

Consolidated Financial Statements of the

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

Year ended December 31, 2018

Consolidated Financial Statements of the

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

Year ended December 31, 2018

## 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



---

Stephen Fox  
Director, Financial and Physical 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, 2018
- 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 end of December 31, 2018, 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.



- 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

May 22, 2019

# CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

## Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets:		
Cash	\$ 11,425,039	\$ 10,675,668
Accounts receivable	1,691,455	1,400,108
Investments (note 3)	14,008,179	10,856,871
	27,124,673	22,932,647
Liabilities:		
Accounts payable and accrued liabilities	9,122,240	6,820,804
Workplace Safety and Insurance liabilities (note 4)	1,372,235	1,271,689
Employee future benefits (note 5)	1,551,295	1,424,927
Deferred revenue	1,513,608	796,856
Long-term liabilities (note 7)	6,244,599	7,628,023
	19,803,977	17,942,299
Net financial assets	7,320,696	4,990,348
Other non-financial assets:		
Tangible capital assets (note 8)	150,782,093	148,296,849
Inventories of supplies	35,130	37,014
Prepaid expenses	1,255,880	1,159,398
Total non-financial assets	152,073,103	149,493,261
Contingent liabilities (note 9)		
Commitments (note 10)		
Total accumulated surplus (note 11)	\$ 159,393,799	\$ 154,483,609

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, 2018, with comparative information for 2017

	Budget (note 12)	2018	2017
<b>Revenue:</b>			
Taxation from other governments	\$ 27,253,700	\$ 27,257,627	\$ 26,311,170
Fees and miscellaneous revenue	6,882,900	7,330,202	6,824,447
Government grants	38,465,900	38,336,772	33,993,691
Investment income	346,800	442,151	279,154
Fines and penalties (note 13)	3,006,000	2,552,240	3,003,580
Revenue from municipalities	2,090,700	2,242,452	2,034,264
<b>Total revenue</b>	<b>78,046,000</b>	<b>78,161,444</b>	<b>72,446,306</b>
<b>Expenses (note 14):</b>			
General government	836,500	841,638	771,405
Property services	728,100	612,106	622,327
Provincial offences (note 13)	1,457,900	1,285,509	1,390,562
Property assessment	689,300	689,265	682,655
Emergency Planning	25,200	25,808	20,947
Roadways and bridges	11,639,900	11,952,810	11,271,640
Public health services	5,110,100	5,110,113	4,816,324
Hospital support	60,000	60,000	150,000
Paramedic services	7,524,300	7,376,675	6,776,526
Social and family services	12,351,900	12,573,839	12,202,431
Assistance to aged persons	15,247,900	14,960,080	14,675,673
Assistance to children	6,999,300	7,209,939	5,218,512
Libraries	1,452,400	1,435,714	1,406,031
Museum and archives	981,300	926,380	905,594
Housing and homelessness	8,707,800	7,613,754	7,241,796
Economic development and planning	585,000	577,624	539,787
<b>Total expenses</b>	<b>74,396,900</b>	<b>73,251,254</b>	<b>68,692,210</b>
<b>Annual surplus</b>	<b>3,649,100</b>	<b>4,910,190</b>	<b>3,754,096</b>
<b>Accumulated surplus, beginning of year</b>	<b>154,483,600</b>	<b>154,483,609</b>	<b>150,729,513</b>
<b>Accumulated surplus, end of year (note 11)</b>	<b>\$ 158,132,700</b>	<b>\$ 159,393,799</b>	<b>\$ 154,483,609</b>

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, 2018, with comparative information for 2017

	2018	2017
Annual surplus	\$ 4,910,190	\$ 3,754,096
Acquisition of capital assets	(13,768,501)	(11,387,854)
Amortization of capital assets	11,266,475	10,875,244
Gain on retirement of assets	(11,878)	(14,970)
Proceeds from sale of assets	28,660	15,136
	2,424,946	3,241,652
Change in prepaid expenses	(96,482)	(102,879)
Change in inventories of supplies	1,884	302
Change in net financial assets	2,330,348	3,139,075
Net financial assets, beginning of year	4,990,348	1,851,273
Net financial assets, end of year	\$ 7,320,696	\$ 4,990,348

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, 2018, with comparative information for 2017

	2018	2017
Operating activities:		
Annual surplus	\$ 4,910,190	\$ 3,754,096
Items not involving cash:		
Amortization of assets	11,266,475	10,875,244
Gain on retirement of assets	(11,878)	(14,970)
Change in employee future benefits	126,368	67,031
Change in Workplace Safety and Insurance liabilities	100,546	113,267
Change in non-cash assets and liabilities:		
Change in accounts receivable	(291,347)	529,880
Change in accounts payable and accrued liabilities	2,301,436	1,541,682
Change in deferred revenue	716,752	(34,629)
Change in prepaid expenses	(96,482)	(102,879)
Change in inventories of supplies	1,884	302
Net change in cash from operating activities	19,023,944	16,729,024
Capital activities:		
Proceeds from sale of assets	28,660	15,136
Cash used to acquire assets	(13,768,501)	(11,387,854)
	(13,739,841)	(11,372,718)
Investing activities:		
Purchase of investments	(3,151,308)	(5,055,265)
Financing activities:		
Repayment of debt	(1,383,424)	(1,327,415)
Increase (decrease) in cash	749,371	(1,026,374)
Cash, beginning of year	10,675,668	11,702,042
Cash, end of year	\$ 11,425,039	\$ 10,675,668

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, 2018

---

## 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, 2018

---

## 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, 2018

## 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.

### (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, 2018

## 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:

	2018	2017
Kingston, Frontenac and Lennox and Addington Public Health	\$ 1,266,401	\$ 1,247,686

## 3. Investments:

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

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

	2017 Cost	2017 Market Value
Canadian bonds and guaranteed investment certificates	\$ 10,856,871	\$ 10,622,115

# CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

#### 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, 2016 for future payments on Workplace Safety and Insurance Board claims occurring on or before December 31, 2016 has been undertaken. The next valuation will be effective December 31, 2019 and will be undertaken in fiscal 2020. As at December 31, 2016, there was an actuarial loss of \$589,358 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.

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

Interest discount rate	3.75% per annum
Loss of earnings	1.25% per annum
Administration costs	38.0% of benefit costs

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

	2018	2017
Accrued WSIB benefit obligation at January 1	\$ 1,622,393	\$ 1,538,109
Benefit cost for the year	193,640	187,785
Plan amendments	–	13,558
Interest	61,037	58,418
Expected benefit payments	(183,114)	(175,477)
Accrued WSIB benefit obligation at December 31	1,693,956	1,622,393
Remaining unamortized actuarial loss	(321,721)	(350,704)
Accrued WSIB liability at December 31	\$ 1,372,235	\$ 1,271,689

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

	2018	2017
Remaining unamortized loss at January 1	\$ (350,704)	\$ (379,687)
Amortization during the year	28,983	28,983
Remaining unamortized loss at December 31	\$ (321,721)	\$ (350,704)

# CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 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 and was completed at December 31, 2016. The next valuation will be effective December 31, 2019 and will be undertaken in fiscal 2020. As at December 31, 2016, there was an actuarial loss of \$265,390 to be amortized on a straight-line basis over the expected average remaining service life of the related employee groups, which is estimated to be thirteen years.

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

Interest discount rate	4.0% per annum
Medical rate of inflation	3.75% - 4.75% per annum
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:

	2018	2017
Accrued post-retirement benefit obligation at January 1	\$ 1,297,175	\$ 1,279,903
Benefit cost for the year	52,503	49,494
Interest	51,484	50,530
Expected benefit payments	(72,639)	(82,752)
Accrued post-retirement benefit obligation at December 31	1,328,523	1,297,175
Remaining unamortized actuarial loss	(206,252)	(236,219)
Accrued post-retirement benefit liability at December 31	\$ 1,122,271	\$ 1,060,956

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

	2018	2017
Remaining unamortized loss at January 1	\$ (236,219)	\$ (266,183)
Amortization during the year	29,967	29,964
Remaining unamortized loss at December 31	\$ (206,252)	\$ (236,219)



# CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 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, 2016. The next valuation will be effective December 31, 2019 and will be undertaken in fiscal 2020. As at December 31, 2016, there was an actuarial gain of \$6,593 to be amortized on a straight-line basis over the expected average remaining service life of the related employee groups, which is estimated to be thirteen years.

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

Interest discount rate	4.0% 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:

	2018	2017
Accrued retirement benefit obligation at January 1	\$ 560,894	\$ 569,822
Benefit cost for the period	37,767	35,602
Interest	22,758	22,171
Expected benefit payments	(21,638)	(66,701)
Accrued retirement benefit obligation at December 31	599,781	560,894
Remaining unamortized actuarial loss	(170,757)	(196,923)
Accrued retirement allowance liability at December 31	\$ 429,024	\$ 363,971

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

	2018	2017
Remaining unamortized loss at January 1	\$ (196,923)	\$ (225,646)
Amortization during the year	26,166	28,723
Remaining unamortized loss at December 31	\$ (170,757)	\$ (196,923)

# CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 6. Pension agreements:

The County makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 305 (2017 - 290) 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, 2018. At that time, the plan reported a \$4.2 billion actuarial deficit (2017 - \$5.4 billion actuarial deficit).

The amount contributed to OMERS for 2018 current service was \$1,576,641 (2017 - \$1,485,055) 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:

	2018	2017
OSIFA Debentures - infrastructure projects	\$ 1,294,088	\$ 1,489,755
OSIFA Debentures - The John M. Parrott Centre	2,614,998	3,579,704
Proportionate share of Kingston, Frontenac and Lennox and Addington Public Health debt	988,672	1,055,986
Meadow Lane mortgage	1,346,841	1,502,578
	<u>\$ 6,244,599</u>	<u>\$ 7,628,023</u>

(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, 2018

---

## 7. Long-term liabilities (continued):

(a) (continued):

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

2019	\$ 1,211,209
2020	1,264,335
2021	759,813
2022	218,428
2023	224,520
2024 and thereafter	230,781
	<hr/>
	\$ 3,909,086

(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:

2019	\$ 72,420
2020	77,106
2021	82,431
2022	87,969
2023	93,982
2024 and thereafter	574,764
	<hr/>
	\$ 988,672

(v) The Meadow Lane mortgage is repayable in blended monthly payments of \$15,620, due August 1, 2019 at an interest rate of 2.225%.

The principal repayment due on the mortgage is as follows:

2019	\$ 1,346,841
------	--------------

---

# CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 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:

	2018	2017
Interest - Kingston, Frontenac and Lennox and Addington Public Health	\$ 67,641	\$ 71,138
Interest - Corporation of the County of Lennox and Addington	209,197	262,037
	<u>\$ 276,838</u>	<u>\$ 333,175</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, 2017	Additions	Disposals	Balance at December 31, 2018
Bridges	\$ 21,122,681	\$ 43,894	\$ -	\$ 21,166,575
Buildings	76,701,100	1,324,969	-	78,026,069
Equipment	2,487,164	307,244	84,688	2,709,720
Furnishings	2,105,670	113,991	65,860	2,153,801
Land	753,962	134,342	-	888,304
Land improvements	1,582,255	9,483	-	1,591,738
Lending materials	392,312	73,878	85,656	380,534
Office equipment	2,155,548	323,427	245,215	2,233,760
Roads	163,936,768	9,954,099	4,304,582	169,586,285
Vehicles	1,661,378	647,578	303,338	2,005,618
Assets under construction	347,912	1,149,795	314,199	1,183,508
<b>Total</b>	<u>\$ 273,246,750</u>	<u>\$ 14,082,700</u>	<u>\$ 5,403,538</u>	<u>\$ 281,925,912</u>

# CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 8. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2017	Amortization	Disposals and adjustments	Balance at December 31, 2018
Bridges	\$ 7,722,406	\$ 487,972	\$ –	\$ 8,210,378
Buildings	35,575,350	2,606,998	–	38,182,348
Equipment	1,080,754	307,018	68,096	1,319,676
Furnishings	911,832	134,316	65,860	980,288
Land improvements	814,333	79,892	–	894,225
Lending materials	243,646	75,209	85,656	233,199
Office equipment	1,156,628	354,609	245,025	1,266,212
Roads	76,293,796	6,989,700	4,304,582	78,978,914
Vehicles	1,151,156	230,761	303,338	1,078,579
<b>Total</b>	<b>\$ 124,949,901</b>	<b>\$ 11,266,475</b>	<b>\$ 5,072,557</b>	<b>\$ 131,143,819</b>

	Net book value December 31, 2017	Net book value December 31, 2018
Bridges	\$ 13,400,275	\$ 12,956,197
Buildings	41,125,750	39,843,721
Equipment	1,406,410	1,390,044
Furnishings	1,193,838	1,173,513
Land	753,962	888,304
Land improvements	767,922	697,513
Lending materials	148,666	147,335
Office equipment	998,920	967,548
Roads	87,642,972	90,607,371
Vehicles	510,222	927,039
Assets under construction	347,912	1,183,508
<b>Total</b>	<b>\$ 148,296,849</b>	<b>\$ 150,782,093</b>

### (a) Assets under construction:

Assets under construction having a value of \$1,183,508 (2017 - \$347,912) 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 (2017 - \$Nil).

# CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

---

## 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 \$Nil (2017 - \$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, 2018, 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:

The County has undertaken a commitment to 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.

# CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 11. Accumulated surplus:

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

	2018	2017
Surplus:		
Invested in tangible capital assets - general purposes	\$ 143,466,611	\$ 139,716,179
Invested in tangible capital assets - library purposes	325,517	308,820
Invested in tangible capital assets - Kingston, Frontenac and Lennox and Addington Public Health	745,366	643,827
Invested in inventories - general purpose	35,130	37,014
Other - general purposes	678,709	1,264,321
Other - library purposes	4,688	8,719
Other - Kingston, Frontenac and Lennox and Addington Public Health	630,426	689,269
<b>Total surplus</b>	<b>145,886,447</b>	<b>142,668,149</b>
Unfinanced Capital:		
Museum and archives	(825,329)	(1,072,997)
<b>Total unfinanced capital</b>	<b>(825,329)</b>	<b>(1,072,997)</b>
Reserves set aside by Council:		
Working capital - general purpose	937,555	937,555
Library expenditures	511,446	551,156
Roadways and bridges expenditures	5,050,022	4,003,026
Property capital projects	348,398	302,682
General expenditures	580,755	616,944
Social service expenditures	508,833	508,833
Economic development	556,759	81,517
Land use planning	33,873	33,873
Paramedic services expenditures	506,293	1,357,117
The John M. Parrott Centre	538,520	589,692
Rate stabilization	233,157	233,157
	<b>9,805,611</b>	<b>9,215,552</b>
Reserve funds set aside by Council:		
Meadow Lane housing	172,253	169,161
Children's Services	1,169,393	1,148,406
Social housing	2,536,223	1,946,601
Museum & Archives	649,201	408,737
	<b>4,527,070</b>	<b>3,672,905</b>
	<b>\$ 159,393,799</b>	<b>\$ 154,483,609</b>

# CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 12. Budget figures:

The budget data presented in these consolidated financial statements is based upon the 2018 operating and capital budgets approved by Council on March 28, 2018.

The Corporation of the County of Lennox and Addington reviews its operating and capital budgets annually. The approved operating and capital budgets for 2018 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	\$ 74,147,500
Health Unit consolidation	3,886,400
Gain on sale of assets	12,100
	<u>78,046,000</u>
Expenses:	
Original budget	74,147,500
Health Unit consolidation	3,843,700
Assets capitalized	(17,086,100)
Amortization expense	11,089,700
Debt principal repayment	(1,537,600)
Transfer from other funds	3,939,700
	<u>74,396,900</u>
Annual surplus	<u>\$ 3,649,100</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, 2018

## 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, 2018 are as follows:

	2018	2017
Gross revenue received	\$ 2,546,139	\$ 2,997,752
Gross expenditures	1,285,509	1,390,562
Net revenue	\$ 1,260,630	\$ 1,607,190

## 14. Supplementary information:

	2018	2017
Expenditures by object:		
Salaries, wages and employee benefits	\$ 30,597,923	\$ 29,533,215
Materials, services and rents	31,110,018	27,950,576
Debt services	276,838	333,175
Amortization	11,266,475	10,875,244
Total	\$ 73,251,254	\$ 68,692,210

## 15. Trust funds:

Trust funds administered by the County amounting to \$20,430 (2017 - \$25,903) 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, 2018

---

## 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, 2018

---

## 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 12,500 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 2018 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, 2018

## 16. Segmented information (continued):

	Roadways & Bridges	Assistance to Aged Persons	Paramedic Services	Social Assistance	Housing & Homelessness	Children's Services	Libraries
Revenue:							
Taxation	\$ 12,965,700	\$ 2,537,300	\$ 4,358,600	\$ 1,022,000	\$ 2,208,800	\$ 288,300	\$ 1,285,300
Fees and other revenue	113,278	4,414,833	22,542	-	1,865,161	-	23,914
Government grants	2,573,656	8,765,832	3,439,146	10,922,968	2,027,919	6,758,582	93,351
Investment income	-	-	-	-	-	-	-
Fine revenue	-	-	-	-	-	-	6,105
Recoveries from municipalities	-	-	185,159	564,655	1,329,482	163,075	-
	15,652,634	15,717,965	8,005,447	12,509,623	7,431,362	7,209,957	1,408,670
Expenses:							
Salaries and benefits	491,632	11,065,146	5,544,336	2,974,771	1,119,819	588,281	1,085,838
Materials	655,986	1,575,048	819,262	305,437	1,766,459	25,834	132,860
Contracted services	3,021,476	556,255	157,909	139,226	326,036	6,414,946	21,792
Rents and financial expenses	-	-	21,685	74,625	-	-	-
External transfers	-	32,483	-	8,440,519	2,724,227	21,104	-
Debt services	39,232	138,548	-	-	31,417	-	-
Interfunctional adjustments	246,136	634,530	378,153	551,234	199,637	159,774	100,789
Amortization	7,498,348	958,070	455,330	88,027	1,446,159	-	94,435
	11,952,810	14,960,080	7,376,675	12,573,839	7,613,754	7,209,939	1,435,714
Net revenue (expenses)	\$ 3,699,824	\$ 757,885	\$ 628,772	\$ (64,216)	\$ (182,392)	\$ 18	\$ (27,044)

# CORPORATION OF THE COUNTY OF LENNOX AND ADDINGTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 16. Segmented information (continued):

	Museum & Archives	Economic Development & Planning	Provincial Offences	General Government & other Services	Subtotal	Public Health Services	Total
<b>Revenue:</b>							
Taxation	\$ 1,031,000	\$ 553,500	\$ (1,542,100)	\$ 1,282,827	\$ 25,991,227	\$ 1,266,400	\$ 27,257,627
Fees and other revenue	213,124	16,329	4	482,947	7,152,132	178,070	7,330,202
Government grants	28,803	9,050	-	25,978	34,645,285	3,691,487	38,336,772
Investment income	-	-	-	425,381	425,381	16,770	442,151
Fine revenue	-	-	2,546,135	-	2,552,240	-	2,552,240
Recoveries from municipalities	-	-	-	-	2,242,371	81	2,242,452
	1,272,927	578,879	1,004,039	2,217,133	73,008,636	5,152,808	78,161,444
<b>Expenses:</b>							
Salaries and benefits	421,190	315,949	470,010	2,449,644	26,526,616	4,071,307	30,597,923
Materials	119,122	182,861	643,661	805,099	7,031,629	562,355	7,593,984
Contracted services	13,210	50,220	80,148	1,046,832	11,828,050	296,021	12,124,071
Rents and financial expenses	-	-	-	17,320	113,630	-	113,630
External transfers	-	-	-	60,000	11,278,333	-	11,278,333
Debt services	-	-	-	-	209,197	67,641	276,838
Interfunctional adjustments	228,911	28,034	91,690	(2,618,888)	-	-	-
Amortization	143,947	560	-	468,810	11,153,686	112,789	11,266,475
	926,380	577,624	1,285,509	2,228,817	68,141,141	5,110,113	73,251,254
<b>Net revenue (expenses)</b>	<b>\$ 346,547</b>	<b>\$ 1,255</b>	<b>\$ (281,470)</b>	<b>\$ (11,684)</b>	<b>\$ 4,867,495</b>	<b>\$ 42,695</b>	<b>\$ 4,910,190</b>

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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

---

## **17. Adoption of new accounting policies**

On January 1, 2018, the County adopted Canadian public sector accounting standards PS 2200 Related party disclosures, PS 3420 Inter-entity transactions, PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual rights.

The adoption of these standards did not result in an accounting policy change for the County, and did not result in any adjustments to the consolidated financial statements as at January 1, 2018.