

Consolidated Financial Statements of

**CORPORATION OF THE
COUNTY OF LANARK**

Year ended December 31, 2022

CORPORATION OF THE COUNTY OF LANARK

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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, BA, CMO
Chief Administrative Officer

Kevin Wills, CPA, CGA
Treasurer



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

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

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

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

Basis for Opinion

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

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

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

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

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



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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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



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- 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

June 22, 2023

CORPORATION OF THE COUNTY OF LANARK

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets:		
Cash	\$ 32,489,367	\$ 37,002,627
Accounts receivable	6,238,772	5,797,121
Long-term investments (note 2)	26,194,493	15,853,980
	64,922,632	58,653,728
Financial liabilities:		
Accounts payable and accrued liabilities	7,180,002	7,627,199
Employee future benefit obligations (note 3)	3,968,681	3,873,959
Other current liabilities	2,207,410	1,412,360
Deferred revenue (note 4)	4,326,835	5,402,265
Long-term liabilities (note 5)	823,213	1,270,910
	18,506,141	19,586,693
Net financial assets	46,416,491	39,067,035
Non-financial assets:		
Tangible capital assets (note 10)	137,326,531	130,377,073
Inventories	300,881	285,929
Prepaid expenses	614,950	568,863
	138,242,362	131,231,865
Contingent liabilities (note 7)		
Commitments (note 9)		
Accumulated municipal equity (note 12)	\$ 184,658,853	\$ 170,298,900

See accompanying notes to consolidated financial statements.

CORPORATION OF THE COUNTY OF LANARK

Consolidated Statement of Operations and Accumulated Municipal Equity

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

	2022 Budget (note 14)	2022 Actual	2021 Actual
Revenue (note 13):			
Taxation - Requisition on Local Municipalities	\$ 38,632,882	\$ 38,672,871	\$ 37,040,335
Taxation - Share of Supplementary Taxes	294,000	1,557,148	836,695
User Charges	4,660,874	5,501,688	5,415,913
Government Grants - Provincial	42,120,178	46,677,469	45,733,777
Government Grants - Federal Grants	1,211,902	4,523,841	3,187,498
Government Grants - Other Municipalities	2,425,274	3,444,922	2,541,298
Contribution from Developers (note 4)	-	10,518	1,012,164
Investment income	375,000	1,237,263	459,434
Other income - rent	2,015,000	2,356,702	2,116,599
Other income - other	190,841	97,473	163,622
Gain (loss) on disposal of tangible capital assets	-	(32,780)	2,040,840
	91,925,951	104,047,115	100,548,175
Expenses (note 13):			
General government	5,325,601	4,034,161	4,390,559
Protection to persons and property	687,434	663,003	691,503
Transportation services	14,102,375	14,742,775	13,103,407
Health services	13,272,307	14,104,265	12,700,902
Social and family services	54,071,927	55,221,719	51,505,033
Planning and development	934,371	909,545	853,787
Post retirement	7,650	11,694	(37,756)
	88,401,665	89,687,162	83,207,435
Annual surplus	3,524,286	14,359,953	17,340,740
Accumulated municipal equity, beginning of year	170,298,900	170,298,900	152,958,160
Accumulated municipal equity, end of year	\$ 173,823,186	\$ 184,658,853	\$ 170,298,900

See accompanying notes to consolidated financial statements.

CORPORATION OF THE COUNTY OF LANARK

Consolidated Statement of Changes in Net Financial Assets

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

	2022 Budget (note 14)	2022 Actual	2021 Actual
Annual surplus	\$ 3,524,286	\$ 14,359,953	\$ 17,340,740
Amortization of tangible capital assets	7,931,657	7,971,274	7,474,890
Acquisition of tangible capital assets	(13,227,845)	(14,983,013)	(14,653,614)
Proceeds on disposal of tangible capital assets	25,000	29,497	2,573,733
Loss (gain) on disposal of tangible capital assets	-	32,784	(2,040,840)
Acquisition of inventories of supplies	-	(14,952)	(61,891)
Disposal (acquisition) of prepaid expense	-	(46,087)	18,116
Change in net financial assets	(1,746,902)	7,349,456	10,651,134
Net financial assets, beginning of year	39,067,035	39,067,035	28,415,901
	\$ 37,320,133	\$ 46,416,491	\$ 39,067,035

CORPORATION OF THE COUNTY OF LANARK

Consolidated Statement of Cash Flows

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

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 14,359,953	\$ 17,340,740
Items not involving cash:		
Gain (loss) on disposal of tangible capital assets	32,784	(2,040,840)
Amortization of tangible capital assets	7,971,274	7,474,890
Employee future benefit obligations	94,722	266,665
Changes in non-cash operating working capital:		
Accounts receivable	(441,651)	(511,877)
Other current liabilities	795,049	(2,326,201)
Accounts payable and accrued liabilities	(447,196)	611,649
Deferred revenue	(1,075,430)	1,621,855
Debt principal repayments	(14,952)	(61,891)
Prepaid expenses	(46,087)	18,116
	21,228,466	22,393,106
Capital activities:		
Acquisition of tangible capital assets	(14,983,013)	(14,653,614)
Proceeds of disposal of tangible capital assets	29,497	2,573,733
	(14,953,516)	(12,079,881)
Financing activities:		
Debt principal repayments	(447,697)	(629,836)
Investing activities:		
Increase in long-term investments	(10,340,513)	(3,013,025)
(Decrease) increase in cash	(4,513,260)	6,670,364
Cash, beginning of year	37,002,627	30,332,263
Cash, end of year	\$ 32,489,367	\$ 37,002,627

See accompanying notes to consolidated financial statements.

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements

Year ended December 31, 2022

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:

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 the Lanark County Housing Corporation.

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:

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

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

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, 2022

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	Rate
Buildings	15-50 years
Vehicles	4-20 years
Machinery and equipment	3-30 years
Linear assets	
Roads	30-40 years
Bridges and Culverts	40-60 years
Trails	15 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.

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(c) Tangible capital assets (continued):

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

When conditions indicate that a tangible capital asset no longer contributes to the 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.

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(f) Pension and employee benefits (continued):

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.

(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.

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(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.

(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.

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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 \$23,070,219 as at December 31, 2022 (2021 - \$15,584,063).

3. Employee future benefit obligations:

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.

The liability was determined by an actuarial valuation undertaken as at February 14, 2022, with an extrapolation effective December 31, 2022.

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 9 and 10 years (2021 - between 10 and 11 years).

The accrued benefit obligation relating to the employee non-pension retirement benefits has been actuarially determined using the projected benefit method pro-rated on services. At December 31, 2022, based on the actuarial valuation, the accrued benefit obligation was \$2,137,065 (2021 - \$2,079,443).

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

	2022	2021
Discount rate	2.60 %	2.60 %
Inflation rate	5.00 %	5.00 %
Health care inflation rate	5.00 %	5.00 %

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

3. Employee future benefit obligations (continued):

The continuity of post employment benefits is as follows:

	2022	2021
Balance, beginning of year	\$ 2,563,066	\$ 2,600,822
Current service costs	105,276	91,469
Interest cost	54,111	61,044
Benefits paid	(101,765)	(114,801)
Amortized actuarial gain	(45,928)	(75,468)
Balance, at end of year	\$ 2,574,760	\$ 2,563,066

The accrued benefit liability at December 31, 2022 includes the following:

	2022	2021
Accrued benefit obligation	\$ 2,137,065	\$ 2,079,443
Unamortized actuarial gain	437,695	483,623
	\$ 2,574,760	\$ 2,563,066

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

3. Employee future benefit obligations (continued):

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, 2022 are \$479,660 (2021 - \$480,206).

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 (2021 - 11 years).

At December 31, 2022, the County's accrued benefit liability related to future WSIB claims is \$727,180 (2021 - \$664,521).

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

3. Employee future benefit obligations (continued):

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

	2022	2021
Discount rate	3% per annum	3% per annum
Compensation costs	1.75% per annum 1.90% of estimated payroll	1.75% per annum 1.90% of estimated payroll
Inflation rate	23%	23 %
Administration costs		

	2022	2021
Accrued benefits liability, beginning of year	\$ 664,521	\$ 449,777
Benefit cost for the year	110,911	268,586
Interest cost	11,818	40,443
Less expected benefit payments	(59,386)	(166,493)
Amortization of losses (gains)	(684)	72,208
Accrued benefit liability, end of year	\$ 727,180	\$ 664,521

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

	2022	2021
Accrued benefit obligation	\$ 431,507	\$ 1,169,976
Unamortized actuarial gain (loss)	295,673	(505,455)
	\$ 727,180	\$ 664,521

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

3. Employee future benefit obligations (continued):

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

Employee benefit obligations are comprised of:

	2022			2021		
	Gross	Funded	Unfunded	Gross	Funded	Unfunded
Future employee benefits	\$ 2,574,760	\$ (132,829)	\$ 2,441,931	\$ 2,563,066	\$ (132,829)	\$ 2,430,237
WSIB actuarial valuation	727,180	(727,180)	-	664,521	(664,521)	-
Vacation credits, overtime and statutory holiday leave	666,741	(666,741)	-	646,372	(646,372)	-
	\$ 3,968,681	\$ (1,526,750)	\$ 2,441,931	\$ 3,873,959	\$ (1,443,722)	\$ 2,430,237

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	Canada Community Building Fund	Total
January 1, 2022	\$ 432,769	\$ 199,902	\$ 2,849,112	\$ 1,920,482	\$ 5,402,265
Contributions from developers	-	-	707,286	-	707,286
Government grants	-	-	-	3,548,174	3,548,174
Other contributions	38,947	-	-	-	38,947
Interest	9,177	-	-	5,548	14,725
Transferred to operations	-	(199,902)	(10,518)	(400,424)	(610,844)
Transferred for capital	-	-	-	(4,773,718)	(4,773,718)
December 31, 2022	\$ 480,893	\$ -	\$ 3,545,880	\$ 300,062	\$ 4,326,835

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

5. Long-term liabilities:

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

	2022	2021
Fixed rate bank loans with maturity date in 2022 and an interest rate of 2.96%.	\$ -	\$ 224,390
Mortgages with maturity dates in 2026 and interest rates between 1.14% and 6.351%.	823,213	1,046,520
	<u>\$ 823,213</u>	<u>\$ 1,270,910</u>

Principal payments fall due as follows:

2023	\$ 234,087
2024	246,634
2025	259,979
2026	82,513
	<u>\$ 823,213</u>

Interest expense on long-term liabilities in 2022 amounted to \$50,702 (2021 - \$70,456).

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

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

6. 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, 2022 and at that time, the plan reported a \$6.7 billion actuarial deficit (2021 - \$3.1 billion actuarial deficit).

The amount contributed to OMERS was \$1,484,454 (2021 - \$1,387,884) 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.

7. Contingent liabilities:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2022, management believes that the 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, 2022

8. 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, 2022 amount to \$296,664 (2021 - \$334,043).

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.

9. Commitments:

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 2022 were \$10,666,694 (2021 - \$10,006,600).

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
2023 to 2026	84 / 86 Lorne Street, Smiths Falls	\$ 124,032
2027 to 2031	ambulance station	130,032
2032 to 2036		138,432

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

10. Tangible capital assets:

Cost	Balance at, December 31, 2021	Transfers and additions	Disposals and adjustments	Balance at, December 31, 2022
Land	\$ 16,776,094	\$ -	\$ -	\$ 16,776,094
Buildings	44,100,789	4,520,745	-	48,621,534
Leasehold improvements	132,522	-	-	132,522
Vehicles	9,239,778	574,864	(389,685)	9,424,957
Machinery and equipment	6,732,016	353,384	-	7,085,400
Linear assets				
Roads	140,914,876	9,074,833	(993,198)	148,996,511
Bridges	27,764,306	-	-	27,764,306
Culverts	2,957,388	413,847	-	3,371,235
Trails	2,579,247	57,768	-	2,637,015
Parking lots	510,715	245,794	(11,594)	744,915
Construction in progress	2,478,566	(258,222)	-	2,220,344
Total	\$ 254,186,297	\$ 14,983,013	\$ (1,394,477)	\$ 267,774,833

Accumulated amortization	Balance at, December 31, 2021	Amortization and adjustments	Transfers and disposals	Balance at, December 31, 2022
Land	\$ -	\$ -	\$ -	\$ -
Buildings	24,927,598	1,109,858	-	26,037,456
Leasehold improvements	92,372	11,676	-	104,048
Vehicles	5,555,027	917,202	(333,302)	6,138,927
Machinery and equipment	3,926,628	620,275	-	4,546,903
Linear assets				
Roads	76,193,631	4,527,322	(987,300)	79,733,653
Bridges	11,357,900	626,012	-	11,983,912
Culverts	1,275,352	42,320	-	1,317,672
Trails	288,067	101,075	-	389,142
Parking lots	192,649	15,534	(11,594)	196,589
Construction in progress	-	-	-	-
Total	\$ 123,809,224	\$ 7,971,274	\$ (1,332,196)	\$ 130,448,302

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

10. Tangible capital assets (continued):

Net book value	Balance at, December 31, 2021	Balance at, December 31, 2022
Land	\$ 16,776,094	\$ 16,776,094
Buildings	19,173,191	22,584,078
Leasehold improvements	40,150	28,474
Vehicles	3,684,751	3,286,030
Machinery and equipment	2,805,388	2,538,497
Linear assets		
Roads	64,721,245	69,262,858
Bridges	16,406,406	15,780,394
Culverts	1,682,036	2,053,563
Trails	2,291,180	2,247,873
Parking lots	318,066	548,326
Construction in progress	2,478,566	2,220,344
Total	\$ 130,377,073	\$ 137,326,531

11. Trust funds:

Trust funds administered by the County amounting to \$37,055 (2021 - \$41,520) 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.

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

12. Municipal equity:

	2022	2021
Tangible capital assets	\$ 137,326,531	\$ 130,377,073
Long-term liabilities	(823,213)	(1,270,910)
	136,503,318	129,106,163
Unrestricted surplus:		
Invested in inventory	300,881	285,929
Unfunded future employee benefits	(2,441,931)	(2,430,237)
Reserves (Schedule 1)	50,156,089	43,206,022
Reserve funds (Schedule 1)	140,495	131,023
Total accumulated municipal equity	\$ 184,658,852	\$ 170,298,900

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, 2022

13. Segmented information (continued):

Revenue	General Government	Protection to Persons and Property	Transportation Services	Health Services	Social and Family Services	Planning and Development	Post retirement	2022 Total
Taxation:								
Local Municipalities	\$ 38,672,871	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,672,871
Supplementary Taxes	1,557,148	-	-	-	-	-	-	1,557,148
User Charges	99,497	-	96,653	139,987	4,914,688	250,863	-	5,501,688
Government grants:								
Province	394,874	-	1,310,944	6,652,064	38,268,707	50,880	-	46,677,469
Federal	-	-	3,575,309	-	948,532	-	-	4,523,841
Other municipal	99,710	16,600	689,148	864,140	1,775,324	-	-	3,444,922
Contributions	-	-	-	10,518	-	-	-	10,518
Investment income	1,068,610	-	-	-	168,653	-	-	1,237,263
Other income - rent	-	-	-	-	2,356,702	-	-	2,356,702
Other income - other	-	-	59,672	-	31,722	6,079	-	97,473
Gain (loss) on disposal of TCA	-	-	(30,262)	(2,518)	-	-	-	(32,780)
	\$ 41,892,710	\$ 16,600	\$ 5,701,464	\$ 7,664,191	\$ 48,464,328	\$ 307,822	\$ -	\$ 104,047,115
Expenses								
Salaries and wages	\$ 2,218,956	\$ 19,355	\$ 3,076,784	\$ -	\$ 21,945,949	\$ 337,546	\$ 11,694	\$ 27,610,284
Debenture interest	-	-	3,556	-	47,146	-	-	50,702
Materials and services	1,986,575	504,675	5,687,783	13,098,567	7,350,321	450,953	-	29,078,874
External transfers	763,509	-	-	350,000	23,859,520	3,000	-	24,976,029
Interfunctional adjustment	(1,154,559)	3,398	(111,786)	238,614	1,007,362	16,971	-	-
Amortization	219,680	135,575	6,086,438	417,084	1,011,421	101,075	-	7,971,273
	\$ 4,034,161	\$ 663,003	\$ 14,742,775	\$ 14,104,265	\$ 55,221,719	\$ 909,545	\$ 11,694	\$ 89,687,162
Annual surplus (deficit)	\$ 37,858,549	\$ (646,403)	\$ (9,041,311)	\$ (6,440,074)	\$ (6,757,391)	\$ (601,723)	\$ (11,694)	\$ 14,359,953

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

13. Segmented information (continued):

Revenue	General Government	Protection to Persons and Property	Transportation Services	Health Services	Social and Family Services	Planning and Development	Post retirement	2021 Total
Taxation:								
Local Municipalities	\$ 37,040,335	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,040,335
Supplementary Taxes	836,695	-	-	-	-	-	-	836,695
User Charges	55,150	42	115,780	111,874	4,726,301	406,766	-	5,415,913
Government grants:								
Province	2,879,123	-	509,948	5,763,484	36,581,222	-	-	45,733,777
Federal	218,932	-	2,052,130	-	1,135,368	-	-	3,406,430
Other municipal	-	-	148,184	728,520	1,445,662	-	-	2,322,366
Contributions	36,000	-	-	191,962	693,748	90,454	-	1,012,164
Investment income	459,434	-	-	-	-	-	-	459,434
Other income - rent	-	-	-	-	2,116,599	-	-	2,116,599
Other income - other	12,886	-	31,388	-	34,386	84,962	-	163,622
Gain (loss) on disposal of TCA	399,684	-	(2,430)	-	1,643,586	-	-	2,040,840
	\$ 41,938,239	\$ 42	\$ 2,855,000	\$ 6,795,840	\$ 48,376,872	\$ 582,182	\$ -	\$ 100,548,175
Expenses								
Salaries and wages	\$ 2,494,948	\$ 25,040	\$ 2,953,568	\$ -	\$ 19,821,752	\$ 362,156	\$ (37,756)	\$ 25,619,708
Debt 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
	\$ 4,390,559	\$ 691,503	\$ 13,103,407	\$ 12,700,902	\$ 51,505,033	\$ 853,787	\$ (37,756)	\$ 83,207,435
Annual surplus (deficit)	\$ 37,547,680	\$ (691,461)	\$ (10,248,407)	\$ (5,905,062)	\$ (3,128,161)	\$ (271,605)	\$ 37,756	\$ 17,340,740

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

14. Budget figures:

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

	2022 Budget	Actual
Total revenues	91,925,951	104,047,115
Total expenses	(88,401,665)	(89,687,162)
	3,524,286	14,359,953
Future employee benefits	447,391	11,693
Amortization	7,931,657	7,971,274
Adjusted net revenue	11,903,334	22,342,920
Acquisition of tangible capital assets	(13,227,845)	(14,983,013)
Disposal of tangible capital assets	25,000	29,497
Write down of capital assets	-	32,784
Principal repayments	(447,442)	(447,697)
Acquisition of inventories of supplies	-	(14,952)
Unfunded	-	(9,472)
Increase (decrease) in operating surplus	\$ (1,746,953)	\$ 6,950,067
Allocated as follows		
Net transfers (from) to reserves	\$ (1,746,953)	\$ 6,950,067

CORPORATION OF THE COUNTY OF LANARK

Schedule 1 - Consolidated Continuity of Reserves and Reserve Funds

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

	2022 Budget (note 14)	2022 Actual	2021 Actual
Revenue:			
Donations	\$ -	\$ 5,958	\$ 12,886
Investment income	-	3,514	1,086
Total revenue	-	9,472	13,972
Net transfers from (to) other funds			
Transfers from operations	\$ 2,853,047	\$ 8,996,224	\$ 13,076,205
Transfers to capital acquisitions	(4,600,000)	(2,046,157)	(3,124,751)
Total net transfers	(1,746,953)	6,950,067	9,951,454
Reserves and reserve fund balances, beginning of year			
	43,337,045	43,337,045	33,371,619
Reserves and reserve fund balances, end of year			
	\$ 41,590,092	\$ 50,296,584	\$ 43,337,045

Composition of Reserves and Reserve Funds

	2022	2021
Reserves set aside for specific purposes by Council		
Working capital and contingency	\$ 8,128,498	\$ 8,237,051
Insurance	334,606	296,668
WSIB	1,742,856	1,445,650
Ambulance services	543,018	531,017
Land division	36,124	35,326
Forestry and trails	842,975	628,765
Social and family services	1,118,283	1,093,935
Social housing	1,344,766	1,164,006
	14,091,126	13,432,418
For capital purposes		
Building renovations and equipment	10,498,661	10,782,854
Road capital projects	9,363,921	6,612,223
Ambulance services	1,089,883	987,564
Social housing	13,831,748	10,307,695
Rescue vehicles	1,280,750	1,083,268
	36,064,963	29,773,604
Reserve funds		
Homes for senior citizens	140,495	131,023
	\$ 50,296,584	\$ 43,337,045



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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 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, 2022
- the statement of financial activities and 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 consolidated financial position of the Entity as at December 31, 2022 and its consolidated 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

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

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

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

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



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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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



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- 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

June 22, 2023

CORPORATION OF THE COUNTY OF LANARK

TRUST FUNDS

Statement of Financial Position

December 31, 2022, with comparative information for 2021

		2022		2021
Assets				
Cash	\$	37,055	\$	41,520
Fund Balances				
Fund balances	\$	37,055	\$	41,520

See accompanying notes to financial statements.

CORPORATION OF THE COUNTY OF LANARK

TRUST FUNDS

Statement of Financial Activities and Fund Balances

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

	2022	2021
Revenue:		
Residents' deposits	\$ 121,695	\$ 95,195
Expenses:		
Residents' withdrawals	126,160	96,597
Excess of expenses over revenues	(4,465)	(1,402)
Fund balance, beginning of year	41,520	42,922
Fund balance, end of year	\$ 37,055	\$ 41,520

See accompanying notes to financial statements.

CORPORATION OF THE COUNTY OF LANARK

TRUST FUNDS

Notes to Financial Statements

Year ended December 31, 2022

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.