

Consolidated Financial Statements of

**CORPORATION OF THE
TOWN OF GANANOQUE**

Year ended December 31, 2022

CORPORATION OF THE TOWN OF GANANOQUE

Consolidated Financial Statements

Year ended December 31, 2022

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Independent Auditor's Report

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Management's Responsibility for the Consolidated Financial Statements

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

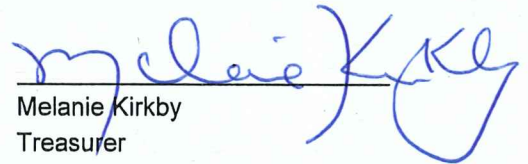
The Town's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely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

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

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



Shellee Fournier
Chief Administrative Officer



Melanie Kirkby
Treasurer



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Town of Gananoque

Opinion

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

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

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

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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



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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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



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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

September 5, 2023

CORPORATION OF THE TOWN OF GANANOQUE

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets:		
Cash	\$ 20,370,996	\$ 14,808,842
Taxes receivable	542,113	663,128
User charges receivable	1,483,364	1,468,484
Accounts receivable	1,205,915	1,652,707
	<u>23,602,388</u>	<u>18,593,161</u>
Financial liabilities:		
Accounts payable and accrued liabilities	2,254,521	2,400,975
Other current liabilities	1,393,217	852,314
Employee future benefit obligation (note 4)	1,175,516	1,117,972
Deferred revenues (note 5)	409,143	263,441
Long-term liabilities (note 6)	5,868,519	6,340,143
	<u>11,100,916</u>	<u>10,974,845</u>
Net financial assets	12,501,472	7,618,316
Non-financial assets:		
Tangible capital assets (note 13)	70,678,234	70,562,544
Inventories	61,616	63,465
Prepaid expenses	232,324	120,075
Total non-financial assets	<u>70,972,174</u>	<u>70,746,084</u>
Contingent liabilities (notes 10 and 11)		
Commitments (note 12)		
Accumulated municipal equity (note 7)	\$ 83,473,646	\$ 78,364,400

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

CORPORATION OF THE TOWN OF GANANOQUE

Consolidated Statement of Operations and Accumulated Municipal Equity

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

	Budget 2022	Actual 2022	Actual 2021
	(note 15)		
Revenue:			
Taxation	\$ 9,173,529	\$ 9,535,141	\$ 8,862,395
User charges	6,884,950	7,414,122	6,876,123
Government transfers	2,815,030	3,155,964	3,068,004
Casino revenues	600,000	1,070,652	630,462
Investment income	146,248	430,236	102,670
Municipal accommodation tax	285,000	388,824	223,212
Other municipalities	236,420	206,024	237,429
Licences and permits	99,290	134,055	228,964
Penalties and interest on taxes	107,000	104,272	100,194
Contribution from developers	—	—	138,437
Other:			
Rental and other income	204,923	427,260	241,258
Donations	8,550	109,242	91,133
Sales	—	32,489	30,864
Fines	25,000	28,622	23,238
	20,585,940	23,036,903	20,854,383
Expenses (note 14):			
General government	1,591,056	1,627,730	1,935,376
Protection to persons and property	5,134,973	5,152,097	4,823,990
Transportation services	2,777,835	2,714,582	2,731,180
Environmental services	3,459,106	3,580,523	3,405,071
Health services	579,640	671,184	562,939
Social and family services	501,276	409,672	480,935
Recreation and cultural services	2,523,170	2,648,229	2,333,821
Planning and development	1,144,802	1,043,243	951,073
Post retirement benefits actuarial valuation	80,397	80,397	454,876
	17,792,255	17,927,657	17,679,261
Annual surplus	2,793,685	5,109,246	3,175,122
Accumulated municipal equity, beginning of year	73,364,400	78,364,400	75,189,278
Accumulated municipal equity, end of year	\$ 76,158,085	\$ 83,473,646	\$ 78,364,400

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

CORPORATION OF THE TOWN OF GANANOQUE

Consolidated Statement of Changes in Net Financial Assets

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

	Budget 2022	Actual 2022	Actual 2021
	(note 15)		
Annual surplus	\$ 2,793,685	\$ 5,109,246	\$ 3,175,122
Amortization of tangible capital assets	3,147,214	2,878,277	2,852,347
Acquisition of tangible capital assets	(5,143,715)	(2,993,967)	(3,539,559)
Disposal of tangible capital assets	—	—	24,765
Decrease in inventories	—	1,849	16,716
Acquisition of prepaid expenses	—	(112,249)	(10,443)
Change in net financial assets	(1,996,501)	(226,090)	(656,174)
Increase in net financial assets	797,184	4,883,156	2,518,948
Net financial assets, beginning of year	7,618,316	7,618,316	5,099,368
Net financial assets, end of year	\$ 8,415,500	\$ 12,501,472	\$ 7,618,316

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

CORPORATION OF THE TOWN OF GANANOQUE

Consolidated Statement of Cash Flows

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

	2022	2021
Operating activities:		
Annual surplus	\$ 5,109,246	\$ 3,175,122
Item not involving cash:		
Amortization of tangible capital assets	2,878,277	2,852,347
Employee future benefit obligation	57,544	455,213
Changes in non-cash operating working capital:		
Taxes receivable	121,015	108,612
User charges receivable	(14,880)	(435,828)
Accounts receivable	446,792	(55,737)
Accounts payable and accrued liabilities	(146,454)	(670,386)
Other current liabilities	540,903	351,268
Deferred revenues	145,702	88,472
Inventories	(112,249)	16,716
Prepaid expenses	1,849	(10,443)
Net change in cash from operations	9,027,745	5,875,356
Capital activities:		
Acquisition of tangible capital assets	(2,993,967)	(3,539,559)
Disposal of tangible capital assets	—	24,765
	(2,993,967)	(3,514,794)
Financing activities:		
Debt principal repayments	(471,624)	(2,502,337)
Increase (decrease) in cash	5,562,154	(141,775)
Cash, beginning of year	14,808,842	14,950,617
Cash, end of year	\$ 20,370,996	\$ 14,808,842

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

CORPORATION OF THE TOWN OF GANANOQUE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

The Corporation of the Town of Gananoque (the "Town") was incorporated in 1890. The Town operates as a single tier government in the United Counties of Leeds and Grenville, in the Province of Ontario, Canada and provides municipal services such as police, fire, public works, planning, parks and recreation, library and other general government operations.

1. Significant accounting policies:

The consolidated financial statements of the Corporation of the Town of Gananoque 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 Town are as follows:

(a) Reporting entity:

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

- Public Library Board
- Business Improvement Area Committee

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal fund balances of these consolidated financial statements. Over levies (under levies) are reported on the Consolidated Statement of Financial Position.

(b) Basis of accounting:

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

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

CORPORATION OF THE TOWN OF GANANOQUE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(c) Taxation and related revenues:

Property tax billings are prepared by the Town 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, and amounts the Town 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 Town 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.

(d) 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 of the tangible capital assets are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	30
Buildings	40
Furniture and equipment	5 - 15
Vehicles	5 - 15
Roads	60
Bridges	60
Sidewalks	20
Traffic lights	15
Street lights	15
Sanitary sewer	60
Storm sewer	60
Water lines	60

Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The Town has a capitalization threshold of \$10,000 for vehicles and equipment and \$50,000 for linear assets and buildings so that individual capital assets of lesser value are expensed.

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

CORPORATION OF THE TOWN OF GANANOQUE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(d) 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 consolidated statement of operations and accumulated municipal equity 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 Town's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the consolidated statement of operations and accumulated municipal equity.

(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.

(f) Inventories and prepaid expenses:

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

(g) Employee future benefit obligations:

The Town 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 Town's policy.

CORPORATION OF THE TOWN OF GANANOQUE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(g) Pension and employee benefits (continued):

The Town accrues its obligation for employee benefit plans which will require funding in future period. The cost of post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Actual gains (losses) which can arise from changes in the actuarial assumptions used to determine the accrued benefit obligation will be amortized over the average remaining service period of active employees.

(h) Government transfers:

Government transfers are recognized in the consolidated financial statements as revenue 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.

(i) Deferred revenue:

The Town receives contributions pursuant to legislation, regulations or agreement that may only be used for certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenses are incurred, or services performed.

The Town also receives restricted contributions under the authority of the federal and provincial legislation and Town by-laws. Government transfers of the Canada Community Building Fund (formerly Federal Gas Tax), development charges collected under the Development Charges Act, 1997, and parkland collected under the Planning Act are restricted in their use, and until applied to applicable costs, are reported as deferred revenues in the Consolidated Statement of Financial Position. These amounts are recognized as revenue in the fiscal year the services are performed, or related expenses incurred.

CORPORATION OF THE TOWN OF GANANOQUE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(j) 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.

(k) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Significant areas requiring the use of management's estimates include the actuarial assumptions used to develop the employee future benefit obligation. Actual results could differ from these estimates.

CORPORATION OF THE TOWN OF GANANOQUE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

2. Operations of the school boards:

The Town collected and made property tax transfers including payments in lieu of property taxes, to the School Boards as follows:

	2022	2021
Property taxes	\$ 1,562,058	\$ 1,511,019

3. Bank indebtedness:

The Town's financial agreement with its bank provides for an operating credit facility of up to \$1,500,000 to finance expenses, pending receipt of property taxes and other income. Interest on funds drawn is charged at the Bank of Montreal's prime rate. As at December 31, 2022, there was \$Nil (2021 - \$Nil) drawn on the facility.

4. Employee future benefit obligations:

The Town previously provided a sick leave benefit plan that would allow unused sick leave to accumulate such that employees became entitled to cash payment when they left the Town's employment.

The liabilities for these accumulated days, to the extent they were vested and could be taken in cash by an employee on termination is \$Nil (2021 - \$22,853). An amount of \$22,853 was paid out in 2022 (2021 - \$Nil).

The Town 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 Town's cost is 100% of the monthly premium for non union, police and fire employees and 50% for CUPE members.

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, 2020.

Effective January 1, 2021, post retirement extended health coverage and dental coverage was extended to age 70 for police members (previously 65) retiring after January 1, 2021 and a health care spending account will be provided up to \$2,200 per calendar year from age of 70 to 75 for police members. This has been reflected in the continuity of the liability as a plan amendment in accordance with the actuarial extrapolation received for the year ended December 31, 2021.

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 11.9 years (2021 - 11.9 years).

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, 2022, based on actuarial update, the accrued benefit obligation was \$1,175,516 (2021 - \$1,095,119).

CORPORATION OF THE TOWN OF GANANOQUE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

4. Employee future benefit obligations (continued):

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

Discount rate	1.92%
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 (50 for Police and Fire)
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 Police and Fire)

The continuity of post employment benefit liability for 2022 is as follows:

	2022	2021
Balance, beginning of year	\$ 1,095,119	\$ 640,243
Plan amendment	—	384,167
Current service costs	80,052	78,545
Interest cost	22,407	21,047
Benefits paid	(26,000)	(33,000)
Amortized actuarial loss	3,938	4,117
Balance, end of year	\$ 1,175,516	\$ 1,095,119

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

	2022	2021
Accrued benefit obligation	\$ 1,216,464	\$ 1,140,006
Unamortized actuarial loss	(40,948)	(44,887)
Balance, end of year	\$ 1,175,516	\$ 1,095,119

	Gross	Funded	2022 Unfunded
Health benefits	\$ 1,175,516	\$ —	\$ 1,175,516
Sick leave	—	—	—
	\$ 1,175,516	\$ —	\$ 1,175,516

CORPORATION OF THE TOWN OF GANANOQUE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

4. Employee future benefit obligations (continued):

		Gross	Funded	2021 Unfunded
Health benefits	\$	1,095,119	\$	–
Sick leave		22,853	22,853	–
	\$	1,117,972	\$	22,853
				\$ 1,095,119

5. Deferred revenue:

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

The transactions for the year are summarized below:

	Parkland	Canada Community Building Fund	Development charges	Total
January 1, 2022	\$ 41,191	\$ 180,000	\$ 42,250	\$ 263,441
Contribution from developers	–	–	31,015	31,015
Government grants	–	327,237	–	327,237
Interest	2,300	–	–	2,300
Transfer to revenues for capital acquisitions	–	(214,850)	–	(214,850)
December 31, 2022	\$ 43,491	\$ 292,387	\$ 73,265	\$ 409,143

CORPORATION OF THE TOWN OF GANANOQUE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

6. Long-term liabilities:

- (a) The balance of long-term liabilities reported on the consolidated statement of financial position is comprised of the following:

	2022	2021
Ontario Infrastructure Projects Corporation with maturity dates between 2023 and 2047 and interest rates between 2.640% and 5.606%.	\$ 5,868,519	\$ 6,340,143

- (b) Principal payments fall due as follows:

	Water and sewer rates	General revenues	Total
2023	\$ 36,568	\$ 382,553	\$ 419,121
2024	37,617	324,618	362,235
2025	38,689	325,461	364,150
2026	39,796	301,003	340,799
2027	40,934	275,247	316,181
Thereafter	1,115,408	2,950,625	4,066,033
	\$ 1,309,012	\$ 4,559,507	\$ 5,868,519

- (c) Interest expense on long-term liabilities in 2022 amounted to \$204,658 (2021 - \$256,441).
- (d) These payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

CORPORATION OF THE TOWN OF GANANOQUE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

7. Accumulated municipal equity:

	2022	2021
Investment in tangible capital assets:		
Tangible capital assets	\$ 70,678,234	\$ 70,562,544
Long-term debt	(5,868,519)	(6,340,143)
	64,809,715	64,222,401
Unrestricted surplus:		
Invested inventory	61,616	63,465
Unfunded future employee benefits	(1,175,516)	(1,095,119)
Reserves (Schedule 1)	19,777,831	15,173,653
Accumulated municipal equity	\$ 83,473,646	\$ 78,364,400

8. Pension contributions:

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

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 amount contributed to OMERS was \$542,652 (2021 - \$516,680) for current services and is included as an expense on the consolidated statement of operations and accumulated municipal equity classified under the appropriate functional expenditure.

CORPORATION OF THE TOWN OF GANANOQUE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

9. Provincial Offences Administration (POA):

The United Counties of Leeds and Grenville has assumed the administration of the Provincial Offences office for all County of Leeds and Grenville resident municipalities. The transfer of administration from the Ministry of the Attorney General to the United Counties of Leeds and Grenville was a result of the Provincial Offences Act (POA) 1997, which provides the framework for the transfer of responsibility and administration of POA courts.

The POA is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor Licence Act, Municipal By-Laws and minor federal offences. The POA governs all aspects of legal process from serving notice to a defendant, to conducting trials, including sentencing and appeals.

The Town's share of net revenues arising from operation of the POA office have been included with these consolidated financial statements. The revenue of the court office consists of fines levied under Parts I and III (including delay penalties) for POA charges filed in court.

If fines are paid at other court offices, the receipt is recorded in the Integrated Courts Operation Network System ("ICON") operated by the Province of Ontario. Revenue is recognized when receipt of funds is recorded by the provincial ICON system regardless of the location where payment is made.

The Town's shares net POA revenues based on weighted assessment, population, households and the number of tickets collected.

10. Contingent liabilities:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2022, management believes that the Town has valid defences and appropriate insurance coverages in place.

In the event any claims are successful, the amount of any potential liability is not determinable, therefore, no amount has been accrued in the consolidated financial statements.

11. Contaminated sites:

The Town has identified a potential liability for two contaminated sites. One site was previously used as a landfill and the other attached to an industrial property with environmental issues. The Town has completed environmental assessments on the industrial site. An estimate of the liability for the contaminated sites could not be reasonably estimated. Both sites are currently vacant. A liability for the contaminated sites will be recognized in the consolidated financial statements, if required, when a future use of the site is known.

CORPORATION OF THE TOWN OF GANANOQUE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

12. Commitments:

- (a) The Town has entered into a contractual obligation with Waste Connections of Canada for the collection and disposal of solid waste and recycled materials. Fees are based on tonnage and are adjusted for a fuel surcharge and annually for inflation. The contract expires March 2024 and provides for an additional two year extension. Fees paid under the contract for 2022 were \$336,217 (2021 - \$331,169).
- (b) The Town has entered into a contractual arrangement with developers with respect to brownfield properties to provide property tax relief to the extent of the costs of remediation. Annual payments are based on a fixed percentage of the municipal property taxes on the underlying properties for that year and are contingent on the costs of remediation incurred. The property tax relief is provided on a declining basis and ends in 2023. An estimate of the amounts related to future years is not determinable, and therefore no amount has been accrued in the financial statements for the payments in fiscal 2022 and fiscal 2023.
- (c) Subsequent to year-end, the Town entered into agreements for certain capital projects. The total value of the commitments is \$4,925,271.

13. Tangible capital assets:

Cost	Balance at December 31, 2021	Transfers and additions	Disposals and adjustments	Balance at December 31, 2022
Land	\$ 5,027,221	\$ 4,352	\$ –	\$ 5,031,573
Land improvements	513,352	1,038,974	–	1,552,326
Buildings	34,217,493	–	–	34,217,493
Furniture and equipment	9,886,724	882,224	–	10,768,948
Vehicles	3,258,331	65,825	–	3,324,156
Linear:				
Roads	33,666,198	820,184	–	34,486,382
Bridges	4,807,931	89,804	–	4,897,735
Sidewalks	3,921,145	142,749	–	4,063,894
Traffic lights	771,337	–	–	771,337
Streetlights	1,528,809	–	–	1,528,809
Sanitary sewer	13,952,480	23,117	–	13,975,597
Storm sewer	4,548,590	–	–	4,548,590
Water	15,655,169	–	–	15,655,169
Construction in progress:				
Water and sewer	1,262,882	110,912	–	1,373,794
Recreation projects	2,017,913	(255,855)	–	1,762,058
Protective inspection	–	35,000	–	35,000
Roads	–	36,681	–	36,681
Total	\$ 135,035,575	\$ 2,993,967	\$ –	\$ 138,029,542

CORPORATION OF THE TOWN OF GANANOQUE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

13. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2021	Amortization and adjustments	Transfers, and disposals	Balance at December 31, 2022
Land	\$ —	\$ —	\$ —	\$ —
Land improvements	51,324	15,263	—	66,587
Buildings	17,136,965	723,289	—	17,860,254
Furniture and equipment	5,219,945	530,083	—	5,750,028
Vehicles	2,313,096	126,820	—	2,439,916
Linear:				
Roads	15,390,329	637,947	—	16,028,276
Bridges	1,490,391	88,251	—	1,578,642
Sidewalks	2,550,446	98,751	—	2,649,197
Traffic lights	706,088	7,877	—	713,965
Streetlights	1,080,000	51,633	—	1,131,633
Sanitary sewer	6,412,958	248,456	—	6,661,414
Storm sewer	3,041,966	59,539	—	3,101,505
Water	9,079,523	290,368	—	9,369,891
Construction in progress:				
Water and sewer	—	—	—	—
Recreation projects	—	—	—	—
Protective inspection	—	—	—	—
Road	—	—	—	—
Total	\$ 64,473,031	\$ 2,878,277	\$ —	\$ 67,351,308

	Net book value 2022	Net book value 2021
Land	\$ 5,031,573	\$ 5,027,221
Land improvements	1,485,739	462,028
Buildings	16,357,239	17,080,528
Furniture and equipment	5,018,920	4,666,779
Vehicles	884,240	945,235
Linear:		
Roads	18,458,106	18,275,869
Bridges	3,319,093	3,317,540
Sidewalks	1,414,697	1,370,699
Traffic lights	57,372	65,249
Streetlights	397,176	448,809
Sanitary sewer	7,314,183	7,539,522
Storm sewer	1,447,085	1,506,624
Water	6,285,278	6,575,646
Construction in progress:		
Water and sewer	1,373,794	1,262,882
Recreation projects	1,762,058	2,017,913
Protective inspection	35,000	—
Road	36,681	—
Total	\$ 70,678,234	\$ 70,562,544

CORPORATION OF THE TOWN OF GANANOQUE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

14. Segmented information:

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

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

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

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 1.

CORPORATION OF THE TOWN OF GANANOQUE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

14. Segmented information (continued):

2022	General Government	Proection to Persons and Property	Transportation Services	Environmental Services	Water and Sewer Services	Health Services	Social and Family Serives	Recreation and Cultural Services	Planning and Development	Post Retirement Benefits	2022 Total
Revenue:											
Taxation	\$ 9,535,141	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,535,141
User fees and service charges	94,561	969,119	96,867	234,590	4,724,528	-	-	1,253,616	40,841	-	7,414,122
Government transfers	1,322,000	320,519	921,557	142,719	36,470	19,266	-	280,215	113,218	-	3,155,964
Casino revenues	1,070,652	-	-	-	-	-	-	-	-	-	1,070,652
Investment income	288,520	-	8,498	-	132,867	-	351	-	-	-	430,236
Municipal Accomodation Tax	-	-	-	-	-	-	-	-	388,824	-	388,824
Other municipalities	16,603	-	-	-	-	-	15,147	145,274	29,000	-	206,024
Licenses and permits	10,699	111,371	-	-	-	-	-	-	11,985	-	134,055
Penalties and interest on taxes	104,272	-	-	-	-	-	-	-	-	-	104,272
Other:											
Rental and other income	64,993	7,200	-	-	4,151	55,423	-	287,760	7,733	-	427,260
Donations	19,615	-	-	-	-	-	-	87,627	2,000	-	109,242
Sales	-	22,167	10,322	-	-	-	-	-	-	-	32,489
Fines	-	-	28,622	-	-	-	-	-	-	-	28,622
	12,527,056	1,430,376	1,065,866	377,309	4,898,016	74,689	15,498	2,054,492	593,601	-	23,036,903
Expenses:											
Salaries, wages and employee benefits	877,904	3,887,086	731,438	117,768	1,109,069	34,059	-	1,007,134	420,143	80,397	8,264,998
Amortization of tangible capital assets	98,523	177,535	1,038,160	-	1,159,618	-	14,206	390,235	-	-	2,878,277
Materials	225,828	745,461	514,444	49,714	534,914	5,187	-	190,860	229,943	-	2,496,351
Contracted services	313,320	245,380	379,281	350,933	240,927	-	-	868,850	201,757	-	2,600,448
External transfers	19,615	46,586	-	-	-	583,643	388,906	131,556	190,651	-	1,360,957
Rents and financial expenses	28,914	15,049	1,705	-	883	48,295	-	26,373	749	-	121,968
Interest on long-term liabilities	63,626	-	49,554	-	51,697	-	6,560	33,221	-	-	204,658
Internal transfers	-	35,000	-	-	(35,000)	-	-	-	-	-	-
	1,627,730	5,152,097	2,714,582	518,415	3,062,108	671,184	409,672	2,648,229	1,043,243	80,397	17,927,657
Annual surplus (deficit)	\$ 10,899,326	\$ (3,721,721)	\$ (1,648,716)	\$ (141,106)	\$ 1,835,908	\$ (596,495)	\$ (394,174)	\$ (593,737)	\$ (449,642)	\$ (80,397)	\$ 5,109,246

CORPORATION OF THE TOWN OF GANANOQUE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

14. Segmented information (continued):

2021	General Government	Proection to Persons and Property	Transportation Services	Environmental Services	Water and Sewer Services	Health Services	Social and Family Serives	Recreation and Cultural Services	Planning and Development	Post Retirement Benefits	2021 Total
Revenue:											
Taxation	\$ 8,862,395	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,862,395
User fees and service charges	40,208	745,733	67,239	251,999	4,535,308	-	-	1,153,837	81,799	-	6,876,123
Government transfers	1,521,263	275,631	841,867	46,146	-	19,266	-	262,744	101,087	-	3,068,004
Casino revenues	630,462	-	-	-	-	-	-	-	-	-	630,462
Investment income	60,155	-	1,329	-	41,186	-	-	-	-	-	102,670
Municipal Accomodation Tax	223,212	-	-	-	-	-	-	-	-	-	223,212
Other municipalities	-	32,215	-	-	-	-	15,147	140,030	50,037	-	237,429
Licenses and permits	11,664	205,912	-	-	-	-	-	-	11,388	-	228,964
Penalties and interest on taxes	100,194	-	-	-	-	-	-	-	-	-	100,194
Contribution from developers	-	-	-	-	-	-	-	138,437	-	-	138,437
Other:											
Rental and other income	66,829	4,800	-	-	4,030	50,605	-	109,954	5,040	-	241,258
Donations	6,500	1,094	-	-	-	-	-	83,539	-	-	91,133
Sales	30,734	-	130	-	-	-	-	-	-	-	30,864
Fines	-	23,238	-	-	-	-	-	-	-	-	23,238
	11,553,616	1,288,623	910,565	298,145	4,580,524	69,871	15,147	1,888,541	249,351	-	20,854,383
Expenses:											
Salaries, wages and employee benefits	814,497	3,809,551	784,191	88,979	1,026,614	-	-	959,611	404,912	454,876	8,343,231
Amortization of tangible capital assets	103,496	206,623	1,057,896	-	1,101,681	-	14,206	368,445	-	-	2,852,347
Materials	208,976	405,207	538,722	-	505,396	30,475	-	486,917	120,931	-	2,296,624
Contracted services	336,452	288,392	284,430	333,228	321,951	-	-	310,317	239,635	-	2,114,405
External transfers	6,500	43,051	-	6,000	-	482,753	458,307	133,010	170,000	-	1,299,621
Rents and financial expenses	414,600	14,477	1,340	-	1,230	49,711	-	34,639	595	-	516,592
Interest on long-term liabilities	65,855	25,724	64,601	-	50,957	-	8,422	40,882	-	-	256,441
Internal transfers	(15,000)	30,965	-	-	(30,965)	-	-	-	15,000	-	-
	1,935,376	4,823,990	2,731,180	428,207	2,976,864	562,939	480,935	2,333,821	951,073	454,876	17,679,261
Annual surplus (deficit)	\$ 9,618,240	\$ (3,535,367)	\$ (1,820,615)	\$ (130,062)	\$ 1,603,660	\$ (493,068)	\$ (465,788)	\$ (445,280)	\$ (701,722)	\$ (454,876)	\$ 3,175,122

CORPORATION OF THE TOWN OF GANANOQUE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

15. Budget figures:

The 2022 approved budget was prepared on a cash based approach with a reconciliation to a budget based on Public Sector Accounting Standards. The cash based approach includes capital expenses, repayment of long-term debt and transfers to and from reserves which are removed in the year end consolidated statement of operations and accumulated municipal equity. The revenues attributable to these items continue to be included in the consolidated statement of operations and accumulated municipal equity, resulting in a significant variance. The following analysis is provided to assist readers in their understanding of differences between the approved budget and the audited consolidated financial statements.

	Budget 2022	Actual 2022
Total revenues	\$ 20,585,940	\$ 23,036,903
Total expenses	(17,792,255)	(17,927,657)
Net earnings	2,793,685	5,109,246
Amortization	3,147,214	2,878,277
Adjusted net earnings	5,940,899	7,987,523
Capital expenses	(5,143,715)	(2,993,967)
Acquisition of inventory	—	1,849
Unfunded future employee benefits	80,397	80,397
Principal repayments	(449,617)	(471,624)
Increase in operating surplus	\$ 427,964	\$ 4,604,178
Allocated as follows:		
Net transfers to reserves	\$ 427,964	\$ 4,604,178
	\$ —	\$ —

16. Comparative information:

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

CORPORATION OF THE TOWN OF GANANOQUE

Schedule 1: Continuity of Reserves and Reserve Funds

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

	2022	2021
Net transfers from (to) other funds		
Transfers from operations	\$ 6,870,138	\$ 2,949,600
Transfers to capital acquisitions	(2,265,960)	(2,467,670)
Reserves and reserve fund balances, change in year	4,604,178	481,930
Reserves and reserve fund balances, beginning of year	15,173,653	14,691,723
Reserves and reserve fund balances, end of year	\$ 19,777,831	\$ 15,173,653

Composition of Reserves and Reserve Funds

	2022	2021
Reserves set aside for specific purposes by Council:		
Reserves set aside for specific purposes by Council		
Working capital	\$ 647,809	\$ 647,809
Contingencies	221,588	194,353
Elections	9,176	22,610
Economic development	264,905	287,224
Winter control	242,400	242,400
Business improvement area	18,660	27,258
Library	62,536	61,391
Other	467,831	608,604
	1,934,905	2,091,649
For capital purposes:		
Infrastructure	7,152,865	5,391,193
Recreation facilities	550,949	199,606
Waterworks and sewer	10,114,938	7,463,508
Parks	—	2,480
Parking	24,174	25,217
	17,842,926	13,082,004
Total reserves and reserve funds	\$ 19,777,831	\$ 15,173,653