

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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**County of Lanark
Consolidated
Financial Statements
December 31, 2020**

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

December 31	2020	2019	2018	2017	2016
Population (Statistics Canada)	59,918	59,918	59,918	59,918	59,918
Number of Households (MPAC)	30,959	30,557	30,523	29,884	29,112
<hr/>					
Taxable Assessment (000's)	\$	\$	\$	\$	\$
Residential	8,333,076	8,004,964	7,701,549	7,391,390	7,228,430
Multi-residential	107,500	91,508	88,757	78,054	75,032
Commercial	436,868	430,270	419,792	410,897	433,788
Industrial	73,149	70,267	67,897	66,290	64,646
Pipeline	33,304	32,319	31,482	30,743	29,881
Farmland	355,083	320,515	281,042	239,589	196,904
Total	9,338,980	8,949,843	8,509,519	8,216,963	8,028,681
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Rates of Taxation					
▸ residential (municipal)	0.367114	0.369753	0.370048	0.376627	0.373000
▸ multi-residential (municipal)	0.781445	0.802451	0.823846	0.846067	0.857373
▸ commercial (municipal)	0.676565	0.673152	0.664927	0.667146	0.636409
▸ industrial (municipal)	0.929399	0.944423	0.953798	0.978864	0.973269
<hr/>					
Revenues for County Purposes (000's)	\$	\$	\$	\$	\$
▸ Taxation	36,372	35,321	33,877	33,000	31,950
▸ Government transfers	44,965	40,312	40,421	37,784	35,222
▸ Other	7,779	8,067	7,870	7,341	7,209
▸ Revenues related to capital assets	4,209	4,090	2,754	16,543	2,412
Total	93,325	87,790	84,922	94,668	76,793
<hr/>					
Expenses (000's)					
▸ Operations	81,927	79,303	77,199	73,977	72,623
▸ Amortization	7,076	6,959	6,652	6,353	6,099
<hr/>					
Net Financial Assets (Net Debt)					
▸ % of Operating Revenue (>(20%)) **	32.48%	26.27%	18.66%	14.25%	10.65%
▸ % of Taxation and User Charges (>(50%)) **	69.80%	55.88%	39.42%	29.51%	21.66%

** 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	2020	2019	2018	2017	2016
	\$	\$	\$	\$	\$
Long Term Debt					
▸ Net long term debt (000's)	1,901	2,852	3,954	5,343	7,000
▸ Long term debt charges (000's)	1,047	1,229	1,554	1,879	1,956
▸ Total annual repayment limit (000's)	10,436	10,084	9,792	9,488	9,291
▸ Long term debt per household	61	93	129	179	240
▸ Debt charges (000's)					
▸ tax supported	1,047	1,229	1,554	1,879	1,956
Municipal Equity (000's)					
▸ Surplus and Reserves	31,128	25,292	19,639	16,819	15,324
▸ Invested in capital assets	121,830	116,268	113,438	108,787	89,573
▸ Asset consumption ratio	48.77%	48.35%	47.85%	47.44%	50.43%
▸ Reserves as % of operating expenses (>20%) **	40.73%	34.52%	28.33%	25.78%	24.23%
Financial Indicators					
▸ Sustainability					
▸ financial assets to liabilities	2.48	2.35	1.84	1.70	1.51
▸ financial assets to liabilities excluding long term debt	2.75	2.85	2.35	2.58	2.76
▸ long term debt to tangible capital assets	1.53%	2.39%	3.37%	4.68%	7.25%
▸ capital reserves to accumulated amortization	19.91%	16.23%	12.59%	11.00%	10.41%
▸ Flexibility					
▸ Debt charges to total operating revenue (<5%) **	1.18%	1.47%	1.89%	2.41%	2.63%
▸ Total operating revenue to taxable assessment	0.95%	0.94%	0.96%	0.95%	0.93%
▸ Working capital to operating expenses (>10%) **	37.66%	31.32%	24.90%	22.10%	20.55%
▸ Vulnerability					
▸ Operating government transfers					
▸ to operating revenue	47.98%	45.06%	46.53%	45.54%	44.39%
▸ by department					
▸ social and family services	26.88%	27.24%	28.53%	27.02%	25.60%
▸ Homes for Senior Citizens	12.46%	9.84%	9.82%	9.65%	10.22%
▸ ambulance	6.44%	5.99%	6.08%	6.06%	5.81%
▸ other programs	2.54%	2.00%	2.11%	2.80%	2.77%
▸ Total government transfers					
▸ to total revenues	49.33%	50.03%	48.26%	40.09%	45.37%



Management's Responsibility for the Consolidated Financial Statements

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.

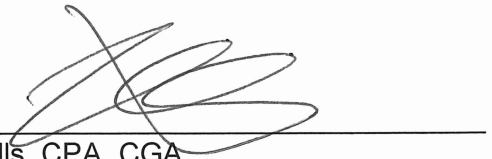
The County's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely 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 Wills, CPA, CGA
Treasurer

INDEPENDENT AUDITOR'S REPORT

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, 2020;
- 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, 2020, 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
June 9, 2021.

County of Lanark
Consolidated Statement of Financial Position

December 31	2020	2019
	\$	\$
ASSETS		
Financial Assets		
Cash and short term deposits	30,332,263	28,019,375
Accounts receivable	5,285,244	3,566,621
Long term investments (note 3)	12,840,955	6,694,853
	48,458,462	38,280,849
LIABILITIES		
Financial Liabilities		
Accounts payable and accrued liabilities	6,482,211	4,732,966
Employee future benefit obligations (note 4)	3,607,294	3,490,058
Other current liabilities	3,738,561	2,552,289
Deferred revenues (note 5)	3,780,410	2,669,572
Long term liabilities (note 6)	1,900,746	2,851,709
	19,509,222	16,296,594
NET FINANCIAL ASSETS	28,949,240	21,984,255
NON-FINANCIAL ASSETS		
Tangible capital assets (note 15)	123,731,242	119,120,115
Inventories	224,038	440,041
Prepaid expenses	53,640	15,639
	124,008,920	119,575,795
Commitments (note 13) Contingent Liabilities (note 10 & 11)		
MUNICIPAL EQUITY (note 7)	152,958,160	141,560,050

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	2020	2019
	\$	\$	\$
REVENUES			
Taxation ▶ requisition on local municipalities	35,813,802	35,803,813	34,716,362
▶ share of supplementary taxes (write offs)	294,000	567,989	605,080
User charges ▶ Homes for Senior Citizens	4,080,740	3,941,811	4,099,260
▶ other	752,494	1,164,866	924,025
Government grants ▶ social and family services	21,923,789	23,779,486	22,803,360
▶ Homes for Senior Citizens	8,069,828	11,018,499	8,234,104
▶ ambulance	5,000,000	5,694,348	5,010,079
▶ other provincial grants	405,000	1,083,251	395,298
▶ federal grants	1,179,653	1,179,653	1,223,521
▶ other municipalities	2,315,487	2,210,093	2,594,539
▶ from deferred revenue (note 5)	---	---	51,432
Contribution from developers (note 5)	9,636	9,636	9,636
Investment income	378,000	485,002	732,665
Other income ▶ rent	2,115,000	2,138,804	2,122,521
▶ other	61,000	38,643	178,972
TOTAL REVENUES	82,398,429	89,115,894	83,700,854
EXPENSES			
General government	4,127,447	3,908,835	3,983,264
Protection to persons and property	776,807	816,479	715,019
Transportation services	13,936,076	12,895,801	12,659,177
Health services	12,423,774	12,678,008	11,974,324
Social and family services	49,117,343	50,735,837	48,429,300
Planning and development	833,439	944,832	1,575,804
Post retirement benefits actuarial valuation	(17,518)	(53,213)	(33,801)
TOTAL EXPENSES	81,197,368	81,926,579	79,303,087
NET REVENUES FROM OPERATIONS	1,201,061	7,189,315	4,397,767
OTHER			
Grants and transfers related to capital			
Government transfers	2,410,307	3,284,038	4,154,728
Other income	---	912,688	19,728
Write down of capital assets	---	---	(106,105)
Gain on disposal of assets	69,125	12,069	22,119
	2,479,432	4,208,795	4,090,470
ANNUAL SURPLUS	3,680,493	11,398,110	8,488,237
MUNICIPAL EQUITY, BEGINNING OF YEAR	141,560,050	141,560,050	133,071,813
MUNICIPAL EQUITY, END OF YEAR	145,240,543	152,958,160	141,560,050

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	2020	2019
	\$	\$	\$
ANNUAL SURPLUS	3,680,493	11,398,110	8,488,237
Amortization of tangible capital assets	7,582,962	7,075,576	6,959,300
Acquisition of tangible capital assets	(13,284,578)	(11,740,032)	(8,828,090)
Write down of capital assets	---	---	106,105
Disposition of tangible capital assets	29,500	53,329	34,999
Disposal (acquisition) of supplies inventories	---	216,003	(119,460)
(Acquisition) disposal of prepaid expense	---	(38,001)	12,602
	(5,672,116)	(4,433,125)	(1,834,544)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(1,991,623)	6,964,985	6,653,693
NET FINANCIAL ASSETS, BEGINNING OF YEAR	21,984,255	21,984,255	15,330,562
NET FINANCIAL ASSETS, END OF YEAR	19,992,632	28,949,240	21,984,255

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	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Annual surplus for the year	11,398,110	8,488,237
Amortization	7,075,576	6,959,300
Write down of capital assets	---	106,105
	18,473,686	15,553,642
Net Change in Non-Cash Working Capital Balances		
Accounts receivable	(1,718,623)	(791,697)
Accounts payable and accrued liabilities	1,749,245	(1,909,741)
Employee future benefit obligations	117,236	13,746
Other current liabilities	1,186,272	317,364
Deferred revenues	1,110,838	693,233
Inventories	216,003	(119,460)
Prepaid expenses	(38,001)	12,602
	2,622,970	(1,783,953)
Working Capital from Operations	21,096,656	13,769,689
INVESTING ACTIVITIES		
(Increase) decrease in long term investments	(6,146,102)	3,684,148
Decrease in long term receivables	---	65,761
Net increase in investments	(6,146,102)	3,749,909
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(11,740,032)	(8,828,090)
Disposal of tangible capital assets	53,329	34,999
Net investment in tangible capital assets	(11,686,703)	(8,793,091)
FINANCING ACTIVITIES		
Debt principal repayments	(950,963)	(1,102,531)
Net decrease in cash from financing activities	(950,963)	(1,102,531)
NET INCREASE IN CASH	2,312,888	7,623,976
CASH, BEGINNING OF YEAR	28,019,375	20,395,399
CASH, END OF YEAR	30,332,263	28,019,375

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

County of Lanark

Notes to the Consolidated Financial Statements

December 31, 2020

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.

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.

County of Lanark
Notes to the Consolidated Financial Statements

December 31, 2020

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.

County of Lanark
Notes to the Consolidated Financial Statements

December 31, 2020

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.

County of Lanark
Notes to the Consolidated Financial Statements

December 31, 2020

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 post-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.

County of Lanark
Notes to the Consolidated Financial Statements

December 31, 2020

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.

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 \$12,872,412 as at December 31, 2020 (2019 \$6,716,712).

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, 2020, based on an actuarial update, the accrued benefit obligation was \$2,600,822 (2019 \$2,654,035).

County of Lanark
Notes to the Consolidated Financial Statements

December 31, 2020

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 2020 is as follows:

	2020	2019
	\$	\$
Balance, at beginning of year	2,654,035	2,687,836
Current service costs	88,590	85,801
Interest cost	61,501	60,434
Benefits paid	(127,836)	(104,568)
Amortized actuarial gain	(75,468)	(75,468)
Balance, at end of year	2,600,822	2,654,035

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

The accrued benefit liability at December 31, 2020 includes the following:

	2020	2019
	\$	\$
Accrued benefit obligation	1,889,915	1,867,660
Unamortized actuarial gain	710,907	786,375
	2,600,822	2,654,035

- (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, 2020 are \$291,920 (2019 \$366,643).

- (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, \$449,777 (2019 \$247,551), 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 has established a reserve to mitigate the future impact of the obligation.

County of Lanark
Notes to the Consolidated Financial Statements

December 31, 2020

4. Employee Future Benefit Obligations / continued

(d) Employee benefit obligations are comprised of:

	2020			2019		
	Gross	Funded	Unfunded	Gross	Funded	Unfunded
	\$	\$	\$	\$	\$	\$
Health benefits	3,050,599	(582,606)	2,467,993	2,901,586	(380,380)	2,521,206
Vacation credits, overtime and statutory holiday leave	556,695	(556,695)	---	588,472	(588,472)	---
	3,607,294	(1,139,301)	2,467,993	3,490,058	(968,852)	2,521,206

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, 2020	341,279	98,402	2,170,011	59,880	2,669,572
Contribution from developers	---	---	915,942	---	915,942
Government grants	---	10,377	---	120,558	130,935
Other contributions	37,434	---	---	---	37,434
Interest	8,736	---	26,691	736	36,163
Transferred to operations	---	---	(9,636)	---	(9,636)
December 31, 2020	387,449	108,779	3,103,008	181,174	3,780,410

County of Lanark
Notes to the Consolidated Financial Statements

December 31, 2020

6. Long Term Liabilities

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

	2020	2019
	\$	\$
Ontario Infrastructure Projects Corporation loan maturing in 2020 with interest rate of 3.82%.	---	63,214
Fixed rate bank loans with maturity dates between 2021 and 2022 and interest rates between 2.00% and 2.96%.	643,022	1,330,018
Mortgages with maturity dates between 2021 and 2026 and interest rates between 4.610% and 6.351%.	1,257,724	1,458,477
Net long term liabilities at the end of the year	1,900,746	2,851,709

- (b) Principal payments fall due as follows:

	General Revenues
	\$
2021	873,282
2022	393,642
2023	180,442
2024	192,380
2026	205,108
2027 to 2028	55,892
	1,900,746

- (c) Interest expense on long term liabilities in 2020 amounted to \$95,747 (2019 \$126,587).

- (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, 2020

7. Municipal Equity

Municipal equity consists of:

	2020	2019
	\$	\$
Investment in tangible capital assets		
Tangible capital assets	123,731,242	119,120,115
Long term liabilities	(1,900,746)	(2,851,709)
	121,830,496	116,268,406
Unrestricted surplus		
Invested in inventory	224,038	440,041
Unfunded future employee benefits	(2,467,993)	(2,521,206)
Reserves (Schedule 1)	33,254,568	27,258,834
Reserve Funds (Schedule 1)	117,051	113,975
Total Municipal Equity	152,958,160	141,560,050

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 \$1,447,457 (2019 \$1,386,929) 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 \$42,922 (2019 \$44,638) 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.

County of Lanark
Notes to the Consolidated Financial Statements

December 31, 2020

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, 2020, 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.

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.

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, 2020 amount to \$687,392 (2019 \$1,042,631).

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.

County of Lanark

Notes to the Consolidated Financial Statements

December 31, 2020

13. Commitments

- (a) The County has entered into a five year maintenance contract (with one additional five year option) with Bear Com Canada for the maintenance of the communication system. The contract will expire June 2024. The annual cost for rent and maintenance is \$166,565 (2019 \$144,513).

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	\$222,904 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 2030. The contract fees for 2020 were \$9,889,324 (2019 \$9,537,355).

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

County of Lanark
Notes to the Consolidated Financial Statements

December 31, 2020

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 2020, \$Nil (2019 \$1,457,500) of funding was provided to the Town of Carleton Place. The balance of the commitment, \$1,457,500, is expected to be paid in 2021.
- (f) Lanark County Housing Corporation entered into a contract for the construction for the design and build of 20 social housing rental units in Carleton Place. The contract value is approximately \$4,443,000 of which \$2,158,000 of costs have been incurred during 2020. The project is expected to be completed in 2021 and will be funded from government grants, reserves and current year revenues.
- (g) The County has entered into an agreement to provide \$640,000 of capital funding to 27220008 Ontario Inc. to create social housing accommodation. The contribution will be funded from capital funding received from the Province under the Social Services Relief Fund Capital Component. It is expected the funds will be advanced in 2021.
- (h) 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 2020, the costs were \$1,354,564 (2019 \$1,328,592).

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, 2019.

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.

County of Lanark
Notes to the Consolidated Financial Statements

December 31, 2020

14. Risk Management / continued

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.

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.

15. Tangible Capital Assets

	2020	2019
	\$	\$
Land	17,160,501	17,052,501
Buildings	15,282,894	16,114,937
Leasehold Improvements	45,328	50,521
Vehicles	3,599,321	3,171,048
Machinery and Equipment	2,876,169	2,225,352
Linear Assets		
Roads	62,666,370	59,188,141
Bridges	16,057,059	16,420,014
Culverts	1,267,967	1,300,788
Trails	2,238,136	2,237,732
Parking Lots	287,371	127,664
Construction in Progress	2,250,126	1,231,417
	123,731,242	119,120,115

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

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.

County of Lanark
Notes to the Consolidated Financial Statements

December 31, 2020

16. Segmented Information / continued

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.

2020	Salaries, Wages & Employee Benefits	Debenture Debt Interest	Materials & Services	External Transfers	Interfunc- tional Adjustments	Amortization	Total
	\$	\$	\$	\$	\$	\$	\$
General Government							
Governance	455,056	---	93,019	---	---	---	548,075
Corporate Management & Program Support	2,112,956	156	1,946,042	343,300	(1,076,366)	34,672	3,360,760
Post Retirement Benefits	(53,213)	---	---	---	---	---	(53,213)
Protection to Persons and Property							
Emergency Measures	166,659	---	516,071	---	3,773	129,976	816,479
Transportation							
Roadways	2,812,737	16,599	4,628,886	---	(103,584)	5,541,163	12,895,801
Health Services							
Public Health Services	---	---	---	1,208,974	---	---	1,208,974
Hospitals	---	---	---	350,000	---	---	350,000
Ambulance	---	---	10,492,937	---	233,936	392,161	11,119,034
Social and Family Assistance							
General Assistance	2,828,968	---	515,390	9,078,854	462,357	5,192	12,890,761
Assistance to Aged Persons	14,219,617	9,164	3,200,776	---	355,561	489,651	18,274,769
Child Care	545,135	---	24,544	7,972,580	52,558	---	8,594,817
Social Housing	1,560,726	69,828	2,974,637	5,923,853	54,794	391,652	10,975,490
Planning and Development							
Planning & Zoning	215,216	---	50,366	---	8,365	---	273,947
Economic Development	245,667	---	144,102	---	8,606	---	398,375
Agriculture & Reforestation	---	---	181,401	---	---	91,109	272,510
2020	25,109,524	95,747	24,768,171	24,877,561	---	7,075,576	81,926,579

County of Lanark
Notes to the Consolidated Financial Statements

December 31, 2020

16. Segmented Information / continued

2019	Salaries, Wages & Employee Benefits	Debenture Debt Interest	Materials & Services	External Transfers	Interfunc- tional Adjustments	Amortization	Total
	\$	\$	\$	\$	\$	\$	\$
General Government							
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)
Protection to Persons and Property							
Emergency Measures	109,040	1,313	473,357	---	3,773	127,536	715,019
Transportation							
Roadways	2,722,598	24,926	4,623,149	---	(103,584)	5,392,088	12,659,177
Health Services							
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
Social and Family Assistance							
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
Planning and Development							
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
2019	22,717,410	126,587	24,925,466	24,574,324	---	6,959,300	79,303,087

County of Lanark
Notes to the Consolidated Financial Statements

December 31, 2020

17. Budget Figures

The 2020 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.

	Budget	Actual
	\$	\$
Total Revenues	82,398,429	89,115,894
Total Expenses	(81,197,368)	(81,926,579)
Net Revenue	1,201,061	7,189,315
Future Employee Benefits	(167,919)	(53,213)
Amortization	7,582,962	7,075,576
Adjusted Net Revenues	8,616,104	14,211,678
Capital Revenues	2,479,432	4,208,795
Funds Available	11,095,536	18,420,473
Capital Expenses	(13,284,578)	(11,740,032)
Disposal of Tangible Capital Assets	29,500	53,329
Write Down of Capital Assets	---	---
Principal Repayments	(950,423)	(950,963)
Disposal of Inventory	---	216,003
(Decrease) Increase in Operating Surplus	(3,109,965)	5,998,810
Allocated As Follows:		
Net Transfer (from) to Reserves	(3,109,965)	5,998,810

19. Impact of COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ('COVID-19') as a pandemic. This resulted in governments worldwide, including the Canadian, Ontario and municipal governments, enacting emergency measures to combat the spread of the virus.

The pandemic has had significant operational and financial impacts including service reductions, declines in associated user fee revenues and additional costs. While impacts have been mitigated by associated funding and other cost saving measures, the pandemic has created uncertainty over current and future year operations and the financial position of the Municipality.

The duration and impact of COVID-19 are unknown at this time. It is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and conditions of the Municipality in future periods. The Municipality continues to closely monitor and assess the impact on its operations. It is management's assessment that the Municipality will have sufficient resources to mitigate the potential losses in 2021 as a result of COVID-19.

County of Lanark

Schedule 1 ▶ Continuity of Reserves and Reserve Funds

For the year ended December 31	(Note 17) Budget	2020	2019
	\$	\$	\$
Revenues			
Donations	---	10,031	17,366
Investment income	---	1,398	2,362
Total Net Revenues	---	11,429	19,728
Net Transfers From/(To) Other Funds			
Transfers from operations	1,724,035	7,457,249	6,410,615
Transfers to capital acquisitions	(4,834,000)	(1,469,868)	(925,584)
Total Net Transfers	(3,109,965)	5,987,381	5,485,031
Reserves and Reserve Fund Balances, Change in Year	(3,109,965)	5,998,810	5,504,759
Reserves and Reserve Fund Balances, Beginning of Year	27,372,809	27,372,809	21,868,050
Reserves and Reserve Fund Balances, End of Year	24,262,844	33,371,619	27,372,809

Composition of Reserves and Reserve Funds

For the year ended December 31	2020	2019
	\$	\$
Reserves set aside for specific purposes by Council:		
▶ for working capital and contingency	5,797,420	5,572,420
▶ for insurance	257,980	230,268
▶ for WSIB	1,269,732	1,095,629
▶ for ambulance services	526,280	519,886
▶ for land division	35,011	34,586
▶ for forestry and trails	496,835	373,271
▶ for social and family services	1,084,176	1,071,034
▶ for social housing	452,711	260,878
	9,920,145	9,157,972
For Capital Purposes		
▶ for building renovations and equipment	8,451,442	5,775,097
▶ for road capital projects	6,390,003	4,676,796
▶ for ambulance services	671,520	504,317
▶ for social housing	7,542,493	7,035,036
▶ for rescue vehicles	278,965	109,616
	23,334,423	18,100,862
Total Reserves	33,254,568	27,258,834
Reserve Funds		
▶ for Homes for Senior Citizens	117,051	113,975
Total Reserves and Reserve Funds	33,371,619	27,372,809

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

County of Lanark
Schedule 2 ▶ 2020 Tangible Capital Assets

Asset Class	Cost 01/01/20	Additions	(Disposals)	Cost 31/12/20
	\$	\$	\$	\$
Land	17,052,501	108,000	---	17,160,501
Buildings	40,254,055	189,865	---	40,443,920
Leasehold Improvements	132,522	---	---	132,522
Vehicles	7,896,173	1,285,289	(595,877)	8,585,585
Machinery & Equipment	5,254,879	1,015,581	(63,517)	6,206,943
Linear Assets				
Roads	127,095,456	7,635,314	(181,976)	134,548,794
Bridges	26,581,017	229,092	---	26,810,109
Culverts	2,508,291	---	---	2,508,291
Trails	2,337,393	91,513	---	2,428,906
Parking Lots	299,735	166,669	---	466,404
Construction in Progress	1,231,417	1,018,709	---	2,250,126
	230,643,439	11,740,032	(841,370)	241,542,101

Asset Class	Accumulated Amortization 01/01/20	Amortization	(Disposals)	Accumulated Amortization 31/12/20	Net Book Value 31/12/20
	\$	\$	\$	\$	\$
Land	---	---	---	---	17,160,501
Buildings	24,139,118	1,021,908	---	25,161,026	15,282,894
Leasehold Improvements	82,001	5,193	---	87,194	45,328
Vehicles	4,725,125	803,687	(542,548)	4,986,264	3,599,321
Machinery & Equipment	3,029,527	364,764	(63,517)	3,330,774	2,876,169
Linear Assets					
Roads	67,907,315	4,157,085	(181,976)	71,882,424	62,666,370
Bridges	10,161,003	592,047	---	10,753,050	16,057,059
Culverts	1,207,503	32,821	---	1,240,324	1,267,967
Trails	99,661	91,109	---	190,770	2,238,136
Parking Lots	172,071	6,962	---	179,033	287,371
Construction in Progress	---	---	---	---	2,250,126
	111,523,324	7,075,576	(788,041)	117,810,859	123,731,242

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

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

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



INDEPENDENT AUDITOR'S REPORT

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, 2020;
- 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, 2020, 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
June 9, 2021.

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

December 31	2020	2019
	\$	\$
ASSETS		
Cash	42,922	44,638
FUND BALANCES	42,922	44,638

Statement of Financial Activities

For the year ended December 31	2020	2019
	\$	\$
REVENUES		
Residents' deposits	83,788	118,397
EXPENSES		
Residents' withdrawals	85,504	115,868
NET (EXPENSES) REVENUES FOR THE YEAR	(1,716)	2,529
BALANCE AT THE BEGINNING OF THE YEAR	44,638	42,109
BALANCE AT THE END OF THE YEAR	42,922	44,638

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

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

December 31, 2020

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.



LANARK COUNTY HOUSING CORPORATION

Management's Responsibility for the Financial Statements

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.

A blue ink signature of Kurt Greaves, consisting of a large, stylized initial 'K' followed by a long horizontal line extending to the right.

Kurt Greaves, CEO



INDEPENDENT AUDITOR'S REPORT

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, 2020;
- 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, 2020, 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
June 9, 2021.

Lanark County Housing Corporation
Statement of Financial Position

December 31	2020	2019
	\$	\$
ASSETS		
Financial Assets		
Cash	1,839,849	2,007,637
Accounts receivable (net of allowance)	1,199,079	320,355
Prepaid expenses	53,640	15,639
Due from County of Lanark	998,062	952,872
Investments (note 5)	387,449	268,694
	4,478,079	3,565,197
LIABILITIES		
Financial Liabilities		
Accounts payable and accrued liabilities	675,789	302,299
Other current liabilities	79,440	67,374
Deferred revenue (note 6)	496,228	439,681
Long term liabilities (note 7)	1,257,724	1,458,476
	2,509,181	2,267,830
NET FINANCIAL ASSETS	1,968,898	1,297,367
NON-FINANCIAL ASSETS		
Tangible capital assets (note 14) (Schedule 2)	9,238,589	7,251,387
ACCUMULATED SURPLUS (note 9)	11,207,487	8,548,754

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	2020	(Note 16) 2019
	\$	\$	\$
REVENUES			
Occupancy revenues	2,115,000	2,138,804	2,122,521
County Funding ▶ assisted rental housing (note 4)	3,950,090	3,950,092	3,872,196
▶ one time capital	---	1,001,549	1,000,000
▶ COCHI	---	99,514	72,159
Program revenues			
Strong Communities Rent Supplement Agreements	74,320	57,031	65,620
Investment income	28,000	32,806	59,995
Other revenues	50,000	563,080	37,132
Loss on disposal of asset	---	---	(8,867)
TOTAL REVENUES	6,217,410	7,842,876	7,220,756
EXPENSES			
Administration	164,599	63,234	276,675
Amortization	378,000	391,652	381,243
Heat, hydro and water	1,088,499	868,791	890,129
Insurance	128,363	83,544	78,407
Municipal taxes	1,050,000	997,513	1,026,553
Mortgage interest	70,348	69,828	79,613
Operating costs	545,000	319,658	350,477
Rent supplement and other program costs	569,320	570,402	574,146
Repairs and maintenance	508,530	427,523	447,744
Management contract	1,354,564	1,354,564	1,328,592
Contribution to deferred revenues (note 6)	---	37,434	36,700
TOTAL EXPENSES	5,857,223	5,184,143	5,470,279
NET REVENUES FOR THE YEAR	360,187	2,658,733	1,750,477
ACCUMULATED SURPLUS, BEGINNING OF YEAR	8,548,754	8,548,754	6,798,277
ACCUMULATED SURPLUS, END OF YEAR	8,908,941	11,207,487	8,548,754

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	2020	2019
	\$	\$	\$
NET REVENUES FOR THE YEAR	360,187	2,658,733	1,750,477
Amortization of tangible capital assets	378,000	391,652	381,243
Acquisition of tangible capital assets	(4,290,000)	(2,378,854)	(935,693)
Disposal of tangible capital assets	---	---	10,000
	(3,912,000)	(1,987,202)	(544,450)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(3,551,813)	671,531	1,206,027
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,297,367	1,297,367	91,340
NET FINANCIAL ASSETS (DEBT), END OF YEAR	(2,254,446)	1,968,898	1,297,367

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	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Net revenues for the year	2,658,733	1,750,477
Amortization	391,652	381,243
	3,050,385	2,131,720
Net Change in Non-Cash Working Capital Balances		
Accounts receivable	(878,724)	61,108
Prepaid expenses	(38,001)	12,602
Accounts payable and accrued liabilities	373,490	37,157
Due to County of Lanark	(45,190)	(1,308,095)
Other current liabilities	12,066	(3,534)
Deferred revenue	56,547	2,724
	(519,812)	(1,198,038)
Working Capital from Operations	2,530,573	933,682
INVESTING ACTIVITIES		
Increase in investments	(118,755)	(5,299)
Acquisition of tangible capital assets	(2,378,854)	(935,693)
Disposal of tangible capital assets	---	10,000
Net investment in tangible capital assets	(2,497,609)	(930,992)
FINANCING ACTIVITIES		
Debt principal repayments	(200,752)	(190,926)
NET DECREASE IN CASH	(167,788)	(188,236)
CASH, BEGINNING OF YEAR	2,007,637	2,195,873
CASH, END OF YEAR	1,839,849	2,007,637

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

Lanark County Housing Corporation

Notes to the Financial Statements

December 31, 2020

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.

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.

Lanark County Housing Corporation

Notes to the Financial Statements

December 31, 2020

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.

Lanark County Housing Corporation

Notes to the Financial Statements

December 31, 2020

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, 2020

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.

3. Summary of Property Holdings

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

Location	Number of Units
Town of Almonte	
176 Robert Street	16
Victoria / St. James	12
<hr/>	
Total Town of Almonte	28
<hr/>	
Town of Carleton Place	
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/>	
Total Town of Carleton Place	153
<hr/>	
Town of Perth	
77 Harvey Street	30
75 Harvey Street	27
16 Herriott Street	10
Beckwith/Robinson	14
10 Welland	1
4 Railway	1
<hr/>	
Total Town of Perth	83

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

December 31, 2020

3. Summary of Property Holdings / continued

Location	Number of Units
Town of Smiths Falls	
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
<hr/>	
Total Town of Smiths Falls	269
<hr/>	
Total Units in Portfolio	533

4. County / Smiths Falls Funding

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

	2020	2019
	\$	\$
County of Lanark	4,711,155	3,544,199
Town of Smiths Falls	340,000	327,997
	<hr/> 5,051,155	<hr/> 3,872,196

5. Investments

At the year end, investments consisted of the following:

	2020	2019
	\$	\$
Mutual funds with World Source Financial	387,449	268,694

They have a market value of \$396,463 (2019 \$270,633).

Lanark County Housing Corporation Notes to the Financial Statements

December 31, 2020

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, 2020	341,279	98,402	439,681
Grants	---	10,377	10,377
Contributions from County of Lanark	37,434	---	37,434
Interest	8,736	---	8,736
December 31, 2020	387,449	108,779	496,228

7. Long Term Liabilities

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

	2020	2019
	\$	\$
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.	961,810	1,110,720
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, renewal date is June 2021 maturity date is June 2026.	295,914	347,756
Total Long Term Debt	1,257,724	1,458,476

Lanark County Housing Corporation

Notes to the Financial Statements

December 31, 2020

7. Long Term Liabilities / continued

Principal payments falls due as follows:

	\$
2021	454,662
2022	169,251
2023	180,448
2024	192,387
2025 and thereafter	260,976
	1,257,724

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 \$418,393 (2019 \$517,481) are made with respect to the property holdings. The principal amount of these debentures is approximately \$687,392 (2019 \$1,042,631). 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:

	2020	2019
	\$	\$
Investment in Tangible Capital Assets		
Tangible capital assets	9,238,589	7,251,387
Long term liabilities	(1,257,724)	(1,458,476)
Total Surplus	7,980,865	5,792,911
Reserves (Schedule I)		
Working Capital	99,248	99,248
Capital	3,086,862	2,636,083
Insurance	40,512	20,512
Total Reserves	3,226,622	2,755,843
Accumulated Surplus	11,207,487	8,548,754

Lanark County Housing Corporation

Notes to the Financial Statements

December 31, 2020

10. Commitments

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

2021	\$9,000
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- b) The County of Lanark provides management, administrative and staffing services for the Corporation. Annually a budget is established and a monthly payment schedule.

- c) The Corporation entered into a contract for the construction for the design and build of 20 social housing rental units in Carleton Place. The contract value is approximately \$4,443,000 of which \$2,158,000 of costs have been incurred during 2020. The project is expected to be completed in 2021 and will be funded from government grants, reserves and current year revenues.
-

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, 2020, 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.

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.

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.

Lanark County Housing Corporation Notes to the Financial Statements

December 31, 2020

13. Risk Management / continued

The Corporation's exposure to and management of risk has not changed materially from December 31, 2019.

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

14. Tangible Capital Assets

	2020	2019
	\$	\$
Land	2,293,523	2,293,523
Buildings	4,385,183	4,659,214
Parking lots	247,776	84,487
Vehicles	52,981	68,719
Construction in Progress	2,259,126	145,444
	9,238,589	7,251,387

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

Lanark County Housing Corporation Notes to the Financial Statements

December 31, 2020

15. Budget Figures

The 2020 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:

	Budget	Actual
	\$	\$
Total Revenues	6,217,410	7,842,876
Total Expenses	(5,857,223)	(5,184,143)
Net Revenues	360,187	2,658,733
Amortization	378,000	391,652
Adjusted Net Revenues Funds Available	738,187	3,050,385
Capital Expenses	(4,290,000)	(2,378,854)
Principal Repayments	(200,752)	(200,752)
(Decrease) Increase in Operating Surplus	(3,752,565)	470,779
 Allocated as follows:		
Net Transfers (from) to Reserves	(3,752,565)	470,779

16. Comparative Figures

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

17. Impact of COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ('COVID-19') as a pandemic. This resulted in governments worldwide, including the Canadian, Ontario and municipal governments, enacting emergency measures to combat the spread of the virus.

Lanark County Housing Corporation
Notes to the Financial Statements

December 31, 2020

17. Impact of COVID / continued

The pandemic has had significant operational and financial impacts including service reductions, declines in associated user fee revenues and additional costs. While impacts have been mitigated by associated funding and other cost saving measures, the pandemic has created uncertainty over current and future year operations and the financial position of the Municipality.

The duration and impact of COVID-19 are unknown at this time. It is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and conditions of the Municipality in future periods. The Municipality continues to closely monitor and assess the impact on its operations. It is management's assessment that the Municipality will have sufficient resources to mitigate the potential losses in 2021 as a result of COVID-19.

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

For the year ended December 31	(Note 15) Budget	2020	2019
	\$	\$	\$
Revenues			
Investment income	---	---	---
Net Transfers From / (To) Other Funds			
Transfers from operations	257,435	1,628,107	1,771,331
Transfers to capital acquisitions	(4,010,000)	(1,157,328)	(756,230)
Total Net Transfers Approved By the Committee	(3,752,565)	470,779	1,015,101
Reserves Balances, Change in Year	(3,752,565)	470,779	1,015,101
Reserves Balances, Beginning of Year	2,755,843	2,755,843	1,740,742
Reserves Balances, End of Year	(996,722)	3,226,622	2,755,843

Composition of Reserves

For the year ended December 31	2020	2019
	\$	\$
Reserves		
Working Capital	99,248	99,248
Capital	3,086,862	2,636,083
Insurance	40,512	20,512
Total Reserves	3,226,622	2,755,843

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

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

December 31, 2020

Assets	Cost 01/01/20	Additions	(Disposals)	Cost 31/12/20	Accumulated Amortization 01/01/20	Amortization 2020	(Disposals)	Accumulated Amortization 31/12/20	Net Book Value 31/12/20
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	2,293,523	---	---	2,293,523	---	---	---	---	2,293,523
Buildings	15,770,763	98,503	---	15,869,266	11,111,549	372,534	---	11,484,083	4,385,183
Parking Lots	213,978	166,669	---	380,647	129,491	3,380	---	132,871	247,776
Vehicles	125,893	---	---	125,893	57,174	15,738	---	72,912	52,981
Contracts In Progress	145,444	2,113,682	---	2,259,126	---	---	---	---	2,259,126
	18,549,601	2,378,854	---	20,928,455	11,298,214	391,652	---	11,689,866	9,238,589

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
	17,662,134	935,693	(48,226)	18,549,601	10,955,197	381,243	(38,226)	11,298,214	7,251,387

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