

Consolidated Financial Statements of the

**CORPORATION OF THE COUNTY
OF LENNOX AND ADDINGTON**

Year ended December 31, 2019

Consolidated Financial Statements of the

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Year ended December 31, 2019

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Page

Management's Responsibility for the Consolidated Financial Statements

Audited Financial Statements:

Independent Auditors' Report	1
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations and Accumulated Surplus	5
Consolidated Statement of Change in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the County of Lennox and Addington (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 the significant accounting policies are described in note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, 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 the consolidated financial statements. These systems are monitored and evaluated by management.

The County's 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 their 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 Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the County's consolidated financial statements.



Brenda Orchard
Chief Administrative Officer



Mark Day
Director, Financial Services



KPMG LLP
863 Princess Street, Suite 400
Kingston ON K7L 5N4
Canada
Telephone 613-549-1550
Fax 613-549-6349

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the County of Lennox and Addington

Opinion

We have audited the consolidated financial statements of Corporation of the County of Lennox and Addington (the "Entity"), which comprise:

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

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2019, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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



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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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



Page 3

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

Kingston, Canada

July 22, 2020

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Consolidated Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Financial assets:		
Cash	\$ 14,488,601	\$ 11,425,039
Accounts receivable	866,756	1,691,455
Investments (note 3)	13,641,017	14,008,179
	28,996,374	27,124,673
Liabilities:		
Accounts payable and accrued liabilities	6,674,371	9,122,240
Workplace Safety and Insurance liabilities (note 4)	1,475,909	1,372,235
Employee future benefits (note 5)	1,660,035	1,551,295
Deferred revenue	1,821,439	1,513,608
Long-term liabilities (note 7)	4,802,221	6,244,599
	16,433,975	19,803,977
Net financial assets	12,562,399	7,320,696
Other non-financial assets:		
Tangible capital assets (note 8)	152,591,091	150,782,093
Inventories of supplies	32,650	35,130
Prepaid expenses	1,379,158	1,255,880
Total non-financial assets	154,002,899	152,073,103
Contingent liabilities (note 9)		
Commitments (note 10)		
Subsequent events (note 18)		
Total accumulated surplus (note 11)	\$ 166,565,298	\$ 159,393,799

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

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

	Budget (note 12)	2019	2018
Revenue:			
Taxation from other governments	\$ 28,409,300	\$ 28,485,384	\$ 27,257,627
Fees and miscellaneous revenue	7,189,810	7,248,928	7,330,202
Government grants	40,315,700	40,181,287	38,336,772
Investment income	491,400	526,932	442,151
Fines and penalties (note 13)	2,706,000	2,549,260	2,552,240
Revenue from municipalities	2,187,400	2,174,450	2,242,452
Total revenue	81,299,610	81,166,241	78,161,444
Expenses (note 14):			
General government	953,000	976,863	841,638
Property services	701,000	591,509	612,106
Provincial offences (note 13)	1,375,400	1,314,153	1,285,509
Property assessment	695,200	695,187	689,265
Emergency Planning	29,700	29,169	25,808
Roadways and bridges	12,113,700	11,894,901	11,952,810
Public health services	4,980,860	4,980,860	5,110,113
Hospital support	175,000	100,000	60,000
Paramedic services	8,112,900	7,886,467	7,376,675
Social and family services	12,861,200	12,232,616	12,573,839
Assistance to aged persons	15,760,500	15,313,301	14,960,080
Assistance to children	7,348,400	7,170,135	7,209,939
Libraries	1,473,600	1,438,149	1,435,714
Museum and archives	939,700	922,254	926,380
Housing and homelessness	8,577,893	7,819,114	7,613,754
Economic development and planning	820,000	630,064	577,624
Total expenses	76,918,053	73,994,742	73,251,254
Annual surplus	4,381,557	7,171,499	4,910,190
Accumulated surplus, beginning of year	159,393,799	159,393,799	154,483,609
Accumulated surplus, end of year (note 11)	\$ 163,775,356	\$ 166,565,298	\$ 159,393,799

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

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Annual surplus	\$ 7,171,499	\$ 4,910,190
Acquisition of capital assets	(13,345,242)	(13,768,501)
Amortization of capital assets	11,536,243	11,266,475
Gain on retirement of assets	(31,210)	(11,878)
Proceeds from sale of assets	31,210	28,660
	5,362,500	2,424,946
Change in prepaid expenses	(123,277)	(96,482)
Change in inventories of supplies	2,480	1,884
	5,241,703	2,330,348
Change in net financial assets		
Net financial assets, beginning of year	7,320,696	4,990,348
	\$ 12,562,399	\$ 7,320,696

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

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Consolidated Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Operating activities:		
Annual surplus	\$ 7,171,499	\$ 4,910,190
Items not involving cash:		
Amortization of assets	11,536,243	11,266,475
Gain on retirement of assets	(31,210)	(11,878)
Change in employee future benefits	108,739	126,368
Change in Workplace Safety and Insurance liabilities	103,674	100,546
Change in non-cash assets and liabilities:		
Change in accounts receivable	824,699	(291,347)
Change in accounts payable and accrued liabilities	(2,447,869)	2,301,436
Change in deferred revenue	307,832	716,752
Change in prepaid expenses	(123,277)	(96,482)
Change in inventories of supplies	2,480	1,884
Net change in cash from operating activities	17,452,810	19,023,944
Capital activities:		
Proceeds from sale of assets	31,210	28,660
Cash used to acquire assets	(13,345,242)	(13,768,501)
	(13,314,032)	(13,739,841)
Investing activities:		
Sale (purchase) of investments	367,162	(3,151,308)
Financing activities:		
Repayment of long-term liabilities	(1,442,378)	(1,383,424)
Increase in cash	3,063,562	749,371
Cash, beginning of year	11,425,039	10,675,668
Cash, end of year	\$ 14,488,601	\$ 11,425,039

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

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements

Year ended December 31, 2019

1. Significant accounting policies:

The consolidated financial statements of the Corporation of the County of Lennox and Addington (the "County") are prepared by management 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:

Consolidated entities:

These consolidated statements reflect the assets, liabilities, revenue and expenses of the County and include the activities of all committees of Council which are owned or controlled by the County.

Interdepartmental and inter-organizational transactions and balances between these organizations have been eliminated.

These consolidated financial statements include:

Prince Edward-Lennox and Addington Housing Corporation; and

Kingston, Frontenac and Lennox and Addington Public Health (proportionately consolidated).

Proportionate consolidation:

Kingston, Frontenac and Lennox and Addington Public Health is accounted for using the proportionate consolidation method of accounting and reporting, whereby the County's pro-rata share of each of the assets, liabilities, revenue and expenses is combined on a line-by-line basis in the financial statements.

(b) Accrual accounting:

Revenue and expenses are reported on the accrual basis of accounting. Revenue is recognized as it is earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(c) Deferred revenue:

The County receives contributions pursuant to legislation, regulations or agreement that may only be used for certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(d) Workplace Safety and Insurance liabilities:

The County bears the cost of certain insurance and pension benefits awarded under Workplace Safety and Insurance legislation and has accrued the actuarially determined cost of these obligations. Actuarial gains (losses), which can arise from changes in actuarial assumptions, will be amortized over the expected average remaining service life of the related employee groups.

(e) Employee future benefits:

The County provides extended healthcare, dental and life insurance benefits, as well as a retirement program to eligible employees. The cost of these future benefits earned by employees is actuarially determined using management's best estimate of expected health care costs and retirement ages. Actuarial gains (losses), which can arise from changes in actuarial assumptions, will be amortized over the expected average remaining service life of the related employee groups.

(f) Government transfers:

Government transfers are recognized as revenue in the consolidated financial statements when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amount can be made except, when and to the extent that, stipulations by the transferor give rise to an obligation that meet the definition of a liability. Government transfers that give rise to a liability are recognized as revenue as the liability is extinguished.

(g) Investments:

Investments consist of guaranteed investment certificates which are recorded at cost plus accrued interest and bonds and debentures recorded at cost plus amortized purchase premiums and discounts. Premiums and discounts arising from the purchase of these investments are amortized over the term of the investments. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to reflect the loss.

(h) 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. Items subject to such estimates and assumptions include the useful life of tangible capital assets, valuation for property tax write-offs and obligations related to employee future benefits and Workplace Safety and Insurance liabilities.

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(i) Non-financial assets:

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.

(i) Tangible capital assets:

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

Asset	Useful Life - Years
Bridges	20 to 75
Buildings	15 to 50
Equipment	5 to 20
Furnishings	10 to 20
Land improvements	15 to 25
Lending materials	4
Office equipment	4 to 20
Roads	6 to 40
Vehicles	4 to 20

Assets under construction are not amortized until the asset is available for productive use.

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 assets are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the assets are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustments would be reported as an expense on the "Consolidated Statement of Operations and Accumulated Surplus"; an adjustment of \$75,048 was recorded in the current year.

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Natural resources:

Natural resources that have not been purchased are not recognized as assets in the consolidated financial statements.

(iv) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(v) Interest capitalization:

Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets.

(vi) Inventories:

Inventories are recorded at the lower of cost and replacement cost.

(j) Taxation from other governments:

Taxation from other governments is recognized on the accrual basis using the approved tax rates and the anticipated assessment related to the current year.

2. Contributions to consolidated joint boards:

During the year, the following contributions were made by the County to this board:

	2019	2018
Kingston, Frontenac and Lennox and Addington Public Health	\$ 1,288,563	\$ 1,266,401

3. Investments:

Investments reported on the "Consolidated Statement of Financial Position" have cost and market values as follows:

	2019 Cost	2019 Market Value
Canadian bonds and guaranteed investment certificates	\$ 13,641,017	\$ 13,549,137

	2018 Cost	2018 Market Value
Canadian bonds and guaranteed investment certificates	\$ 14,008,179	\$ 13,721,636

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

4. Workplace Safety and Insurance (WSIB) liabilities:

In common with other Schedule 2 employers, the County funds its obligations to the Workplace Safety and Insurance Board on a self-funded basis for employees under Schedule 2.

An independent actuarial valuation of Workplace Safety and Insurance liabilities as at December 31, 2019 for future payments on Workplace Safety and Insurance Board claims occurring on or before December 31, 2019 has been undertaken. The next valuation will be effective December 31, 2022. An independent actuarial valuation of Workplace Safety and Insurance liabilities as of December 31, 2019 has been undertaken which resulted in an actuarial loss of \$1,291,525 to be amortized on a straight-line basis over the expected average remaining benefit lifetime of the related employee groups, which is estimated to be ten years (2018 - ten years).

The significant actuarial assumptions adopted in estimating the County's Workplace Safety and Insurance Board accrued benefit obligation are as follows:

Interest discount rate	3.50% per annum
Loss of earnings	1.00% per annum
Administration costs	28.0% of benefit costs

Information with respect to the County's Workplace Safety and Insurance Board accrued benefit liability is as follows:

	2019	2018
Accrued WSIB benefit obligation at January 1	\$ 1,693,956	\$ 1,622,393
Benefit cost for the year	199,698	193,640
Interest cost	63,729	61,037
Expected benefit payments	(188,736)	(183,114)
Actuarial loss	998,787	-
Accrued WSIB benefit obligation at December 31	2,767,434	1,693,956
Unamortized actuarial loss	(1,291,525)	(321,721)
Accrued WSIB liability at December 31	\$ 1,475,909	\$ 1,372,235

Information with respect to the County's Workplace Safety and Insurance Board unamortized loss is as follows:

	2019	2018
Remaining unamortized loss at January 1	\$ (321,721)	\$ (350,704)
2019 actuarial loss	(998,787)	-
Amortization during the year	28,983	28,983
Remaining unamortized loss at December 31	\$ (1,291,525)	\$ (321,721)

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

5. Employee future benefits:

- (a) The County provides extended healthcare, dental and life insurance benefits up to the age of 65 for eligible employees who elect to take early retirement under the OMERS plan.

An independent actuarial valuation of the future benefits with respect to the post-retirement benefits continuation program has been undertaken to be effective December 31, 2019. An independent actuarial valuation of future benefits with respect to the post-retirement benefits as of December 31, 2019 resulted in an actuarial loss of \$424,896 to be amortized on a straight-line basis over the expected average remaining benefit lifetime of the related employee groups, which is estimated to be thirteen years (2018 - thirteen years).

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

Interest discount rate	3.75% per annum
Medical rate of inflation	Escalate at 6.75% for 2020, reducing by 0.333% per year to 3.755% in 2029 and 3.75% per year thereafter
Dental rate of inflation	3.75% per annum
Retirement rate	25% at first unreduced early Retirement age and 10% thereafter

Information with respect to the County's post-retirement benefit liability is as follows:

	2019	2018
Accrued post-retirement benefit obligation at January 1	\$ 1,328,523	\$ 1,297,175
Benefit cost for the year	55,695	52,503
Interest cost	52,819	51,484
Expected benefit payments	(71,793)	(72,639)
Actuarial loss from December 31, 2019 Valuation	237,024	-
Accrued post-retirement benefit obligation at December 31	1,602,268	1,328,523
Unamortized actuarial loss	(424,896)	(206,252)
Accrued post-retirement benefit liability at December 31	\$ 1,177,372	\$ 1,122,271

Information with respect to the County's post-retirement unamortized loss is as follows:

	2019	2018
Remaining unamortized loss at January 1	\$ (206,252)	\$ (236,219)
2019 actuarial loss	(237,024)	-
Amortization during the year	18,380	29,967
Remaining unamortized loss at December 31	\$ (424,896)	\$ (206,252)

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

5. Employee future benefits (continued):

(b) The County provides a retirement allowance to eligible employees.

An independent actuarial valuation of the future benefits with respect to the retirement allowance has been undertaken and was completed at December 31, 2019. An independent actuarial valuation of future benefits with respect to the post-retirement allowance as of December 31, 2019 resulted in an actuarial loss of \$206,301 to be amortized on a straight-line basis over the expected average remaining benefit lifetime of the related employee groups, which is estimated to be thirteen years (2018 - thirteen years).

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

Interest discount rate	3.75% per annum
Salary inflation	2.75% per annum
Retirement rate	25% at first unreduced early retirement age and 10% thereafter

Information with respect to the County's accrued retirement allowance liability is as follows:

	2019	2018
Accrued retirement benefit obligation at January 1	\$ 599,780	\$ 560,894
Benefit cost for the period	40,063	37,767
Interest	24,059	22,758
Expected benefit payments	(36,648)	(21,638)
Actuarial loss from December 31, 2019 Valuation	61,710	-
Accrued retirement benefit obligation at December 31	688,964	599,781
Unamortized actuarial loss	(206,301)	(170,757)
Accrued retirement allowance liability at December 31	\$ 482,663	\$ 429,024

Information with respect to the County's retirement allowance unamortized loss is as follows:

	2019	2018
Remaining unamortized loss at January 1	\$ (170,757)	\$ (196,923)
2019 actuarial loss	(61,710)	-
Amortization during the year	26,166	26,166
Remaining unamortized loss at December 31	\$ (206,301)	\$ (170,757)

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

6. Pension agreements:

The County makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 307 (2018 - 305) 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 their length of service and rates of pay.

The last available report for the OMERS plan was December 31, 2019. At that time, the plan reported a \$3.4 billion actuarial deficit (2018 - \$4.2 billion actuarial deficit).

The amount contributed to OMERS for 2019 current service was \$1,573,348 (2018 - \$1,576,641) and is included as an expense on the "Consolidated Statement of Operations and Accumulated Surplus".

7. Long-term liabilities:

(a) The long-term liabilities reported on the "Consolidated Statement of Financial Position" are as follows:

	2019	2018
OSIFA Debentures - infrastructure projects	\$ 1,092,963	\$ 1,294,088
OSIFA Debentures - The John M. Parrott Centre	1,604,913	2,614,998
Proportionate share of Kingston, Frontenac and Lennox and Addington Public Health debt	916,211	988,672
Meadow Lane mortgage	1,188,134	1,346,841
	\$ 4,802,221	\$ 6,244,599

- (i) In 2004, the County issued debentures to the Ontario Strategic Infrastructure Financing Authority ("OSIFA") totalling \$3,599,000 to finance designated infrastructure projects. The debentures are repayable in equal semi-annual payments of \$117,794, principal and interest, over a twenty-year period until November 15, 2024 at an interest rate of 2.77%.
- (ii) In 2006, the County issued debentures to the Ontario Strategic Infrastructure Financing Authority ("OSIFA") totalling \$12,000,000 to finance the construction of The John M. Parrott Centre. The debentures are repayable in equal semi-annual payments of \$560,038, principal and interest, over a fifteen-year period until February 15, 2021, at an interest rate of 4.65%.

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

7. Long-term liabilities (continued):

(a) The long-term liabilities reported on the "Consolidated Statement of Financial Position" are as follows (continued):

(iii) The County's principal repayments due on the OSIFA debentures are as follows:

2020	\$ 1,264,335
2021	759,812
2022	218,428
2023	224,520
2024	230,781
	\$ 2,697,876

(iv) The Kingston, Frontenac and Lennox and Addington Public Health's debt matures on December 8, 2028 and has an interest rate of 6.09%. The County's proportionate share of the principal due on the debt is summarized as follows:

2020	\$ 77,106
2021	82,431
2022	87,969
2023	93,982
2024	100,179
2025 and thereafter	474,544
	\$ 916,211

(v) The Meadow Lane mortgage is repayable in blended monthly payments of \$15,774 due August 1, 2024 at an interest rate of 2.505%.

The principal repayment due on the mortgage is as follows:

2020	\$ 161,516
2021	165,588
2022	169,761
2023	174,040
2024	517,229
	\$ 1,188,134

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

7. Long-term liabilities (continued):

(b) Total charges for the year for net long-term liabilities which are reported on the "Consolidated Statement of Operations and Accumulated Surplus" are as follows:

	2019	2018
Interest - Kingston, Frontenac and Lennox and Addington Public Health	\$ 62,537	\$ 67,641
Interest - Corporation of the County of Lennox and Addington	155,162	209,197
	<u>\$ 217,699</u>	<u>\$ 276,838</u>

(c) The long-term liabilities in note 7(a), issued in the name of the County, have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

8. Tangible capital assets:

Cost	Balance at December 31, 2018	Additions	Disposals	Balance at December 31, 2019
Bridges	\$ 21,166,575	\$ 197,885	\$ -	\$ 21,364,460
Buildings	78,026,069	2,539,361	-	80,565,430
Equipment	2,709,720	149,984	35,467	2,824,237
Furnishings	2,153,801	124,357	43,610	2,234,548
Land	888,304	381,391	-	1,269,695
Land improvements	1,591,738	58,313	-	1,650,051
Lending materials	380,534	79,176	85,520	374,190
Office equipment	2,233,760	380,405	283,321	2,330,844
Roads	169,586,285	9,684,590	5,231,583	174,039,292
Vehicles	2,005,618	440,286	443,138	2,002,766
Assets under construction	1,183,508	564,256	1,179,715	568,049
Total	<u>\$ 281,925,912</u>	<u>\$ 14,600,004</u>	<u>\$ 7,302,354</u>	<u>\$ 289,223,562</u>

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

8. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2018	Amortization	Disposals and adjustments	Balance at December 31, 2019
Bridges	\$ 8,210,378	\$ 508,791	\$ -	\$ 8,719,169
Buildings	38,182,348	2,601,069	-	40,783,417
Equipment	1,319,676	287,203	-35,467	1,571,412
Furnishings	980,288	145,950	43,610	1,082,628
Land improvements	894,225	81,587	-	975,812
Lending materials	233,199	74,176	85,520	221,855
Office equipment	1,266,212	367,954	283,321	1,350,845
Roads	78,978,914	7,152,720	5,156,535	80,975,099
Vehicles	1,078,579	316,793	443,138	952,234
Total	\$ 131,143,819	\$ 11,536,243	\$ 6,047,591	\$ 136,632,471

	Net book value December 31, 2018	Net book value December 31, 2019
Bridges	\$ 12,956,197	\$ 12,645,291
Buildings	39,843,721	39,782,013
Equipment	1,390,044	1,252,825
Furnishings	1,173,513	1,151,920
Land	888,304	1,269,695
Land improvements	697,513	674,239
Lending materials	147,335	152,335
Office equipment	967,548	979,999
Roads	90,607,371	93,064,193
Vehicles	927,039	1,050,532
Assets under construction	1,183,508	568,049
Total	\$ 150,782,093	\$ 152,591,091

(a) Assets under construction:

Assets under construction having a value of \$568,049 (2018 - \$1,183,508) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$Nil (2018 - \$Nil).

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

8. Tangible capital assets (continued):

(c) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(d) Works of art and historical treasures:

The County manages and controls various works of art and non-operational historical cultural assets including artifacts, paintings and sculptures located at County sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

(e) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$75,048 due to cost reduction from a holdback retained (2018 - \$Nil).

9. Contingent liabilities:

The nature of the County's activities is such that there may be litigation pending or in prospect at any time. With respect to claims at December 31, 2019, management believes that the County has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the County's financial position.

10. Commitments:

(a) The County has undertaken the following commitments to support community health care projects:

- i) University Hospitals Kingston Foundation to support community health care capital projects in the amount of \$75,000 per year for the years 2019 to 2028 inclusive.
- ii) Lenadco Access Clinic for \$25,000 per year for the years 2019 to 2022 inclusive.

(b) Amherstview Childcare Construction Project

The Amherstview Childcare Construction Project is targeted for completion by end of 2020 at a total cost of approximately \$2.0 million. A total of \$0.6 million has been spent on the project to date. The project will be financed from reserves, provincial grants and user fees.

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

11. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserve funds as follows:

	2019	2018
Surplus:		
Invested in tangible capital assets - general purposes	\$ 146,673,936	\$ 143,466,611
Invested in tangible capital assets - library purposes	329,397	325,517
Invested in tangible capital assets - Kingston, Frontenac and Lennox and Addington Public Health	785,537	745,366
Invested in inventories - general purpose	32,650	35,130
Other - general purposes	1,645,551	678,709
Other - library purposes	46,831	4,688
Other - Kingston, Frontenac and Lennox and Addington Public Health	720,079	630,426
Total surplus	150,233,981	145,886,447
Unfinanced Capital:		
Museum and archives	(574,522)	(825,329)
Total unfinanced capital	(574,522)	(825,329)
Reserves set aside by Council:		
Working capital - general purpose	937,555	937,555
Library expenditures	472,588	511,446
Roadways and bridges expenditures	7,495,531	5,050,022
Property capital projects	590,771	348,398
General expenditures	604,035	580,755
Social service expenditures	508,833	508,833
Economic development	441,661	556,759
Land use planning	33,873	33,873
Paramedic services expenditures	109,755	506,293
The John M. Parrott Centre	393,748	538,520
Rate stabilization	169,609	233,157
Health Care recruitment	100,000	-
	11,857,959	9,805,611
Reserve funds set aside by Council:		
Meadow Lane housing	-	172,253
Children's Services	1,042,281	1,169,393
Social housing	3,359,198	2,536,223
Museum and Archives	646,401	649,201
	5,047,880	4,527,070
	\$ 166,565,298	\$ 159,393,799

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

12. Budget figures:

The budget data presented in these consolidated financial statements is based upon the 2019 operating and capital budgets approved by Council on March 27, 2019.

The Corporation of the County of Lennox and Addington reviews its operating and capital budgets annually. The approved operating and capital budgets for 2019 are reflected on the "Consolidated Statement of Operations and Accumulated Surplus".

The chart below reconciles the approved budget to the budget figures reported on the "Consolidated Statement of Operations and Accumulated Surplus".

	Budget amount
Revenue:	
Original budget	\$ 77,446,300
Health Unit consolidation	3,822,100
Gain on sale of assets	31,210
	<u>81,299,610</u>
Expenses:	
Original budget	77,446,300
Health Unit consolidation	3,692,260
Assets capitalized	(17,829,500)
Amortization expense	11,492,300
Debt principal repayment	(1,610,407)
Transfer from other funds	3,727,100
	<u>76,918,053</u>
Annual surplus	<u>\$ 4,381,557</u>

13. Provincial offences administration:

The Provincial Offences Act 1997 (POA) is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor Licence Act, Municipal By-Laws and minor federal offences. The POA governs all aspects of the legal process from serving notice to a defendant, to conducting trials, including sentencing and appeals.

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

13. Provincial offences administration (continued):

Balances arising from the operation of the POA office have been consolidated with these financial statements. The revenue of the court office consists of fines levied under Parts I and III (including delay penalties) for POA charges filed in the Napanee Court. Offenders may pay their fines at any court office in Ontario, at which time their receipt is recorded in the Integrated Courts Operation Network System ("ICON") operated by the Province of Ontario. Revenue is recognized when receipt of funds is recorded by the provincial ICON system regardless of the location where payment is made. Total revenue and expenditures recorded as of December 31, 2019 are as follows:

	2019	2018
Gross revenue received	\$ 2,544,488	\$ 2,546,139
Gross expenditures	1,314,153	1,285,509
Net revenue	\$ 1,230,335	\$ 1,260,630

14. Supplementary information:

	2019	2018
Expenditures by object:		
Salaries, wages and employee benefits	\$ 31,284,028	\$ 30,597,923
Materials, services and rents	30,956,772	31,110,018
Debt services	217,699	276,838
Amortization	11,536,243	11,266,475
Total	\$ 73,994,742	\$ 73,251,254

15. Trust funds:

Trust funds administered by the County amounting to \$23,020 (2018 - \$20,430) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Operations and Accumulated Surplus".

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

16. Segmented information:

The Corporation of the County of Lennox and Addington is a municipal government institution that provides a range of services to its citizens as set out in the Schedule of Segment Disclosure. For management reporting purposes, the Corporation of the County of Lennox and Addington's operations and activities are organized and reported by department. Funds have been created for the purpose of recording specific activities in accordance with special regulations, restrictions or limitations.

The Corporation of the County of Lennox and Addington's services are provided by departments and their activities are reported in these funds. The following departments have been separately reported in the Schedule of Segment Disclosure.

(a) Roadways and Bridges:

The Corporation of the County of Lennox and Addington is responsible for 458 kilometres of arterial roads and 68 bridges and major culverts. The lower tier municipalities within the County provide maintenance services on these roads under a contract arrangement with the County.

(b) Assistance to Aged Persons:

The Corporation of the County of Lennox and Addington operates The John M. Parrott Centre, a 168 bed long-term care facility.

(c) Paramedic Services:

The Corporation of the County of Lennox and Addington provides paramedic services to its residents from five ambulance bases located in Napanee, Loyalist, Stone Mills, Northbrook and Denbigh.

(d) Social Assistance, Housing & Homelessness and Children's Services:

The Corporation of the County of Lennox and Addington is the Consolidated Municipal Service Manager for the Counties of Lennox and Addington and Prince Edward for the provision of social services.

(e) Libraries:

The Corporation of the County of Lennox and Addington provides library services to its residents at library branches located in the Town of Greater Napanee, Loyalist Township and the Township of Stone Mills.

(f) Museums and Archives:

The Corporation of the County of Lennox and Addington's Museum and Archives, which is located in Napanee, has over 10,000 artifacts in its collection.

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

16. Segmented information (continued):

(g) Economic Development & Planning:

The Corporation of the County of Lennox and Addington is responsible for business attraction, retention and promotion, as well as land use planning initiatives.

(h) Provincial Offences:

The Corporation of the County of Lennox and Addington administers the collection of approximately 11,500 Provincial Offences fines per year.

(i) General Government and Other Services:

General Government and Other Services includes County Council operations, Administration & Finance, Property Services, funding support for the Municipal Property Assessment Corporation, capital support for local hospitals and miscellaneous revenues such as investment income, payments-in-lieu of taxation and non-specific government grants, which have not been allocated to the County's various departments.

(j) Public Health Services:

The Kingston, Frontenac and Lennox and Addington Health Unit provides public health services to the residents of Lennox and Addington and is proportionately funded by participating Municipalities and the Province of Ontario.

For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

County services are funded in part from Property Taxation. Taxation is apportioned to these services based on the amounts established as part of the 2019 budget process.

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 LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

16. Segmented information (continued):

	Roadways and Bridges	Assistance to Aged Persons	Paramedic Services	Social Assistance	Housing and Homelessness	Children's Services	Libraries
Revenue:							
Taxation	\$ 13,627,300	\$ 2,577,000	\$ 4,495,200	\$ 1,039,300	\$ 2,246,100	\$ 289,500	\$ 1,325,200
Fees and other revenue	105,543	4,457,184	32,029	-	1,927,548	-	21,991
Government grants	3,416,483	8,832,950	3,708,649	10,537,084	1,980,047	7,144,054	93,351
Investment income	-	-	-	-	-	-	-
Fine revenue	-	-	-	-	-	-	4,772
Recoveries from municipalities	-	-	221,276	577,889	1,195,284	162,314	-
	17,149,326	15,867,134	8,457,154	12,154,273	7,348,979	7,595,868	1,445,314
Expenses:							
Salaries and benefits	550,129	11,377,083	5,976,640	2,797,115	1,270,532	458,353	1,076,189
Materials	592,091	1,661,714	799,097	312,858	1,751,769	17,419	140,300
Contracted services	2,787,140	511,322	150,593	199,822	419,862	6,244,031	24,829
Rents and financial expenses	-	-	19,462	63,808	-	-	-
External transfers	-	20,000	-	8,192,874	2,775,012	261,432	-
Debt services	33,755	92,076	-	-	29,331	-	-
Interfunctional adjustments	247,578	665,380	422,249	589,800	179,571	188,900	102,243
Amortization	7,684,208	985,726	518,426	76,339	1,393,037	-	94,588
	11,894,901	15,313,301	7,886,467	12,232,616	7,819,114	7,170,135	1,438,149
Net revenue (expenses)	\$ 5,254,425	\$ 553,833	\$ 570,687	\$ (78,343)	\$ (470,135)	\$ 425,733	\$ 7,165

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

16. Segmented information (continued):

	Museum and Archives	Economic Development and Planning	Provincial Offences	General Government and other Services	Subtotal	Public Health Services	Total
Revenue:							
Taxation	\$ 987,400	\$ 621,800	\$ (1,324,600)	\$ 1,312,584	\$ 27,196,784	\$ 1,288,600	\$ 28,485,384
Fees and other revenue	23,168	13,025	-	467,437	7,047,925	201,003	7,248,928
Government grants	38,316	5,130	-	822,558	36,578,622	3,602,665	40,181,287
Investment income	-	-	-	508,562	508,562	18,370	526,932
Fine revenue	-	-	2,544,488	-	2,549,260	-	2,549,260
Recoveries from municipalities	-	-	-	17,641	2,174,404	46	2,174,450
	1,048,884	639,955	1,219,888	3,128,782	76,055,557	5,110,684	81,166,241
Expenses:							
Salaries and benefits	440,342	298,596	466,905	2,480,127	27,192,011	4,092,017	31,284,028
Materials	123,635	182,628	634,161	832,237	7,047,909	432,755	7,480,664
Contracted services	10,259	117,744	121,834	1,165,466	11,752,902	268,311	12,021,213
Rents and financial expenses	-	-	-	22,307	105,577	-	105,577
External transfers	-	-	-	100,000	11,349,318	-	11,349,318
Debt services	-	-	-	-	155,162	62,537	217,699
Interfunctional adjustments	210,177	30,536	91,253	(2,727,687)	-	-	-
Amortization	137,841	560	-	520,278	11,411,003	125,240	11,536,243
	922,254	630,064	1,314,153	2,392,728	69,013,882	4,980,860	73,994,742
Net revenue (expenses)	\$ 126,630	\$ 9,891	\$ (94,265)	\$ 736,054	\$ 7,041,675	\$ 129,824	\$ 7,171,499

CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

17. Adoption of new accounting policies

The County adopted Canadian Public Sector Accounting Standards PS 3430 Restructuring Transactions effective January 1, 2019. The adoption of this standard did not result in any adjustments to the financial statements as at December 31, 2019.

18. Subsequent events:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. The County is monitoring all operational areas for the financial impact of the COVID-19 Pandemic. While it is still too early to quantify all of the potential impacts, the County is participating, and will participate, in financial relief programs that are available from the upper levels of government.

Cash Flow implications:

- While cash flow implications with the waiving of interest charges on County accounts receivable is relatively small, more significant implications would result if it is deemed necessary by the lower-tier municipalities to adjust future tax installment dates. At this time, the lower-tier municipalities are expecting to be able to pay the County tax installments by the due dates.
- Staff will continue to monitor cash flow implications and report to County Council with issues and possible solutions to ensure that the services provided by the County can continue. This might include deferral of projects and/or borrowing if deemed necessary.

Other Financial Management Measures

Staff are working with both lower-tier municipality treasurers and with colleagues across the province to share ideas and strategies to respond to the financial and operational impacts of the COVID-19 Pandemic. We will continue to support municipal organizations in lobbying upper levels of government for assistance for municipalities in recovering from the COVID-19 Pandemic.