

Consolidated Financial Statements of

**CORPORATION OF THE
COUNTY OF LANARK**

Year ended December 31, 2021

CORPORATION OF THE COUNTY OF LANARK

Consolidated Financial Statements

Year ended December 31, 2021

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LANARK COUNTY

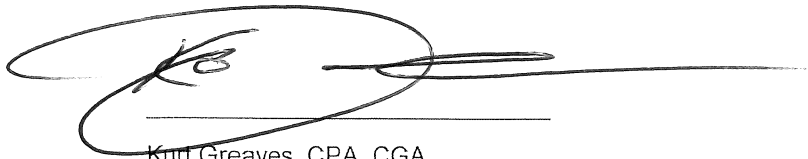
Management's Responsibility for the Consolidated Financial Statements

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

The 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.

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

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



Kurt Greaves, CPA, CGA
Chief Administrative Officer



Kevin Wills, CPA, CGA
Treasurer



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INDEPENDENT AUDITORS' 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, 2021;
- the consolidated statement of operations and accumulated municipal equity for the year then ended;
- the consolidated statement of changes in net financial assets for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its results of operations 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 auditors’ report.

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

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



Other Matter – Comparative Information

The financial statements as at and for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 9, 2021.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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



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

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

August 10, 2022

CORPORATION OF THE COUNTY OF LANARK

Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Financial assets:		
Cash	\$ 37,002,627	\$ 30,332,263
Accounts receivable	5,797,121	5,285,244
Long-term investments (note 2)	15,853,980	12,840,955
	<u>58,653,728</u>	<u>48,458,462</u>
Liabilities		
Financial liabilities:		
Accounts payable and accrued liabilities	7,627,199	7,015,550
Employee future benefit obligations (note 3)	3,873,959	3,607,294
Other current liabilities	1,412,360	3,738,561
Deferred revenues (note 4)	5,402,265	3,780,410
Long term liabilities (note 5)	1,270,910	1,900,746
	<u>19,586,693</u>	<u>20,042,561</u>
Net financial assets	39,067,035	28,415,901
Non-financial assets:		
Tangible capital assets (note 12)	130,377,073	123,731,242
Inventories	285,929	224,038
Prepaid expenses	568,863	586,979
Total non-financial assets	<u>131,231,865</u>	<u>124,542,259</u>
Contingent liabilities (note 9)		
Commitments (note 11)		
Accumulated municipal equity (note 6)	<u>\$ 170,298,900</u>	<u>\$ 152,958,160</u>

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

CORPORATION OF THE COUNTY OF LANARK

Consolidated Statement of Operations and Accumulated Municipal Equity

Year ended December 31, 2021, with comparative information for 2020

	Budget 2021 (note 14)	2021	2020
Revenue:			
Taxation - requisition on local municipalities	\$ 37,040,312	\$ 37,040,335	\$ 35,803,813
Taxation - share of supplementary taxes	294,000	836,695	567,989
User charges - homes for senior citizens	4,024,052	3,982,715	3,941,811
User charges - other	754,738	1,433,198	1,164,866
Government grants - social and family services	21,541,379	23,173,016	23,779,486
Government grants - Homes for Senior Citizens	8,045,209	13,408,205	11,018,499
Government grants - ambulance	5,150,000	5,763,484	5,694,348
Government grants - other provincial grants	400,000	2,879,124	1,083,251
Government grants - federal grants	1,135,368	1,135,368	1,179,653
Government grants - other municipalities	2,666,822	2,541,298	2,210,093
Contribution from developers (note 4)	40,000	1,012,164	9,636
Investment income	350,000	459,434	485,002
Other income - rent	2,015,000	2,116,599	2,138,804
Other income - other	88,025	163,622	38,643
Total revenue	83,544,905	95,945,257	89,115,894
Expenses (note 13):			
General government	4,735,766	4,390,559	3,908,835
Protection to persons and property	697,532	691,503	816,479
Transportation services	13,739,970	13,103,407	12,895,801
Health services	12,700,880	12,700,902	12,678,008
Social and family services	49,331,456	51,505,033	50,735,837
Planning and development	1,049,464	853,787	944,832
Post retirement benefits actuarial valuation	162,575	(37,756)	(53,213)
Total expenses	82,417,643	83,207,435	81,926,579
Annual operating surplus	1,127,262	12,737,822	7,189,315
Capital:			
Government transfers	2,410,307	2,562,078	3,284,038
Recovery costs	-	-	912,688
Gain on disposal of tangible capital assets	4,375	2,040,840	12,069
	2,414,682	4,602,918	4,208,795
Annual surplus	3,541,944	17,340,740	11,398,110
Municipal equity, beginning of year	152,958,160	152,958,160	141,560,050
Municipal equity, end of year	\$ 156,500,104	\$ 170,298,900	\$ 152,958,160

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

CORPORATION OF THE COUNTY OF LANARK

Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2021, with comparative information for 2020

	Budget 2021 (note 14)	2021	2020
Annual surplus	\$ 3,541,944	\$ 17,340,740	\$ 11,398,110
Amortization of tangible capital assets	7,192,821	7,474,890	7,075,576
Acquisition of tangible capital assets	(13,300,600)	(14,653,614)	(11,740,032)
Proceeds on disposal of tangible capital assets	29,500	2,573,733	65,398
Gain on disposal of tangible capital assets	–	(2,040,840)	(12,069)
Disposal of inventories of supplies	–	(61,891)	216,003
Acquisition of prepaid expenses	–	18,116	76,482
Change in net financial assets	(2,536,335)	10,651,134	7,079,468
Net financial assets, beginning of year	28,949,240	28,415,901	21,336,433
Net financial assets, end of year	\$ 26,412,905	\$ 39,067,035	\$ 28,415,901

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

CORPORATION OF THE COUNTY OF LANARK

Consolidated Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Operating activities:		
Annual surplus	\$ 17,340,740	\$ 11,398,110
Item not involving cash:		
Amortization of tangible capital assets	7,474,890	7,075,576
Employee future benefit obligations	266,665	117,236
Change in non-cash operating working capital:		
Accounts receivable	(511,877)	(1,718,623)
Accounts payable and accrued liabilities	611,649	1,634,762
Other current liabilities	(2,326,201)	1,186,272
Deferred revenues	1,621,855	1,110,838
Inventories	(61,891)	216,003
Prepaid expenses	18,116	76,482
Net change in cash from operations	24,433,946	21,096,656
Capital activities:		
Acquisition of tangible capital assets	(14,653,614)	(11,740,032)
Gain on disposal of tangible capital assets	(2,040,840)	(12,069)
Proceeds of disposal of tangible capital assets	2,573,733	65,398
	(14,120,721)	(11,686,703)
Investing activities:		
Increase in long term investments	(3,013,025)	(6,146,102)
Financing activities:		
Debt principal repayments	(629,836)	(950,963)
Increase in cash	6,670,364	2,312,888
Cash, beginning of year	30,332,263	28,019,375
Cash, end of year	\$ 37,002,627	\$ 30,332,263

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

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements

Year ended December 31, 2021

The Corporation of 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.

1. Significant accounting policies:

The consolidated financial statements of the County are the representations of management and have been prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the County are as follows:

(a) Basis of consolidation:

- (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 County Housing Corporation

- (ii) The taxation, other revenue, 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.

(b) 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 annual surplus 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.

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(c) 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:

Asset	Useful Life - Years
Buildings	15 to 50
Vehicles	4 to 20
Machinery and equipment	3 to 30
Linear Assets	
Roads	30 to 40
Bridges and Culverts	40 to 60
Trails	15
Parking lots	25

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 and accumulated municipal equity in the year of disposal. Transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(c) Tangible capital assets (continued):

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 and accumulated municipal equity.

(d) 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.

(e) Inventories and prepaid expenses:

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

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

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

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(g) 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.

(h) Deferred revenue:

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, development charges collected under the Development Charges Act, 1997, and recreational land collected under the Planning Act 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.

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.

(i) Investments:

Investments are recorded at cost plus accrual 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 and parkland obligatory reserve funds is added to the fund balance and forms part of respective deferred revenue balances.

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(j) Liability for contaminated sites:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- (a) an environmental standard exists;
- (b) contamination exceeds the environmental standard;
- (c) the 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.

(k) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

2. 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 \$15,584,063 as at December 31, 2021 (2020 - \$12,872,412).

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

3. 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, 2021.

Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employee groups, which is estimated to be between 10 and 11 years (2020 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, 2021, based on the actuarial valuation, the accrued benefit obligation was \$2,079,443 (2020 - \$1,889,915).

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

Discount rate	2.60%
Inflation rate	5.00%
Health care inflation rate	5.00%

The continuity of post employment benefits is as follows:

	2021	2020
Balance, beginning of year	\$ 2,600,822	\$ 2,654,035
Current service costs	91,469	88,590
Interest cost	61,044	61,501
Benefits paid	(114,801)	(127,836)
Amortized actuarial gain	(75,468)	(75,468)
Balance, at end of year	\$ 2,563,066	\$ 2,600,822

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

3. Employee future benefit obligations (continued):

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

The accrued benefit liability at December 31, 2021 includes the following:

	2021	2020
Accrued benefit obligation	\$ 2,079,443	\$ 1,889,915
Unamortized actuarial gain	483,623	710,907
	<u>\$ 2,563,066</u>	<u>\$ 2,600,822</u>

- (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, 2021 are \$480,206 (2020 - \$291,920).

- (c) With respect to responsibilities under provisions of the Workplace Safety and Insurance Board Act, the County has elected to be treated as a Schedule 2 employer and remits payments to the WSIB as required to fund disability payments. An independent actuarial study of the WSIB liabilities was undertaken at December 31, 2021 in order to determine the estimated liability reported in these consolidated financial statements.

Actuarial gains and losses are amortized on a straight-line basis over the average term of the liabilities which is estimated to be 11 years (2020 – 10 years).

At December 31, 2021, the County's accrued benefit liability related to future WSIB claims is \$664,521 (2020 - \$449,777).

The significant actuarial assumptions adopted in estimating the County's accrued benefit liability for WSIB claims are as follows:

Discount rate	3% per annum
Inflation rate	1.75% per annum
Compensation costs	1.90% of estimated payroll
Administration costs	23%

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

3. Employee future benefit obligations (continued):

(c) Continued:

Information with respect to the County WSIB accrued benefit liability is as follows:

	2021	2020
Accrued benefits liability, beginning of year	\$ 449,777	\$ 247,551
Benefit cost for the year	268,586	260,100
Interest cost	40,443	35,427
Less expected benefit payments	(166,493)	(165,509)
Amortization of losses	72,208	72,208
Accrued benefit liability, end of year	\$ 664,521	\$ 449,777

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

	2021	2020
Accrued benefit obligation	\$ 1,169,976	\$ 1,027,440
Unamortized actuarial loss	(505,455)	(577,663)
Accrued benefit liability, end of year	\$ 664,521	\$ 449,777

The County has established a reserve to mitigate the future impact of obligation.

(d) Employee benefit obligations are comprised of:

	2021			2020		
	Gross	Funded	Unfunded	Gross	Funded	Unfunded
Future employee benefits	\$ 2,563,066	\$ (132,829)	\$ 2,430,237	\$ 2,600,822	\$ (132,829)	\$ 2,467,993
WSIB actuarial valuation	664,521	(664,521)	-	449,777	(449,777)	-
Vacation credits, overtime and statutory holiday leave	646,372	(646,372)	-	556,695	(556,695)	-
	\$ 3,873,959	\$(1,443,722)	\$ 2,430,237	\$ 3,607,294	\$(1,139,301)	\$ 2,467,993

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

4. Deferred revenue:

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	Federal gas tax	Provincial gas tax	Total
January 1, 2021	\$ 387,449	\$ 108,779	\$ 3,103,008	\$ –	\$ 181,174	\$ 3,780,410
Contributions from developers	–	–	730,341	–	–	730,341
Government grants	–	91,123	–	1,675,000	62,677	1,828,800
Other contributions	38,184	–	–	–	–	38,184
Interest	7,136	–	27,927	–	1,631	36,694
Transferred to operations	–	–	(1,012,164)	–	–	(1,012,164)
December 31, 2021	\$ 432,769	\$ 199,902	\$ 2,849,112	\$ 1,675,000	\$ 245,482	\$ 5,402,265

5. Long-term liabilities:

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

	2021	2020
Fixed rate bank loans with maturity date in 2022 and an interest rate of 2.96%.	\$ 224,390	\$ 643,022
Mortgages with maturity dates in 2026 and interest rates between 4.610% and 6.351%.	1,046,520	1,257,724
	\$ 1,270,910	\$ 1,900,746

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

5. Long-term liabilities:

(b) Principal payments fall due as follows:

2022	\$	446,678
2023		234,087
2024		244,635
2025		259,979
2026 and thereafter		85,531
	\$	1,270,910

(c) Interest expense on long term liabilities in 2021 amounted to \$70,456 (2020 - \$95,747).

(d) These payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

6. Municipal equity:

	2021	2020
Investment in tangible capital assets:		
Tangible capital assets	\$ 130,377,073	\$ 123,731,242
Long-term liabilities	(1,270,910)	(1,900,746)
	129,106,163	121,830,496
Unrestricted surplus:		
Invested in inventory	285,929	224,038
Unfunded future employee benefits	(2,430,237)	(2,467,993)
Reserves (Schedule 1)	43,206,022	33,254,568
Reserve funds (Schedule 1)	131,023	117,051
Total accumulated municipal equity	\$ 170,298,900	\$ 152,958,160

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

7. 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 last available report was at December 31, 2021 and at that time, the plan reported a \$3.1 billion actuarial deficit (2020 - \$3.2 billion actuarial deficit).

The amount contributed to OMERS was \$1,387,884 (2020 - \$1,447,457) for current services and is included as an expense on the consolidated statement of operations and accumulated municipal equity classified under the appropriate functional expenditure.

8. Trust funds:

Trust funds administered by the County amounting to \$41,520 (2020 - \$42,922) 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.

9. 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, 2021, 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.

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

10. 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, 2021 amount to \$334,043 (2020 - \$687,392).

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.

11. Commitments:

(a) 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 2021 were \$10,006,600 (2020 - \$9,889,324).

(b) The County is committed to a rental lease for an ambulance station. The minimum future lease commitment (excluding taxes) is:

Period ending	Location	Annual Amount
2022 to 2026	84 / 86 Lorne Street, Smiths Falls	\$ 124,032/year
2027 to 2031	ambulance station	130,032/year
2032 to 2036		138,432/year

(c) The Housing Corporation has entered into capital commitments which include:

Acquisition of land	\$ 85,000
Construction of rental units	1,515,000

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

12. Tangible capital assets:

Cost	Balance at December 31, 2020	Transfers and additions	Disposals and adjustments	Balance at December 31, 2021
Land	\$ 17,160,501	\$ –	(384,407)	\$ 16,776,094
Buildings	40,443,920	4,980,479	(1,323,610)	44,100,789
Leasehold improvements	132,522	–	–	132,522
Vehicles	8,585,585	936,365	(282,172)	9,239,778
Machinery and equipment	6,206,943	525,073	–	6,732,016
Linear assets				
Roads	134,548,794	6,385,311	(19,229)	140,914,876
Bridges	26,810,109	954,197	–	27,764,306
Culverts	2,508,291	449,097	–	2,957,388
Trails	2,428,906	150,341	–	2,579,247
Parking lots	466,404	44,311	–	510,715
Construction in progress	2,250,126	228,440	–	2,478,566
Total	\$ 241,542,101	\$ 14,653,614	\$ (2,009,418)	\$ 254,186,297

Accumulated amortization	Balance at December 31, 2020	Amortization and adjustments	Transfers, and disposals	Balance at December 31, 2021
Land	\$ –	\$ –	\$ –	\$ –
Buildings	25,161,026	992,573	(1,226,001)	24,927,598
Leasehold improvements	87,194	5,178	–	92,372
Vehicles	4,986,264	800,058	(231,295)	5,555,027
Machinery and equipment	3,330,774	595,854	–	3,926,628
Linear assets				
Roads	71,882,424	4,330,436	(19,229)	76,193,631
Bridges	10,753,050	604,850	–	11,357,900
Culverts	1,240,324	35,028	–	1,275,352
Trails	190,770	97,297	–	288,067
Parking lots	179,033	13,616	–	192,649
Construction in progress	–	–	–	–
Total	\$ 117,810,859	\$ 7,474,890	\$ (1,476,525)	\$ 123,809,224

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

12. Tangible capital assets (continued):

	Net book value 2020	Net book value 2021
Land	\$ 17,160,501	\$ 16,776,094
Buildings	15,282,894	19,173,191
Leasehold improvements	45,328	40,150
Vehicles	3,599,321	3,684,751
Machinery and equipment	2,876,169	2,805,388
Linear assets		
Roads	62,666,370	64,721,245
Bridges	16,057,059	16,406,406
Culverts	1,267,967	1,682,036
Trails	2,238,136	2,291,180
Parking lots	287,371	318,066
Construction in progress	2,250,126	2,478,566
Total	\$ 123,731,242	\$ 130,377,073

13. 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 and accumulated municipal equity.

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

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

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

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

13. Segmented information (continued):

2021	General Government	Protection to Persons and Property	Transportation Services	Health Services	Social and Family Services	Planning and Development	Post retirement	Total
Expenses								
Salaries and wages	\$ 2,494,948	\$ 25,040	\$ 2,953,568	\$ -	\$ 19,821,752	\$ 362,156	(37,756)	\$ 25,619,708
Debenture interest	-	-	10,132	-	60,324	-	-	70,456
Materials and services	1,976,931	530,157	4,435,904	11,779,191	7,229,306	377,363	-	26,328,852
External transfers	802,581	-	-	350,000	22,560,948	-	-	23,713,529
Interfunctional adjustment	(1,112,653)	3,773	(102,647)	233,936	960,620	16,971	-	-
Amortization	228,752	132,533	5,806,450	337,775	872,083	97,297	-	7,474,890
Total expenses (recovery)	\$ 4,390,559	\$ 691,503	\$ 13,103,407	\$ 12,700,902	\$ 51,505,033	\$ 853,787	\$ (37,756)	\$ 83,207,435

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

13. Segmented information (continued):

2020	General Government	Protection to Persons and Property	Transportation Services	Health Services	Social and Family Services	Planning and Development	Total
Expenses							
Salaries and wages	\$ 2,514,799	\$ 166,659	\$ 2,812,737	\$ -	\$ 19,154,446	\$ 460,883	\$ 25,109,524
Debenture interest	156	-	16,599	-	78,992	-	95,747
Materials and services	1,639,061	516,071	4,628,886	11,701,911	6,715,347	375,869	25,577,145
External transfers	743,300	-	-	350,000	22,975,287	-	24,068,587
Interfunctional adjustment	(1,076,366)	3,773	(103,584)	233,936	925,270	16,971	-
Amortization	34,672	129,976	5,541,163	392,161	886,495	91,109	7,075,576
Total expenses (recovery)	\$ 3,855,622	\$ 816,479	\$ 12,895,801	\$ 12,678,008	\$ 50,735,837	\$ 944,832	\$ 81,926,579

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

14. Budget figures:

The 2021 approved budget was prepared on a cash-based approach with a reconciliation to a budget based on Public Sector Accounting Standards. The cash-based approach includes capital expenses, repayment of long-term debt and transfers to and from reserves which are removed in the year end consolidated statement of operations and accumulated municipal equity. The revenues attributable to these items continue to be included in the consolidated statement of operations and accumulated municipal equity, resulting in a significant variance. The following analysis is provided to assist readers in their understanding of differences between the approved budget and the audited consolidated financial statements.

	Budget 2021	Actual 2021
Total revenues	\$ 83,544,905	\$ 95,845,257
Total expenses	(82,417,643)	(83,207,435)
Net revenue	1,127,262	12,637,822
Future employee benefits	162,575	(37,756)
Amortization	7,192,821	7,474,890
Adjusted net revenue	8,482,658	20,074,956
Capital revenue	2,414,682	4,602,918
Funds available	10,897,340	24,677,874
Capital expenses	(13,300,600)	(14,653,614)
Disposal of tangible capital assets	29,500	532,893
Principal repayments	(629,829)	(629,836)
Disposal of inventory	–	(61,891)
Increase (decrease) in operating surplus	\$ (3,003,589)	\$ 9,865,426
Allocated as follows:		
Net transfers (from) to reserves	\$ (3,003,589)	\$ 9,865,426

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

15. Impact of COVID-19 pandemic:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has 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 as a result of social and market disruption.

The County continues to experience impacts of the pandemic in the 2021 fiscal year.

Impacts have been mitigated by associated funding and other cost saving measures. The outcome and time frame for a recovery from the pandemic is unknown, and therefore it is not practicable to estimate and disclose its financial effect on future operations at this time.

16. Comparative information:

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

CORPORATION OF THE COUNTY OF LANARK

Schedule 1: Continuity of Reserves and Reserve Funds

Year ended December 31, 2021, with comparative information for 2020

	Budget (note 14)	2021	2020
Revenue:			
Donations	\$ —	\$ 12,886	\$ 10,031
Investment income	—	1,086	1,398
Total revenue	—	13,972	11,429
Net transfers from (to) other funds			
Transfers from operations	2,083,411	13,076,205	7,457,249
Transfers to capital acquisitions	(5,087,000)	(3,124,751)	(1,469,868)
Total net transfers	(3,003,589)	9,951,454	5,987,381
Reserves and reserve fund balances, beginning of year	33,371,619	33,371,619	27,372,809
Reserves and reserve fund balances, end of year	\$ 30,368,030	\$ 43,337,045	\$ 33,371,619

Composition of Reserves and Reserve Funds

	2021	2020
Reserves set aside for specific purposes by Council:		
Reserves set aside for specific purposes by Council		
Working capital and contingency	\$ 8,237,051	\$ 5,797,420
Insurance	296,668	257,980
WSIB	1,445,650	1,269,732
Ambulance services	531,017	526,280
Land division	35,326	35,011
Forestry and trails	628,765	496,835
Social and family services	1,093,935	1,084,176
Social housing	1,164,006	452,711
	13,432,418	9,920,145
For capital purposes:		
Building renovations and equipment	10,782,854	8,451,442
Road capital projects	6,612,223	6,390,003
Ambulance services	987,564	671,520
Social housing	10,307,695	7,542,493
Rescue vehicles	1,083,268	278,965
	29,773,604	23,334,423
Reserve funds:		
Homes for senior citizens	131,023	117,051
Total reserves and reserve funds	\$ 43,337,045	\$ 33,371,619



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of the Trust Funds of the Corporation of the County of Lanark (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of financial activities and changes in fund balances for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its results of operations for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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



Other Matter – Comparative Information

The financial statements as at and for the year ended December 31, 2020 were audited by another auditor who expressed a qualified opinion on those financial statements on June 9, 2021. The basis for the qualified opinion was the trust fund of the Entity derives receipts from Home for Senior Citizen residents, which are not susceptible to complete audit verification. Accordingly, the verification of such receipts was limited to accounting for the amounts recorded in the records of the trust fund and were unable to determine whether any adjustments might be necessary to residents' deposits, net expenses and current assets and fund balances.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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



We also:

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

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

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

August 10, 2022

THE CORPORATION OF THE COUNTY OF LANARK

Trust Funds Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Cash	\$ 41,520	\$ 42,922
Fund Balances		
Fund balance	\$ 41,520	\$ 42,922

See accompanying notes to financial statements.

THE CORPORATION OF THE COUNTY OF LANARK

Trust Funds

Statement of Financial Activities and Fund Balance

December 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Residents' deposits	\$ 95,195	\$ 83,788
Expenses:		
Residents' withdrawals	96,597	85,504
Excess of expenses over revenue	(1,402)	(1,716)
Fund balance, beginning of year	42,922	44,638
Fund balance, end of year	\$ 41,520	\$ 42,922

THE CORPORATION OF THE COUNTY OF LANARK TRUST FUNDS

Notes to Financial Statements

Year ended December 31, 2021

1. Significant accounting policies:

The financial statements of the Corporation of the County of Lanark Trust Funds (the "Trust Funds") are prepared by management in accordance with Canadian public sector accounting standards.

(a) Basis of presentation:

These statements reflect the assets, liabilities, revenue and expenses of the Trust Funds.

(b) Basis of accounting:

Revenue and expenses are recorded on an accrual basis.

The accrual basis recognizes revenue as they become available and measurable; expenses are recognized 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.

(c) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 those estimates.

2. Statement of cash flows:

A statement of cash flows has not been included in these financial statements as it would not provide additional meaningful information.