

Consolidated Financial Statements of

**CORPORATION OF THE
COUNTY OF LANARK**

Year ended December 31, 2023

CORPORATION OF THE COUNTY OF LANARK

Table of Contents

	Page
Management Responsibility Statement for the Consolidated Financial Statements	
Independent Auditor's Report	
Consolidated Financial Statements of Corporation of the County of Lanark	
Consolidated Statement of Financial Position	1
Consolidated Statement of Operations and Accumulated Municipal Equity	2
Consolidated Statement of Changes in Net Financial Assets	3
Consolidated Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5
Trust Fund Financial Statements of the Corporation of the County of Lanark	
Independent Auditor's Report	
Statement of Financial Position	28
Statement of Financial Activities and Changes in Fund Balances	29
Notes to Trust Fund Financial Statements	30

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



KPMG LLP
22 Wilson Street West
Perth, ON K7H 2M9
Canada
Telephone 613 267 6580
Fax 613 267 7563

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, 2023
- the consolidated statement of operations and accumulated municipal equity for the year then ended
- the consolidated statement of net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 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.



Emphasis of Matter - Comparative Information

We draw attention to Note 2 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2023 has been restated.

Note 2 explains the reasons for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect to this matter.

Other Matter - Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restated comparative information presented for the year ended December 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

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.



Page 3

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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

June 27, 2024

CORPORATION OF THE COUNTY OF LANARK

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022 (Restated note 2)
Financial assets:		
Cash	\$ 39,963,732	\$ 32,489,367
Accounts receivable	7,583,704	8,560,242
Long-term investments (note 3)	28,438,705	26,194,493
	<u>75,986,141</u>	<u>67,244,102</u>
Financial liabilities:		
Accounts payable and accrued liabilities	11,765,878	9,501,472
Asset retirement obligations (note 7)	9,885,983	9,885,983
Employee future benefit obligations (note 4)	3,970,233	3,968,681
Other current liabilities	2,707,644	2,207,410
Deferred revenue (note 5)	4,848,320	4,326,835
Long-term liabilities (note 8)	590,236	823,213
	<u>33,768,294</u>	<u>30,713,594</u>
Net financial assets	42,217,847	36,530,508
Non-financial assets:		
Tangible capital assets (note 10)	140,742,682	137,748,472
Inventories	295,048	300,881
Prepaid expenses	735,649	614,950
	<u>141,773,379</u>	<u>138,664,303</u>
Contingent liabilities (note 13)		
Commitments (note 12)		
Accumulated municipal equity (note 14)	<u>\$ 183,991,226</u>	<u>\$ 175,194,811</u>

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, 2023, with comparative information for 2022

	2023 Budget (note 17)	2023 Actual	2022 Actual (Restated note 2)
Revenue (note 16):			
Taxation - Requisition on Local Municipalities	\$ 40,872,919	\$ 40,872,921	\$ 38,672,871
Taxation - Share of Supplementary Taxes	294,000	1,368,053	1,557,148
User Charges	4,870,474	5,303,241	5,501,688
Government Grants - Provincial	53,464,744	50,316,593	46,677,469
Government Grants - Federal Grants	3,756,158	2,726,175	4,523,841
Government Grants - Other Municipalities	2,281,261	3,196,465	3,444,922
Contribution from Developers (note 5)	120,000	120,743	10,518
Investment income	560,000	2,152,370	1,237,263
Other income - rent	2,015,000	2,576,377	2,356,702
Other income - other	109,000	621,513	97,473
Gain (loss) on disposal of tangible capital assets	-	(158,490)	(32,780)
	108,343,556	109,095,961	104,047,115
Expenses (note 16):			
General government	5,179,869	4,127,451	4,034,161
Protection to persons and property	1,124,091	665,741	663,003
Transportation services	14,851,865	14,915,088	14,742,775
Health services	15,506,732	16,454,732	14,104,265
Social and family services	68,941,415	62,934,720	55,351,836
Planning and development	1,210,483	1,197,961	909,545
Post retirement	487,915	3,853	11,694
	107,302,370	100,299,546	89,817,279
Annual surplus	1,041,186	8,796,415	14,229,836
Accumulated municipal equity, beginning of year:			
As previously stated	175,194,811	175,194,811	170,298,900
Adjustment on adoption of asset retirement obligation standard (note 2)	-	-	(9,333,925)
As restated	175,194,811	175,194,811	160,964,975
Accumulated municipal equity, end of year	\$ 176,235,997	\$ 183,991,226	\$ 175,194,811

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, 2023, with comparative information for 2022

	2023 Budget (note 17)	2023 Actual	2022 Actual (Restated note 2)
Annual surplus	\$ 1,041,186	\$ 8,796,415	\$ 14,229,836
Amortization of tangible capital assets	8,029,870	8,177,537	8,101,391
Acquisition of tangible capital assets	(14,299,000)	(11,372,893)	(14,983,013)
Proceeds on disposal of tangible capital assets	-	42,656	29,497
Loss on disposal of tangible capital assets	-	158,490	32,784
Acquisition of inventories of supplies	-	5,833	(14,952)
Disposal (acquisition) of prepaid expense	-	(120,699)	(46,087)
Change in net financial assets	(5,227,944)	5,687,339	7,349,456
Net financial assets, beginning of year:			
As previously stated	36,530,508	36,530,508	39,067,035
Adjustment on adoption of asset retirement obligation standard (note 2)	-	-	(9,885,983)
As restated	36,530,508	36,530,508	29,181,052
Net financial assets, end of year	\$ 31,302,564	\$ 42,217,847	\$ 36,530,508

CORPORATION OF THE COUNTY OF LANARK

Consolidated Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022 (Restated note 2)
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 8,796,415	\$ 14,229,836
Items not involving cash:		
Loss on disposal of tangible capital assets	158,490	32,784
Amortization of tangible capital assets	8,177,537	8,101,391
Employee future benefit obligations	1,552	94,722
Changes in non-cash operating working capital:		
Accounts receivable	976,538	(441,651)
Other current liabilities	500,234	795,049
Accounts payable and accrued liabilities	2,264,406	(447,196)
Deferred revenue	521,485	(1,075,430)
Inventories	5,833	(14,952)
Prepaid expenses	(120,699)	(46,087)
	<u>21,281,791</u>	<u>21,228,466</u>
Capital activities:		
Acquisition of tangible capital assets	(11,372,893)	(14,983,013)
Proceeds of disposal of tangible capital assets	42,656	29,497
	<u>(11,330,237)</u>	<u>(14,953,516)</u>
Financing activities:		
Debt principal repayments	(232,977)	(447,697)
Investing activities:		
Increase in long-term investments	(2,244,212)	(10,340,513)
Increase (decrease) in cash	7,474,365	(4,513,260)
Cash, beginning of year	32,489,367	37,002,627
Cash, end of year	<u>\$ 39,963,732</u>	<u>\$ 32,489,367</u>

See accompanying notes to consolidated financial statements.

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements

Year ended December 31, 2023

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, 2023

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, 2023

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, 2023

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, 2023

1. Significant accounting policies (continued):

(i) Financial instruments:

On January 1, 2023, the County adopted PS 3450 Financial Instruments which establishes accounting and reporting for all types of financial instruments, including derivatives as disclosed in Note 2. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost.

Management has not elected to record any investments at fair value as they are managed and evaluated on a fair value basis.

On application of this standard, unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses which records the remeasurement gains and losses for financial instruments measured at fair value. Unrealized gains and losses are realized upon settlement of the financial instrument when the financial instrument is sold or reaches maturity through the Statement of Operations and Accumulated Municipal Equity. Changes in the fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met, upon which the gain or loss is recognized in the Statement of Operations and Accumulated Municipal Equity.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

Long-term debt is recorded at amortized cost.

Establishing fair value:

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(i) Financial instruments (continued):

Fair value hierarchy:

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

(j) Foreign currency:

Foreign currency transactions are recorded at the exchange rate at the time of the transaction.

Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the Statement of Remeasurement Gains and Losses. In the period of settlement, the realized foreign exchange gains and losses are recognized in the Statement of Operations and Accumulated Municipal Equity and the unrealized balances are reversed from the Statement of Remeasurement Gains and Losses.

(k) Statement of Remeasurement Gains and Losses:

A Statement of Remeasurement Gains and Losses has not been provided as there are no significant unrealized gains or losses at December 31, 2023 or 2022.

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(l) Asset retirement obligations:

An asset retirement obligation ("ARO") is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The liability for the removal of asbestos in several of the buildings owned by the County has been recognized based on estimated undiscounted future expenses. Under the modified retroactive method, the assumptions used on initial recognition are those as of the date of adoption in the standard. Assumptions used in the subsequent calculations are revised yearly.

The recognition of the ARO liability resulted in an accompanying increase to the respective tangible capital assets. Building tangible capital assets affected by the asbestos liability are being amortized with the building following the amortization accounting policies outlined in Note 1(c).

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(m) 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.

(n) 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. Significant estimates subject to measurement uncertainty include the asset retirement obligations. Actual results could differ from these estimates.

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

2. Change in accounting policy – adoption of new accounting standards:

- (a) The County adopted the following standards concurrently beginning January 1, 2023 prospectively: PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation, PS 3041 Portfolio Investments, and PS 3450 Financial Instruments.

PS 1201 Financial Statement Presentation replaces PS 1200 Financial Statement Presentation. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 Foreign Currency Translation, PS 3450 Financial Instruments, and PS 3041 Portfolio Investments, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

PS 2601 Foreign Currency Translation replaces PS 2600 Foreign Currency Translation. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denoted in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses.

PS 3041 Portfolio Investments replaces PS 3040 Portfolio Investments. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 Financial Instruments. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 Temporary Investments no longer applies.

PS 3450 Financial Instruments establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.

Establishing fair value:

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

2. Change in accounting policy – adoption of new accounting standards (continued):

(a) (continued)

Fair value hierarchy:

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

In accordance with PS 3450 Financial Instruments, the financial statements of prior periods were not restated on transition. Consequently, the accounting policies for recognition, derecognition and measurement of financial instruments applied to the comparative information reflect those disclosed in the 2022 financial statements.

On application of this standard, a new statement, the Statement of Remeasurement Gains and Losses has not been included in these financial statements as there are no unrealized gains or losses to report.

Any difference between the financial instruments' fair values as at January 1, 2023 and previous carrying amounts as at December 31, 2022, excluding previously recognized exchange gains and losses, were recognized as an adjustment to the opening balance of accumulated remeasurement gains and losses. Hence, no comparative amounts are reported in the Statement of Remeasurement Gains and Losses due to prospective application of this standard.

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

2. Change in accounting policy – adoption of new accounting standards (continued):

- (b) PS 3280 Asset Retirement Obligations ("ARO") establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use. This standard was adopted on January 1, 2023 on a modified retroactive basis with prior period restatement.

In the past, the County has reported its obligations related to the retirement of tangible capital assets in the period when the asset was retired directly as an expense. The new standard requires the recognition of a liability for legal obligations that exist as a result of the acquisition, construction or development of a tangible capital asset, or that result from the normal use of the asset when the asset is recorded, and replaces Section PS 3270, Solid Waste Landfill Closure and Post-Closure Liability (PS 3270). Such obligation justifies recognition of a liability and can result from existing legislation, regulation, agreement, contract, or that is based on a promise and an expectation of performance. The estimate of the liability includes costs directly attributable to asset retirement activities. Costs include post-retirement operation, maintenance, and monitoring that are an integral part of the retirement of the tangible capital asset (if applicable). When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the associated assets and amortized over the asset's estimated useful life. The amortization of the asset retirement costs follows the same method of amortization as the associated tangible capital asset.

A significant part of asset retirement obligations results from the removal and disposal of designated substances such as asbestos from County buildings and closure activities. The County reports liabilities related to the legal obligations where the County is obligated to incur costs to retire a tangible capital asset.

The County's ongoing efforts to assess the extent to which designated substances exist in County assets, and new information obtained through regular maintenance and renewal of County assets may result in additional asset retirement obligations from better information on the nature and extent the substance exists or from changes in the estimated cost to fulfil the obligation. The measurement of assets retirement obligations is also impacted by activities that occurred to settle all or part of the obligation, or any changes in the legal obligation. Revisions to the estimated cost of the obligation will result in the carrying amount of the associated assets that are in productive use and amortized as part of the asset on an ongoing basis. When obligations have reliable cash flow projections, the liability may be estimated using the present value of future cash flows. Subsequently, accretion of the discounted liability due to the passage of time is recorded as an in-year expense (if applicable).

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

2. Change in accounting policy – adoption of new accounting standards (continued):

(b) (continued)

To estimate the liability for similar buildings that do not have information on asbestos and other designated substances, the County uses buildings with assessments on the extent and nature of the designated substances in the building to measure the liability and those buildings and this information is extrapolated to a group of similar assets that do not have designated substances reports. As more information becomes available on specific assets, the liability is revised to be asset specific. In other situations, where the building might not be part of a large portfolio, other techniques are used such as using industry data, experts or basing the estimate on a specific asset that is similar (if applicable).

As a result of applying this accounting standard, an asset retirement obligation of \$9,885,983 (2022 - \$9,885,983) was recognized as a liability in the Statement of Financial Position. These obligations represent estimated retirement costs for the County owned buildings and equipment, including tanks, and restoration costs related to leasehold improvements. The County has restated the prior period based on a simplified approach, using the ARO liabilities, ARO assets and the associated ARO accumulated amortization, and amortization expense for the period January 1, 2023 to December 31, 2023 as a proxy for January 1, 2022 to December 31, 2022 information. The associated TCA gross book value, TCA accumulated amortization and TCA amortization expense was restated. The adoption of PS 3280 ARO was applied to the comparative period as follows:

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

2. Change in accounting policy – adoption of new accounting standards (continued):

(b) (continued)

Statement of Financial Position As at December 31, 2022	As previously reported	Adjustments	As restated
Tangible capital assets including ARO	\$ 137,326,531	\$ 421,941	\$ 137,748,472
Asset retirement obligation liability	-	9,885,983	9,885,983
Accumulated municipal equity	184,658,853	(9,464,042)	175,194,811

Statement of Change in Net Financial Assets For the year ended December 31, 2022	As previously reported	Adjustments	As restated
Annual surplus (deficit)	\$ 14,359,953	\$ (130,117)	\$ 14,229,836
Amortization of tangible capital assets (including ARO)	7,971,274	130,117	8,101,391
Change in net financial assets	7,349,456	-	7,349,456

Statement of Operations For the year ended December 31, 2022	As previously reported	Adjustments	As restated
Amortization of tangible capital assets (including ARO)	\$ 7,971,274	\$ 130,117	\$ 8,101,391
Annual surplus (deficit)	14,359,953	(130,117)	14,229,836

3. Long-term investments:

Long term investments, which consist of bonds in chartered banks and investment banks, are recorded on the consolidated statement of financial position at cost plus accrued interest. They have a market value of \$28,027,294 at December 31, 2023 (2022 - \$23,070,219).

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

4. 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, 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 9 and 10 years (2022 - between 9 and 10 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, 2023, based on the actuarial valuation, the accrued benefit obligation was \$2,578,613 (2022 - \$2,574,760).

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

	2023	2022
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, 2023

4. Employee future benefit obligations (continued):

The continuity of post employment benefits is as follows:

	2023	2022
Balance, beginning of year	\$ 2,574,760	\$ 2,563,066
Current service costs	108,013	105,276
Interest cost	55,489	54,111
Benefits paid	(113,721)	(101,765)
Amortized actuarial gain	(45,928)	(45,928)
Balance, at end of year	\$ 2,578,613	\$ 2,574,760

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

	2023	2022
Accrued benefit obligation	\$ 2,186,846	\$ 2,137,065
Unamortized actuarial gain	391,767	437,695
	\$ 2,578,613	\$ 2,574,760

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

4. 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, 2023 are \$463,258 (2022 - \$479,660).

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 (2022 - 11 years).

At December 31, 2023, the County's accrued benefit liability related to future WSIB claims is \$785,245 (2022 - \$727,180).

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

4. Employee future benefit obligations (continued):

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

	2023	2022
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		

	2023	2022
Accrued benefits liability, beginning of year	\$ 727,180	\$ 664,521
Benefit cost for the year	114,210	110,911
Interest cost	13,622	11,818
Less expected benefit payments	(69,083)	(59,386)
Amortization of losses (gains)	(684)	(684)
Accrued benefit liability, end of year	\$ 785,245	\$ 727,180

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

	2023	2022
Accrued benefit obligation	\$ 489,572	\$ 431,507
Unamortized actuarial gain	295,673	295,673
	\$ 785,245	\$ 727,180

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

4. Employee future benefit obligations (continued):

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

Employee benefit obligations are comprised of:

	2023			2022		
	Gross	Funded	Unfunded	Gross	Funded	Unfunded
Future employee benefits	\$ 2,578,613	\$ (132,830)	\$ 2,445,783	\$ 2,574,760	\$ (132,829)	\$ 2,441,931
WSIB actuarial valuation	785,245	(785,245)	-	727,180	(727,180)	-
Vacation credits, overtime and statutory holiday leave	606,375	(606,375)	-	666,741	(666,741)	-
	\$ 3,970,233	\$ (1,524,450)	\$ 2,445,783	\$ 3,968,681	\$ (1,526,750)	\$ 2,441,931

5. 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	Development charges	Provincial Tax	Gas Tax	Total
January 1, 2023	\$ 480,893	\$ 3,545,880	\$ 300,062	\$ -	\$ 4,326,835
Contributions from developers	-	414,739	-	-	414,739
Government grants	-	-	545,558	-	545,558
Other contributions	40,894	-	-	-	40,894
Interest	10,890	205,444	14,703	-	231,037
Transferred to operations	-	(22,825)	(590,000)	-	(612,825)
Transferred for capital	-	(97,918)	-	-	(97,918)
December 31, 2023	\$ 532,677	\$ 4,045,320	\$ 270,323	\$ -	\$ 4,848,320

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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, 2023 and at that time, the plan reported a \$4.2 billion actuarial deficit (2022 - \$6.7 billion actuarial deficit).

The amount contributed to OMERS was \$1,682,403 (2022 - \$1,484,454) 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. Asset retirement obligations:

The County has recorded ARO as of the January 1, 2022 implementation date on a modified retroactive basis, with a simplified restatement of prior year amounts.

The County discounts significant obligations where there is a high degree of confidence on the amount and timing of cash flows and the obligation will not be settled for at least five years from the reporting date. The discount and inflation rate is reflective of the risks specific to the asset retirement liability.

As at December 31, 2023, all liabilities for asset retirement obligations are reported at current costs in nominal dollars without discounting.

A reconciliation of the beginning and ending aggregate carrying amount of the ARO liability is below:

	2023	2022
Liabilities for asset retirement obligations, beginning of year	\$ 9,885,983	\$ -
Opening adjustments for PSAB adjustment	-	9,885,983
Liabilities incurred during the year	-	-
Liabilities settled during the year	-	-
Liabilities for asset retirement obligations, end of year	\$ 9,885,983	\$ 9,885,983

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

8. Long-term liabilities:

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

	2023	2022
Mortgages with maturity dates in 2026 and interest rates between 1.14% and 6.351%.	\$ 590,236	\$ 823,213

Principal payments fall due as follows:

2024	\$ 246,634
2025	259,979
2026	83,623
	<hr/> \$ 590,236

Interest expense on long-term liabilities in 2023 amounted to \$37,415 (2022 - \$50,702).

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

9. Trust funds:

Trust funds administered by the County amounting to \$40,379 (2022 - \$37,055) 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, 2023

10. Tangible capital assets:

Cost	Balance at, December 31, 2022	Transfers and additions	Disposals and adjustments	Balance at, December 31, 2023
Land	\$ 16,776,094	\$ -	\$ -	\$ 16,776,094
Buildings	58,507,517	2,325,275	(58,929)	60,773,863
Leasehold improvements	80,696	-	-	80,696
Vehicles	9,424,957	794,820	(1,137,202)	9,082,575
Machinery and equipment	7,137,226	320,197	-	7,457,423
Linear assets				
Roads	148,996,511	7,634,047	(2,657,075)	153,973,483
Bridges	27,764,306	1,255,271	(519,512)	28,500,065
Culverts	3,371,235	350,372	-	3,721,607
Trails	2,637,015	110,485	-	2,747,500
Parking lots	744,915	-	-	744,915
Construction in progress	2,220,344	(1,417,574)	-	802,770
Total	\$ 277,660,816	\$ 11,372,893	\$ (4,372,718)	\$ 284,660,991

Accumulated amortization	Balance at, December 31, 2021	Amortization and adjustments	Transfers and disposals	Balance at, December 31, 2022
Land	\$ -	\$ -	\$ -	\$ -
Buildings	35,501,498	1,323,799	(53,317)	36,771,980
Leasehold improvements	80,696	-	-	80,696
Vehicles	6,138,927	937,786	(1,117,202)	5,959,511
Machinery and equipment	4,570,255	647,706	-	5,217,961
Linear assets				
Roads	79,733,653	4,453,792	(2,521,285)	81,666,160
Bridges	11,983,912	639,347	(479,768)	12,143,491
Culverts	1,317,672	46,577	-	1,364,249
Trails	389,142	103,310	-	492,452
Parking lots	196,589	25,220	-	221,809
Construction in progress	-	-	-	-
Total	\$ 139,912,344	\$ 8,177,537	\$ (4,171,572)	\$ 143,918,309

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

10. Tangible capital assets (continued):

Net book value	Balance at, December 31, 2023	Balance at, December 31, 2022
Land	\$ 16,776,094	\$ 16,776,094
Buildings	23,006,019	24,001,883
Vehicles	3,286,030	3,123,064
Machinery and equipment	2,566,971	2,239,462
Linear assets		
Roads	69,262,858	72,307,323
Bridges	15,780,394	16,356,574
Culverts	2,053,563	2,357,358
Trails	2,247,873	2,255,048
Parking lots	548,326	523,106
Construction in progress	2,220,344	802,770
Total	\$ 137,748,472	\$ 140,742,682

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

11. 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, 2023 amount to \$19,944 (2022 - \$296,664).

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.

12. 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 2023 were \$12,791,075 (2022 - \$10,666,664).

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
2024 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, 2023

13. 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, 2023, 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.

14. Municipal equity:

	2023	2022
Tangible capital assets	\$ 140,742,682	\$ 137,748,472
Long-term liabilities	(590,236)	(823,213)
Unfunded asset retirement obligation	(9,885,983)	(9,885,983)
	<u>130,266,463</u>	<u>127,039,276</u>
Unrestricted surplus:		
Invested in inventory	295,048	300,881
Unfunded future employee benefits	(2,445,783)	(2,441,931)
Reserves (Schedule 1)	55,720,655	50,156,089
Reserve funds (Schedule 1)	154,843	140,495
	<u>\$ 183,991,226</u>	<u>\$ 175,194,810</u>

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

15. Financial risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The County is exposed to credit risk with respect to accounts receivable and investments on the Statement of Financial Position.

The County assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the County at December 31, 2023 is the carrying value of these assets. The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Statement of Operations and Accumulated Municipal Equity. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Statement of Operations and Accumulated Municipal Equity.

	Accounts receivable	Rents receivable	2023 Total	2022 Total
Current	\$ 7,371,290	\$ 20,547	\$ 7,391,837	\$ 8,377,868
Past due	-	579,167	579,167	431,052
Gross receivable	7,371,290	599,714	7,971,004	8,808,920
Allowances	(105,067)	(282,233)	(387,300)	(248,678)
Net receivables	\$ 7,266,223	\$ 317,481	\$ 7,583,704	\$ 8,560,242

Amounts past due but not allowed for are deemed by management to be collectible based on historical experience regarding collections.

The County follows an investment policy approved by its Council. The maximum exposure to credit risk with respect to investments of the County at December 31, 2023 is the carrying value of investment assets.

There have been no significant changes to the credit risk exposure from 2022.

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

15. Financial risks (continued):

(b) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, impact the County's income or the value of its holdings of financial instruments. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

There have been no significant changes to the market risk exposure from 2022.

(i) Currency risk:

Currency risk arises from the County's operations in different currencies and converting non-Canadian earnings at different points in time at different foreign currency levels when adverse changes in foreign currency rates occur. The County does not have any material transactions or financial instruments denominated in foreign currencies.

(ii) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the County to cash flow interest rate risk.

The County's management monitors the interest rate fluctuations on a continuous basis and acts accordingly with regards to long-term debt as described in note 8. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the long-term debt.

As at December 31, 2023, had prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve with all other variables held constant, the estimated impact on the market value of investments would be approximately \$284,387 (2022 - \$261,945).

The County's investments are disclosed in note 3.

There has been no change to the interest rate risk exposure from 2022.

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

15. Financial risks (continued):

(iii) Equity risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The County is not exposed to this risk based on the current investment portfolio.

(c) Liquidity risk:

Liquidity risk is the risk that the County will not be able to meet all of its cash outflow obligations as they come due. The County mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. Accounts payable are all current and the terms of the long-term debt are disclosed in note 8.

There have been no significant changes from the previous year in the County's exposure to liquidity risk or policies, procedures and methods used to measure the risk.

16. Segmented information:

The County is a diversified municipal government that provides a wide range of services to its citizens. The services are provided by departments and their activities are reported in the consolidated statement of operations 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, 2023

16. Segmented information (continued):

Revenue	General Government	Protection to Persons and Property	Transportation Services	Health Services	Social and Family Services	Planning and Development	Post retirement	2023 Total
Taxation:								
Local Municipalities	\$ 40,872,921	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	40,872,921
Supplementary Taxes	1,368,053	-	-	-	-	-	-	1,368,053
User Charges	51,943	-	133,416	111,994	4,755,998	249,890	-	5,303,241
Government grants:								
Province	475,297	-	1,020,648	7,621,427	41,069,331	129,890	-	50,316,593
Federal	-	-	1,982,931	-	743,244	-	-	2,726,175
Other municipal	106,923	-	540,152	957,962	1,591,428	-	-	3,196,465
Contributions	-	-	-	97,918	-	22,825	-	120,743
Investment income	1,781,516	-	-	-	370,854	-	-	2,152,370
Other income - rent	-	-	-	-	2,576,377	-	-	2,576,377
Other income - other	13,877	-	48,860	-	543,776	15,000	-	621,513
Gain (loss) on disposal of TCA	-	-	(182,635)	24,145	-	-	-	(158,490)
	\$ 44,670,530	\$ -	\$ 3,543,372	\$ 8,813,446	\$ 51,651,008	\$ 417,605	\$ -	\$ 109,095,961
Expenses								
Salaries and wages	\$ 2,255,612	\$ 30,425	\$ 3,218,483	\$ -	\$ 22,363,487	\$ 354,673	\$ 3,853	\$ 28,226,533
Debt interest	-	-	-	-	37,415	-	-	37,415
Materials and services	2,068,203	492,162	5,774,889	15,406,561	7,897,880	720,007	-	32,359,702
External transfers	765,394	-	-	367,500	30,362,465	3,000	-	31,498,359
Interfunctional adjustment	(1,181,438)	3,398	(119,692)	238,614	1,042,147	16,971	-	-
Amortization	219,680	139,756	6,041,408	442,057	1,231,326	103,310	-	8,177,537
	\$ 4,127,451	\$ 665,741	\$ 14,915,088	\$ 16,454,732	\$ 62,934,720	\$ 1,197,961	\$ 3,853	\$ 100,299,546
Annual surplus (deficit)	\$ 40,543,079	\$ (665,741)	\$ (11,371,716)	\$ (7,641,286)	\$ (11,283,712)	\$ (780,356)	\$ (3,853)	\$ 8,796,415

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

16. 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
Debt interest	-	-	3,556	-	47,146	-	-	50,702
Materials and services	1,986,570	504,675	5,687,783	13,098,567	7,350,321	450,953	-	29,078,869
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	1,141,543	101,075	-	8,101,395
	\$ 4,034,156	\$ 663,003	\$ 14,742,775	\$ 14,104,265	\$ 55,351,841	\$ 909,545	\$ 11,694	\$ 89,817,279
Annual surplus (deficit)	\$ 37,858,554	\$ (646,403)	\$ (9,041,311)	\$ (6,440,074)	\$ (6,887,513)	\$ (601,723)	\$ (11,694)	\$ 14,229,836

CORPORATION OF THE COUNTY OF LANARK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

17. Budget figures:

The 2023 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.

	2023 Budget	2023 Actual
Total revenues	108,343,556	109,095,961
Total expenses	(107,302,370)	(100,299,546)
	1,041,186	8,796,415
Future employee benefits	487,915	3,853
Amortization	8,029,870	8,177,537
Adjusted net revenue	9,558,971	16,977,805
Acquisition of tangible capital assets	(14,299,000)	(11,372,893)
Disposal of tangible capital assets	-	42,656
Write down of capital assets	-	158,490
Principal repayments	(232,977)	(232,977)
Acquisition of inventories of supplies	-	5,833
Increase (decrease) in operating surplus	\$ (4,973,006)	\$ 5,578,914
Allocated as follows:		
Net transfers (from) to reserves	\$ (4,973,006)	\$ 5,578,914

CORPORATION OF THE COUNTY OF LANARK

Schedule 1 - Consolidated Continuity of Reserves and Reserve Funds

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget (note 17)	2023 Actual	2022 Actual
Revenue:			
Donations	\$ -	\$ 6,400	\$ 5,958
Investment income	-	7,948	3,514
Total revenue	-	14,348	9,472
Net transfers from (to) other funds:			
Transfers from operations	\$ 2,421,994	\$ 7,824,279	\$ 8,996,224
Transfers to capital acquisitions	(7,395,000)	(2,259,713)	(2,046,157)
Total net transfers	(4,973,006)	5,564,566	6,950,067
Balances, change in year	(4,973,006)	5,578,914	6,959,539
Reserves and reserve fund balances, beginning of year	50,296,584	50,296,584	43,337,045
Reserves and reserve fund balances, end of year	\$ 45,323,578	\$ 55,875,498	\$ 50,296,584

Composition of Reserves and Reserve Funds

	2023	2022
Reserves set aside for specific purposes by Council:		
Working capital and contingency	\$ 8,314,027	\$ 8,128,498
Insurance	340,341	334,606
WSIB	1,836,796	1,742,856
Ambulance services	572,287	543,018
Land division	38,071	36,124
Forestry and trails	988,411	842,975
Social and family services	1,155,854	1,118,283
Social housing	2,422,895	1,344,766
	15,668,682	14,091,126
For capital purposes:		
Building renovations and equipment	11,803,219	10,498,661
Road capital projects	12,627,281	9,363,921
Ambulance services	1,023,628	1,089,883
Social housing	13,060,063	13,831,748
Rescue vehicles	1,537,782	1,280,750
	40,051,973	36,064,963
Reserve funds:		
Homes for senior citizens	154,843	140,495
	\$ 55,875,498	\$ 50,296,584



KPMG LLP

22 Wilson Street West
Perth, ON K7H 2M9
Canada
Telephone 613 267 6580
Fax 613 267 7563

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, 2023
- 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 financial position of the Entity as at December 31, 2023 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 "***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.



Page 28

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Can't Show Signature Eureka (2) - Copy.jpg

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

June 26, 2024

CORPORATION OF THE COUNTY OF LANARK

TRUST FUNDS

Statement of Financial Position

December 31, 2023, with comparative information for 2022

		2023		2022
Assets				
Cash	\$	40,379	\$	37,055
Fund Balances				
Fund balances	\$	40,379	\$	37,055

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, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Residents' deposits	\$ 145,414	\$ 121,695
Expenses:		
Residents' withdrawals	142,090	126,160
Excess (deficiency) of expenses over revenues	3,324	(4,465)
Fund balance, beginning of year	37,055	41,520
Fund balance, end of year	\$ 40,379	\$ 37,055

See accompanying notes to financial statements.

CORPORATION OF THE COUNTY OF LANARK

TRUST FUNDS

Notes to Financial Statements

Year ended December 31, 2023

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.