

Financial Statements of

**CORPORATION OF THE
TOWN OF GREATER NAPANEE**

Year ended December 31, 2023

CORPORATION OF THE TOWN OF GREATER NAPANEE

Table of Contents

Year ended December 31, 2023

	Page
Management’s Responsibility for the Financial Statements	
Independent Auditor's Report	
Financial Statements:	
Statement of Financial Position	1
Statement of Operations and Accumulated Surplus.....	2
Statement of Changes in Net Financial Assets (Debt)	3
Statement of Cash Flows.....	4
Notes to Financial Statements	5
Schedule 1 – Schedule of Reserve and Reserve Funds	35

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.



Matthew Grant (Nov 25, 2025 19:19:08 EST)

Matthew Grant, Chief Administrative Officer



Ellen Hamel, Treasurer/General Manager
Financial Services



KPMG LLP

863 Princess Street, Suite 400
Kingston, ON K7L 5N4
Canada
Telephone 613 549 1550
Fax 613 549 6349

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, 2023
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets (debt) 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 debt 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.



Emphasis of Matter – Change in Accounting Policy

We draw attention to Note 19 to the financial statements which indicates that the Entity has changed its accounting policy for Asset Retirement Obligations, as a result of adoption of PS 3280 *Asset Retirement Obligations*, and has applied the change using the prospective method.

Our opinion is not modified in respect of this matter.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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

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

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

We also:

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



Page 3

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

October 14, 2025

CORPORATION OF THE TOWN OF GREATER NAPANEE

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Financial assets:		
Cash	\$ 12,999,343	\$ 14,246,158
Taxes receivable	2,703,650	2,366,535
Accounts receivable	3,891,560	914,325
User charges receivable	965,656	941,268
Inventory for resale	91,275	—
Long-term receivable	4,102	6,377
Investments (note 2)	3,390,162	3,452,740
	24,045,748	21,927,403
Financial liabilities:		
Accounts payable and accrued liabilities	5,150,568	4,520,360
Prepaid property taxes	289,338	241,825
Asset retirement obligations (note 6)	5,916,304	731,158
Employee future benefit obligations (note 5)	869,410	428,535
Deferred revenue (note 7)	11,405,113	9,079,245
Long-term debt (note 8)	2,463,034	3,075,679
	26,093,767	18,076,802
Net financial assets (debt)	(2,048,019)	3,850,601
Non-financial assets:		
Tangible capital assets (note 3)	136,025,063	127,193,466
Prepaid expenses	841,145	747,098
	136,866,208	127,940,564
Contingent liabilities (note 9)		
Commitments (note 10)		
Accumulated surplus (note 12)	\$ 134,818,189	\$ 131,791,165

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 2023

	Budget 2023 (note 18)	Actual 2023	Actual 2022
Revenue:			
Taxation:			
Municipal	\$ 13,436,878	\$ 13,857,873	\$ 12,978,730
Other governments	198,000	150,386	159,568
User charges	9,808,692	10,226,733	9,797,149
Recovery of costs	116,420	752,071	481,661
Government transfers:			
Government of Canada	5,100	4,500	6,728
Province of Ontario	2,343,367	2,057,114	1,912,815
Other municipalities	1,031,226	1,004,400	1,004,400
Investment income	380,000	758,508	281,509
Interest and penalties on taxes	400,000	381,271	394,669
Donations	34,787	4,867	13,787
Miscellaneous	43,176	50,549	3,870
	27,797,646	29,248,272	27,034,886
Expenses (note 13):			
General government	3,198,143	3,724,589	3,545,823
Protection to persons and property	6,966,998	7,780,565	7,519,250
Transportation services	4,320,002	7,766,191	6,842,017
Environmental services	5,760,954	7,198,031	6,812,000
Recreation and cultural services	2,895,914	4,175,221	3,444,112
Planning and development	688,655	1,070,101	689,459
Health services	345,881	362,225	322,079
	24,176,547	32,076,923	29,174,740
Annual surplus (deficit) from operations	3,621,099	(2,828,651)	(2,139,854)
Revenue (expense) related to capital:			
Municipal taxation	271,000	270,217	681,170
Taxation from other governments	—	1,089	2,903
Government transfers:			
Government of Canada	2,925,931	1,412,704	539,738
Government of Ontario	1,112,418	1,877,318	1,309,726
Development charges	—	—	381,199
Donations and miscellaneous	35,500	256,470	35,670
Gain (loss) on sale of tangible capital assets	—	2,037,877	(417,432)
	4,344,849	5,855,675	2,532,974
Annual surplus	7,965,948	3,027,024	393,120
Accumulated surplus, beginning of year	131,791,165	131,791,165	131,398,045
Accumulated surplus, end of year	\$ 139,757,113	\$ 134,818,189	\$ 131,791,165

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 (Debt)

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

	Budget 2023 (note 18)	Actual 2023	Actual 2022
Annual surplus	\$ 7,965,948	\$ 3,027,024	\$ 393,120
Amortization of tangible capital assets	—	5,680,879	4,764,086
Acquisition of tangible capital assets	(9,076,855)	(10,475,550)	(15,360,013)
Acquisition of tangible capital assets for asset retirement	—	(5,064,267)	—
Loss (gain) on disposal of tangible capital assets	—	(2,037,877)	417,432
Proceeds on disposal of tangible capital assets	—	3,065,218	256,363
Acquisition of prepaid expenses	—	(94,047)	(98,578)
Change in net financial assets	(1,110,907)	(5,898,620)	(9,627,590)
Net financial assets, beginning of year	3,850,601	3,850,601	13,478,191
Net financial assets (debt), end of year	\$ 2,739,694	\$ (2,048,019)	\$ 3,850,601

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, 2023, with comparative information for 2022

	2023	2022
Operating activities:		
Annual surplus	\$ 3,027,024	\$ 393,120
Item not involving cash:		
Amortization of tangible capital assets	5,680,879	4,764,086
Loss (gain) on disposal of tangible capital assets	(2,037,877)	417,432
Change in employee benefits obligations	440,875	30,383
Change in asset retirement obligations	5,185,146	611,507
Change in tangible capital assets for asset retirement	(5,064,267)	—
Change in non-cash operating working capital:		
Taxes receivable	(337,115)	495,296
Accounts receivable	(2,977,235)	(239,364)
User charges receivable	(24,388)	(84,340)
Inventory for resale	(91,275)	—
Prepaid expenses	(94,047)	(98,578)
Accounts payable and accrued liabilities	630,208	385,234
Prepaid property taxes	47,513	(50,512)
Deferred revenue	2,325,868	1,639,867
	6,711,309	8,264,131
Capital activities:		
Acquisition of tangible capital assets	(10,475,550)	(15,360,013)
Proceeds on disposal of tangible capital assets	3,065,218	256,363
	(7,410,332)	(15,103,650)
Investing activities:		
Purchase of investments	—	(3,452,740)
Proceeds from disposal of investments	62,578	4,279,317
Repayment (advance) of long-term receivable	2,275	(1,410)
	64,853	825,167
Financing activities:		
Repayment of long-term debt	(612,645)	(943,363)
Decrease in cash	(1,246,815)	(6,957,715)
Cash, beginning of year	14,246,158	21,203,873
Cash, end of year	\$ 12,999,343	\$ 14,246,158

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, 2023

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 Corporation of 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) Inventories and prepaid expenses:

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

(e) 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.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(f) 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.

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.

(g) 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.

(h) 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 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 recorded as deferred revenue and recognized as revenue as the liability is extinguished.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(i) 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.

(j) Financial instruments:

On January 1, 2023, the Corporation adopted PS 3450 *Financial Instruments* which establishes accounting and reporting for all types of financial instruments, including derivatives as disclosed in Note 19. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost.

Management has not elected to subsequently record any investments at fair value as they are not managed and evaluated on a fair value basis.

On application of this standard, unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses which records the remeasurement gains and losses for financial instruments measured at fair value. Unrealized gains and losses are realized upon settlement of the financial instrument when the financial instrument is sold or reaches maturity through the Statement of Operations and Accumulated Surplus. Changes in the fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met, upon which the gain or loss is recognized in the Statement of Operations and Accumulated Surplus.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(j) Financial instruments (continued):

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations and Accumulated Surplus and any unrealized gain or loss is adjusted through the Statement of Remeasurement Gains and Losses.

Long-term debt is recorded at amortized cost.

Establishing fair value:

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

Fair value hierarchy:

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(i) Foreign currency

Foreign currency transactions are recorded at the exchange rate at the time of the transaction.

Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the Statement of Remeasurement Gains and Losses. In the period of settlement, the realized foreign exchange gains and losses are recognized in the Statement of Operations and Accumulated Surplus and the unrealized balances are reversed from the Statement of Remeasurement Gains and Losses.

(j) Statement of Remeasurement Gains and Losses:

A Statement of Remeasurement Gains and Losses has not been provided as there are no significant unrealized gains or losses at December 31, 2023 or 2022.

(k) 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.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(k) Tangible capital assets (continued):

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

When conditions indicate that a tangible capital asset no longer contributes to the 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(p) Asset retirement obligations:

An asset retirement obligation ("ARO") is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The liability for closure of operational sites and post-closure care relating to landfill sites has been recognized based on estimated future expenses. The liability is discounted using a present value calculation and adjusted annually for accretion expense. Assumptions used in subsequent calculations are revised annually.

The liability for the removal of asbestos in several of the buildings owned by the Corporation has been recognized based on estimated undiscounted future expenses. The recognition of the liability resulted in an accompanying increase to the respective tangible capital assets. The increase to the tangible capital assets is being amortized in accordance with the accounting policies outlined in note 1(k).

Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liabilities are recognized in the Statement of Operations and Accumulated Surplus at the time of remediation.

(q) 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:

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

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(q) Liability for contaminated sites:

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.

(r) 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 defined contribution plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

Employee benefits include vacation entitlement, sick leave benefits and benefits under the Workplace Safety and Insurance Board Act. Vacation entitlements are accrued as entitlements are earned. Sick leave benefits are accrued in accordance with the Corporation's policy.

(s) 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. Significant areas requiring the use of management's estimates include the actuarial assumptions used to develop the employee future benefit obligation, asset retirement obligations and the carrying value of tangible capital assets. Actual results could differ from these estimates.

2. Investments:

Investments consist of guaranteed investment certificates yielding interest between 1.324% to 4.38%, with maturities ranging from January 2024 to July 2024. Investments which matured subsequent to year-end have been reinvested.

Included in accounts receivable is \$138,429 (2022 - \$63,245) of accrued interest on guaranteed investment certificates.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2023

3. Tangible capital assets:

Cost	Balance, December 31, 2022	Asset retirement obligations	Additions	Disposals/ adjustments	Balance, December 31, 2023
General capital:					
Land	\$ 9,061,548	\$ —	\$ 5,933	\$ (184,582)	\$ 8,882,899
Land improvements	1,960,787	—	—	(44,037)	1,916,750
Land improvements asset retirement	—	4,579,079	—	—	4,579,079
Buildings	21,634,549	—	138,858	(905,504)	20,867,903
Buildings asset retirement	—	485,188	—	—	485,188
Vehicles	10,932,368	—	218,003	(124,815)	11,025,556
Other equipment	8,975,209	—	276,358	(128,178)	9,123,389
Plant and facilities	16,443,003	—	10,904	—	16,453,907
General capital total	69,007,464	5,064,267	650,056	(1,387,116)	73,334,671
Infrastructure:					
Roads	88,397,917	—	6,005,980	(1,773,976)	92,629,921
Underground and other networks	54,299,737	—	2,044,529	(437,619)	55,906,647
Bridges and structures	6,050,913	—	656,540	—	6,707,453
Assets under construction	6,326,184	—	1,118,445	—	7,444,629
Infrastructure total	155,074,751	—	9,825,494	(2,211,595)	162,688,650
Grand total	\$ 224,082,215	\$ 5,064,267	\$ 10,475,550	\$ (3,598,711)	\$ 236,023,321

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2023

3. Tangible capital assets (continued):

Accumulated amortization	Balance, December 31, 2022	Amortization	Disposals	Balance, December 31, 2023
General capital:				
Land	\$ —	\$ —	\$ —	\$ —
Land improvements	879,324	88,361	(64,124)	903,561
Land improvements asset retirement	—	245,125	—	245,125
Buildings	6,015,896	495,437	(357,937)	6,153,396
Building asset retirement	—	16,187	—	16,187
Vehicles	5,855,133	587,112	(147,055)	6,295,190
Other equipment	4,952,082	452,811	(98,839)	5,306,054
Plant and facilities	7,180,121	347,935	—	7,528,056
General capital total	24,882,556	2,232,968	(667,955)	26,447,569
Infrastructure:				
Roads	52,348,218	2,752,076	(1,596,370)	53,503,924
Underground and other networks	17,042,127	544,146	(307,045)	17,279,228
Bridges and structures	2,615,848	151,689	—	2,767,537
Infrastructure total	72,006,193	3,447,911	(1,903,415)	73,550,689
Grand total	\$ 96,888,749	\$ 5,680,879	\$ (2,571,370)	\$ 99,998,258

	Net book value December 31, 2023	Net book value December 31, 2022
General capital:		
Land	\$ 8,882,899	\$ 9,061,548
Land improvements	1,013,189	1,081,463
Land improvements asset retirement	4,333,954	—
Buildings	14,714,507	15,618,653
Buildings asset retirement	469,001	—
Vehicles	4,730,366	5,077,235
Other equipment	3,817,335	4,023,127
Plant and facilities	8,925,851	9,262,882
General capital total	46,887,102	44,124,908
Infrastructure:		
Roads	39,125,997	36,049,699
Underground and other networks	38,627,419	37,257,610
Bridges and structures	3,939,916	3,435,065
Assets under construction	7,444,629	6,326,184
Infrastructure total	89,137,961	83,068,558
Grand total	\$ 136,025,063	\$ 127,193,466

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2023

3. Tangible capital assets (continued):

Contributed tangible capital assets:

During the current year the value of contributed capital assets is \$Nil (2022 - \$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 (2022 - \$Nil) was utilized at year end.

5. Employee future benefit obligations:

Employee future benefit obligations is comprised of:

Staff retiring allowance (note a)

Non-pension retirement benefits (note b)

(a) 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.

(b) Non-pension retirement benefits

The Corporation provides non-pension retirement benefits for extended health care, dental and other benefits to specific groups of employees. Eligibility is based upon unreduced retirement until age 65. The Corporation's cost is 100% of the monthly premium for firefighters and 50% for all other employees.

An independent actuarial study of the employee non-pension benefits has been undertaken. The most recent valuation of the employee future benefit was effective January 1, 2023.

Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employee groups, which is estimated to be 12.9 years.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2023

5. Employee future benefit obligations (continued):

The accrued benefit obligation relating to the employee non-pension retirement benefits has been actuarially determined using the projected benefit method pro-rated on services. At December 31, 2023, based on actuarial valuation, the accrued benefit liability was \$481,363.

The significant actuarial assumptions adopted in estimating the Corporation's accrued benefit obligation are as follows:

Discount rate	4.25% (2022 - 4.55%)
Trend rates	7.50% decreasing by 0.50% annually to 4.00%
Employee Turnover	4.50% decreasing to 1.00% after 25 years of service, none after age 55
Retirement age	Earlier of age 62 or age plus service totals 90 with at least 30 years of service (age 60 or 85 with at least 20 years of service for Fire)

Employee future benefit obligations are comprised of:

	2023	2022
Staff retiring allowance	\$ 388,047	\$ 428,535
Non-pension retirement benefits	481,363	—
	\$ 869,410	\$ 428,535

The continuity of non-pension retirement benefits liability for 2023 is as follows:

	2023
Balance, beginning of year	\$ 472,394
Current service costs	24,054
Interest cost	21,215
Benefits paid	(36,300)
Balance, end of year	\$ 481,363

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2023

5. Employee future benefit obligations (continued):

The accrued benefit liability at December 31, includes the following:

		2023
Accrued benefit obligation	\$	489,055
Unamortized actuarial gain (loss)		(7,692)
Balance, end of year	\$	481,363

6. Asset retirement obligations:

The Corporation's asset retirement obligations consist of the following:

(a) Landfill obligation:

The Corporation owns and operates two solid waste landfill sites, one of which is operational, South Fredricksburg and one of which is closed, Roblin.

The Ontario Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites.

The liability for the closure of operational sites and post-closure care for all the sites has been recognized under PS 3280 Asset Retirement Obligations. The costs were based upon the presently known obligations that will exist at the estimated year of closure of the sites and for a minimum of 25 years post this date. As at December 31, 2023, the landfill had an estimated remaining useful life of 40 years estimated based on current waste generation rates. Post-closure care is estimated to be required for a minimum 25 years from the date of site closure. The Corporation recognized an obligation relating to the removal and post-removal care of the landfill. These costs were discounted using a discount rate of 2.20% (2022 - 6%) per annum and an inflation rate of 4.53% (2022 - 6%) per annum.

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.

(b) Asbestos obligation:

The Corporation owns and operates several buildings that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. Following the adoption of PS 3280 Asset Retirement Obligations, the Corporation assessed an obligation relating to the removal and post-removal care of the asbestos in these building as estimated at January 1, 2023 that was lower than the thresholds set out in note 1(k). Post-closure care is estimated to extend for up to a year post the closure of the building, while demolition and construction continues. Estimated costs have not been discounted as the date of demolition is unknown.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2023

6. Asset retirement obligations (continued):

The change in the estimated obligation during the year consists of the following:

	Landfill closure	Asbestos and other removal	Total
Liabilities for asset retirement obligations, beginning of year	\$ 731,158	\$ —	\$ 731,158
Opening adjustment on adoption of PS 3280 asset retirement obligations (note 19):			
Tangible capital asset	4,579,079	485,188	5,064,267
Tangible capital assets fully amortized	—	77,250	77,250
Accretion expense	43,629	—	43,629
Liabilities for asset retirement obligations, end of year	\$ 5,353,866	\$ 562,438	\$ 5,916,304

7. Deferred revenue:

The balance of deferred revenue consists of the following:

	December 31 2022	Received	Interest	Utilized	December 31, 2023
Obligatory reserve funds:					
Development charges	\$ 5,057,902	\$ 1,482,075	\$ 296,061	\$ —	6,836,038
Canada Community Building Fund	—	—	—	—	—
Building permits surplus	—	286,113	—	—	286,113
Parkland	80,765	—	—	—	80,765
Water and wastewater utilities - impost fees	3,359,490	191,161	170,867	—	3,721,518
	8,498,157	1,959,349	466,928	—	10,924,434
Other:					
Developer contributions	152,000	—	—	(125,000)	27,000
Clean waste-water funds	242,098	—	—	(242,098)	—
Recreation	37,637	404,339	—	—	441,976
Deferred deposits	149,353	—	—	(137,650)	11,703
	581,088	404,339	—	(504,748)	480,679
	\$ 9,079,245	\$ 2,363,688	\$ 466,928	\$ (504,748)	\$ 11,405,113

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2023

7. Deferred revenue (continued):

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.

8. Long-term debt:

Long-term debt consists of the following:

	2023	2022
Strathcona Paper Centre	\$ 187,749	\$ 723,300
OMEIFA loan	2,275,285	2,352,379
	<u>\$ 2,463,034</u>	<u>\$ 3,075,679</u>

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

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

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2023

8. Long-term debt (continued):

Principal repayments are estimated to be as follows:

Year	Amount
2024	\$ 266,688
2025	81,116
2026	83,354
2027	85,653
2028	88,017
2029 and thereafter	1,858,206
	<hr/>
	\$ 2,463,034

9. 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.

10. 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 2023 year garbage collection and disposal services were \$749,009 (2022 -\$766,226) and for recycling collection and processing were \$599,263 (2022 - \$640,588).
- (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. The current status is the Corporation is under a non-contract option. Charges for 2023 for police services were \$3,960,999 (2022 - \$3,995,412).

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2023

10. Commitments (continued):

- (c) As at December 31, 2023 the Corporation has capital project contractual commitments as follows:

Contractual commitments from 2023 projects	\$ 2,300,000
Contractual commitments for 2024 projects approved after 2023	701,000
Contractual commitments for 2025 projects approved after 2023:	
Equipment additions	1,109,000
Construction of water pollution control plant	75,500,000
	\$ 79,610,000

The water pollution control plant will be funded from Federal and Provincial grants, reserves and issuance of long-term debt.

- (d) The Corporation has committed funding to the Kingston Community Health Center over a 24-month period. The commitment is as follows:

Year	Amount
2024	\$ 235,107
2025	313,476
2026	78,369
	\$ 626,952

11. 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, 2023

12. Accumulated surplus:

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

	2023	2022
Equity in tangible capital assets	\$ 136,025,063	\$ 127,193,466
Less: related debt	(2,463,034)	(3,075,679)
	133,562,029	124,117,787
Unrestricted surplus:		
Town of Greater Napanee	333,376	542,754
Unfinanced:		
Capital projects	(8,211,121)	(7,978,895)
Landfill closure and post-closure costs	(5,353,866)	(731,158)
Asset retirement obligation other	(562,438)	—
Employee costs	(869,410)	(428,535)
Reserve and reserve funds (schedule 1)	15,919,619	16,269,212
	\$ 134,818,189	\$ 131,791,165

13. 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, co-ordinates 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

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2023

13. Segmented information (continued):

(a) General Government (continued):

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.

(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.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2023

13. Segmented information (continued):

(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.

(f) Planning and Development:

As part of infrastructure services the planning department is responsible for building and planning matters within the Town, 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, 2023

13. Segmented information (continued):

2023	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Recreation and culture Services	Planning and Development	Health Services	Total
Revenue								
User charges	\$ 60,155	\$ 574,849	\$ 340,308	\$ 7,869,215	\$ 1,215,331	\$ 57,100	\$ 109,775	\$ 10,226,733
Recovery of costs	8,374	62,027	338,625	31,478	42,176	269,391	-	752,071
Government transfers								
Province of Ontario	1,653,402	85,276	716	313,042	-	4,678	-	2,057,114
Government of Canada	-	-	-	-	3,000	1,500	-	4,500
Other municipalities	-	-	1,004,400	-	-	-	-	1,004,400
Donations	-	-	-	-	2,167	2,500	200	4,867
Other	30,825	-	19,724	-	-	-	-	50,549
	1,752,756	722,152	1,703,773	8,213,735	1,262,674	335,169	109,975	14,100,234
Expenses								
Salaries and wages	2,063,989	2,307,649	2,065,324	2,158,349	1,530,250	573,047	181,914	10,880,522
Interest on long-term debt	-	-	63,925	-	13,843	-	-	77,768
Materials and supplies	1,132,370	585,766	2,178,083	1,958,935	1,720,050	162,744	52,498	7,790,446
Contracted services	147,877	4,231,226	263,103	1,526,756	324,176	328,131	104,297	6,925,566
Rents and financial expenses	107,175	18,841	111	172,625	92,855	-	388	391,995
External transfers	35,500	280,727	-	-	-	-	13,520	329,747
Amortization	237,678	356,356	3,195,645	1,381,366	494,047	6,179	9,608	5,680,879
	3,724,589	7,780,565	7,766,191	7,198,031	4,175,221	1,070,101	362,225	32,076,923
Surplus (deficit)	(1,971,833)	(7,058,413)	(6,062,418)	1,015,704	(2,912,547)	(734,932)	(252,250)	(17,976,689)
Funding through:								
Taxation								13,857,873
Taxation from other governments								150,386
Investment income								758,508
Interest and penalties								381,271
								15,148,038
Annual deficit from operations								\$ (2,828,651)

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2023

13. Segmented information (continued):

2022	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Recreation and culture Services	Planning and Development	Health Services	Total
Revenue								
User charges	\$ 58,170	\$ 1,141,981	\$ 79,784	\$ 7,395,232	\$ 926,863	\$ 91,556	\$ 103,563	\$ 9,797,149
Recovery of costs	71,676	96,030	126,883	33,653	86,383	67,036	-	481,661
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
Surplus (deficit)	(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, 2023

14. 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 Corporation of the County of Lennox and Addington are comprised of the following:

	2023		2022	
	School Boards	County	School Boards	County
Taxation	\$ 4,915,657	\$ 12,966,465	\$ 4,845,219	\$ 12,166,353
Requisitions	(4,915,657)	(12,966,465)	(4,845,219)	(12,166,353)
	\$ —	\$ —	\$ —	\$ —

15. Trust funds:

Trust funds administered by the Corporation amounting to \$754,121 (2022 – \$717,360) have not been included in the Statement of Financial Position, nor have their operations been included on the Statement of Operations and Accumulated Surplus.

16. 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, 2023 and at that time, the plan reported a \$4.2 actuarial deficit (2022 - \$6.7 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 2023 was \$687,225 (2022 - \$659,594). 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, 2023

17. Financial instruments and risk management:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Corporation is exposed to credit risk with respect to accounts receivables on the Statement of Financial Position.

The Corporation assesses, on a continuous basis, amounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Corporation at December 31, 2023 is the carrying value of these assets. The carrying amount of amounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Statement of Operations and Accumulated Surplus. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Statement of Operations and Accumulated Surplus.

	Current	Past due	Gross receivables	Allowances	Net receivables
Taxes receivable	\$ 1,866,424	\$ 1,417,567	\$ 3,283,991	\$ (580,341)	\$ 2,703,650
Accounts receivable	3,825,664	226,296	4,051,960	(160,400)	3,891,560
User charges receivable	965,656	—	965,656	—	965,656
Total	\$ 6,657,744	\$ 1,643,863	\$ 8,301,607	\$ (740,741)	\$ 7,560,866

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, impact the Corporation's income or the value of its holdings of financial instruments. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

There have been no significant changes to the market risk exposure from 2022.

(i) Currency risk:

Currency risk arises from the Corporation's operations in different currencies and converting non-Canadian earnings at different points in time at different foreign currency levels when adverse changes in foreign currency rates occur. The Corporation does not have any material transactions or financial instruments denominated in foreign currencies.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2023

17. Financial instruments and risk management (continued):

(a) Market risk (continued):

(ii) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Corporation to cash flow interest rate risk.

The Corporation's management monitors the interest rate fluctuations on a continuous basis and acts accordingly with regards to long-term debt as described in Note 8. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the long-term debt.

(iii) Equity risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Corporation is not exposed to this risk based on the current investment portfolio.

(c) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet all of its cash outflow obligations as they come due. The Corporation mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. Accounts payable are all current and the terms of the long-term debt are disclosed in Note 8.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2023

18. Budget figures:

The budget figures reported on the Statement of Operations and Accumulated Municipal Equity are based on the 2023 municipal and other local board operating and capital budgets as approved by the Corporation's Council on April 25, 2023.

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

	Budget 2023	Actual 2023
Total operating revenue as reported on the Statement of Operations	\$ 27,797,646	\$ 29,248,272
Total capital revenue as reported on the Statement of Operations	4,344,849	5,855,675
Total expenses as reported on the Statement of Operations	(24,176,547)	(32,076,923)
Annual operating surplus	7,965,948	3,027,024
Budget not reported on financial statements:		
Operating net transfer to reserves	(2,472,422)	(1,454,523)
Principal debt repayments	(612,976)	(612,645)
Tangible capital assets additions	(9,076,855)	(10,475,550)
Tangible capital assets additions for asset retirement	—	(5,064,267)
Tangible capital assets net book value of disposals	—	1,027,341
Capital net transfer from reserve	3,946,305	1,804,116
Unfunded asset retirement obligations	—	5,185,146
Unfunded employee future benefits	—	440,875
Amortization of tangible capital assets	—	5,680,879
	\$ (250,000)	\$ (441,604)
Comprised of:		
Change in municipal surplus	\$ (250,000)	\$ (209,378)
Change in unfunded capital	—	(232,226)
	\$ (250,000)	\$ (441,604)

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2023

19. Change in accounting policy – adoption of new accounting standards:

- (a) The Corporation adopted the following standards concurrently beginning January 1, 2023 prospectively: PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation*, PS 3041 *Portfolio Investments*, and PS 3450 *Financial Instruments*.

PS 1201 *Financial Statement Presentation* replaces PS 1200 *Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations and Accumulated Municipal Equity. Requirements in PS 2601 *Foreign Currency Translation*, PS 3450 *Financial Instruments*, and PS 3041 *Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denoted in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses.

PS 3041 *Portfolio Investments* replaces PS 3040 *Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 *Financial Instruments*. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 *Temporary Investments* no longer applies.

PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.

- (i) Establishing fair value:

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2023

19. Change in accounting policy – adoption of new accounting standards (continued):

(a) (continued)

(ii) Fair value hierarchy:

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

In accordance with PS 3450 *Financial Instruments*, the financial statements of prior periods were not restated on transition. Consequently, the accounting policies for recognition, derecognition and measurement of financial instruments applied to the comparative information reflect those disclosed in the 2022 financial statements.

On application of this standard, a new statement, the Statement of Remeasurement Gains and Losses has not been included in these financial statements as there are no unrealized gains or losses to report.

Any difference between the financial instruments' fair values as at January 1, 2023 and previous carrying amounts as at December 31, 2022, excluding previously recognized exchange gains and losses, were recognized as an adjustment to the opening balance of accumulated remeasurement gains and losses. Hence, no comparative amounts are reported in the Statement of Remeasurement Gains and Losses due to prospective application of this standard.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2023

19. Change in accounting policy – adoption of new accounting standards (continued):

- (b) PS 3280 *Asset Retirement Obligations* ("ARO") establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use. This standard was adopted on January 1, 2023 on a prospective basis with no prior period restatement.

In the past, the Corporation has reported its obligations related to the retirement of tangible capital assets in the period when the asset was retired directly as an expense. The new standard requires the recognition of a liability for legal obligations that exist as a result of the acquisition, construction or development of a tangible capital asset, or that result from the normal use of the asset when the asset is recorded, and replaces Section PS 3270 *Solid Waste Landfill Closure and Post-Closure Liability*. Such obligation justifies recognition of a liability and can result from existing legislation, regulation, agreement, contract, or that is based on a promise and an expectation of performance. The estimate of the liability includes costs directly attributable to asset retirement activities. Costs include post-retirement operation, maintenance, and monitoring that are an integral part of the retirement of the tangible capital asset (if applicable). When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the associated assets and amortized over the asset's estimated useful life. The amortization of the asset retirement costs follows the same method of amortization as the associated tangible capital asset.

A significant part of asset retirement obligations results from the removal and disposal of designated substances such as asbestos from Corporation buildings and landfill closure and post-closure activities. The Corporation reports liabilities related to the legal obligations where the Corporation is obligated to incur costs to retire a tangible capital asset.

The Corporation removed the accrued landfill obligation that had been recognized to date and recognized an asset retirement obligation upon adoption of PS 3280 *Asset Retirement Obligations* on January 1, 2023. The liability represents the required closure and post-closure care costs for landfill sites owned by the Corporation.

CORPORATION OF THE TOWN OF GREATER NAPANEE

Notes to Financial Statements (continued)

Year ended December 31, 2023

19. Change in accounting policy – adoption of new accounting standards (continued):

(b) (continued):

The Corporation's ongoing efforts to assess the extent to which designated substances exist in Corporation assets, and new information obtained through regular maintenance and renewal of Corporation assets may result in additional asset retirement obligations from better information on the nature and extent the substance exists or from changes in the estimated cost to fulfil the obligation. The measurement of assets retirement obligations is also impacted by activities that occurred to settle all or part of the obligation, or any changes in the legal obligation. Revisions to the estimated cost of the obligation will result in the carrying amount of the associated assets that are in productive use and amortized as part of the asset on an ongoing basis. When obligations have reliable cash flow projections, the liability may be estimated using the present value of future cash flows. Subsequently, accretion of the discounted liability due to the passage of time is recorded as an in-year expense (if applicable).

To estimate the liability for similar buildings that do not have information on asbestos and other designated substances, the Corporation uses buildings with assessments on the extent and nature of the designated substances in the building to measure the liability and those buildings and this information is extrapolated to a group of similar assets that do not have designated substances reports. As more information becomes available on specific assets, the liability is revised to be asset specific. In other situations, where the building might not be part of a large portfolio, other techniques are used such as using industry data, experts or basing the estimate on a specific asset that is similar (if applicable).

In accordance with the provisions of the new standard, the Corporation reflected the following adjustments as at January 1, 2023:

	2023
Asset retirement obligations, beginning of year	\$ 731,158
Increase in asset retirement obligations:	
Tangible capital assets - building asbestos	485,188
Tangible capital assets fully amortized	77,250
Landfill closure and post closure costs	4,579,079
Asset retirement obligations, beginning of year as restated	\$ 5,872,675

CORPORATION OF THE TOWN OF GREATER NAPANEE

Schedule 1 – Schedule of Continuity of Reserve and Reserve Funds

Year ended December 31, 2023

	2023 Budget (note 18)	2023 Actual	2022 Actual
Net transfers from (to) other funds:			
Transfers from operations	\$ 2,472,422	\$ 1,454,523	\$ 2,212,451
Transfers from (to) capital acquisitions	(3,946,305)	(1,804,116)	(6,404,084)
Total net transfers	(1,473,883)	(349,593)	(4,191,633)
Reserve and Reserve Fund Balances, beginning of year	16,269,212	16,269,212	20,460,845
Reserves and Reserve Fund balances, end of year	\$ 14,795,329	\$ 15,919,619	\$ 16,269,212
		2023	2022
Reserves:			
Acquisition of capital assets and debt reduction	\$ 97,745	\$ 92,582	
Arena reserve	–	277,873	
Arena user surcharge	1,047,229	719,813	
Assessment appeals	224,078	329,861	
Conservation Authority	33,842	33,842	
Election	27,193	7,193	
Accessibility reserve	66,000	61,000	
Physician recruitment	56,104	93,604	
Policing reserve	–	19,688	
Recreational and cultural services capital reserve	–	61,626	
Strategic Plan	52,357	52,357	
Working capital	1,616,669	1,892,102	
Stabilization	188,418	–	
Industrial lands and other land	300,177	116,139	
	3,709,812	3,757,680	
Reserve funds:			
Napanee Hydro Electric Commission proceeds	3,680,009	3,680,009	
Capital improvement fund	510,986	605,750	
Emergency operating	1,641,823	1,641,823	
Maintenance reserve fund	6,376,989	6,583,950	
	12,209,807	12,511,532	
	\$ 15,919,619	\$ 16,269,212	