
Financial Statements of

**CORPORATION OF
THE TOWN OF
GREATER NAPANEE**

Year ended December 31, 2022

CORPORATION OF THE TOWN OF GREATER NAPANEE

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Management's Responsibility for the financial Statements

The accompanying financial statements of Corporation of the Town of Greater Napanee (the "Corporation") are the responsibility of the Corporation'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 are described in Note 1 to the financial statements. The preparation of 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 Corporation'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 financial statements. These systems are monitored and evaluated by management.

The council meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

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



Chief Administrative Officer



Treasurer



KPMG LLP
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Kingston, ON K7L 5N4
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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Town of Greater Napanee

Opinion

We have audited the financial statements of Corporation of the Town of Greater Napanee (the "Entity"), which comprise:

- the statement of financial position as at end of December 31, 2022
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



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Other Matter – Comparative Information

The financial statements of the Entity as at and for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on November 8, 2022.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.



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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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

January 30, 2024

CORPORATION OF THE TOWN OF GREATER NAPANEE

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets:		
Cash	\$ 14,246,158	\$ 21,203,873
Taxes receivable	2,366,535	2,861,831
Accounts receivable	914,325	674,961
User charges receivable	941,268	856,928
Long-term receivable	6,377	4,967
Investments (note 2)	3,452,740	4,279,317
	<u>21,927,403</u>	<u>29,881,877</u>
Financial liabilities:		
Accounts payable and accrued liabilities	4,762,185	4,427,463
Landfill closure and post-closure obligation (note 5(a))	731,158	119,631
Employee benefits payable (note 5(b))	428,535	398,172
Deferred revenue (note 6)	9,079,245	7,439,378
Long-term debt (note 7)	3,075,679	4,019,042
	<u>18,076,802</u>	<u>16,403,686</u>
Net financial assets	3,850,601	13,478,191
Non-financial assets:		
Tangible capital assets (note 3)	127,193,466	117,271,334
Prepaid expenses	747,098	648,520
	<u>127,940,564</u>	<u>117,919,854</u>
Contingent liabilities (note 8)		
Commitments (note 9)		
Accumulated surplus (note 11)	\$ 131,791,165	\$ 131,398,045

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

CORPORATION OF THE TOWN OF GREATER NAPANEE

Statement of Operations and Accumulated Surplus

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

	Budget 2022	Actual 2022	Actual 2021
	(note 16)		
Revenue:			
Taxation:			
Municipal	\$ 13,014,819	\$ 12,978,730	\$ 12,749,458
Other governments	–	159,568	191,866
User charges	9,426,153	10,278,810	9,222,840
Government transfers:			
Government of Canada	–	6,728	4,000
Province of Ontario	334,349	1,912,815	2,317,799
Other municipalities	1,011,006	1,004,400	980,493
Development charges	76,000	–	28,009
Investment income	230,000	281,509	126,978
Interest and penalties on taxes	450,000	394,669	491,300
Donations	24,787	13,787	7,675
Miscellaneous	46,259	3,870	119,068
	24,613,373	27,034,886	26,239,486
Expenses (note 12):			
General government	3,130,997	3,545,823	2,842,222
Protection to persons and property	6,088,318	7,519,250	7,345,826
Transportation services	3,795,214	6,842,017	6,188,598
Environmental services	4,432,940	6,812,000	5,550,085
Recreation and cultural services	1,909,353	3,444,112	3,039,189
Planning and development	363,286	689,459	634,815
Health services	181,102	322,079	255,791
	19,901,210	29,174,740	25,856,526
Annual surplus (deficit) from operations	4,712,163	(2,139,854)	382,960
Revenue (expense) related to capital:			
Municipal taxation	684,771	681,170	400,478
Taxation from other governments	–	2,903	1,873
Government transfers:			
Government of Canada	716,351	539,738	1,016,857
Government of Ontario	504,017	1,309,726	676,414
Development charges	115,000	381,199	157,007
Donations and miscellaneous	–	35,670	264,419
Loss on sale of tangible capital assets	–	(417,432)	(135,537)
	2,020,139	2,532,974	2,381,511
Annual surplus	6,732,302	393,120	2,764,471
Accumulated surplus, beginning of year	131,398,045	131,398,045	128,633,574
Accumulated surplus, end of year	\$ 138,130,347	\$ 131,791,165	\$ 131,398,045

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

CORPORATION OF THE TOWN OF GREATER NAPANEE

Statement of Changes in Net Financial Assets

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

	Budget 2022 (note 16)	Actual 2022	Actual 2021
Annual surplus	\$ 6,732,302	\$ 393,120	\$ 2,764,471
Amortization of tangible capital assets	–	4,764,086	4,687,213
Acquisition of tangible capital assets	(9,738,631)	(15,360,013)	(6,541,707)
Loss on disposal of tangible capital assets	–	417,432	135,537
Proceeds on disposal of tangible capital assets	–	256,363	22,150
Acquisition of prepaid expenses	–	(98,578)	(7,455)
	(9,738,631)	(10,020,710)	(1,704,262)
Change in net financial assets	(3,006,329)	(9,627,590)	1,060,209
Net financial assets, beginning of year	13,478,191	13,478,191	12,417,982
Net financial assets, end of year	\$ 10,471,862	\$ 3,850,601	\$ 13,478,191

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

CORPORATION OF THE TOWN OF GREATER NAPANEE

Statement of Cash Flows

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

	2022	2021
Operating activities:		
Annual surplus	\$ 393,120	\$ 2,764,471
Item not involving cash:		
Amortization of tangible capital assets	4,764,086	4,687,213
Loss on disposal of tangible capital assets	417,432	135,537
Change in employee benefits payable	30,383	(33,203)
Change in landfill closure and post-closure obligation	611,507	11,566
Change in non-cash operating working capital:		
Taxes receivable	495,296	479,803
Accounts receivable	(239,364)	(102,814)
User charges receivable	(84,340)	(88,325)
Prepaid expenses	(98,578)	(7,455)
Accounts payable and accrued liabilities	334,722	549,757
Deferred revenue	1,639,867	1,719,617
	<u>8,264,131</u>	<u>10,116,167</u>
Capital activities:		
Acquisition of tangible capital assets	(15,360,013)	(6,541,707)
Proceeds on disposal of tangible capital assets	256,363	22,150
	<u>(15,103,650)</u>	<u>(6,519,557)</u>
Investing activities:		
Purchase of investments	(3,452,740)	(4,279,317)
Proceeds from disposal of investments	4,279,317	2,035,078
Repayment (advance) of long-term receivable	(1,410)	3,902
	<u>825,167</u>	<u>(2,240,337)</u>
Financing activities:		
Repayment of long-term debt	(943,363)	(924,248)
Increase (decrease) in cash	<u>(6,957,715)</u>	<u>432,025</u>
Cash, beginning of year	21,203,873	20,771,848
Cash, end of year	<u>\$ 14,246,158</u>	<u>\$ 21,203,873</u>

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

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements

Year ended December 31, 2022

1. Significant accounting policies:

The financial statements of the Corporation of the Town of Greater Napanee (the "Corporation") 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 Corporation are as follows:

(a) Reporting entity:

- (i) The financial statements reflect financial assets, liabilities, operating revenues and expenses, reserves, reserve funds and changes in investment in tangible capital assets of the Corporation.
- (ii) The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the County of Lennox and Addington are not reflected in the municipal fund balances of these financial statements.

(b) Basis of accounting:

- (i) The 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.
- (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.
- (iii) Trust funds and their related operations administered by the Corporation are not included in these financial statements but are reported separately on the Trust Funds Statements of Financial Activities and Fund Balances.

(c) Land held for resale:

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing.

(d) Deferred revenue:

The Corporation 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 Statement of Financial Position. These amounts will be recognized as revenues in the fiscal year the services are performed.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(d) Deferred revenue (continued):

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

(e) Reserve and reserve funds:

Certain amounts, as approved by Council, are set aside in reserve and reserve funds for future operating and capital expenditures. Transfers to, or from, reserves and reserve funds are recorded as an adjustment to the respective fund when approved.

(f) 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.

(g) Taxation and related revenues:

Property tax billings are prepared by the Corporation based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established by the Town Council, incorporating amounts to be raised for local services, amounts to be raised on behalf of the Corporation of the County of Lennox and Addington for regional services, and amounts the Corporation 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 Corporation 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.

(h) Investments:

Investments are recorded at cost plus accrued interest.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(i) 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:

Asset	Estimated Useful Life
Buildings and land improvements	10-50 years
Other equipment	10-30 years
Vehicles	5-20 years
Underground and other networks	50 to 125 years
Plant and facilities	50 to 100 years
Roads	10-40 years
Bridges and structures	45 to 50 years

Assets under construction are not amortized until the asset is available for productive use.

The Corporation has a capitalization threshold so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons.

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 Corporation'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.

(j) Contribution of tangible capital assets:

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

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(k) Works of art:

Assets that have a historical or cultural significance, which include works of art, monuments and other cultural artifacts are not recognized as tangible capital assets because a reasonable estimate of future benefits associated with this property can not be made.

(l) Leases:

Leases are classified as capital or operations 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.

(m) Forgivable loan:

The Corporation has developed a doctor recruitment and retention program which provides a forgivable loan in the aggregate amount of \$100,000 per doctor. The doctors enter into a forgivable loan agreement in exchange for a minimum five year commitment to practice family medicine within the Town of Greater Napanee. The Corporation does not expect to be repaid unless certain conditions are not met, accordingly, payments under the forgivable loan agreements have been included as an expenditure in the financial statements.

(n) 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 Town:
 - (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 post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

(o) Prepaid expenses:

Prepaid expenses held for consumption are recorded at the lower of cost or replacement cost.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(p) Pension and employee benefits:

The Corporation 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.

(q) Use of estimates:

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 expenses during the period. Actual results could differ from these estimates.

2. Investments:

Investments consist of guaranteed investment certificates yielding interest between 1.32% to 4.41%, with maturities ranging from July 2023 to July 2024. Investments which matured subsequent to year-end have been reinvested.

Included in accounts receivable is \$63,245 (2021 - \$16,027) of accrued interest on guaranteed investment certificates.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2022

3. Tangible capital assets:

Cost	December 31, 2021	Additions	Disposals	December 31, 2022
General capital:				
Land	\$ 10,690,270	\$ 339,964	\$ (7,899)	\$ 11,022,335
Building and land improvements	15,951,707	5,682,842	–	21,634,549
Vehicles	9,941,211	1,614,132	(622,975)	10,932,368
Other equipment	8,022,713	952,496	–	8,975,209
Plant and facilities	16,370,130	72,873	–	16,443,003
General capital total	60,976,031	8,662,307	(630,874)	69,007,464
Infrastructure:				
Roads	85,965,096	3,263,012	(830,191)	88,397,917
Underground and other networks	54,299,737	–	–	54,299,737
Bridges and structures	4,945,912	1,105,001	–	6,050,913
Assets under construction	3,996,491	5,257,820	(2,928,127)	6,326,184
Infrastructure total	149,207,236	9,625,833	(3,758,318)	155,074,751
Grand total	\$ 210,183,267	\$ 18,288,140	\$ (4,389,192)	\$ 224,082,215
Accumulated Amortization				
	December 31, 2021	Amortization	Disposals	December 31, 2022
General capital:				
Land	\$ 794,488	\$ 84,836	\$ –	\$ 879,324
Building and land improvements	5,662,929	352,967	–	6,015,896
Vehicles	5,846,014	581,543	(572,424)	5,855,133
Other equipment	4,408,718	543,364	–	4,952,082
Plant and facilities	6,833,122	346,999	–	7,180,121
General capital total	23,545,271	1,909,709	(572,424)	24,882,556
Infrastructure:				
Roads	50,345,708	2,217,356	(214,846)	52,348,218
Underground and other networks	16,500,318	541,809	–	17,042,127
Bridges and structures	2,520,636	95,212	–	2,615,848
Infrastructure total	69,366,662	2,854,377	(214,846)	72,006,193
Grand total	\$ 92,911,933	\$ 4,764,086	\$ (787,270)	\$ 96,888,749

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2022

3. Tangible capital assets (continued):

	Net book value December 31, 2022	Net book value December 31, 2021
General capital:		
Land	\$ 10,143,011	\$ 9,895,782
Building and land improvements	15,618,653	10,288,778
Vehicles	5,077,235	4,095,197
Other equipment	4,023,127	3,613,995
Plant and facilities	9,262,882	9,537,008
General capital total	44,124,908	37,430,760
Infrastructure:		
Roads	36,049,699	35,619,388
Underground and other networks	37,257,610	37,799,419
Bridges and structures	3,435,065	2,425,276
Assets under construction	6,326,184	3,996,491
Infrastructure total	83,068,558	79,840,574
Grand total	\$ 127,193,466	\$ 117,271,334

Contributed tangible capital assets:

During the current year the value of contributed capital assets is \$Nil (2021 - \$Nil).

4. Bank indebtedness:

The Corporation has an operating line of credit of \$4,000,000 at an interest rate of prime less 0.5% of which \$Nil (2021 - \$Nil) was utilized at year end.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2022

5. Other liabilities:

The Corporation provides certain employee benefits and operates two solid waste landfill sites which will require funding in future periods.

(a) Landfill closure and post-closure obligation:

The Ontario Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. The estimated liability for these expenditures is recognized based on the cumulative capacity used to date, compared to the total estimated landfill capacity.

The estimated liability for the South Fredricksburg and Roblin landfills is \$731,158 (2021 - \$119,631) based on the present value of closure and post-closure costs estimated at \$1,980,625 (2021 - \$503,230) using assumed rates of 6.0% (2021 - 3.0%) for inflation and 6.0% for interest (2021 - 6.0%).

The South Fredricksburg landfill has an estimated remaining capacity of 66% and is expected to provide capacity for 40 years based on estimated current waste generation rates.

The Roblin landfill site is closed and no longer receiving waste.

The liability is currently unfunded, it is expected to be funded through budget allocations to a landfill reserve over the remaining life of the landfill.

Post-closure care is estimated to continue for a period of approximately 25 years.

(b) Staff retirement allowance:

Under Town of Greater Napanee Bylaw 2020-0041 "Conditions of employment, compensation and benefits", upon retirement a full time employee with more than 1 year of service but less than 10 years shall receive two day's pay per year of service to the Corporation, while full time employees with 10 years of service or more shall receive three day's pay per year of service. All retirement packages are capped at a maximum of \$10,000.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2022

6. Deferred revenue:

The balance of deferred revenue consists of the following:

	December 31 2021	Received	Utilized	December 31, 2022
Obligatory reserve funds:				
Development charges	\$ 4,270,512	\$ 1,164,127	\$ (376,737)	\$ 5,057,902
Canada Community Building Fund	–	504,017	(504,017)	–
Parkland	80,765	–	–	80,765
Water and wastewater utilities - impost fees	2,527,945	831,545	–	3,359,490
	6,879,222	2,499,689	(880,754)	8,498,157
Other:				
Developer contributions	152,000	–	–	152,000
Clean waste water funds	242,098	–	–	242,098
Recreation	16,705	20,932	–	37,637
Deferred deposits	149,353	–	–	149,353
	560,156	20,932	–	581,088
	\$ 7,439,378	\$ 2,520,621	\$ (880,754)	\$ 9,079,245

Development charges are restricted by legislation. These funds are recognized as revenue in the period they are used for the purpose specified.

Canada Community Building Fund is restricted by legislation. These funds are recognized as revenue in the period they are used for the purpose specified.

Water and waste water impost fees are restricted by legislation. These funds are recognized as revenue in the period they are used for the purpose specified.

Parkland is restricted by legislation. These funds are for the acquisition of land to be used for park or other public recreational purposes, including the erection or repair of buildings and the acquisition of machinery for park or other public recreational purposes.

Developer contributions are restricted by agreement for the future construction of a regional storm water management facility and urbanization of Alkenbrack Street and remediation work on McPherson Drive.

Clean waste water funds are restricted for use in the Waste Water Expansion project and funds will be recognized as used.

Recreation and deferred deposits are funds received in advance and will be recognized as the related services are rendered.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2022

7. Long-term debt:

Long-term debt consists of the following:

	2022	2021
Strathcona Paper Centre	\$ 723,300	\$ 1,242,181
OMEIFA loan	2,352,379	2,426,861
Assessment appeal settlement	-	350,000
	\$ 3,075,679	\$ 4,019,042

The Strathcona Paper Centre bank loan has an effective interest rate of 3.18%, payable in monthly blended payments of \$45,806, with a maturity date of April 20, 2024.

The OMEIFA loan bears interest at 2.74%, payable in semi-annual payments of \$70,372, with maturity date of June 15, 2045.

On April 5, 2013 the Corporation reached an agreement regarding an assessment by a taxpayer for the years 2003 to 2012. The Corporation refunded the taxpayer the total amount of \$3,500,000, repayable in annual payments of \$350,000 commencing in 2014 and ending in 2022. Interest is at an escalating rate of 0.5% each year, for 2022 the interest rate is 5.0% (2021 – 4.5%). The County's share of this liability, \$950,430, was recovered from the County of Lennox and Addington in 2014.

Principal repayments are estimated to be as follows:

Year	Amount
2023	\$ 613,116
2024	266,216
2025	81,116
2026	83,354
2027	85,653
2028 and thereafter	1,946,224
	\$ 3,075,679

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2022

8. Contingent liabilities:

In the course of its business, the Corporation becomes involved in various claims and legal proceedings. Litigation is subject to many uncertainties and the outcome of individual matters is not predictable. An estimate of the contingency cannot be made since the outcome of these matters is not predictable. The Corporation carries liability insurance. Any settlement in excess of amounts which have been recorded in the accounts and insurance coverage will be accounted for as a current transaction in the year of settlement.

Contingent environmental liabilities may arise out of existing operations. Such liabilities are different from environmental remediation and solid waste landfill closure and post-closure care liabilities because the liabilities are not determinable, the condition which may give rise to the expenditures are uncertain, and the future expectations of the applicable regulatory authorities are not known. Potential costs that may arise in connection with such liabilities are not included in the Corporation's provisions until the source and nature of the obligation become clear and is reasonably estimable.

9. Commitments:

- (a) The Corporation has an agreement with Waste Management of Canada Corporation for garbage collection and disposal services and recycling and processing services to December 31, 2029. Charges for the 2022 year garbage collection and disposal services were \$766,226 (2021 -\$683,810) and for recycling collection and processing were \$640,588 (2021 - \$538,664).
- (b) The Corporation had an agreement with the Ministry of Community Safety and Correctional Services for the provision of police services to June 30, 2020. Details for the renewal of contracted services remains under negotiation. Charges for 2022 for police services were \$3,995,412 (2021 - \$4,141,728).
- (c) The Corporation has entered into a cost sharing agreement with the County of Hastings to share the cost of recruitment of family doctors. The Corporation has agreed to reimburse Country of Hastings 30% of the expenses, Future reimbursements in force at December 31, 2022 are as follows:

Year	Amount
2023	\$ 6,000
2024	6,000

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2022

9. Commitments (continued):

- (d) The Corporation has developed a doctor recruitment program. Future payments for the program, based on agreements in force at December 31, 2022 are as follows:

Year	Amount
2023	\$ 98,500
2024	36,000
2025	30,000
2026	30,000
	<hr/>
	\$ 194,500

- (e) As at December 31, 2022 the Corporation has capital project contractual commitments of approximately \$650,000.

10. Contractual rights:

The Corporation is involved in various contracts and agreements arising in the ordinary course of business. This results in contractual rights to economic resources, leading to both assets and revenue in the future.

(a) Lease revenue

The Corporation has entered into a number of fixed term lease agreements for the use of Corporation owned land and/or buildings that are anticipated to provide the Corporation with future revenues.

(b) Developer contributions

The Corporation has entered into property development agreements which require the developers to contribute various infrastructure assets to the Corporation, including roads and underground networks. The timing and extent of these future contributions vary depending on development activity and fair value of the assets at time of contribution which cannot be determined with certainty at this time.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2022

11. Accumulated surplus:

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2022	2021
Equity in tangible capital assets	\$ 127,193,466	\$ 117,271,334
Less: related debt	(3,075,679)	(3,669,042)
	124,117,787	113,602,292
Unrestricted surplus:		
Town of Greater Napanee	542,754	1,119,015
Napanee Business Improvement Area	–	82,889
	542,754	1,201,904
Unfinanced:		
Capital projects	(7,978,895)	(3,349,193)
Landfill closure and post-closure costs	(731,158)	(119,631)
Employee costs	(428,535)	(398,172)
	(9,138,588)	(3,866,996)
Reserve and reserve funds (schedule 1)	16,269,212	20,460,845
	\$ 131,791,165	\$ 131,398,045

In the 2021 fiscal year, the financial statements were presented on a consolidated basis to include the activity of the Downtown Napanee Business Improvement Area as a controlled Board of the Corporation. On April 26, 2022 Napanee Council passed By-law No. 2022-0025 to dissolve the Downtown Napanee Business Improvement Area and all assets and liabilities of the Board were assumed by the Corporation.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2022

12. Segmented information:

The Corporation's services are provided by departments. Certain departments that have been separately disclosed in the segmented information, along with services they provide, are as follows:

(a) General Government:

General government is comprised of council, chief administrative office (CAO), community and corporate services department, and finance department. A municipal council is the ultimate authority, subject to provincial law, for all actions taken on behalf of the municipal corporation in that it exercises both executive and legislative roles. It fulfills its role by making policies in accordance with the wishes and concerns of the general public, subject to provincial laws, policies and directives. Council plays a managerial role by monitoring ongoing administrative performance and ensuring the best care of resources. The chief administrative officer is responsible to council for the general control and management of the affairs of the Corporation as prescribed by council. The CAO, as head of the corporation's civic administration, provides leadership and direction to the senior management team, coordinates the administrative functions of the Corporation and exercises general management and control of operations. The CAO's office ensures coordinated responsible services are delivered to residents and businesses in accordance with the approved policies and directions. The community and corporate services department consists of clerks & by-law enforcement department, economic development department, information technology department and recreation department. Clerks and by-law enforcement department is responsible for the following service areas: birth and death certificates, marriage licenses, lottery and taxi licensing, by-laws and minutes, by-law enforcement, requests for information, crossing guards and dog and kennel licensing.

The finance department is responsible for the administration of taxes, water and wastewater billing, accounts payable and receivable, financial statements and all other financial information and reporting for the Corporation.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2022

12. Segmented information (continued):

(b) Protection to Persons and Property:

Protection to persons and property is comprised of police services, emergency services, and bylaw enforcement. Police services are provided by the Ontario provincial police whose mandate is the safety of lives and property of citizens, preserve peace and good order, prevent crimes from occurring, detect offenders and enforce the law. The emergency services goal is to ensure that we protect our residents and properties in our community through prompt emergency response in the event of fire, accident or disaster relief, and in our commitment to meeting the health, safety and accessibility needs of all people. By-law enforcement department of community and corporate services is committed to serve, protect and provide a desired quality of life for citizens and visitors through education to raise awareness of community standards and enforcement of by-Laws to ensure timely compliance with a professional, unbiased approach.

(c) Transportation Services:

As part of infrastructure services the public works department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, storm water management, parking, fleet, and street lighting.

(d) Environmental Services:

The Corporation contracts with Waste Management Inc. for the collection and disposal of household and commercial solid waste. The Corporation contracts with Waste Management Inc. for the collection of household recycling. The Corporation owns and operates two landfill sites within the municipal limits. Twice a year the Corporation provides free pickup of leaf and yard waste. The Corporation occasionally provides free drop off of Hazardous Household waste. As part of infrastructure services the utilities department owns and operates its water and wastewater treatment plants and is responsible for water distribution and wastewater collection systems.

(e) Recreation and Cultural Services:

As part of community and corporate service the recreation department is a social service with its purpose to assist individual and community development, to enhance social functioning and to improve the quality of life. The recreation department provides accessible recreational programs including aquatics, minor ball and skating. Infrastructure services is responsible for the Corporation's facilities, including community halls, arenas, pools, parks, ball diamonds, soccer fields, tennis courts and boat launches.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2022

12. Segmented information (continued):

(f) Planning and Development:

As part of infrastructure services the planning department is responsible for building and planning matters within the municipality including the issuance of building permits, land severance and minor variance applications, applications for official plan amendments and zoning by-law amendments, site plan control and subdivision matters and property standards inspections. As part of community and corporate services, economic development services is geared to assisting the existing business community while also encouraging new business development and growth to ensure a strong and diversified economic base.

The Napanee Business Improvement Area, under the municipal government, is mandated to promote and encourage local businesses by attracting residents and visitors to the areas shops, other attractions and enterprises, by means of beautification, revitalization and special promotions.

(g) Health Services

Health Services comprises cemetery operations and maintenance and doctor recruitment programs.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2022

12. Segmented information (continued):

2022	Protection to			Recreation			Health Services	Total
	General Government	Persons and Property	Transportation Services	Environmental Services	and culture Services	Planning and Development		
Revenue								
User charges	\$ 129,846	\$ 1,238,011	\$ 206,667	\$ 7,428,885	\$ 1,013,246	\$ 158,592	\$ 103,563	\$ 10,278,810
Government transfers	1,636,600	(823)	1,004,400	273,004	10,762	-	-	2,923,943
Donations	2,307	10,050	-	-	1,230	-	200	13,787
Other	-	-	3,870	-	-	-	-	3,870
	1,768,753	1,247,238	1,214,937	7,701,889	1,025,238	158,592	103,763	13,220,410
Expenses								
Salaries and wages	2,221,107	2,184,060	1,908,400	1,947,012	1,498,908	379,817	147,811	10,287,115
Interest on long-term debt	-	-	63,064	-	29,873	-	-	92,937
Materials and supplies	894,660	516,493	1,834,725	2,200,862	1,092,994	90,663	57,769	6,688,166
Contracted services	212,429	4,249,837	316,554	1,516,964	304,851	201,942	109,982	6,912,559
Rents and financial expenses	27,726	1,125	55,631	27,589	45,449	-	430	157,950
External transfers	18,200	247,763	-	-	-	-	5,963	271,926
Amortization	171,701	319,972	2,663,643	1,119,573	472,037	17,037	124	4,764,087
	3,545,823	7,519,250	6,842,017	6,812,000	3,444,112	689,459	322,079	29,174,740
Excess of revenue over expenses (expenses over revenue)	(1,777,070)	(6,272,012)	(5,627,080)	889,889	(2,418,874)	(530,867)	(218,316)	(15,954,330)
Funding through:								
Taxation								13,138,298
Investment income								281,509
Interest and penalties								394,669
								13,814,476
Annual deficit from operations								\$ (2,139,854)

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2022

12. Segmented information (continued):

2021	Protection to		Transportation Services	Environmental Services	Recreation and culture Services	Planning and Development	Health Services	Total
	General Government	Persons and Property						
Revenue								
User charges	\$ 65,055	\$ 790,482	\$ 141,275	\$ 7,199,859	\$ 808,189	\$ 148,430	\$ 69,550	\$ 9,222,840
Government transfers	1,857,249	325,041	980,493	135,509	-	4,000	-	3,302,292
Donations	3,160	-	-	-	4,315	-	200	7,675
Other	9,324	97,124	7,470	5,150	-	-	-	119,068
	1,934,788	1,212,647	1,129,238	7,340,518	812,504	152,430	69,750	12,651,875
Expenses								
Salaries and wages	1,718,276	1,928,196	1,624,310	1,771,319	1,270,487	384,578	99,876	8,797,042
Interest on long-term debt	-	-	67,907	-	47,691	-	-	115,598
Materials and supplies	764,023	437,539	1,475,130	1,268,356	828,981	87,521	43,264	4,904,814
Contracted services	147,647	4,448,847	327,388	1,430,258	339,190	145,306	93,726	6,932,362
Rents and financial expenses	25,237	999	30,220	38,129	80,803	35	3,206	178,629
External transfers	15,000	210,273	-	-	-	-	15,595	240,868
Amortization	172,039	319,972	2,663,643	1,042,023	472,037	17,375	124	4,687,213
	2,842,222	7,345,826	6,188,598	5,550,085	3,039,189	634,815	255,791	25,856,526
Excess of revenue over expenses (expenses over revenue)	(907,434)	(6,133,179)	(5,059,360)	1,790,433	(2,226,685)	(482,385)	(186,041)	(13,204,651)
Funding through:								
Taxation								12,941,324
Development charges								28,009
Investment income								126,978
Interest and penalties								491,300
								13,587,611
Annual surplus from operations								\$ 382,960

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2022

13. Operation Of School Board and The County of Lennox and Addington:

Further to Note 1, the taxation, other revenues and expenditures of school boards and the County of Lennox and Addington are comprised of the following:

	2022		2021	
	School Boards	County	School Boards	County
Taxation	\$ 4,845,219	\$ 12,166,353	\$ 4,913,290	\$ 11,919,507
Requisitions	4,845,219	\$ 12,166,353	4,913,290	11,919,507
	\$ -	\$ -	\$ -	\$ -

14. Trust funds:

Trust funds administered by the Corporation amounting to \$717,360 (2021 – \$663,274) have not been included in the Statement of Financial Position, nor have their operations been included on the Statement of Operations.

15. Pension contributions:

The Corporation makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of members of its staff. As a result, the Corporation does not recognize any share of the OMERS pension surplus or deficit. The last available report was at December 31, 2022 and at that time, the plan reported a \$6.7 billion actuarial deficit (2021 - \$3.1 billion actuarial deficit). The plan is a contributory defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employers and employees contribute to the plan.

The amount contributed to OMERS for current service in 2022 was \$659,594 (2021 - \$566,461). The Corporation's contributions are included on the Statement of Operations and Accumulated Surplus classified under the appropriate functional expenditure headings.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2022

16. Budget figures:

The budget figures reported on the Statement of Operations and Accumulated Municipal Equity are based on the 2022 municipal and other local board operating and capital budgets as approved by Town Council on December 14, 2021.

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 Town operating budgets and PSAB budget estimates to the total budget figures as reported on the Statement of Operations and Accumulated Surplus.

	Budget 2022
Total operating revenue as reported on the Statement of Operations	\$ 24,613,373
Total capital revenue as reported on the Statement of Operations	2,020,139
Total expenses as reported on the Statement of Operations	(19,901,210)
Annual operating surplus	6,732,302
Budget not reported on financial statements:	
Operating net transfer to reserves	(437,868)
Principal debt repayments	(913,442)
Tangible capital assets additions	(9,738,631)
Capital net transfer to reserve	4,357,639
	\$ -

17. Comparative information:

Certain comparative information for 2021 have been reclassified to reflect the financial statement presentation adopted for 2022.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Schedule 1 – Schedule of Continuity of Reserve and Reserve Funds

	2022	2021
Reserves:		
Acquisition of capital assets and debt reduction	\$ 92,582	\$ 979,520
Arena reserve	277,873	277,873
Arena user surcharge	719,813	678,848
Assessment appeals	329,861	329,861
Conservation Authority	33,842	65,005
Election	7,193	60,000
Accessibility reserve	61,000	56,000
Policing reserve	19,688	19,688
Recreational and cultural services capital reserve	61,626	61,626
Safe Recovery Act	–	223,349
Strategic Plan	52,357	150,000
Working capital	1,892,102	5,200,444
Industrial lands	116,139	–
Physician recruitment	93,604	174,802
	3,757,680	8,277,016
Reserve funds:		
Napanee Hydro Electric Commission proceeds	3,680,009	3,680,009
Capital improvement fund	605,750	1,490,301
Emergency operating	1,641,823	1,641,823
Maintenance reserve fund	6,583,950	5,371,696
	12,511,532	12,183,829
	\$ 16,269,212	\$ 20,460,845