

Consolidated Financial Statements of the

**CORPORATION OF THE COUNTY
OF LENNOX AND ADDINGTON**

Year ended December 31, 2022

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Table of Contents

Year ended December 31, 2022

	Page
Management's Responsibility for the Consolidated Financial Statements	
Independent Auditor's Report	
Audited Financial Statements:	
Consolidated Statement of Financial Position	1
Consolidated Statement of Operations and Accumulated Surplus	2
Consolidated Statement of Change in Net Financial Assets	3
Consolidated Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5

Management's Responsibility for the Consolidated Financial Statements

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

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

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

Brenda Orchard
Chief Administrative Officer

Mark Day
Director, Financial Services



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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the County of Lennox and Addington

Opinion

We have audited the consolidated financial statements of Corporation of the County of Lennox and Addington (the "Entity"), which comprise:

- the consolidated statement of financial position as at end of December 31, 2022
- the consolidated statement of operations and accumulated surplus 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 consolidated 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 "***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.



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.

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.



Page 3

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group of the Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

September 27, 2023

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets:		
Cash	\$ 27,684,996	\$ 22,638,403
Accounts receivable	1,395,593	2,660,587
Investments (note 3)	13,475,082	13,463,651
	42,555,761	38,762,641
Liabilities:		
Accounts payable and accrued liabilities	11,703,596	11,336,083
Workplace Safety and Insurance liabilities (note 4)	2,074,851	1,869,465
Employee future benefits (note 5)	2,017,483	1,866,024
Deferred revenue	1,270,231	1,651,650
Short-term liabilities	-	195,388
Long-term liabilities (note 7)	1,815,196	2,291,390
	18,881,357	19,210,000
Net financial assets	23,674,314	19,552,641
Other non-financial assets:		
Tangible capital assets (note 8)	168,547,601	162,661,735
Inventories of supplies	17,444	17,444
Prepaid expenses	1,636,401	1,382,963
Total non-financial assets	170,201,446	164,062,142
Contingent liabilities (note 9)		
Commitments (note 10)		
Total accumulated surplus (note 11)	\$ 193,875,760	\$ 183,614,783

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

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Consolidated Statement of Operations and Accumulated Surplus

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

	Budget (note 12)	2022	2021
Revenue:			
Taxation from other governments	\$ 32,658,563	\$ 32,917,745	\$ 31,473,814
Fees and miscellaneous revenue	7,306,640	6,965,203	7,660,686
Government grants	44,747,082	48,723,692	45,284,417
Investment income	386,238	890,009	339,307
Fines and penalties (note 13)	2,161,120	1,626,684	1,685,191
Revenue from municipalities	2,219,887	1,963,824	1,852,712
Total revenue	89,479,530	93,087,157	88,296,127
Expenses (note 14):			
General government	1,255,100	1,239,165	1,103,613
Property services	997,900	908,319	847,795
Provincial offences (note 13)	1,358,200	1,139,623	1,082,720
Property assessment	698,300	698,285	701,383
Emergency Planning	30,700	29,135	25,349
Roadways and bridges	12,862,430	13,380,336	12,820,397
Public health services	5,900,401	5,900,401	6,649,365
Hospital support	100,000	100,000	100,000
Paramedic services	10,966,751	10,477,036	9,130,996
Social and family services	10,736,900	11,393,769	10,640,702
Assistance to aged persons	18,429,450	18,120,527	17,026,126
Assistance to children	7,517,100	7,931,262	7,101,600
Libraries	1,591,600	1,529,206	1,446,948
Museum and archives	1,052,425	932,756	935,903
Housing and homelessness	8,370,900	8,213,432	9,182,941
Economic development and planning	922,498	832,928	847,489
Total expenses	82,790,655	82,826,180	79,643,327
Annual surplus	6,688,875	10,260,977	8,652,800
Accumulated surplus, beginning of year	183,614,783	183,614,783	174,961,983
Accumulated surplus, end of year	\$ 190,303,658	\$ 193,875,760	\$ 183,614,783

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

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Consolidated Statement of Change in Net Financial Assets

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

	Budget (note 12)	2022	2021
Annual surplus	\$ 6,688,875	\$ 10,260,977	\$ 8,652,800
Acquisition of capital assets	(21,289,100)	(18,709,132)	(14,803,116)
Amortization of capital assets	11,921,000	12,815,610	12,292,796
Loss (gain) on retirement of assets	2,871	2,871	(405,196)
Proceeds from disposal of assets	-	4,784	406,455
	(2,676,354)	4,375,110	6,143,739
Change in prepaid expenses	-	(253,437)	(437,201)
Change in inventories of supplies	-	-	15,206
Change in net financial assets	(2,676,354)	4,121,673	5,721,744
Net financial assets, beginning of year	19,552,641	19,552,641	13,830,897
Net financial assets, end of year	\$ 16,876,287	\$ 23,674,314	\$ 19,552,641

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

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Consolidated Statement of Cash Flows

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

	2022	2021
Operating activities:		
Annual surplus	\$ 10,260,977	\$ 8,652,800
Items not involving cash:		
Amortization of capital assets	12,815,610	12,292,796
Gain (loss) on retirement of assets	2,871	(405,196)
Change in employee future benefits	151,459	122,303
Change in Workplace Safety and Insurance liabilities	205,386	199,741
Change in non-cash assets and liabilities:		
Change in accounts receivable	1,264,994	(441,989)
Change in accounts payable and accrued liabilities	367,513	1,280,690
Change in deferred revenue	(381,418)	(136,198)
Change in prepaid expenses	(253,438)	(437,202)
Change in inventories of supplies	-	15,206
Net change in cash from operating activities	24,433,954	21,142,951
Capital activities:		
Cash used to acquire capital assets	(18,709,132)	(14,803,116)
Proceeds from disposal of assets	4,784	406,455
	(18,704,348)	(14,396,661)
Investing activities:		
Disposal of investments	(11,431)	38,712
Financing activities:		
Additions (repayments) to short-term liabilities	(195,388)	195,388
Repayment of long-term liabilities	(476,194)	(1,007,813)
	(671,582)	(812,425)
Increase in cash	5,046,593	5,972,577
Cash, beginning of year	22,638,403	16,665,826
Cash, end of year	\$ 27,684,996	\$ 22,638,403

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

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

1. Significant accounting policies:

The consolidated financial statements of the Corporation of the County of Lennox and Addington (the "County") are prepared by management in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the County are as follows:

(a) Basis of consolidation:

Consolidated entities:

These consolidated statements reflect the assets, liabilities, revenue and expenses of the County and include the activities of all committees of Council which are owned or controlled by the County.

Interdepartmental and inter-organizational transactions and balances between these organizations have been eliminated.

These consolidated financial statements include:

Prince Edward-Lennox and Addington Housing Corporation; and

Kingston, Frontenac and Lennox and Addington Public Health (proportionately consolidated).

Proportionate consolidation:

Kingston, Frontenac and Lennox and Addington Public Health is accounted for using the proportionate consolidation method of accounting and reporting, whereby the County's pro-rata share of each of the assets, liabilities, revenue and expenses is combined on a line-by-line basis in the financial statements.

(b) Accrual accounting:

Revenue and expenses are reported on the accrual basis of accounting. Revenue is recognized as it is earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(c) Deferred revenue:

The County 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.

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(d) Workplace Safety and Insurance liabilities:

The County bears the cost of certain insurance and pension benefits awarded under Workplace Safety and Insurance legislation and has accrued the actuarially determined cost of these obligations. Actuarial gains (losses), which can arise from changes in actuarial assumptions, will be amortized over the expected average remaining service life of the related employee groups.

(e) Employee future benefits:

The County provides extended healthcare, dental and life insurance benefits, as well as a retirement program to eligible employees. The cost of these future benefits earned by employees is actuarially determined using management's best estimate of expected health care costs and retirement ages. Actuarial gains (losses), which can arise from changes in actuarial assumptions, will be amortized over the expected average remaining service life of the related employee groups.

(f) Government transfers:

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

(g) Investments:

Investments consist of guaranteed investment certificates which are recorded at cost plus accrued interest and bonds and debentures recorded at cost plus amortized purchase premiums and discounts. Premiums and discounts arising from the purchase of these investments are amortized over the term of the investments. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to reflect the loss.

(h) 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. Items subject to such estimates and assumptions include the useful life of tangible capital assets, and obligations related to employee future benefits and Workplace Safety and Insurance liabilities.

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(i) Non-financial assets:

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.

(i) Tangible capital assets:

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

Asset	Useful Life - Years
Bridges	20 to 75
Buildings	15 to 50
Equipment	5 to 20
Furnishings	10 to 20
Land improvements	15 to 25
Lending materials	4
Office equipment	4 to 20
Roads	6 to 40
Vehicles	4 to 20

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

When conditions indicate that a tangible capital asset no longer contributes to the County's ability to provide services or the value of the future economic benefits associated with the tangible capital assets are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the assets are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustments would be reported as an expense on the "Consolidated Statement of Operations and Accumulated Surplus".

(ii) Contributions 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.

(iii) Natural resources:

Natural resources that have not been purchased are not recognized as assets in the consolidated financial statements.

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(iv) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

(v) Interest capitalization:

Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets.

(vi) Inventories:

Inventories are recorded at the lower of cost and replacement cost.

(j) Taxation from other governments:

Taxation from other governments is recognized on the accrual basis using the approved tax rates and the anticipated assessment related to the current year.

2. Contributions to consolidated joint boards:

During the year, the following contributions were made by the County to this board:

	2022	2021
Kingston, Frontenac and Lennox and Addington Public Health	\$ 1,366,094	\$ 1,339,307

3. Investments:

Investments reported on the "Consolidated Statement of Financial Position" have cost and market values as follows:

	2022 Cost	2022 Market Value
Fixed income securities	\$ 13,475,082	\$ 12,862,140

	2021 Cost	2021 Market Value
Fixed income securities	\$ 13,463,651	\$ 13,415,922

The fixed income securities yield interest between 1.87% and 3.89% and have maturities ranging from April 2023 to June 2029.

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

4. Workplace Safety and Insurance Board (WSIB) liabilities:

In common with other Schedule 2 employers, the County funds its obligations to the Workplace Safety and Insurance Board on a self-funded basis for employees under Schedule 2.

An independent actuarial valuation of Workplace Safety and Insurance liabilities as at December 31, 2019 for future payments on Workplace Safety and Insurance Board claims occurring on or before December 31, 2019 has been undertaken. The next valuation will be effective December 31, 2023. The most recent actuarial valuation of Workplace Safety and Insurance liabilities as of December 31, 2019 has been undertaken which resulted in an actuarial loss of \$998,787 to be amortized on a straight-line basis over the expected average remaining benefit lifetime of the related employee groups, which is estimated to be ten years (2021 - ten years).

The significant actuarial assumptions adopted in estimating the County's Workplace Safety and Insurance Board accrued benefit obligation are as follows:

Interest discount rate	3.50% per annum
Loss of earnings	1.00% per annum
Administration costs	28.0% of benefit costs

Information with respect to the County's Workplace Safety and Insurance Board accrued benefit liability is as follows:

	2022	2021
Accrued WSIB benefit obligation at January 1	\$ 2,903,266	\$ 2,832,387
Benefit cost for the year	280,319	272,414
Interest cost	101,183	98,648
Expected benefit payments	(304,978)	(300,183)
Accrued WSIB benefit obligation at December 31	2,979,790	2,903,266
Unamortized actuarial loss	(904,939)	(1,033,801)
Accrued WSIB liability at December 31	\$ 2,074,851	\$ 1,869,465

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

4. Workplace Safety and Insurance Board ("WSIB") liabilities (continued):

Information with respect to the County's Workplace Safety and Insurance Board unamortized loss is as follows:

	2022	2021
Remaining unamortized loss at January 1	\$ (1,033,801)	\$ (1,162,663)
Amortization during the year	128,862	128,862
Remaining unamortized loss at December 31	\$ (904,939)	\$ (1,033,801)

5. Employee future benefits:

- (a) The County provides extended healthcare, dental and life insurance benefits up to the age of 65 for eligible employees who elect to take early retirement under the OMERS plan.

An independent actuarial valuation of the future benefits with respect to the post-retirement benefits continuation program has been undertaken to be effective December 31, 2019. The most recent valuation of future benefits with respect to the post-retirement benefits as of December 31, 2019 resulted in an actuarial loss of \$424,896 to be amortized on a straight-line basis over the expected average remaining benefit lifetime of the related employee groups, which is estimated to be thirteen years (2021 - thirteen years).

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

Interest discount rate	3.75% per annum
Medical rate of inflation	Escalate at 6.42% for 2022, reducing by 0.333% per year to 3.755% in 2029 and 3.75% per year thereafter
Dental rate of inflation	3.75% per annum
Retirement rate	25% at first unreduced early Retirement age and 10% thereafter

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

5. Employee future benefits (continued):

(a) (continued)

Information with respect to the County's post-retirement benefit liability is as follows:

	2022	2021
Accrued post-retirement benefit obligation at January 1	\$ 1,624,885	\$ 1,606,523
Benefit cost for the year	70,884	66,984
Interest cost	60,425	59,475
Expected benefit payments	(97,965)	(108,097)
Accrued post-retirement benefit obligation at December 31	1,658,229	1,624,885
Unamortized actuarial loss	(325,225)	(363,873)
Accrued post-retirement benefit liability at December 31	\$ 1,333,004	\$ 1,261,012

Information with respect to the County's post-retirement unamortized loss is as follows:

	2022	2021
Remaining unamortized loss at January 1	\$ (363,873)	\$ (388,281)
Amortization during the year	38,648	24,408
Remaining unamortized loss at December 31	\$ (325,225)	\$ (363,873)

(b) The County provides a retirement allowance to eligible employees.

An independent actuarial valuation of the future benefits with respect to the retirement allowance has been undertaken and was completed at December 31, 2019. The most recent valuation of future benefits with respect to the post-retirement allowance as of December 31, 2019 resulted in an actuarial loss of \$61,710 to be amortized on a straight-line basis over the expected average remaining benefit lifetime of the related employee groups, which is estimated to be thirteen years (2021 - thirteen years).

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

5. Employee future benefits (continued):

(b) (continued)

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

Interest discount rate	3.75% per annum
Salary inflation	2.75% per annum
Retirement rate	25% at first unreduced early retirement age and 10% thereafter

Information with respect to the County's accrued retirement allowance liability is as follows:

	2022	2021
Accrued retirement benefit obligation at January 1	\$ 755,659	\$ 700,865
Benefit cost for the period	56,028	52,944
Interest	28,823	26,807
Expected benefit payments	(30,123)	(24,957)
Accrued retirement benefit obligation at December 31	810,387	755,659
Unamortized actuarial loss	(125,908)	(150,647)
Accrued retirement allowance liability at December 31	\$ 684,479	\$ 605,012

Information with respect to the County's retirement allowance unamortized loss is as follows:

	2022	2021
Remaining unamortized loss at January 1	\$ (150,647)	\$ (175,386)
Amortization during the year	24,739	24,739
Remaining unamortized loss at December 31	\$ (125,908)	\$ (150,647)

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

6. Pension agreements:

The County makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of 319 (2021 - 316) 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 their length of service and rates of pay.

The last available report for the OMERS plan was December 31, 2022. At that time, the plan reported a \$6.7 billion actuarial deficit (2021 - \$3.1 billion actuarial deficit).

The amount contributed to OMERS for 2022 current service was \$1,738,186 (2021 - \$1,703,622) and is included as an expense on the "Consolidated Statement of Operations and Accumulated Surplus".

7. Long-term liabilities:

(a) The long-term liabilities reported on the "Consolidated Statement of Financial Position" are as follows:

	2022	2021
OSIFA Debentures - infrastructure projects	\$ 455,302	\$ 673,730
Proportionate share of Kingston, Frontenac and Lennox and Addington Public Health debt	668,625	756,630
Meadow Lane mortgage	691,269	861,030
	<u>\$ 1,815,196</u>	<u>\$ 2,291,390</u>

(i) In 2004, the County issued debentures to the Ontario Strategic Infrastructure Financing Authority ("OSIFA") totalling \$3,599,000 to finance designated infrastructure projects. The debentures are repayable in equal semi-annual payments of \$117,794, principal and interest, over a twenty-year period until November 15, 2024 at an interest rate of 2.77%.

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

7. Long-term liabilities (continued):

(a) The long-term liabilities reported on the "Consolidated Statement of Financial Position" are as follows (continued):

(ii) The County's principal repayments due on the OSIFA debentures are as follows:

2023	\$	224,520
2024		230,782
	\$	455,302

(iii) The Kingston, Frontenac and Lennox and Addington Public Health's debt matures on December 8, 2028 and has an interest rate of 6.09%. The County's proportionate share of the principal due on the debt is summarized as follows:

2023	\$	93,982
2024		100,179
2025		107,259
2026		114,381
2027 and thereafter		252,824
	\$	668,625

(iv) The Meadow Lane mortgage is repayable in blended monthly payments of \$15,774 due August 1, 2024 at an interest rate of 2.505%.

The principal repayment due on the mortgage is as follows:

2023	\$	174,040
2024		517,229
	\$	691,269

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

7. Long-term liabilities (continued):

(b) Total charges for the year for net long-term liabilities which are reported on the "Consolidated Statement of Operations and Accumulated Surplus" are as follows:

	2022	2021
Interest - Kingston, Frontenac and Lennox and Addington Public Health	\$ 49,014	\$ 52,670
Interest - Corporation of the County of Lennox and Addington	35,966	48,984
	<u>\$ 84,980</u>	<u>\$ 101,654</u>

(c) The long-term liabilities in note 7(a), issued in the name of the County, have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

8. Tangible capital assets:

Cost	Balance at December 31, 2021	Additions	Disposals	Balance at December 31, 2022
Bridges	\$ 22,943,905	\$ 380,709	\$ -	\$ 23,324,614
Buildings	84,511,199	4,349,633	41,063	88,819,769
Equipment	3,313,140	424,920	97,925	3,640,135
Furnishings	2,036,399	206,697	36,805	2,206,291
Land	1,358,426	29,062	2,992	1,384,496
Land improvements	1,888,628	317,555	405,652	1,800,531
Lending materials	384,660	72,002	74,859	381,803
Office equipment	2,661,944	555,761	398,503	2,819,202
Roads	194,081,738	11,468,307	6,812,224	198,737,821
Vehicles	2,254,839	707,492	-	2,962,331
Assets under construction	130,199	212,281	15,286	327,194
Total	<u>\$ 315,565,077</u>	<u>\$ 18,724,419</u>	<u>\$ 7,885,309</u>	<u>\$ 326,404,187</u>

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

8. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2021	Amortization	Disposals and adjustments	Balance at December 31, 2022
Bridges	\$ 9,772,951	\$ 710,180	\$ –	\$ 10,483,131
Buildings	45,953,764	2,694,549	41,063	48,607,250
Equipment	1,640,057	333,300	95,066	1,878,291
Furnishings	936,673	123,462	36,805	1,023,330
Land improvements	1,118,769	80,342	405,652	793,459
Lending materials	227,875	77,216	74,859	230,232
Office equipment	1,619,044	439,220	398,503	1,659,761
Roads	90,002,113	7,977,652	6,810,418	91,169,347
Vehicles	1,632,096	379,689	–	2,011,785
Total	\$ 152,903,342	\$ 12,815,610	\$ 7,862,366	\$ 157,856,586

	Net book value December 31, 2021	Net book value December 31, 2022
Bridges	\$ 13,170,954	\$ 12,841,483
Buildings	38,557,435	40,212,519
Equipment	1,673,083	1,761,844
Furnishings	1,099,726	1,182,961
Land	1,358,426	1,384,496
Land improvements	769,859	1,007,072
Lending materials	156,785	151,571
Office equipment	1,042,900	1,159,441
Roads	104,079,625	107,568,474
Vehicles	622,743	950,546
Assets under construction	130,199	327,194
Total	\$ 162,661,735	\$ 168,547,601

(a) Assets under construction:

Assets under construction having a value of \$327,194 (2021 - \$130,199) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$Nil (2021 - \$Nil).

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

8. Tangible capital assets (continued):

(c) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(d) Works of art and historical treasures:

The County manages and controls various works of art and non-operational historical cultural assets including artifacts, paintings and sculptures located at County sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

(e) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$Nil (2021 - \$Nil).

9. Contingent liabilities:

The nature of the County's activities is such that there may be litigation pending or in prospect at any time. With respect to claims at December 31, 2022, management believes that the County has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the County's financial position.

10. Commitments:

(a) The County has undertaken the following commitments to support community health care projects:

i) University Hospitals Kingston Foundation to support community health care capital projects in the amount of \$75,000 per year for the years 2021 to 2028 inclusive.

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

11. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserve funds as follows:

	2022	2021
Surplus:		
Invested in tangible capital assets - general purposes	\$ 165,494,678	\$ 159,085,225
Invested in tangible capital assets - library purposes	332,174	340,228
Invested in tangible capital assets - Kingston, Frontenac and Lennox and Addington Public Health	905,553	944,892
Invested in inventories - general purpose	17,444	17,444
Other - general purposes	3,529,726	2,926,010
Other - library purposes	47,772	151,019
Other - Kingston, Frontenac and Lennox and Addington Public Health	646,499	721,384
Total surplus	170,973,846	164,186,202
Unfinanced Capital:		
Museum and archives	-	(107,653)
Total unfinanced capital	-	(107,653)
Reserves set aside by Council:		
Working capital - general purpose	937,555	937,555
Library expenditures	811,616	683,861
Roadways and bridges expenditures	7,020,021	4,987,851
Property capital projects	532,172	468,610
General expenditures	716,376	763,207
Social service expenditures	628,636	560,225
Economic development	268,187	373,284
Land use planning	99,875	99,875
Paramedic services expenditures	2,226,500	1,384,020
The John M. Parrott Centre	3,557,666	1,558,256
Rate stabilization	781,806	781,806
Modernization	164,704	164,704
Children Services General	239,759	144,075
COVID reserve	-	344,743
	17,984,873	13,252,072
Reserve funds set aside by Council:		
Children's Services	946,597	887,978
Social housing	2,911,200	4,498,112
Museum and Archives	1,059,244	898,072
	4,917,041	6,284,162
	\$ 193,875,760	\$ 183,614,783

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

12. Budget figures:

The budget data presented in these consolidated financial statements is based upon the 2022 operating and capital budgets approved by Council on March 23, 2022.

The Corporation of the County of Lennox and Addington reviews its operating and capital budgets annually. The approved operating and capital budgets for 2022 are reflected on the "Consolidated Statement of Operations and Accumulated Surplus".

The chart below reconciles the approved budget to the budget figures reported on the "Consolidated Statement of Operations and Accumulated Surplus".

	Budget amount
Revenue:	
Original budget	\$ 85,062,318
Health Unit consolidation	4,420,083
Loss on sale of assets	(2,871)
	<u>89,479,530</u>
Expenses:	
Original budget	84,859,748
Health Unit consolidation	4,534,307
Assets capitalized	(21,289,100)
Amortization expense	11,921,000
Debt principal repayment	(422,400)
Transfer to other funds	3,187,100
	<u>82,790,655</u>
Annual surplus	<u>\$ 6,688,875</u>

13. Provincial offences administration:

The Provincial Offences Act 1997 (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 the legal process from serving notice to a defendant, to conducting trials, including sentencing and appeals.

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

13. Provincial offences administration (continued):

Balances arising from the operation of the POA office have been consolidated with these 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 the Napanee Court. Offenders may pay their fines at any court office in Ontario, at which time their 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. Total revenue and expenditures recorded are as follows:

	2022	2021
Gross revenue received	\$ 1,625,782	\$ 1,684,583
Gross expenditures	1,139,623	1,082,720
Net revenue	\$ 486,159	\$ 601,863

14. Supplementary information:

	2022	2021
Expenditures by object:		
Salaries, wages and employee benefits	\$ 36,526,117	\$ 35,351,203
Materials, services and rents	33,399,473	31,897,674
Debt services	84,980	101,654
Amortization	12,815,610	12,292,796
Total	\$ 82,826,180	\$ 79,643,327

15. Trust funds:

Trust funds administered by the County amounting to \$38,585 (2021 - \$27,576) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Operations and Accumulated Surplus".

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

16. Segmented information:

The Corporation of the County of Lennox and Addington is a municipal government institution that provides a range of services to its citizens as set out in the Schedule of Segment Disclosure. For management reporting purposes, the Corporation of the County of Lennox and Addington's operations and activities are organized and reported by department. Funds have been created for the purpose of recording specific activities in accordance with special regulations, restrictions or limitations.

The Corporation of the County of Lennox and Addington's services are provided by departments and their activities are reported in these funds. The following departments have been separately reported in the Schedule of Segment Disclosure.

(a) Roadways and Bridges:

The Corporation of the County of Lennox and Addington is responsible for 458 kilometres of arterial roads and 68 bridges and major culverts. The lower tier municipalities within the County provide maintenance services on these roads under a contract arrangement with the County.

(b) Assistance to Aged Persons:

The Corporation of the County of Lennox and Addington operates The John M. Parrott Centre, a 168-bed long-term care facility.

(c) Paramedic Services:

The Corporation of the County of Lennox and Addington provides paramedic services to its residents from five ambulance bases located in Napanee, Loyalist, Stone Mills, Northbrook and Denbigh.

(d) Social Assistance, Housing & Homelessness and Children's Services:

The Corporation of the County of Lennox and Addington is the Consolidated Municipal Service Manager for the Counties of Lennox and Addington and Prince Edward for the provision of social services.

(e) Libraries:

The Corporation of the County of Lennox and Addington provides library services to its residents at library branches located in the Town of Greater Napanee, Loyalist Township and the Township of Stone Mills.

(f) Museums and Archives:

The Corporation of the County of Lennox and Addington's Museum and Archives, which is located in Napanee, has over 10,000 artifacts in its collection.

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

16. Segmented information (continued):

(g) Economic Development & Planning:

The Corporation of the County of Lennox and Addington is responsible for business attraction, retention and promotion, as well as land use planning initiatives.

(h) Provincial Offences:

The Corporation of the County of Lennox and Addington administers the collection of approximately 7,200 Provincial Offences fines per year.

(i) General Government and Other Services:

General Government and Other Services includes County Council operations, Administration & Finance, Property Services, funding support for the Municipal Property Assessment Corporation, capital support for local hospitals and miscellaneous revenues such as investment income, payments-in-lieu of taxation and non-specific government grants, which have not been allocated to the County's various departments.

(j) Public Health Services:

The Kingston, Frontenac and Lennox and Addington Health Unit provides public health services to the residents of Lennox and Addington and is proportionately funded by participating Municipalities and the Province of Ontario.

For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

County services are funded in part from Property Taxation. Taxation is apportioned to these services based on the amounts established as part of the 2022 budget process.

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 COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

16. Segmented information (continued):

	Roadways & Bridges	Assistance to Aged Persons	Paramedic Services	Social Assistance	Housing & Homelessness	Children's Services	Libraries
Revenue:							
Taxation	\$ 15,176,600	\$ 3,459,400	\$ 5,391,365	\$ 1,037,700	\$ 2,440,000	\$ 291,800	\$ 1,431,100
Fees and other revenue	173,423	4,056,395	8,538	11,410	1,997,066	-	20,306
Government grants	2,886,392	13,545,087	5,984,393	9,842,706	4,042,843	7,497,711	93,351
Investment income	-	-	-	-	-	-	-
Fine revenue	-	-	-	-	-	-	902
Recoveries from municipalities	-	-	164,044	525,965	1,115,956	138,438	-
	18,236,415	21,060,882	11,548,340	11,417,781	9,595,865	7,927,949	1,545,659
Expenses:							
Salaries and benefits	591,295	13,365,057	7,895,581	2,673,238	1,330,383	492,135	1,134,960
Materials	786,618	2,349,094	1,277,225	165,436	1,894,741	6,986	147,596
Contracted services	2,967,251	567,345	137,199	117,123	817,639	7,197,493	37,523
Rents and financial expenses	-	-	21,141	63,722	-	-	-
External transfers	-	4,576	-	7,785,644	2,570,573	15,945	-
Debt services	16,792	-	-	-	19,174	-	-
Interfunctional adjustments	292,963	789,338	535,407	536,409	271,989	176,663	112,809
Amortization	8,725,417	1,045,116	610,483	52,196	1,308,932	42,040	96,319
	13,380,336	18,120,526	10,477,036	11,393,768	8,213,431	7,931,262	1,529,207
Net revenue (expenses)	\$ 4,856,079	\$ 2,940,356	\$ 1,071,304	\$ 24,013	\$ 1,382,434	\$ (3,313)	\$ 16,452

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

16. Segmented information (continued):

	Museum & Archives	Economic Development & Planning	Provincial Offences	General Government & other Services	Subtotal	Public Health Services	Total
Revenue:							
Taxation	\$ 1,018,625	\$ 669,300	\$ (801,920)	\$ 1,437,681	\$ 31,551,651	\$ 1,366,094	\$ 32,917,745
Fees and other revenue	21,419	16,231	-	644,604	6,949,392	15,811	6,965,203
Government grants	128,072	206,526	-	113,664	44,340,745	4,382,947	48,723,692
Investment income	-	-	-	868,771	868,771	21,238	890,009
Fine revenue	-	-	1,625,782	-	1,626,684	-	1,626,684
Recoveries from municipalities	-	-	-	19,334	1,963,737	87	1,963,824
	1,168,116	892,057	823,862	3,084,054	87,300,980	5,786,177	93,087,157
Expenses:							
Salaries and benefits	380,996	312,577	504,668	3,031,474	31,712,364	4,813,753	36,526,117
Materials	172,815	300,868	446,276	870,491	8,418,146	504,123	8,922,269
Contracted services	6,315	182,438	126,228	1,376,235	13,532,789	363,699	13,896,488
Rents and financial expenses	-	-	-	19,115	103,978	-	103,978
External transfers	-	-	-	100,000	10,476,738	-	10,476,738
Debt services	-	-	-	-	35,966	49,014	84,980
Interfunctional adjustments	235,942	36,484	62,452	(3,050,456)	-	-	-
Amortization	136,688	560	-	628,047	12,645,798	169,812	12,815,610
	932,756	832,927	1,139,624	2,974,906	76,925,779	5,900,401	82,826,180
Net revenue (expenses)	\$ 235,360	\$ 59,130	\$ (315,762)	\$ 109,148	\$ 10,375,201	\$ (114,224)	\$ 10,260,977

Statement of Resident Trust Fund of the

**CORPORATION OF THE COUNTY
OF LENNOX AND ADDINGTON**

Year ended December 31, 2022

Statement of Resident Trust Fund of the

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Year ended December 31, 2022

	Page
Independent Auditor's Report	
Statement of Financial Position	1
Statement of Continuity	1
Notes to Statement of Resident Trust Fund	2



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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the County of Lennox and Addington

Opinion

We have audited the accompanying Resident Trust Fund of the Corporation of the County of Lennox and Addington (the "Entity") for the year ended December 31, 2022, and notes, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as the "Statement").

In our opinion, the accompanying Statement for the year ended December 31, 2022 for the Entity is prepared, in all material respects, in accordance with 2022 Long-Term Care Home Annual Report Technical Instructions and Guidelines, dated April 30, 2022, issued by the Ministry of Health and Ministry of Long-Term Care of Ontario.

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 Statement***" 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 Statement 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 – Financial Reporting Framework

We draw attention to Note 1 to the Statement, which describes the applicable financial reporting framework and purpose of the Statement.

As a result, the Statement may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.



Responsibilities of Management and Those Charged with Governance for the Statement

Management is responsible for the preparation of the Statement in accordance with the 2022 Long-Term Care Home Annual Report Technical Instructions and Guidelines, dated April 30, 2022, issued by the Ministry of Health and Ministry of Long-Term Care of Ontario, and for such internal control as management determines is necessary to enable the preparation of a Statement that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Statement

Our objectives are to obtain reasonable assurance about whether the Statement as a whole is 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 Statement.

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 Statement, 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.



Page 3

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

September 27, 2023

RESIDENT TRUST FUND OF THE CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Funds in safe-keeping for The John M. Parrott Centre Residents	2022	2021
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Statement of Financial Position

December 31, 2022, with comparative information for 2021

Assets

Cash	\$	27,339	\$	27,576
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Capital

Balance, capital	\$	27,339	\$	27,576
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Statement of Continuity

December 31, 2022, with comparative information for 2021

		2022		2021
Trust fund balance, beginning of year	\$	27,576	\$	19,895
Resident receipts		77,230		85,859
		104,806		105,754
Disbursements		(77,467)		(78,178)
Trust fund balance, end of year	\$	27,339	\$	27,576

The accompanying notes to statement of Resident Trust Fund.

RESIDENT TRUST FUND OF THE CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Statement of Resident Trust Fund

Year ended December 31, 2022

1. Basis of accounting:

The statement of the Resident Trust Fund of the Corporation of the County of Lennox and Addington reports the deposits and disbursements for the year ended December 31, 2022, in accordance with the significant accounting principles prescribed by the Ministry of Health and Ministry of Long-Term Care of Ontario. General eligibility criteria for expenditures and reporting requirements are described in the 2022 Long-Term Care Home Annual Report Technical Instructions and Guidelines, dated April 30, 2022, issued by the Ministry of Health and Ministry of Long-Term Care of Ontario.

The purpose of the Statement is for the Entity to meet its obligation to report to the Ministry of Health and Long-Term Care of Ontario's 2022 Long-Term Care Home Annual Report Technical Instructions and Guidelines dated April 30, 2022.

2. Significant accounting policies:

(a) Receipts:

Receipts are recorded on the cash basis.

(b) Disbursements:

Disbursements are recorded on the cash basis.