\$ 305,413
Revenue transfers as follows:		
Federal grant - gasoline tax	287,132	588,117
Parkland	12,388	18,183
Ontario Community Infrastructure Funds	152,597	-
Investment income	7,449	5,751
Utilized - operating	(439,730)	(588,117)
Utilized - capital	(2,868)	(106,269)
Balance, end of year	\$ 240,046	\$ 223,078

Analyzed as follows:

	2020	2019
Federal grant - gasoline tax	\$ 5,633	\$ 3,979
Development contributions	6,418	6,418
Parkland	227,511	212,681
OCIF	484	-
Balance, end of year	\$ 240,046	\$ 223,078

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

8. Long-term liabilities:

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

	2020	2019
Fixed rate bank loan with the Bank of Montreal (2.26%), with monthly principal payments of \$4,923, due September 2030.	\$ 585,711	\$ 635,022
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.	40,847	101,188
Net long-term liabilities at the end of the year	\$ 626,558	\$ 736,210

- (b) Principal due on net long-term liabilities from individuals and general municipal revenues are summarized as follows:

	Individuals	General Revenues	Total
2021	\$ 5,864	\$ 60,073	\$ 65,937
2022	6,216	60,073	66,289
2023	5,489	60,073	65,562
2024	5,818	60,073	65,891
2025	6,167	60,073	66,240
2026 and thereafter	11,293	285,346	296,639
Total	\$ 40,847	\$ 585,711	\$ 626,558

- (c) Interest expense on long-term liabilities amounted to \$25,026 (2019 - \$24,394).
- (d) These payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

9. Accumulated municipal equity:

Accumulated municipal equity consists of:

	2020	2019
		(Restated - note 18)
Investment in tangible capital assets:		
Tangible capital assets	\$ 37,642,079	\$ 37,115,573
Long-term liabilities	(585,711)	(635,022)
	<u>37,056,368</u>	<u>36,480,551</u>
Unrestricted surplus	63,133	573,307
Reserves and reserve funds (Schedule 1)	7,753,573	6,909,214
	<u>\$ 44,873,074</u>	<u>\$ 43,963,072</u>

10. Pension contributions:

The Township makes contributions to the Ontario Municipal Employees Retirement System Pension Fund (OMERS), which is a multi-employer plan, on behalf of its employees. As a result, the Township does not recognize any share of the OMERS pension surplus or deficit. The last available report was at December 31, 2020 and at that time, the plan reported a \$3.2 billion actuarial deficit (2019 - \$3.4 billion actuarial deficit). The plan is a contributory defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employers and employees contribute to the plan. In 2020, the contributions made by the Township were \$291,385 (2019 - \$265,741) and are included on the Statement of Operations and Accumulated Municipal Equity.

11. Trust funds:

Trust funds administered by the Township amounting to \$195,721 (2019 - \$169,962) are presented in a separate financial statement of trust fund balances and operations. As such balances are held in trust by the Township for the benefit of others, they are not presented as part of the Township's financial position or financial activities.

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

12. Landfill closure and post closure liability:

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

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

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

	Remaining Life	Closure Costs	Post Closure Costs/Year
Lansdowne	4 years	\$ 934,245	\$ 22,000
Briar Hill	31 years	509,094	21,000
Escott	2 years	131,208	17,600
Leeds	closed	–	12,500
LaRue Mills	closed	–	–
Reynolds Road	closed	–	–

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

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

Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the Township's average long-term borrowing rate of 2.94% and using 2.0% for inflation. The estimated total landfill closure and post closure care expenses are calculated to be approximately \$2.6 million. Included in the liabilities on the Consolidated Statement of Financial Position at December 31, 2020 is \$2,030,263 (2019 - \$1,710,362).

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

13. Commitments:

- (a) The Township has negotiated a five-year contract with Ontario Clean Water Agency to manage the water treatment plant and the sewage treatment plant. The contract base is \$244,600 and provides an annual adjustment for inflation, hydro costs and insurance. The contract does not include capital expenses or unexpected expenses in the nature of addressing equipment failure. The initial term of the contract expired December 2020, which was then renewed for a one-year period, expiring December 2021.

Included in the Consolidated Statement of Operations and Accumulated Municipal Equity are the costs paid to the Ontario Clean Water Agency of \$263,207 (2019 - \$258,807).

- (b) The Township receives policing services from the Ontario Provincial Police. Annual charges are based on an estimate determined at the beginning of the year and reconciled to actual costs in the following year. The fees paid in the current year and adjusted for the previous year's reconciliation were \$1,839,434 (2019 - \$1,819,551).
- (c) The Township has entered into a four-year recreation cost sharing agreement with the Town of Gananoque. The agreement sets out the annual fee for each of the four years and expires December 2021. The amount paid under the contract in 2020 was \$130,955 (2019 \$121,885).

14. 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, 2020, management believes that the Township has valid defences and appropriate insurance coverages in place.

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

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

15. Tangible capital assets:

Cost	Balance at January 1, 2020	Additions	Disposals	Balance at December 31, 2020
Land	\$ 296,777	\$ -	\$ -	\$ 296,777
Buildings	13,649,718	-	-	13,649,718
Land improvements	1,016,036	-	-	1,016,036
Vehicles and equipment	8,461,016	1,147,448	-	9,608,464
Signs	149,363	-	-	149,363
Linear assets:				
Roads	38,667,745	613,745	-	39,281,490
Bridges	3,587,278	801,671	-	4,388,949
Streetlights	156,465	-	-	156,465
Storm drains	2,858,919	-	-	2,858,919
Water and sewer	2,743,943	-	-	2,743,943
Construction in progress	91,143	808,048	823,830	75,361
	\$ 71,678,403	\$ 3,370,912	\$ 823,830	\$ 74,225,485

Accumulated amortization	Balance at January 1, 2020	Amortization	Disposals	Balance at December 31, 2020
Land	\$ -	\$ -	\$ -	\$ -
Buildings	3,983,289	287,136	-	4,270,425
Land improvements	256,540	54,962	-	311,502
Vehicles and equipment	4,141,188	679,571	-	4,820,759
Signs	53,032	7,484	-	60,516
Linear assets:				
Roads	22,882,661	814,015	-	23,696,676
Bridges	947,860	54,406	-	1,002,266
Streetlights	43,471	15,648	-	59,119
Storm drains	643,204	73,125	-	716,329
Water and sewer	1,611,585	34,229	-	1,645,814
Construction in progress	-	-	-	-
	\$ 34,562,830	\$ 2,020,576	\$ -	\$ 36,583,406

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

15. Tangible capital assets (continued):

	Net book value 2020	Net book value 2019
Land	\$ 296,777	\$ 296,777
Buildings	9,379,293	9,666,429
Land improvements	704,534	759,496
Vehicles and equipment	4,787,705	4,319,828
Signs	88,847	96,331
Linear assets:		
Roads	15,584,814	15,785,084
Bridges	3,386,683	2,639,418
Streetlights	97,346	112,994
Storm drains	2,142,590	2,215,715
Water and sewer	1,098,129	1,132,358
Construction in progress	75,361	91,143
	\$ 37,642,079	\$ 37,115,573

16. Segmented information :

The Township is a diversified municipal government that provides a wide range of services to its citizens. The services are provided by departments and their activities are reported in the Consolidated Statement of Operations and Accumulated Municipal Equity.

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

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

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

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

16. Segmented information (continued):

	2020						2019	
	Salaries, wages & employee benefits	Debenture debt interest	Materials & Services	External Transfers	Amortization	TOTAL	TOTAL	
General government								
Governance	\$ 140,972	\$ -	\$ 19,446	\$ -	\$ -	\$ 160,418	\$ 173,774	
Corporate Management & Program Support	909,754	7,591	1,075,882	332,741	39,399	2,365,367	2,042,627	
						2,525,785	2,216,401	
Protection to persons and property								
Fire	588,282	10,063	392,234	33,889	322,878	1,347,346	1,343,924	
Police	-	-	1,839,434	-	-	1,839,434	1,819,551	
Conservation Authority	-	-	-	158,279	-	158,279	157,144	
Protective inspection	102,228	-	13,953	-	-	116,181	525,009	
Building permit and inspection services	288,593	-	42,108	-	-	330,701	-	
Emergency measures	35,692	-	80,275	-	-	115,967	-	
						3,907,908	3,845,628	
Transportation services								
Roads - paved	88,917	-	25,485	-	1,212,290	1,326,692	3,309,963	
Roads - unpaved	87,676	-	143,530	-	-	231,206	-	
Roads - bridges and culverts	25,750	-	26,960	-	-	52,710	-	
Roads - traffic operations and roadside	807,756	-	617,595	-	-	1,425,351	-	
Winter control	146,040	-	139,865	-	-	285,905	394,934	
Street lighting	-	-	13,253	-	15,648	28,901	27,589	
						3,350,765	3,732,486	

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

16. Segmented information (continued):

	2020					2019	
	Salaries, wages & employee benefits	Debenture debt interest	Materials & Services	External Transfers	Amortization	TOTAL	TOTAL
Environmental services							
Wastewater treatment & disposal	-	-	452,237	-	43,017	495,254	453,545
Rural storm drains	-	-	-	-	73,125	73,125	71,331
Waste services	252,296	-	830,311	-	-	1,082,607	904,687
Recycling	-	-	171,922	-	-	171,922	159,421
						1,822,908	1,588,984
Health services							
Public health	-	-	33,354	-	-	33,354	36,802
Cemeteries	1,219	-	7,370	-	-	8,589	7,079
						41,943	43,881
Recreation and cultural services							
Parks	63,034	-	54,948	-	-	117,982	264,744
Recreation facilities and programs	209,143	-	195,576	134,003	275,403	814,125	912,050
Libraries	281,428	-	18,446	86,985	34,999	421,858	469,796
Cultural services	3	-	2,898	-	-	2,901	281
						1,356,866	1,646,871
Planning & development							
Planning and zoning	260,234	-	147,102	-	3,817	411,153	517,715
Commercial and industrial	108,777	-	151,032	-	-	259,809	-
Municipal Drains	20,376	7,372	134,255	-	-	162,003	124,843
						832,965	642,558
Total	\$ 4,418,170	\$ 25,026	\$ 6,629,471	\$ 745,897	\$ 2,020,576	\$ 13,839,140	\$ 13,716,809

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

17. Budget figures:

The 2020 budget amounts that were approved were not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). Approved budget figures also include council approved budget estimates for Public Sector Accounting Board (PSAB) reporting requirements. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and therefore may not be comparable with current year's actual amounts. The chart below reconciles the approved Township operating budgets and PSAB budget estimates to the total consolidated budget figures as reported on the Consolidated Statement of Operations and Accumulated Municipal Equity.

	2020 Budget
Reported on consolidated statement of operations:	
Operating revenue	\$ 14,730,488
Capital revenue	442,000
Operation expenses	(12,651,365)
Total budgeted surplus on the consolidated financial statements	\$ 2,521,123
Budget not reported on consolidated statements:	
Capital expenses	\$ 3,651,200
Reserve and reserve funds transfers, net	(1,130,077)
Total budgeted deficit not reported on the consolidated financial statements	\$ 2,521,123

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

18. Correction of error:

During the year, management became aware that a proper cut-off of certain revenue was not achieved in prior years. The impact of the correction has been recorded retrospectively and the cumulative effect up to January 1, 2019 has been recorded as a \$15,733 increase to accumulated municipal equity. As a result of the correction, the annual surplus for 2019 as reported on the Consolidated Statement of Operations and Accumulated Municipal Equity has increased by \$314,827 to \$2,462,332.

	2019
Accumulated municipal equity, beginning of year:	
As previously stated	\$ 41,485,007
To correct error in relation to:	
Understatement of other revenue prior to 2019	15,733
Accumulated municipal equity, beginning of year, as restated	\$ 41,500,740

	2019
Accounts receivable:	
As previously stated	\$ 873,311
To correct error in relation to:	
Understatement of other revenue	314,827
Accounts receivable, as restated	\$ 1,188,138

	2019
Annual surplus:	
As previously stated	\$ 2,147,505
To correct error in relation to:	
Understatement of other revenue	314,827
Annual surplus, as restated	\$ 2,462,332

19. Comparative information:

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

CORPORATION OF THE TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Schedule 1: Continuity of Reserves and Reserve Funds

Year ended December 31, 2020

	Budget (note 17)	2020		2019
Net transfers from (to) other funds:				
Transfers from operations	\$ 2,521,123	\$ 3,391,441	\$	3,357,835
Transfer to capital acquisitions	(3,651,200)	(2,547,082)		(2,559,807)
	(1,130,077)	844,359		798,028
 Reserves and reserve funds balances, beginning of year	 6,909,214	 6,909,214		 6,111,186
 Reserves and reserve funds balances, end of year	 \$ 5,779,137	 \$ 7,753,573	 \$	 6,909,214

Analyzed as follows:

	2020	2019
Reserves and reserve funds set aside for specific purposes by Council:		
Working capital	\$ 1,459,925	\$ 1,361,375
Election purposes	53,259	37,009
Contingencies	102,850	102,850
Tax rate stabilization	87,500	42,500
Heritage	17,705	133,742
Community improvement	159,657	118,407
Grants	75,684	23,401
Greening/IT	4,474	26,865
Building inspection department	209,376	210,699
Special project/studies	343,995	341,029
Library	123,421	129,625
	2,637,846	2,527,502
 For capital purposes:		
Infrastructure	2,192,639	2,145,198
Equipment	556,202	456,079
Facilities	604,587	419,864
Fire equipment	257,026	450,312
Recreation and culture	561,919	75,133
Library	84,742	84,742
Water and wastewater system	858,612	750,384
	5,115,727	4,381,712
 Total reserve and reserve funds	 \$ 7,753,573	 \$ 6,909,214



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Township of Leeds and The Thousand Islands

Opinion

We have audited the financial statements of the Trust Funds of the Township of Leeds and The Thousand Islands (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2020
- the continuity of financial activities for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and the continuity of trust funds for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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 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.



Other Matter – Comparative Information

The financial statements as at and for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those financial statements on June 1, 2020.

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.

Auditors' 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 auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



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We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, slanted font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

May 10, 2021

TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Trust Funds Statement of Financial Position

December 31, 2020, with comparative information for 2019

	Subdivision Security	Pine Hill Cemetery	2020	2019
Assets				
Cash	\$ 186,851	\$ –	\$ 186,851	\$ 140,683
Accounts receivable	–	–	–	21,045
Investments	–	8,870	8,870	8,234
	<u>\$ 186,851</u>	<u>\$ 8,870</u>	<u>\$ 195,721</u>	<u>\$ 169,962</u>

Liabilities and Fund Balances

Fund balance	\$ 186,851	\$ 8,870	\$ 195,721	\$ 169,962
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The accompanying notes are an integral part of these financial statements.

Trust Funds Statement of Continuity

Year ended December 31, 2020, with comparative information for 2019

	Subdivision Security	Cemeteries	2020	2019
Revenue:				
Received from developers	\$ 23,477	\$ –	\$ 23,477	\$ 21,045
Bank interest	1,646	636	2,282	3,257
	<u>25,123</u>	<u>636</u>	<u>25,759</u>	<u>24,302</u>
Expenses:				
Transfer to Township	–	–	–	1,026
Administration charges	–	–	–	56
	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,082</u>
Net revenues for the year	25,123	636	25,759	23,220
Balance, beginning of year	161,728	8,234	169,962	146,742
Balance, end of year	<u>\$ 186,851</u>	<u>\$ 8,870</u>	<u>\$ 195,721</u>	<u>\$ 169,962</u>

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

TOWNSHIP OF LEEDS AND THE THOUSAND ISLANDS

Trust Funds
Notes to Financial Statements

Year ended December 31, 2020

1. Significant accounting policies:

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

(a) Basis of presentation:

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

(b) Basis of accounting:

Revenue and expenses are recorded on an accrual basis.

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

(c) Use of estimates:

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

(d) Investments:

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

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

2. Statement of cash flows:

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