

**CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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**County of Lanark  
Consolidated  
Financial Statements  
December 31, 2019**

**County of Lanark**  
**Five Year Financial Review**  
(not subject to audit)

<b>December 31</b>	<b>2019</b>	2018	2017	2016	2015
<b>Population</b> (Statistics Canada)	<b>59,918</b>	59,918	59,918	59,918	56,689
<b>Number of Households</b> (MPAC)	<b>30,557</b>	30,523	29,884	29,112	28,825
<hr/>					
<b>Taxable Assessment</b> (000's)	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Residential	<b>8,004,964</b>	7,701,549	7,391,390	7,228,430	6,858,022
Multi-residential	<b>91,508</b>	88,757	78,054	75,032	71,439
Commercial	<b>430,270</b>	419,792	410,897	433,788	423,525
Industrial	<b>70,267</b>	67,897	66,290	64,646	72,247
Pipeline	<b>32,319</b>	31,482	30,743	29,881	29,160
Farmland	<b>320,515</b>	281,042	239,589	196,904	193,270
<b>Total</b>	<b>8,949,843</b>	8,509,519	8,216,963	8,028,681	7,647,663
<hr/>					
<b>Rates of Taxation</b>					
▸ residential (municipal)	<b>0.369753</b>	0.370048	0.376627	0.373000	0.379779
▸ multi-residential (municipal)	<b>0.802451</b>	0.823846	0.846067	0.857373	0.885882
▸ commercial (municipal)	<b>0.673152</b>	0.664927	0.667146	0.636409	0.638840
▸ industrial (municipal)	<b>0.944423</b>	0.953798	0.978864	0.973269	0.974816
<hr/>					
<b>Revenues for County Purposes</b> (000's)	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
▸ Taxation	<b>35,321</b>	33,877	33,000	31,950	30,772
▸ Government transfers	<b>40,312</b>	40,421	37,784	35,222	33,659
▸ Other	<b>8,067</b>	7,870	7,341	7,209	7,165
▸ Revenues related to capital assets	<b>4,090</b>	2,754	16,543	2,412	1,946
<b>Total</b>	<b>87,790</b>	84,922	94,668	76,793	73,542
<hr/>					
<b>Expenses</b> (000's)					
▸ Operations	<b>79,303</b>	77,199	73,977	72,623	72,020
▸ Amortization	<b>6,959</b>	6,652	6,353	6,099	5,797
<hr/>					
<b>Net Financial Assets (Net Debt)</b>					
▸ % of Operating Revenue (>(20%)) **	<b>26.27%</b>	18.66%	14.25%	10.65%	7.61%
▸ % of Taxation and User Charges (>(50%)) **	<b>55.88%</b>	39.42%	29.51%	21.66%	15.35%

\*\* Represents the Provincial Low Risk Indicator.  
(Note: All dollar amounts are in thousands of dollars.)

**County of Lanark**  
**Five Year Financial Review**  
(not subject to audit)

December 31	2019	2018	2017	2016	2015
	\$	\$	\$	\$	\$
<b>Long Term Debt</b>					
▸ Net long term debt (000's)	2,852	3,954	5,343	7,000	8,656
▸ Long term debt charges (000's)	1,229	1,554	1,879	1,956	2,037
▸ Total annual repayment limit (000's)	10,084	9,792	9,488	9,291	9,251
▸ Long term debt per household	93	129	179	240	300
▸ Debt charges (000's)					
▸ tax supported	1,229	1,554	1,879	1,956	2,037
<b>Municipal Equity (000's)</b>					
▸ Surplus and Reserves	25,292	19,639	16,819	15,324	14,625
▸ Invested in capital assets	116,268	113,438	108,787	89,573	86,102
▸ Asset consumption ratio	48.35%	47.85%	47.44%	50.43%	49.79%
▸ Reserves as % of operating expenses (>20%) **	34.52%	28.33%	25.78%	24.23%	23.30%
<b>Financial Indicators</b>					
▸ Sustainability					
▸ financial assets to liabilities	2.35	1.84	1.70	1.51	1.32
▸ financial assets to liabilities excluding long term debt	2.85	2.35	2.58	2.76	2.66
▸ long term debt to tangible capital assets	2.39%	3.37%	4.68%	7.25%	9.13%
▸ capital reserves to accumulated amortization	16.23%	12.59%	11.00%	10.41%	10.63%
▸ Flexibility					
▸ Debt charges to total operating revenue (<5%) **	1.47%	1.89%	2.41%	2.63%	2.85%
▸ Total operating revenue to taxable assessment	0.94%	0.96%	0.95%	0.93%	0.94%
▸ Working capital to operating expenses (>10%) **	31.32%	24.90%	22.10%	20.55%	19.58%
▸ Vulnerability					
▸ Operating government transfers					
▸ to operating revenue	45.06%	46.53%	45.54%	44.39%	43.87%
▸ by department					
▸ social and family services	27.24%	28.53%	27.02%	25.60%	25.14%
▸ Homes for Senior Citizens	9.84%	9.82%	9.65%	10.22%	10.25%
▸ ambulance	5.99%	6.08%	6.06%	5.81%	5.80%
▸ other programs	2.00%	2.11%	2.80%	2.77%	2.68%
▸ Total government transfers					
▸ to total revenues	50.03%	48.26%	40.09%	45.37%	45.25%



## Management's Responsibility for the Consolidated Financial Statements


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The accompanying consolidated financial statements of the Corporation of the County of Lanark 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 significant accounting policies are described in note 2 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 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 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 Allan and Partners LLP, independent external auditors appointed by the County. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the County's consolidated financial statements.



Kurt Greaves, CPA, CGA  
Chief Administrative Officer



Kevin Wilts, CPA, CGA  
Treasurer





## INDEPENDENT AUDITOR'S REPORT

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To the Members of Council, Inhabitants and Ratepayers  
of the Corporation of the County of Lanark:

### Opinion

We have audited the consolidated financial statements of the Corporation of the County of Lanark (the 'Entity'), which comprise:

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated statement of operations and 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 the 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, 2019, 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 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 judgement 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 of 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Allan and Partners LLP  
Chartered Professional Accountants  
Licensed Public Accountants

Perth, Ontario  
May 13, 2020.

**County of Lanark**  
**Consolidated Statement of Financial Position**

December 31	2019	2018
	\$	\$
<b>ASSETS</b>		
<b>Financial Assets</b>		
Cash and short term deposits	28,019,375	20,395,399
Accounts receivable	3,566,621	2,774,924
Long term receivable	---	65,761
Long term investments (note 3)	6,694,853	10,379,001
	<b>38,280,849</b>	<b>33,615,085</b>
<b>LIABILITIES</b>		
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	4,732,966	6,642,707
Employee future benefit obligations (note 4)	3,490,058	3,476,312
Other current liabilities	2,552,289	2,234,925
Deferred revenues (note 5)	2,669,572	1,976,339
Long term liabilities (note 6)	2,851,709	3,954,240
	<b>16,296,594</b>	<b>18,284,523</b>
<b>NET FINANCIAL ASSETS</b>	<b>21,984,255</b>	<b>15,330,562</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 15)	119,120,115	117,392,429
Inventories	440,041	320,581
Prepaid expenses	15,639	28,241
	<b>119,575,795</b>	<b>117,741,251</b>
Commitments (note 13) Contingent Liabilities (note 10 & 11)		
<b>MUNICIPAL EQUITY</b> (note 7)	<b>141,560,050</b>	<b>133,071,813</b>

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

**County of Lanark**  
**Consolidated Statement of Operations**

For the year ended December 31	(Note 17) Budget	2019	2018
	\$	\$	\$
<b>REVENUES</b>			
Taxation ▶ requisition on local municipalities	34,619,955	<b>34,716,362</b>	33,357,028
▶ share of supplementary taxes (write offs)	294,000	<b>605,080</b>	519,920
User charges ▶ Homes for Senior Citizens	4,085,580	<b>4,099,260</b>	3,982,918
▶ other	676,819	<b>924,025</b>	1,031,012
Government grants ▶ social and family services	21,439,987	<b>22,803,360</b>	23,443,191
▶ Homes for Senior Citizens	8,182,646	<b>8,234,104</b>	8,065,146
▶ ambulance	5,000,000	<b>5,010,079</b>	4,991,721
▶ other provincial grants	408,000	<b>395,298</b>	396,083
▶ federal grants	1,307,907	<b>1,223,521</b>	1,311,627
▶ other municipalities	2,247,399	<b>2,594,539</b>	2,184,768
▶ from deferred revenue (note 5)	---	<b>51,432</b>	28,919
Contribution from developers (note 5)	---	<b>9,636</b>	9,636
Investment income	375,000	<b>732,665</b>	570,033
Other income ▶ rent	2,165,888	<b>2,122,521</b>	2,258,757
▶ other	60,375	<b>178,972</b>	17,250
<b>TOTAL REVENUES</b>	80,863,556	<b>83,700,854</b>	82,168,009
<b>EXPENSES</b>			
General government	4,342,349	<b>3,983,264</b>	3,759,180
Protection to persons and property	747,792	<b>715,019</b>	658,080
Transportation services	13,296,473	<b>12,659,177</b>	12,348,041
Health services	11,910,263	<b>11,974,324</b>	11,193,319
Social and family services	48,738,271	<b>48,429,300</b>	48,242,841
Planning and development	1,540,641	<b>1,575,804</b>	1,009,374
Post retirement benefits actuarial valuation	(15,710)	<b>(33,801)</b>	(11,439)
<b>TOTAL EXPENSES</b>	80,560,079	<b>79,303,087</b>	77,199,396
<b>NET REVENUES FROM OPERATIONS</b>	303,477	<b>4,397,767</b>	4,968,613
<b>OTHER</b>			
Grants and transfers related to capital			
Government transfers	2,128,256	<b>4,154,728</b>	2,743,833
Other income for reserve and reserve funds	---	<b>17,366</b>	5,935
Interest earned on reserve funds	---	<b>2,362</b>	1,823
Write down of capital assets	---	<b>(106,105)</b>	---
Gain on disposal of assets	---	<b>22,119</b>	2,855
	2,128,256	<b>4,090,470</b>	2,754,446
<b>ANNUAL SURPLUS</b>	2,431,733	<b>8,488,237</b>	7,723,059
<b>MUNICIPAL EQUITY, BEGINNING OF YEAR</b>	133,071,813	<b>133,071,813</b>	125,348,754
<b>MUNICIPAL EQUITY, END OF YEAR</b>	135,503,546	<b>141,560,050</b>	133,071,813

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

**County of Lanark**

**Consolidated Statement of Changes in Net Financial Assets**

For the year ended December 31	(Note 17) Budget	2019	2018
	\$	\$	\$
<b>ANNUAL SURPLUS</b>	2,431,733	<b>8,488,237</b>	7,723,059
Amortization of tangible capital assets	7,354,350	<b>6,959,300</b>	6,651,730
Acquisition of tangible capital assets	(11,982,000)	<b>(8,828,090)</b>	(10,105,396)
Write down of capital assets	---	<b>106,105</b>	---
Disposition of tangible capital assets	29,500	<b>34,999</b>	192,064
(Acquisition) disposal of supplies inventories	---	<b>(119,460)</b>	2,144
Disposal (acquisition) of prepaid expense	---	<b>12,602</b>	(583)
	(4,598,150)	<b>(1,834,544)</b>	(3,260,041)
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(2,166,417)	<b>6,653,693</b>	4,463,018
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	15,330,562	<b>15,330,562</b>	10,867,544
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	13,164,145	<b>21,984,255</b>	15,330,562

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



**County of Lanark**  
**Consolidated Statement of Cash Flows**

For the year ended December 31	2019	2018
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Annual surplus for the year	8,488,237	7,723,059
Amortization	6,959,300	6,651,730
Write down of capital assets	106,105	---
	<b>15,553,642</b>	<b>14,374,789</b>
Net Change in Non-Cash Working Capital Balances		
Accounts receivable	(791,697)	413,180
Accounts payable and accrued liabilities	(1,909,741)	1,655,589
Employee future benefit obligations	13,746	16,278
Other current liabilities	317,364	1,404,128
Deferred revenues	693,233	517,599
Inventories	(119,460)	2,144
Prepaid expenses	12,602	(583)
	<b>(1,783,953)</b>	<b>4,008,335</b>
<b>Working Capital from Operations</b>	<b>13,769,689</b>	<b>18,383,124</b>
<b>INVESTING ACTIVITIES</b>		
Decrease (increase) in long term investments	3,684,148	(651,013)
Decrease in long term receivables	65,761	63,598
<b>Net increase in investments</b>	<b>3,749,909</b>	<b>(587,415)</b>
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(8,828,090)	(10,105,396)
Disposal of tangible capital assets	34,999	192,064
<b>Net investment in tangible capital assets</b>	<b>(8,793,091)</b>	<b>(9,913,332)</b>
<b>FINANCING ACTIVITIES</b>		
Debt principal repayments	(1,102,531)	(1,389,251)
<b>Net decrease in cash from financing activities</b>	<b>(1,102,531)</b>	<b>(1,389,251)</b>
<b>NET INCREASE IN CASH</b>	<b>7,623,976</b>	<b>6,493,126</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>20,395,399</b>	<b>13,902,273</b>
<b>CASH, END OF YEAR</b>	<b>28,019,375</b>	<b>20,395,399</b>

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

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# County of Lanark

## Notes to the Consolidated Financial Statements

**December 31, 2019**

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### **1. Status of the County of Lanark**

The County of Lanark (the 'County') was incorporated August 23, 1866 and assumed its responsibilities under the authority of the Provincial Secretary. The County operates as an upper tier government in the County of Lanark, in the Province of Ontario, Canada and provides municipal services such as emergency measures, public works, public health services, ambulance services, social and family assistance, planning and development and other general government operations.

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### **2. Significant Accounting Policies**

The consolidated financial statements of the Corporation of the County of Lanark 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 County are as follows:

#### **Basis of Consolidation**

- (i) 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 County. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the County and which are owned or controlled by the County. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated. These consolidated financial statements include:
  - Lanark Lodge
  - Lanark County Housing Corporation
- (ii) 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.

#### **Basis of Accounting**

- (i) The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.
- (ii) Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.
- (iii) Trust funds and their related operations administered by the County are not included in these consolidated financial statements but are reported separately on the Trust Funds Statement of Financial Activities and Financial Position.



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**County of Lanark**  
**Notes to the Consolidated Financial Statements**

**December 31, 2019**

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**2. Significant Accounting Policies / continued**

**Tangible Capital Assets**

Tangible capital assets are recorded at historical cost or where historical cost records were not available, other methods determined to provide a best estimate of historical cost and accumulated amortization of the assets. In certain cases the County used replacement costs and appropriate indices to deflate the replacement cost to an estimated historical cost at the year of acquisition. Costs include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight line basis over their estimated useful lives as follows:

Land	
Buildings	15 - 50 years
Vehicles	4 - 20 years
Machinery and Equipment	3 - 30 years
Linear Assets	
Roads	30 - 40 years
Bridges	40 - 60 years
Culverts	40 - 60 years
Parking Lots	25 years

Leasehold improvements are amortized over the term of the lease plus one renewal option.

Amortization is charged from the month following the date of acquisition. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The County has a capitalization threshold of \$20,000 for vehicles and equipment and \$50,000 for linear assets and buildings so that individual capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operations reasons.

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. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of other asset as of the date of transfer.

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

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 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.

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**County of Lanark**  
**Notes to the Consolidated Financial Statements**

**December 31, 2019**

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**2. Significant Accounting Policies / continued**

**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.

**Inventories and Prepaid Expenses**

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

**Pension and Employee Benefits**

The County accounts for its participation in the Ontario Municipal Employees Retirement System ('OMERS'), a multi-employer public sector pension fund, as a defined benefit 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 County's policy.

The County accrues its obligation for employee benefit plans which will require funding in future periods. 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.

**Cash and Cash Equivalents**

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

**Government Transfers**

Government transfers are recognized in the consolidated financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

**Deferred Revenues**

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

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**County of Lanark**  
**Notes to the Consolidated Financial Statements**

**December 31, 2019**

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**2. Significant Accounting Policies / continued**

**Deferred Revenues / continued**

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

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

**Investments**

Short-term and long-term investments are recorded at cost plus accrued interest. If the market value of investments become lower than cost and the decline in value is considered to be other than temporary, the investments are written down to market value.

Investment income earned on surplus current funds, capital funds, reserves and reserve funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on development charges, rent bank and gas tax funds is added to the fund balance and forms part of respective deferred revenue balances.

**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 County:
  - (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 pos-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

**Financial Instruments**

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. The County has classified each financial instrument into one of the following categories: held-for-trading financial assets and liabilities, loans and receivables, held-to-maturity financial assets and other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Held-for-trading financial assets and liabilities are subsequently measured at fair value with changes in those fair values recognized in net revenues.

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**County of Lanark**  
**Notes to the Consolidated Financial Statements**

**December 31, 2019**

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**2. Significant Accounting Policies / continued**

**Financial Instruments / continued**

Loans and receivables, held-to-maturity financial assets and other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The County classifies cash and cash equivalents as held-for-trading financial assets, accounts receivable as loans and receivables and accounts payable and accrued liabilities as other financial liabilities.

**Measurement Uncertainty**

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the consolidated financial statements in the period in which they become known.

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**3. Long Term Investments**

Long term investments, which consist of bonds in chartered banks and investment banks, are recorded on the Consolidated Statement of Financial Position at cost plus accrued interest. They have a market value of \$6,716,712 as at December 31, 2019 (2018 \$10,196,797).

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**4. Employee Future Benefit Obligations**

**(a) Extended health care, dental, life insurance and sick leave benefits:**

The County provides non-pension retirement benefits for extended health care, dental and other benefits to specific group of employees. Eligibility is based on years of services between 25 and 30 and the employee must be eligible to receive pension benefits. Coverage is provided from the date of retirement to the age of 65. The County's cost is between 75% and 100% of the premiums.

An independent actuarial study of the employee non-pension benefits has been undertaken. The most recent valuation of the employee future benefits was effective at December 31, 2018.

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 between 12 and 13 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, 2019, based on an actuarial update, the accrued benefit obligation was \$2,654,035 (2018 \$2,687,836).

**County of Lanark**  
**Notes to the Consolidated Financial Statements**

**December 31, 2019**

**4. Employee Future Benefit Obligations / continued**

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

Discount Rate	3.25%
Inflation Rate	2.25%
Health Care Inflation Rate	5.00%

Employee benefit obligations are comprised of:

The continuity of post employment benefits for 2019 is as follows:

	2019	2018
	\$	\$
Balance, at beginning of year	2,687,836	2,699,275
Current service costs	85,801	83,100
Interest cost	60,434	58,698
Benefits paid	(104,568)	(77,769)
Amortized actuarial gain	(75,468)	(75,468)
<b>Balance, at end of year</b>	<b>2,654,035</b>	<b>2,687,836</b>

Extended health care, dental, life insurance and sick leave benefits:

The accrued benefit liability at December 31, 2019 includes the following:

	2019	2018
	\$	\$
Accrued benefit obligation	1,867,660	1,825,993
Unamortized actuarial gain	786,375	861,843
<b></b>	<b>2,654,035</b>	<b>2,687,836</b>

- (b) Liability for vacation credits:

Vacation expense is accrued for employees as entitlement to these payments is earned in accordance with the County's benefit plan for vacation time. Vacation credits earned as at December 31, 2019 are \$366,643 (2018 \$495,597).

- (c) The County became a Schedule 2 employer under the Workplace Safety and Insurance Act on December 14, 2013 and as such assumes full responsibility for financing its workplace safety insurance costs. The accrued obligation, \$247,551 (2018 \$89,735), would represent the present value of future benefits on existing claims.

Future actuarial valuations may result in increases in the liability. The actuarial gain or loss will be amortized over the expected average remaining service life.

The County will establish a reserve to mitigate the future impact of the obligation.

**County of Lanark**  
**Notes to the Consolidated Financial Statements**

**December 31, 2019**

**4. Employee Future Benefit Obligations / continued**

(d) Employee benefit obligations are comprised of:

	2019			2018		
	Gross	Funded	Unfunded	Gross	Funded	Unfunded
	\$	\$	\$	\$	\$	\$
Health benefits	2,901,586	(380,380)	2,521,206	2,777,571	(222,564)	2,555,007
Vacation credits, overtime and statutory holiday leave	588,472	(588,472)	---	698,741	(698,741)	---
	<b>3,490,058</b>	<b>(968,852)</b>	<b>2,521,206</b>	<b>3,476,312</b>	<b>(921,305)</b>	<b>2,555,007</b>

**5. Deferred Revenues**

A requirement of public sector accounting principles of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as deferred revenues. 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 as follows:

	Capital Improvements	Provincial Funding	Development Charges	Provincial Gas Tax	Total
	\$	\$	\$	\$	\$
January 1, 2019	299,280	137,677	1,477,529	61,853	<b>1,976,339</b>
Contribution from developers	---	---	666,657	---	<b>666,657</b>
Government grants	---	8,700	---	---	<b>8,700</b>
Other contributions	36,700	---	---	---	<b>36,700</b>
Interest	5,299	---	35,461	1,484	<b>42,244</b>
Transferred to operations	---	(47,975)	(9,636)	(3,457)	<b>(61,068)</b>
December 31, 2019	<b>341,279</b>	<b>98,402</b>	<b>2,170,011</b>	<b>59,880</b>	<b>2,669,572</b>

**County of Lanark**  
**Notes to the Consolidated Financial Statements**

**December 31, 2019**

**6. Long Term Liabilities**

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

	<b>2019</b>	2018
	<b>\$</b>	\$
Ontario Infrastructure Projects Corporation loan maturing in 2020 with interest rate of 3.82%.	<b>63,214</b>	303,683
Fixed rate bank loans with maturity dates between 2021 and 2022 and interest rates between 2.00% and 2.96%.	<b>1,330,018</b>	2,001,155
Mortgages with maturity dates between 2021 and 2026 and interest rates between 4.610% and 6.351%.	<b>1,458,477</b>	1,649,402
<b>Net long term liabilities at the end of the year</b>	<b>2,851,709</b>	3,954,240

- (b) Principal payments fall due as follows:

	<b>General Revenues</b>
	<b>\$</b>
2020	<b>950,940</b>
2021	<b>629,828</b>
2022	<b>446,700</b>
2023	<b>234,078</b>
2024	<b>246,631</b>
2025 to 2027	<b>343,532</b>
	<b>2,851,709</b>

- (c) Interest expense on long term liabilities in 2019 amounted to \$126,587 (2018 \$164,727).
- (d) These payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

**County of Lanark**  
**Notes to the Consolidated Financial Statements**

**December 31, 2019**

**7. Municipal Equity**

Municipal equity consists of:

	<b>2019</b>	2018
	<b>\$</b>	\$
Investment in tangible capital assets		
Tangible capital assets	<b>119,120,115</b>	117,392,429
Long term liabilities	<b>(2,851,709)</b>	(3,954,240)
	<b>116,268,406</b>	113,438,189
Unrestricted surplus		
Invested in inventory	<b>440,041</b>	320,581
Unfunded future employee benefits	<b>(2,521,206)</b>	(2,555,007)
Reserves (Schedule 1)	<b>27,258,834</b>	21,773,803
Reserve Funds (Schedule 1)	<b>113,975</b>	94,247
<b>Total Municipal Equity</b>	<b>141,560,050</b>	133,071,813

**8. Pension Contributions**

The County 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 County does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

The amount contributed to OMERS was \$1,386,929 (2018 \$1,371,695) for current services and is included as an expenditure on the Consolidated Statement of Operations classified under the appropriate functional expenditure. Contributions by employees were a similar amount.

**9. Trust Funds**

Trust funds administered by the County amounting to \$44,638 (2018 \$42,109) are presented in a separate financial statement of trust fund balances and operations. As such balances are held in trust by the County for the benefit of others, they are not presented as part of the County's financial position or financial activities.



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**County of Lanark**  
**Notes to the Consolidated Financial Statements**

**December 31, 2019**

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**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, 2019, management believes that the County has valid defences and appropriate reserves and 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.

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**11. Contingent Liability - Contaminated Sites**

The County has identified a potential liability for a contaminated site located on Joseph, Edward and Pattie Streets. These sites were previously used as residential housing. An estimate of the liability for the contaminated site, if any, cannot be reasonably estimated at this time. The site is currently vacant and no remediation is required at this time. A liability for contaminated sites will be recognized in these consolidated financial statements, if required, when a future use of the site is known.

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**12. Local Housing Corporation**

The Lanark County Housing Corporation (LCHC) was incorporated, under the Ontario Business Corporations Act, on December 14, 2000 with the County of Lanark as its sole shareholder. Nominal consideration was given for the 10 common shares issued to the County upon incorporation.

Under the provisions of a transfer order prepared under authority of The Social Housing Reform Act, 2000, the LCHC was the recipient of assets, liabilities, rights and obligations previously owned by the Ontario Housing Corporation (OHC). The transfer included all social housing units, including land and buildings, which were transferred to the Lanark County Housing Corporation at no cost.

The majority of Ontario public housing projects were originally financed by OHC debentures issued by the OHC in favour of Canada Mortgage and Housing Corporation. OHC continues to hold these debentures and the debt charges associated with these debentures are to be paid from federal funding directly by the Province to the debenture holder. As a result, these debentures are not included as part of the consolidation of the Lanark County Housing Corporation into these consolidated financial statements. Total debentures outstanding at December 31, 2019 amount to \$1,042,631 (2018 \$1,472,462).

Effective on the date of transfer, the municipality as service manager and the Lanark County Housing Corporation are responsible for the management and operation of the housing projects transferred and are bound by the requirements as set out in the legislation.

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## County of Lanark

### Notes to the Consolidated Financial Statements

December 31, 2019

#### 13. Commitments

- (a) The County has entered into a five year maintenance contract (with one additional five year option) with Turris Communications Limited for the maintenance of the communication system. The contract will expire June 2024. The annual cost for rent and maintenance is \$144,513 (2018 \$133,644).

The County has entered into dispatch agreements with the following parties:

Party	Expiry	Annual Fee
Ontario Provincial Police	December 2023	\$33,614
Town of Smiths Falls	June 2022	\$220,250 adjusted annually for inflation

- (b) The County has entered into an agreement with Almonte General Hospital for the provision of ambulance services, expiring in December 2020 . The contract fees for 2019 were \$9,537,355 (2018 \$9,121,018).

- (c) The County entered into two rental agreements for ambulance bases. One agreement with Almonte General Hospital for a base in Almonte. The County is responsible for all approved costs associated with the construction of the facility through the payment of monthly rent as defined in the rental agreement. The initial term of the rental agreement is 20 years with an annual amortized cost of \$60,021. The agreement provides for a thirty year extension of the rental agreement at the cost of \$1 per year.

The second agreement is for a base in Lanark. The County is responsible for all approved costs with the construction of the facility through the payment of monthly rent as defined in the rental agreement. The initial term of the rental agreement is 10 years with an annual amortized cost of \$68,800 (2010 to 2019). The agreement provides for a forty year extension of the rental agreement at a cost of \$1 per year.

- (d) The County is committed to rental leases for several properties. The minimum future lease commitments (excluding taxes) are:

Period Ending	Location	Annual Amount \$
2020 to 2021	84 / 86 Lorne Street, Smiths Falls Ambulance Station	115,632 / year
2022 to 2026		124,032 / year
2027 to 2031		130,032 / year
2032 to 2036		138,432 / year
2020	52 Abbott Street Smiths Falls Social Services Sub Office	37,392
2021		6,378
2020	52 Abbott Street Smiths Falls Lanark County Housing Corporation	53,750
2021		9,000
2020	33 Lansdowne Avenue, Carleton Place Social Services Sub Office	47,623
2021		47,623
2022		11,906

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**County of Lanark**  
**Notes to the Consolidated Financial Statements**

**December 31, 2019**

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**13. Commitments** / continued

- (e) The County has entered into an agreement to provide \$2,915,000 of capital funding for the creation of new licensed child care spaces in Carleton Place. The project will be funded from capital grants provided by the Province of Ontario. During 2019, \$1,457,500 of funding was provided to the Town of Carleton Place.
- (f) The Housing Corporation is committed to the development of 20 social housing rental units in Carleton Place. During 2019, land was acquired for the project and a construction management contract awarded for the design and build of the project in the amount of \$4,000,000. During 2019 approximately \$90,000 of costs were incurred. The balance of the project is expected to occur in 2020 and will be funded from government grants, reserves and current year revenues.
- (g) As of September 1, 2018 the County of Lanark assumed the management and administrative operations of Lanark County Housing Corporation (LCHC). The assumption of management included offering all employees of LCHC positions with the County of Lanark.

The County of Lanark invoices LCHC for payroll costs and administrative and management costs. During 2019, the costs were \$1,328,592.

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**14. Risk Management**

In the normal course of operations, the County is exposed to a variety of financial risks which are actively managed by the County.

The County's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities. The fair values of cash, investments, accounts payable and accrued liabilities approximate their carrying values because of their expected short term maturity and treatment on normal trade terms.

The County's exposure to and management of risk has not changed materially from December 31, 2018.

**Credit Risk**

Credit risk arises from the possibility that the entities to which the County provides services to may experience difficulty and be unable to fulfill their obligations. The County is exposed to financial risk that arises from the credit quality of the entities to which it provides services. The County does not have a significant exposure to any individual customer or counter party. As a result, the requirement for credit risk related reserves for accounts receivable is minimal.

**Interest Rate Risk**

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The County is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates on its cash and cash equivalents and operating loan. Changes in variable interest rates could cause unanticipated fluctuations in the County's operating results.

**County of Lanark**  
**Notes to the Consolidated Financial Statements**

**December 31, 2019**

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**14. Risk Management / continued**

**Liquidity Risk**

Liquidity risk is the risk that the County will not be able to meet its obligations as they fall due. The County requires working capital to meet day-to-day operating activities. Management expects that the County's cash flows from operating activities will be sufficient to meet these requirements.

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**15. Tangible Capital Assets**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Land	<b>17,052,501</b>	16,417,054
Buildings	<b>16,114,937</b>	16,902,451
Leasehold Improvements	<b>50,521</b>	1
Vehicles	<b>3,171,048</b>	3,340,296
Machinery and Equipment	<b>2,225,352</b>	2,065,299
Linear Assets		
Roads	<b>59,188,141</b>	57,708,867
Bridges	<b>16,420,014</b>	16,261,260
Culverts	<b>1,300,788</b>	1,214,846
Trails	<b>2,237,732</b>	2,328,592
Parking Lots	<b>127,664</b>	46,748
Construction in Progress	<b>1,231,417</b>	1,107,015
	<b>119,120,115</b>	117,392,429

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For additional information, see Schedule 2 ▶ Tangible Capital Assets.

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**16. Segmented Information**

The County 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.

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

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

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

**County of Lanark**  
**Notes to the Consolidated Financial Statements**

**December 31, 2019**

**16. Segmented Information / continued**

<b>2019</b>	<b>Salaries, Wages &amp; Employee Benefits</b>	<b>Debenture Debt Interest</b>	<b>Materials &amp; Services</b>	<b>External Transfers</b>	<b>Interfunc- tional Adjustments</b>	<b>Amortization</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
<b>General Government</b>							
Governance	460,788	---	179,518	---	5,202	---	645,508
Corporate Management & Program Support	1,938,508	2,175	2,015,244	357,941	(1,006,565)	30,453	3,337,756
Post Retirement Benefits	(33,801)	---	---	---	---	---	(33,801)
<b>Protection to Persons and Property</b>							
Emergency Measures	109,040	1,313	473,357	---	3,773	127,536	715,019
<b>Transportation</b>							
Roadways	2,722,598	24,926	4,623,149	---	(103,584)	5,392,088	12,659,177
<b>Health Services</b>							
Public Health Services	---	---	---	1,096,992	---	---	1,096,992
Hospitals	---	---	---	350,000	---	---	350,000
Ambulance	---	---	9,848,875	---	233,936	444,521	10,527,332
<b>Social and Family Assistance</b>							
General Assistance	3,043,342	---	666,490	9,192,156	474,357	1,305	13,377,650
Assistance to Aged Persons	12,079,248	18,560	2,677,142	---	280,561	491,294	15,546,805
Child Care	517,154	---	29,826	8,980,754	28,558	---	9,556,292
Social Housing	1,519,177	79,613	3,305,248	4,596,481	66,791	381,243	9,948,553
<b>Planning and Development</b>							
Planning & Zoning	188,750	---	97,142	---	8,365	---	294,257
Economic Development	155,815	---	781,897	---	8,606	---	946,318
Agriculture & Reforestation	16,791	---	227,578	---	---	90,860	335,229
<b>2019</b>	<b>22,717,410</b>	<b>126,587</b>	<b>24,925,466</b>	<b>24,574,324</b>	<b>---</b>	<b>6,959,300</b>	<b>79,303,087</b>

**County of Lanark**  
**Notes to the Consolidated Financial Statements**

**December 31, 2019**

**16. Segmented Information / continued**

<b>2018</b>	<b>Salaries, Wages &amp; Employee Benefits</b>	<b>Debenture Debt Interest</b>	<b>Materials &amp; Services</b>	<b>External Transfers</b>	<b>Interfunc- tional Adjustments</b>	<b>Amortization</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
<b>General Government</b>							
Governance	329,432	---	182,480	---	5,100	---	517,012
Corporate Management & Program Support	1,804,996	4,583	1,962,025	365,914	(939,256)	43,906	3,242,168
Post Retirement Benefits	(11,439)	---	---	---	---	---	(11,439)
<b>Protection to Persons and Property</b>							
Emergency Measures	72,713	4,161	454,229	---	3,699	123,278	658,080
<b>Transportation</b>							
Roadways	2,611,432	39,165	4,592,211	---	(101,525)	5,206,758	12,348,041
<b>Health Services</b>							
Public Health Services	---	---	---	1,073,356	---	---	1,073,356
Hospitals	---	---	---	---	---	---	---
Ambulance	---	---	9,444,963	---	229,348	445,652	10,119,963
<b>Social and Family Assistance</b>							
General Assistance	3,225,261	---	525,458	9,644,606	469,240	---	13,864,565
Assistance to Aged Persons	11,678,841	27,828	2,453,675	---	275,060	498,141	14,933,545
Child Care	544,195	---	39,552	7,848,732	28,032	---	8,460,511
Social Housing	1,752,080	88,990	3,694,662	5,109,794	13,500	325,194	10,984,220
<b>Planning and Development</b>							
Planning & Zoning	189,969	---	78,098	---	8,365	---	276,432
Economic Development	165,811	---	240,490	---	8,437	---	414,738
Agriculture & Reforestation	---	---	309,403	---	---	8,801	318,204
<b>2018</b>	<b>22,363,291</b>	<b>164,727</b>	<b>23,977,246</b>	<b>24,042,402</b>	<b>---</b>	<b>6,651,730</b>	<b>77,199,396</b>

**County of Lanark**  
**Notes to the Consolidated Financial Statements**

**December 31, 2019**

**17. Budget Figures**

The 2019 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. The revenues attributable to these items continue to be included in the Consolidated Statement of Operations, 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.

	<b>Budget</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
Total Revenues	80,863,556	83,700,854
Total Expenses	(80,560,079)	(79,303,087)
Net Revenue	303,477	4,397,767
Future Employee Benefits	(142,308)	(33,801)
Amortization	7,354,350	6,959,300
Adjusted Net Revenues	7,515,519	11,323,266
Capital Revenues	2,128,256	4,090,470
Funds Available	9,643,775	15,413,736
Capital Expenses	(11,982,000)	(8,828,090)
Disposal of Tangible Capital Assets	29,500	34,999
Write Down of Capital Assets	---	106,105
Principal Repayments	(1,101,974)	(1,102,531)
Acquisition of Inventory	---	(119,460)
<b>(Decrease) Increase in Operating Surplus</b>	<b>(3,410,699)</b>	<b>5,504,759</b>
Allocated As Follows:		
Net Transfer (from) to Reserves	(3,410,699)	5,504,759

**County of Lanark**

**Schedule 1 ▶ Continuity of Reserves and Reserve Funds**

For the year ended December 31	(Note 17) Budget	2019	2018
	\$	\$	\$
<b>Revenues</b>			
Donations	—	17,366	5,935
Investment income	---	2,362	1,823
<b>Total Net Revenues</b>	—	19,728	7,758
<b>Net Transfers From/(To) Other Funds</b>			
Transfers from operations	959,301	6,410,615	4,292,903
Transfers to capital acquisitions	(4,370,000)	(925,584)	(1,237,750)
<b>Total Net Transfers</b>	(3,410,699)	5,485,031	3,055,153
<b>Reserves and Reserve Fund Balances, Change in Year</b>	(3,410,699)	5,504,759	3,062,911
<b>Reserves and Reserve Fund Balances, Beginning of Year</b>	21,868,050	21,868,050	18,805,139
<b>Reserves and Reserve Fund Balances, End of Year</b>	18,457,351	27,372,809	21,868,050

**Composition of Reserves and Reserve Funds**

For the year ended December 31	2019	2018
	\$	\$
<b>Reserves set aside for specific purposes by Council:</b>		
▶ for working capital and contingency	5,572,420	4,997,689
▶ for insurance	230,268	186,968
▶ for WSIB	1,095,629	865,666
▶ for ambulance services	519,886	507,701
▶ for land division	34,586	33,775
▶ for forestry and trails	373,271	250,000
▶ for retirement of debt	---	65,761
▶ for social and family services	1,071,034	1,046,676
▶ for social housing	260,878	264,418
	9,157,972	8,218,654
<b>For Capital Purposes</b>		
▶ for building renovations and equipment	5,775,097	4,426,776
▶ for road capital projects	4,676,796	4,267,183
▶ for ambulance services	504,317	271,794
▶ for social housing	7,035,036	4,461,990
▶ for rescue vehicles	109,616	127,406
	18,100,862	13,555,149
<b>Total Reserves</b>	27,258,834	21,773,803
<b>Reserve Funds</b>		
▶ for Homes for Senior Citizens	113,975	94,247
<b>Total Reserves and Reserve Funds</b>	27,372,809	21,868,050

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



**County of Lanark**  
**Schedule 2 ▶ 2019 Tangible Capital Assets**

Asset Class	Cost 01/01/19	Additions	(Disposals)	Cost 31/12/19
	\$	\$	\$	\$
Land	16,417,054	635,447	---	<b>17,052,501</b>
Buildings	40,025,022	229,033	---	<b>40,254,055</b>
Leasehold Improvements	80,696	51,826	---	<b>132,522</b>
Vehicles	7,849,139	665,036	(618,002)	<b>7,896,173</b>
Machinery & Equipment	4,816,423	501,973	(63,517)	<b>5,254,879</b>
Linear Assets				
Roads	124,001,816	5,687,920	(2,594,280)	<b>127,095,456</b>
Bridges	25,851,838	729,179	---	<b>26,581,017</b>
Culverts	2,389,504	118,787	---	<b>2,508,291</b>
Trails	2,337,393	---	---	<b>2,337,393</b>
Parking Lots	215,248	84,487	---	<b>299,735</b>
Construction in Progress	1,107,015	124,402	---	<b>1,231,417</b>
	<b>225,091,148</b>	<b>8,828,090</b>	<b>(3,275,799)</b>	<b>230,643,439</b>

Asset Class	Accumulated Amortization 01/01/19	Amortization	(Disposals)	Accumulated Amortization 31/12/19	Net Book Value 31/12/19
	\$	\$	\$	\$	\$
Land	---	---	---	---	<b>17,052,501</b>
Buildings	23,122,571	1,016,547	---	<b>24,139,118</b>	<b>16,114,937</b>
Leasehold Improvements	80,695	1,306	---	<b>82,001</b>	<b>50,521</b>
Vehicles	4,508,843	799,284	(583,002)	<b>4,725,125</b>	<b>3,171,048</b>
Machinery & Equipment	2,751,124	341,920	(63,517)	<b>3,029,527</b>	<b>2,225,352</b>
Linear Assets					
Roads	66,292,949	4,102,542	(2,488,176)	<b>67,907,315</b>	<b>59,188,141</b>
Bridges	9,590,578	570,425	---	<b>10,161,003</b>	<b>16,420,014</b>
Culverts	1,174,658	32,845	---	<b>1,207,503</b>	<b>1,300,788</b>
Trails	8,801	90,860	---	<b>99,661</b>	<b>2,237,732</b>
Parking Lots	168,500	3,571	---	<b>172,071</b>	<b>127,664</b>
Construction in Progress	---	---	---	---	<b>1,231,417</b>
	<b>107,698,719</b>	<b>6,959,300</b>	<b>(3,134,695)</b>	<b>11,523,324</b>	<b>119,120,115</b>

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

**County of Lanark**  
**Schedule 2 ▶ 2018 Tangible Capital Assets**

Asset Class	Cost 01/01/18	Additions	(Disposals)	Cost 31/12/18
	\$	\$	\$	\$
Land	16,417,054	---	---	<b>16,417,054</b>
Buildings	39,175,054	849,968	---	<b>40,025,022</b>
Leasehold Improvements	80,696	---	---	<b>80,696</b>
Vehicles	7,103,457	970,065	(224,383)	<b>7,849,139</b>
Machinery & Equipment	4,650,796	240,627	(75,000)	<b>4,816,423</b>
Linear Assets				
Roads	119,369,558	6,307,284	(1,675,026)	<b>124,001,816</b>
Bridges	25,370,655	481,183	---	<b>25,851,838</b>
Culverts	2,389,504	---	---	<b>2,389,504</b>
Trails	528,432	1,808,961	---	<b>2,337,393</b>
Parking Lots	215,248	---	---	<b>215,248</b>
Construction in Progress	1,824,599	(552,692)	(164,892)	<b>1,107,015</b>
	<b>217,125,053</b>	<b>10,105,396</b>	<b>(2,139,301)</b>	<b>225,091,148</b>

Asset Class	Accumulated Amortization 01/01/18	Amortization	(Disposals)	Accumulated Amortization 31/12/18	Net Book Value 31/12/18
	\$	\$	\$	\$	\$
Land	---	---	---	---	<b>16,417,054</b>
Buildings	22,160,841	961,730	---	<b>23,122,571</b>	<b>16,902,451</b>
Leasehold Improvements	80,695	---	---	<b>80,695</b>	<b>1</b>
Vehicles	3,948,834	758,371	(198,362)	<b>4,508,843</b>	<b>3,340,296</b>
Machinery & Equipment	2,455,171	369,802	(73,849)	<b>2,751,124</b>	<b>2,065,299</b>
Linear Assets					
Roads	63,998,688	3,969,287	(1,675,026)	<b>66,292,949</b>	<b>57,708,867</b>
Bridges	9,044,299	546,279	---	<b>9,590,578</b>	<b>16,261,260</b>
Culverts	1,140,768	33,890	---	<b>1,174,658</b>	<b>1,214,846</b>
Trails	---	8,801	---	<b>8,801</b>	<b>2,328,592</b>
Parking Lots	164,930	3,570	---	<b>168,500</b>	<b>46,748</b>
Construction in Progress	---	---	---	---	<b>1,107,015</b>
	<b>102,994,226</b>	<b>6,651,730</b>	<b>(1,947,237)</b>	<b>107,698,719</b>	<b>117,392,429</b>

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



## INDEPENDENT AUDITOR'S REPORT

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To the Members of Council, Inhabitants and Ratepayers  
of the Corporation of the County of Lanark:

### Qualified Opinion

We have audited the financial statements of the trust fund of the Corporation of the County of Lanark (the 'Entity'), which comprise:

- the statement of financial position as at December 31, 2019;
- the statement of financial activities for the year then ended;
- and the notes to the financial statements, including a summary of significant accounting policies;

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

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of financial activities for the year then ended in accordance with Canadian Public Sector Accounting Standards.

### Basis for Qualified Opinion

The trust fund of the Entity derives receipts from the Homes for Senior Citizen residents, which are not susceptible to complete audit verification. Accordingly our verification of such receipts was limited to accounting for the amounts recorded in the records of the trust fund and we were not able to determine whether any adjustments might be necessary to residents' deposits, net expenses, current assets and fund balances.

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 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 qualified 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 judgement 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 of 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.



Allan and Partners LLP  
Chartered Professional Accountants  
Licensed Public Accountants

Perth, Ontario  
May 13, 2020.

**County of Lanark  
Trust Fund  
Statement of Financial Position**

<b>December 31</b>	<b>2019</b>	<b>2018</b>
	\$	\$
<b>ASSETS</b>		
Cash	44,638	42,109
<b>FUND BALANCES</b>	<b>44,638</b>	<b>42,109</b>

**Statement of Financial Activities**

<b>For the year ended December 31</b>	<b>2019</b>	<b>2018</b>
	\$	\$
<b>REVENUES</b>		
Residents' deposits	118,397	158,427
<b>EXPENSES</b>		
Residents' withdrawals	115,868	159,662
<b>NET REVENUES (EXPENSES) FOR THE YEAR</b>	<b>2,529</b>	<b>(1,235)</b>
<b>BALANCE AT THE BEGINNING OF THE YEAR</b>	<b>42,109</b>	<b>43,344</b>
<b>BALANCE AT THE END OF THE YEAR</b>	<b>44,638</b>	<b>42,109</b>

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

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**County of Lanark  
Trust Fund  
Notes to the Financial Statements**

**December 31, 2019**

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**1. Significant Accounting Policies**

**Reporting Entity**

Expenses are reported on the cash basis of accounting with the exception of administrative expenses which are reported on the accrual basis of accounting, which recognizes expenses as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

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## LANARK COUNTY HOUSING CORPORATION

### Management's Responsibility for the Financial Statements

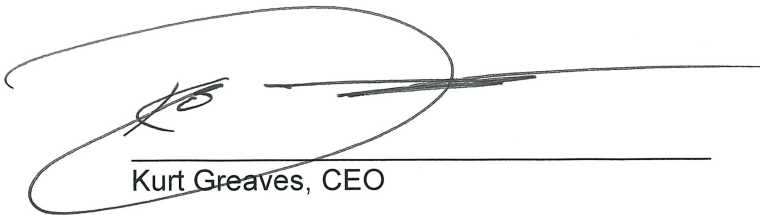
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The accompanying financial statements of the Lanark County Housing Corporation are the responsibility of the Corporation's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of significant accounting policies are described in note 2 to the financial statements. The preparation of financial statements necessarily involved 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 Corporation's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of financial statements. These systems are monitored and evaluated by management.

Management meets with the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters. The Committee meets with management subsequently to review these same matters prior to the Committee's approval of the financial statements.

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



Kurt Greaves, CEO





## INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors' of Lanark County Housing Corporation:

### Opinion

We have audited the financial statements of the Lanark County Housing Corporation (the 'Entity'), which comprise:

- the statement of financial position as at December 31, 2019;
- the statement of operations for the year then ended;
- the statement of changes in net financial assets (debt) for the year then ended;
- the statement of cash flows for the year then ended;
- and the notes to the financial statements, including a summary of significant accounting policies;

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations, its changes in net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the '**Auditors' 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 judgement 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 of 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.



Allan and Partners LLP  
Chartered Professional Accountants  
Licensed Public Accountants

Perth, Ontario  
May 13, 2020.

**Lanark County Housing Corporation**  
**Statement of Financial Position**

December 31	2019	(Note 16) 2018
	\$	\$
<b>ASSETS</b>		
<b>Financial Assets</b>		
Cash	2,007,637	2,195,873
Accounts receivable (net of allowance)	320,355	381,194
Prepaid expenses	15,639	28,241
Due from County of Lanark	952,872	---
Investments (note 5)	268,694	263,395
	3,565,197	2,868,703
<b>LIABILITIES</b>		
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	302,299	265,142
Due to County of Lanark	---	355,223
Other current liabilities	67,374	70,639
Deferred revenue (note 6)	439,681	436,957
Long term liabilities (note 7)	1,458,476	1,649,402
	2,267,830	2,777,363
<b>NET FINANCIAL ASSETS</b>	<b>1,297,367</b>	<b>91,340</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 14) (Schedule 2)	7,251,387	6,706,937
<b>ACCUMULATED SURPLUS</b> (note 9)	<b>8,548,754</b>	<b>6,798,277</b>

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

## Lanark County Housing Corporation Statement of Operations

For the year ended December 31	(Note 15) Budget	2019	(Note 16) 2018
	\$	\$	\$
<b>REVENUES</b>			
Occupancy revenues	2,165,888	<b>2,122,521</b>	2,112,824
County Funding ▶ assisted rental housing (note 4)	3,872,196	<b>3,872,196</b>	4,076,883
▶ one time capital	---	<b>1,000,000</b>	---
▶ COCHI	---	<b>72,159</b>	---
Program revenues			
Provincial Conditions Grants	---	---	11,135
Strong Communities Rent Supplement Agreements	74,320	<b>65,620</b>	63,211
Social Housing Improvement Program (SHIP)	---	---	14,366
Hoarding Grant	---	---	7,236
Investment income	25,000	<b>59,995</b>	42,022
Other revenues	50,000	<b>37,132</b>	145,933
Loss on disposal of asset	---	<b>(8,867)</b>	---
<b>TOTAL REVENUES</b>	6,187,404	<b>7,220,756</b>	6,473,610
<b>EXPENSES</b>			
Administration	197,300	<b>276,675</b>	259,912
Amortization	389,193	<b>381,243</b>	325,194
Heat, hydro and water	1,158,499	<b>890,129</b>	949,918
Insurance	128,362	<b>78,407</b>	84,176
Municipal taxes	1,000,000	<b>1,026,553</b>	987,049
Mortgage interest	80,975	<b>79,613</b>	88,990
Operating costs	538,000	<b>350,477</b>	428,420
Program support ▶ Lanark County	146,996	<b>176,800</b>	---
Rent supplement and other program costs	569,320	<b>574,146</b>	500,984
Repairs and maintenance	747,530	<b>447,744</b>	287,160
Salaries, wages and benefits	---	---	907,071
Salaries, wages and benefits ▶ County of Lanark	1,151,596	<b>1,151,792</b>	349,076
Travel and training	---	---	15,261
Contribution to deferred revenues (note 6)	---	<b>36,700</b>	35,885
<b>TOTAL EXPENSES</b>	6,107,771	<b>5,470,279</b>	5,219,096
<b>NET REVENUES FOR THE YEAR</b>	79,633	<b>1,750,477</b>	1,254,514
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	6,798,277	<b>6,798,277</b>	5,543,763
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	6,877,910	<b>8,548,754</b>	6,798,277

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

**Lanark County Housing Corporation  
Statement of Changes in Net Financial Assets (Debt)**

For the year ended December 31	(Note 15) Budget	2019	2018
	\$	\$	\$
<b>NET REVENUES FOR THE YEAR</b>	79,633	<b>1,750,477</b>	1,254,514
Amortization of tangible capital assets	389,193	<b>381,243</b>	325,194
Acquisition of tangible capital assets	(3,032,000)	<b>(935,693)</b>	(249,609)
Disposal of tangible capital assets	---	<b>10,000</b>	164,892
	(2,642,807)	<b>(544,450)</b>	240,477
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(2,563,174)	<b>1,206,027</b>	1,494,991
<b>NET DEBT, BEGINNING OF YEAR</b>	91,340	<b>91,340</b>	(1,403,651)
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	(2,471,834)	<b>1,297,367</b>	91,340

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

**Lanark County Housing Corporation**  
**Statement of Cash Flows**

For the year ended December 31	2019	(Note 16) 2018
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net revenues for the year	1,750,477	1,254,514
Amortization	381,243	325,194
	<b>2,131,720</b>	<b>1,579,708</b>
Net Change in Non-Cash Working Capital Balances		
Accounts receivable	61,108	98,075
Prepaid expenses	12,602	(583)
Accounts payable and accrued liabilities	37,157	(1,188,446)
Due to County of Lanark	(1,308,095)	355,223
Other current liabilities	(3,534)	(14,728)
Deferred revenue	2,724	44,315
	<b>(1,198,038)</b>	<b>(706,144)</b>
<b>Working Capital from Operations</b>	<b>933,682</b>	<b>873,564</b>
<b>INVESTING ACTIVITIES</b>		
Increase in investments	(5,299)	(39,489)
Acquisition of tangible capital assets	(935,693)	(249,609)
Disposal of tangible capital assets	10,000	164,892
<b>Net investment in tangible capital assets</b>	<b>(930,992)</b>	<b>(124,206)</b>
<b>FINANCING ACTIVITIES</b>		
Debt principal repayments	(190,926)	(181,681)
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(188,236)</b>	<b>567,677</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>2,195,873</b>	<b>1,628,196</b>
<b>CASH, END OF YEAR</b>	<b>2,007,637</b>	<b>2,195,873</b>

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

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# Lanark County Housing Corporation

## Notes to the Financial Statements

December 31, 2019

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### 1. Status of the Corporation

Lanark County Housing Corporation, (incorporated December 14, 2000), a government business enterprise wholly owned by the Corporation of the County of Lanark, owns and manages rent geared to income units in the Towns of Smiths Falls, Carleton Place, Perth and Almonte. In addition, it has agreements with private market landlords to subsidize rent for additional units. Units are available for families and adults. The corporation conducts its operations in accordance with the operating framework set out in Part VI of the Social Housing Reform Act, 2002 and its associated regulations.

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### 2. Significant Accounting Policies

The financial statements of the Lanark County Housing Corporation are the representations of management and have been prepared in all material respects in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies by the Corporation are as follows:

#### Reporting Entity

The financial statements reflect financial assets, liabilities, operating revenues and expenses, reserves, reserve funds and changes in investment in tangible capital assets of the Corporation.

#### Basis of Accounting

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

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 excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

#### Tangible Capital Assets

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

Assets	Estimated Useful Life
Buildings	50 years
Parking Lots	25 years
Vehicles	8 years

Amortization is charged from the month following the date of acquisition. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized. Amortization of constructed assets start the fiscal year following the year the asset is put in service.



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# Lanark County Housing Corporation

## Notes to the Financial Statements

December 31, 2019

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### 2. Significant Accounting Policies / continued

#### Tangible Capital Assets / continued

The Corporation has a capitalization threshold of (\$20,000 - \$50,000) based on asset sub-class, so that individual capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operating reasons.

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. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of other assets as of the date of transfer.

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

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

#### Leases

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

#### Cash and Cash Equivalents

The Corporation considers cash and cash equivalents to be highly liquid investments.

#### Government Transfers

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

#### Deferred Revenues

Deferred revenue represents funding received during the year for budgeted capital projects which were not completed at the end of the year. These amounts will be recognized as revenues in the fiscal year the expenses are made.

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

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# Lanark County Housing Corporation

## Notes to the Financial Statements

December 31, 2019

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### 2. Significant Accounting Policies / continued

#### Investments

Short-term and long-term investments are recorded at cost plus accrued interest. If the market value of investments become lower than cost and the decline in value is considered to be other than temporary, the investments are written down to market value.

Investment income earned on available current funds and reserve funds are reported as revenue in the period earned.

#### 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 Corporation:
  - (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 pos-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

#### Financial Instruments

All financial instruments are initially recognized at fair value on the balance sheet. The Corporation has classified each financial instrument into one of the following categories: held-for-trading financial assets and liabilities, loans and receivables, held-to-maturity financial assets and other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Held-for-trading financial assets and liabilities are subsequently measured at fair value with changes in those fair values recognized in net revenues.

Loans and receivables, held-to-maturity financial assets and other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Corporation classifies cash and cash equivalents as held-for-trading financial assets, accounts receivable as loans and receivables, and accounts payable and accrued liabilities as other financial liabilities.

#### Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

# Lanark County Housing Corporation

## Notes to the Financial Statements

December 31, 2019

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### 2. Significant Accounting Policies / continued

#### Financial Instruments / continued

#### Reserves and Capital Reserve Fund

Reserves for future expenses and contingencies are established as required using estimates of management. Increases or decreases in these reserves are made by appropriations from or to operations.

As prescribed in the Operating Agreements, the Corporation is required to establish a reserve fund for replacement of capital equipment for all operating projects. Maximum annual contributions to this reserve are determined by the County of Lanark. As further prescribed in the Operating Agreement, the Corporation is required to maintain the reserve fund monies in a special bank account and to record interest earned on the balance of such contributions as income of the reserve fund.

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### 3. Summary of Property Holdings

The properties owned and managed by the corporation include the following:

Location	Number of Units
<b>Town of Almonte</b>	
176 Robert Street	16
Victoria / St. James	12
<hr/>	
<b>Total Town of Almonte</b>	<b>28</b>
<hr/>	
<b>Town of Carleton Place</b>	
126 Sussex Street	40
171 Munro Street	7
252 Moffatt Street	30
112-143 Caldwell Street	16
144-180 Caldwell Street	10
Joseph/Edwards/Pattie	36
404/406 Pattie Drive	2
Mississippi Community Ventures	12
<hr/>	
<b>Total Town of Carleton Place</b>	<b>153</b>
<hr/>	
<b>Town of Perth</b>	
77 Harvey Street	30
75 Harvey Street	27
16 Herriott Street	10
Beckwith/Robinson	14
10 Welland	1
4 Railway	1
<hr/>	
<b>Total Town of Perth</b>	<b>83</b>

**Lanark County Housing Corporation  
Notes to the Financial Statements**

**December 31, 2019**

**3. Summary of Property Holdings / continued**

<b>Location</b>	<b>Number of Units</b>
<b>Town of Smiths Falls</b>	
24 Bourke Street	45
30 McGill Street South	15
43-47 Empress Street	20
195 Carss Avenue	25
Sussex/42 Empress	24
Thurber/Lanark	9
Empress/Anne	6
46 Bell Street	64
Jasper/Beech/Carss	24
Parkland Court	37
<b>Total Town of Smiths Falls</b>	<b>269</b>
<b>Total Units in Portfolio</b>	<b>533</b>

**4. County / Smiths Falls Funding**

During the year funds were advanced from the County of Lanark and the Town of Smiths Falls as follows:

	<b>2019</b>	2018
	<b>\$</b>	<b>\$</b>
County of Lanark	<b>3,544,199</b>	3,740,883
Town of Smiths Falls	<b>327,997</b>	336,000
	<b>3,872,196</b>	4,076,883

**5. Investments**

At the year end, investments consisted of the following:

	<b>2019</b>	2018
	<b>\$</b>	<b>\$</b>
Mutual funds with World Source Financial	<b>268,694</b>	263,395

They have a market value of \$270,633 (2018 \$258,409).

## Lanark County Housing Corporation Notes to the Financial Statements

December 31, 2019

### 6. Deferred Revenues

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.

Under the terms of the agreement with the County of Lanark, the Capital account is to be credited annually by an amount approved per the operating agreements. These funds, along with accumulated interest, must be held in a separate bank account and / or invested only in accounts or institutions insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by the County of Lanark from time to time. The funds in the account may only be used as approved by the County of Lanark. Withdrawals are credited to interest first and then principal.

The transactions for the year are summarized below:

	Capital Improvements	Provincial Funding	Total
	\$	\$	\$
January 1, 2019	299,280	137,677	<b>436,957</b>
Grants	---	8,700	<b>8,700</b>
Contributions from County of Lanark	36,700	---	<b>36,700</b>
Interest	5,299	---	<b>5,299</b>
Transfer to County of Lanark	---	(47,975)	<b>(47,975)</b>
December 31, 2019	341,279	98,402	<b>439,681</b>

### 7. Long Term Liabilities

The balance of long term liabilities reported on the "Statement of Financial Position" is comprised of the following:

	2019	2018
	\$	\$
TD Canada Trust (6.51%), repayable in blended monthly payments of \$17,993, secured by a first mortgage on the Parkland Court property, matures March, 2026.	1,110,720	1,250,389
Canada Mortgage and Housing Corporation (1.14%), repayable in blended monthly instalments of \$4,627, secured by a first mortgage on 179 Caldwell Street, Carleton Place, due June 2021.	347,756	399,013
<b>Total Long Term Debt</b>	<b>1,458,476</b>	<b>1,649,402</b>

# Lanark County Housing Corporation

## Notes to the Financial Statements

December 31, 2019

### 7. Long Term Liabilities / continued

Principal payments falls due as follows:

	\$
2020	200,781
2021	211,175
2022	222,279
2023	234,085
2024 and thereafter	590,156
	1,458,476

### 8. Debentures

The majority of Ontario public housing projects were originally financed by Ontario Housing Corporation (OHC) debentures issued by the OHC in favour of Canada Mortgage and Housing Corporation. OHC continues to hold these debentures and the debt charges associated with these debentures are to be paid from federal funding directly by the Province to the debenture holder. As a result, these debentures are not included as part of the consolidation of the Corporation's financial statements.

Annual debenture payments of \$523,648 are made with respect to the property holdings. The principal amount of these debentures is approximately \$1,042,631 (2018 \$1,472,462). The service manager, the County of Lanark, withholds the payment from its funding received from both the Federal and Provincial governments.

### 9. Accumulated Surplus

Accumulated surplus consists of individual fund surplus (deficit) and reserves as follows:

	2019	2018
	\$	\$
<b>Investment in Tangible Capital Assets</b>		
Tangible capital assets	7,251,387	6,706,937
Long term liabilities	(1,458,476)	(1,649,402)
Total Surplus	5,792,911	5,057,535
<b>Reserves (Schedule I)</b>		
Working Capital	99,248	99,248
Capital	2,636,083	1,630,982
Insurance	20,512	10,512
Total Reserves	2,755,843	1,740,742
<b>Accumulated Surplus</b>	<b>8,548,754</b>	<b>6,798,277</b>

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# Lanark County Housing Corporation

## Notes to the Financial Statements

December 31, 2019

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### 10. Commitments

- a) The Corporation is committed to a rental lease for the administration offices. The minimum future lease commitment is:

2020	53,750
2021	9,000

- b) The County of Lanark provides management, administrative and staffing services for the Corporation. Annually a budget is established and a monthly payment schedule. Actual costs are reconciled and adjusted at December 31<sup>st</sup>.
- c) The Corporation is committed to the development of 20 social housing rental units in Carleton Place. During 2019, land was acquired for the project and a construction management contract awarded for the design and build of the project in the amount of \$4,000,000. During 2019 approximately \$90,000 of costs were incurred. The balance of the project is expected to occur in 2020 and will be funded from government grants, reserves and current year revenues.
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### 11. 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, 2019, management believes that the Corporation 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 financial statements.

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### 12. Contingent Liability - Contaminated Sites

The Corporation has identified a potential liability for a contaminated site located on Joseph, Edward and Parks Streets. These sites were previously used as residential housing. An estimate of the liability for the contaminated site, if any, cannot be reasonably estimated at this time. The site is currently vacant and no remediation is required at this time. A liability for contaminated sites will be recognized in these financial statements, if required, when a future use of the site is known.

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### 13. Risk Management

In the normal course of operations, the Corporation is exposed to a variety of financial risks which are actively managed by the Corporation.

The Corporation's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities. The fair values of cash, investments, accounts payable and accrued liabilities approximate their carrying values because of their expected short term maturity and treatment on normal trade terms.

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# Lanark County Housing Corporation

## Notes to the Financial Statements

December 31, 2019

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### 13. Risk Management / continued

The Corporation's exposure to and management of risk has not changed materially from December 31, 2018.

#### Credit Risk

Credit risk arises from the possibility that the entities to which the Corporation provides services to may experience difficulty and be unable to fulfill their obligations. The Corporation is exposed to financial risk that arises from the credit quality of the entities to which it provides services. The Corporation does not have a significant exposure to any individual customer or counter party. As a result, the requirement for credit risk related reserves for accounts receivable is minimal.

#### Interest Rate Risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Corporation is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates on its cash and cash equivalents and operating loan. Changes in variable interest rates could cause unanticipated fluctuations in the Corporation's operating results.

#### Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The Corporation requires working capital to meet day-to-day operating activities. Management expects that the Corporation's cash flows from operating activities will be sufficient to meet these requirements

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### 14. Tangible Capital Assets

	2019	2018
	\$	\$
Land	2,293,523	1,682,791
Buildings	4,659,214	4,799,127
Parking lots	84,487	---
Vehicles	68,719	63,482
Contracts in Progress	145,444	161,537
	<b>7,251,387</b>	<b>6,706,937</b>

For additional information, see Schedule 2 ▶ Tangible Capital Assets.

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**Lanark County Housing Corporation**  
**Notes to the Financial Statements**

**December 31, 2019**

**15. Budget Figures**

The 2019 budget amounts that were approved were not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Board Standards). The budget included capital items such as program expenses, but the actual expenses have been removed in the Statement of Operations. The revenues attributable to these items continue to be included in the Statement of Operations, 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 financial statements:

	<b>Budget</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
Total Revenues	6,187,404	7,220,756
Total Expenses	(6,107,771)	(5,470,279)
Net Revenues	79,633	1,750,477
Amortization	389,193	381,243
Adjusted Net Revenues Funds Available	468,826	2,131,720
Capital Expenses	(3,032,000)	(935,693)
Disposal of Tangible Capital Assets	---	10,000
Principal Repayments	(190,125)	(190,926)
(Decrease) Increase in Operating Surplus	(2,753,299)	1,015,101
<b>Allocated as follows:</b>		
Net Transfers (from) to Reserves	(2,753,299)	1,015,101

**16. Comparative Figures**

Some reclassification of prior year's figures was necessary in order to conform to this year's presentation.

**Lanark County Housing Corporation  
Schedule 1 - Continuity of Reserves**

For the year ended December 31	(Note 15) Budget	2019	2018
	\$	\$	\$
<b>Revenues</b>			
Investment income	---	---	---
<b>Net Transfers From / (To) Other Funds</b>			
Transfers from operations	256,701	1,771,331	419,979
Transfers (to) from capital acquisitions	(10,000)	(756,230)	893,341
<b>Total Net Transfers Approved By the Committee</b>	246,701	1,015,101	1,313,320
<b>Reserves Balances, Change in Year</b>	246,701	1,015,101	1,313,320
<b>Reserves Balances, Beginning of Year</b>	1,740,742	1,740,742	427,422
<b>Reserves Balances, End of Year</b>	1,987,443	2,755,843	1,740,742

**Composition of Reserves**

For the year ended December 31	2019	2018
	\$	\$
<b>Reserves</b>		
Working Capital	99,248	99,248
Capital	2,636,083	1,630,982
Insurance	20,512	10,512
<b>Total Reserves</b>	2,755,843	1,740,742

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

**Lanark County Housing Corporation  
Schedule 2 ▶ Tangible Capital Assets**

**December 31, 2019**

Assets	Cost 01/01/19	Additions	(Disposals)	Cost 31/12/19	Accumulated Amortization 01/01/19	Amortization 2019	(Disposals)	Accumulated Amortization 31/12/19	Net Book Value 31/12/19
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	1,682,791	610,732	---	2,293,523	---	---	---	---	2,293,523
Buildings	15,541,728	229,035	---	15,770,763	10,742,601	368,948	---	11,111,549	4,659,214
Parking Lots	129,491	84,487	---	213,978	129,491	---	---	129,491	84,487
Vehicles	146,587	27,532	(48,226)	125,893	83,105	12,295	(38,226)	57,174	68,719
Contracts In Progress	161,537	(16,093)	---	145,444	---	---	---	---	145,444
	<b>17,662,134</b>	935,693	(48,226)	<b>18,549,601</b>	10,955,197	381,243	(38,226)	11,298,214	<b>7,251,387</b>

**December 31, 2018**

Assets	Cost 01/01/18	Additions	(Disposals)	Cost 31/12/18	Accumulated Amortization 01/01/18	Amortization 2018	(Disposals)	Accumulated Amortization 31/12/18	Net Book Value 31/12/18
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	1,682,791	---	---	1,682,791	---	---	---	---	1,682,791
Buildings	14,691,760	849,968	---	15,541,728	10,428,470	314,131	---	10,742,601	4,799,127
Parking Lots	129,491	---	---	129,491	129,491	---	---	129,491	---
Vehicles	146,587	---	---	146,587	72,042	11,063	---	83,105	63,482
Contracts In Progress	926,788	161,537	(926,788)	161,537	---	---	---	---	161,537
	<b>17,577,417</b>	1,011,505	(926,788)	<b>17,662,134</b>	10,630,003	325,194	---	10,955,197	<b>6,706,937</b>

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