

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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**Township of Lanark Highlands
Consolidated
Financial Statements
December 31, 2016**

Township of Lanark Highlands
Five Year Financial Review
(not subject to audit)

December 31	2016	2015	2014	2013	2012
Population (Statistics Canada)	10,228	10,228	10,228	10,228	10,228
Number of Households (MPAC)	3,756	3,736	3,710	3,681	3,609
Taxable Assessment (000's)					
	\$	\$	\$	\$	\$
Residential and farm	767,179	733,143	697,576	660,230	632,028
Commercial and industrial	21,421	18,346	16,387	14,835	14,776
Total	788,600	751,489	713,963	675,065	646,804
Commercial, industrial as % of assessment	2.71%	2.44%	2.29%	2.19%	2.34%
Rates of Taxation					
Residential					
▸ for general municipal purposes	0.571964	0.591540	0.612954	0.624252	0.628536
▸ for county purposes	0.373000	0.379779	0.392978	0.410042	0.418354
▸ for school board purposes	0.188000	0.195000	0.203000	0.221000	0.221000
Total	1.132964	1.166319	1.208932	1.255294	1.26789
Multi-Residential (municipal)	1.314709	1.379842	1.532390	1.506370	1.553578
Commercial (municipal)	0.975879	0.995050	1.015534	1.017987	1.003916
Industrial (municipal)	1.557793	1.518363	1.589346	1.689541	1.803807
Tax Arrears ▸ percentage of current levy (<10%)**	13.16%	12.64%	12.94%	14.87%	14.53%
Taxes Transferred (000's)					
▸ County	2,922	2,854	2,803	2,821	2,734
▸ School Boards	1,532	1,532	1,497	1,523	1,344
Revenues (000's)					
	\$	\$	\$	\$	\$
▸ Taxation and payments in lieu	4,676	4,585	4,550	4,482	4,292
▸ Government transfers	1,622	1,580	1,616	1,467	1,593
▸ Fees and service charges	333	501	484	455	705
▸ Other	420	402	427	575	651
▸ Revenues related to capital assets	267	1,099	---	226	259
Total	7,318	8,167	7,077	7,205	7,500
Expenditures (000's)					
▸ Operations	6,644	6,514	7,048	6,706	7,030
▸ Amortization	868	826	810	927	1,248
Net Financial Assets (Net Debt)					
▸ % of Operating Revenue (>(20%)) **	137.07%	121.24%	97.09%	98.46%	100.54%
▸ % of Taxation (>(50%)) **	206.66%	186.90%	151.02%	153.30%	169.65%

** Represents the Provincial Low Risk Indicator.
(Note: All dollar amounts are in thousands of dollars.)

Township of Lanark Highlands
Five Year Financial Review
(not subject to audit)

December 31	2016	2015	2014	2013	2012
	\$	\$	\$	\$	\$
Long Term Debt					
▸ Net long term debt (000's)	482	777	1,062	491	640
▸ Long term debt charges (000's)	329	336	294	208	212
▸ Annual repayment limit (000's)	1,357	1,364	1,397	1,283	1,263
▸ Long term debt per household	128	208	286	133	177
▸ Debt charges (000's)					
▸ tax supported	329	336	294	208	212
Municipal Equity (000's)					
▸ Surplus and Reserves	10,658	9,411	8,538	7,429	7,984
▸ Invested in capital assets	9,491	10,066	9,286	10,366	9,313
▸ Asset consumption ratio	61.06%	58.73%	59.32%	56.81%	57.29%
▸ Reserves as % of operating expenses (>20%) **	160.90%	153.37%	130.96%	137.40%	126.22%
Financial Indicators					
▸ Sustainability					
▸ financial assets to liabilities	4.92	3.87	2.86	3.28	4.09
▸ financial assets to liabilities excluding long term debt	6.12	5.23	3.91	3.92	5.61
▸ long term debt to tangible capital assets	0.05	0.08	0.10	0.05	0.06
▸ capital reserves to accumulated amortization	53.29%	54.35%	52.89	54.33	58.03
▸ Flexibility					
▸ Debt charges to total operating revenue (<5%) **	4.68%	4.76%	4.21%	2.14%	1.98%
▸ Total operating revenue to taxable assessment	0.89%	0.94%	0.99%	1.03%	1.12%
▸ Working capital to operating expenses (>10%) **	175.98%	167.68%	132.62%	135.70%	140.47%
▸ Vulnerability					
▸ Operating government transfers					
▸ to operating revenue	23.00%	22.35%	22.84%	21.02%	22.00%
▸ Total government transfers					
▸ to total revenues	26.79%	37.90%	22.84%	23.03%	24.62%

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Township of Lanark Highlands are the responsibility of the Township's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of significant accounting policies are described in note 2 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Township's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of consolidated financial statements. These systems are monitored and evaluated by management.

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

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

Stacey Blair, Clerk Administrator

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Corporation of the Township of Lanark Highlands which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statement of operations, changes in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Corporation of the Township of Lanark Highlands' management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the Township of Lanark Highlands as at December 31, 2016 and its consolidated results of operations, changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario,
August 8, 2017.

Draft for Discussion Purposes Only

**Township of Lanark Highlands
Consolidated Statement of Financial Position**

December 31	2016	2015
	\$	\$
ASSETS		
Financial Assets		
Cash and short term deposits	10,803,272	10,074,192
Taxes receivable (allowance \$29,958)	1,144,559	1,109,075
Accounts receivable	181,110	370,204
	12,128,941	11,553,471
LIABILITIES		
Financial Liabilities		
Accounts payable and accrued liabilities	205,159	422,194
Accrued landfill closure and post closures (note 10)	670,861	598,095
Prepaid property taxes	230,858	208,802
Deferred revenues (note 4)	876,593	978,442
Long term liabilities (note 5)	482,456	777,042
	2,465,927	2,984,575
NET FINANCIAL ASSETS	9,663,014	8,568,896
NON-FINANCIAL ASSETS		
Tangible capital assets (note 14)	10,457,982	10,842,907
Inventories	28,350	65,120
	10,486,332	10,908,027
Contingent Liabilities (note 12)		
MUNICIPAL EQUITY (note 6)	20,149,346	19,476,923

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

**Township of Lanark Highlands
Consolidated Statement of Operations**

For the year ended December 31	(Note 16) Budget	2016	2015
	\$	\$	\$
REVENUES			
Taxation ▶ residential	4,348,641	4,319,078	4,262,062
▶ commercial	153,672	153,672	124,359
▶ garbage collection	137,700	138,572	137,643
▶ other governments	60,000	64,504	60,699
User charges ▶ recreation and culture	135,010	134,646	190,280
▶ roads	43,800	43,431	46,581
▶ other	141,866	154,580	264,191
Government transfers	1,613,965	1,621,503	1,579,702
Contribution from developers	---	---	21,870
Licences and permits	55,000	89,390	54,163
Investment income	45,000	138,919	118,514
Penalties and interest on taxes	160,000	154,149	169,335
Provincial offenses	50,000	37,453	38,290
TOTAL REVENUES	6,944,654	7,049,897	7,067,689
EXPENDITURES			
General government	1,038,800	914,109	916,979
Protection to persons and property	1,823,978	1,739,030	1,572,102
Transportation services	2,851,148	2,744,179	2,762,892
Environmental services	695,368	632,021	625,493
Health services	1,800	775	1,354
Recreation and cultural services	492,037	512,017	497,385
Planning and development	101,774	102,343	137,500
TOTAL EXPENDITURES	7,004,905	6,644,474	6,513,705
NET REVENUES (EXPENDITURES) FROM OPERATIONS	(60,251)	405,423	553,984
OTHER			
Grants and transfers related to capital Government transfers	267,000	267,000	1,099,088
ANNUAL SURPLUS	206,749	672,423	1,653,072
MUNICIPAL EQUITY, BEGINNING OF YEAR	19,476,923	19,476,923	17,823,851
MUNICIPAL EQUITY, END OF YEAR	19,683,672	20,149,346	19,476,923

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

Township of Lanark Highlands
Consolidated Statement of Changes in Net Financial Assets

For the year ended December 31	(Note 16) Budget	2016	2015
	\$	\$	\$
ANNUAL SURPLUS	206,749	672,423	1,653,072
Amortization of tangible capital assets	870,143	867,965	826,346
Acquisition of tangible capital assets	(876,000)	(483,040)	(1,321,141)
Acquisition of supplies inventories	---	36,770	(1,655)
	(5,857)	421,695	(496,450)
INCREASE IN NET FINANCIAL ASSETS	200,892	1,094,118	1,156,622
NET FINANCIAL ASSETS, BEGINNING OF YEAR	8,568,896	8,568,896	7,412,274
NET FINANCIAL ASSETS, END OF YEAR	8,769,780	9,663,014	8,568,896

Draft for Discussion Purposes Only

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

**Township of Lanark Highlands
Consolidated Statement of Cash Flows**

For the year ended December 31	2016	2015
	\$	\$
OPERATING ACTIVITIES		
Annual surplus for the year	672,423	1,653,072
Amortization	867,965	826,346
	1,540,388	2,479,418
Net Change in Non-Cash Working Capital Balances		
Taxes receivable	(35,484)	10,293
Accounts receivable	189,094	(28,506)
Accounts payable and accrued liabilities	(217,035)	107,890
Accrued landfill closure and post closure	72,766	(101,705)
Prepaid property taxes	22,056	80,513
Deferred revenues	(101,849)	(793,494)
Inventories	36,770	(1,655)
	(33,682)	(726,664)
Working Capital from Operations	1,506,706	1,752,754
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(483,040)	(1,321,141)
Repayment of long term debt	(294,586)	(285,171)
Net investment in tangible capital assets	(777,626)	(1,606,312)
NET INCREASE IN CASH	729,080	146,442
CASH, BEGINNING OF YEAR	10,074,192	9,927,750
CASH, END OF YEAR	10,803,272	10,074,192

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

Township of Lanark Highlands

Notes to the Consolidated Financial Statements

December 31, 2016

1. Status of the Township of Lanark Highlands

The Township of Lanark Highlands (the 'Township') was incorporated in 1997 (being an amalgamation of the former municipalities of the Township of Lanark, the Village of Lanark and the Township of Lavant, Dalhousie and North Sherbrooke which were amalgamated on May 14, 1997; the Township of Darling completed the amalgamation by joining on July 1, 1997) and assumed its responsibilities under the authority of the Provincial Secretary. The Township operates as a lower tier government in the County of Lanark, in the Province of Ontario, Canada and provides municipal services such as police, fire, public works, planning, parks and recreation, library and other general government operations.

2. Significant Accounting Policies

The consolidated financial statements of the Township of Lanark Highlands are the representations of management and have been prepared in all material respects in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies by the Township are as follows:

Reporting Entity

- (i) The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves, reserve funds and changes in investments in tangible capital assets of the Township. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Township and which are owned or controlled by the Township. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated. These consolidated financial statements include:
 - Public Library Board
 - Lanark and District Museum Board
 - Lanark Township Museum Board
 - Municipal Recreation Committee
- (ii) The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal fund balances of these consolidated financial statements.

Basis of Accounting

- (i) The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenditures are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.
- (ii) Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net assets for the year.

Township of Lanark Highlands

Notes to the Consolidated Financial Statements

December 31, 2016

2. Significant Accounting Policies / continued

Basis of Accounting / continued

- (iii) Trust funds and their related operations administered by the Township are not included in these consolidated financial statements but are reported separately on the Trust Funds Statement of Financial Activities and Financial Position.

Tangible Capital Assets

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

Land	
Buildings	30 to 40 years
Vehicles	5 years
Equipment	10 to 20 years
Bridges and Culverts	30 to 50 years
Street Lights	10 to 20 years
Roads	5 to 20 years
Sewer Lines	15 to 100 years

Amortization is charged from the date of acquisition. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The Township has a capitalization threshold of \$5,000 for vehicles and equipment and \$20,000 for linear assets and buildings so that individual capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operations reasons.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of other asset as of the date of transfer.

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

When conditions indicate that a tangible capital asset no longer contributes to the Township's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the consolidated statement of operations.

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Township of Lanark Highlands

Notes to the Consolidated Financial Statements

December 31, 2016

2. Significant Accounting Policies / continued

Inventories and Prepaid Expenses

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

Pension and Employee Benefits

The Township accounts for its participation in the Ontario Municipal Employees Retirement System ('OMERS'), a multi-employer public sector pension fund, as a defined benefit plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

Employee benefits include vacation entitlement and sick leave benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave benefits are accrued in accordance with the Township's policy.

Cash and Cash Equivalents

The Township considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

Government Transfers

Government transfers are recognized in the consolidated financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Deferred Revenues

The Township defers recognition of user charges and fees which have been collected but for which the related services have yet to be performed. Government transfers of gas taxes, development charges collected under the *Development Charges Act, 1997*, and recreational land collected under the Planning Act are reported as deferred revenues in the Consolidated Statement of Financial Position. These amounts will be recognized as revenues in the fiscal year the services are performed.

The Township receives restricted contributions under the authority of Federal and Provincial legislation and Township by-laws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

Deferred revenue represents certain user charges and fees which have been collected but for which the related services have yet to be performed. Deferred revenue also represents contributions that the Township has received pursuant to legislation, regulation or agreement that may only be used for certain programs or in the completion of specific work. These amounts are recognized as revenue in the fiscal year the services are performed or related expenses incurred.

Investments

Short-term and long-term investments are recorded at cost plus accrual interest. If the market value of investments become lower than cost and the decline in value is considered to be other than temporary, the investments are written down to market value.

Township of Lanark Highlands

Notes to the Consolidated Financial Statements

December 31, 2016

2. Significant Accounting Policies / continued

Investments / continued

Investment income earned on surplus current funds, capital funds, reserves and reserve funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on development charges and parkland obligatory reserve funds is added to the fund balance and forms part of respective deferred revenue balances.

Landfill Closure and Post-Closure Liabilities

The Township accrues landfill closure and post-closure care requirements that have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a twenty-five year period using the best information available to management.

Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Liability for Contaminated Sites

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

- (a) an environmental standard exists;
- (b) contamination exceeds the environmental standard;
- (c) the Township:
 - (i) is directly responsible; or
 - (ii) accepts responsibility
- (d) it is expected that future economic benefit will be given up; and
- (e) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of cost of pos-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

Financial Instruments

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. The Township has classified each financial instrument into one of the following categories: held-for-trading financial assets and liabilities, loans and receivables, held-to-maturity financial assets and other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Held-for-trading financial assets and liabilities are subsequently measured at fair value with changes in those fair values recognized in net revenues.

Township of Lanark Highlands

Notes to the Consolidated Financial Statements

December 31, 2016

2. Significant Accounting Policies / continued

Financial Instruments / continued

Loans and receivables, held-to-maturity financial assets and other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Township classifies cash and cash equivalents as held-for-trading financial assets, accounts receivable as loans and receivables, and accounts payable and accrued liabilities as other financial liabilities.

Measurement Uncertainty

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 expenditures during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the consolidated financial statements in the period in which they become known.

3. Operations of the School Boards and County of Lanark

During 2016, the Township collected and made property tax transfers including payments in lieu of property taxes, to the County of Lanark and School Boards as follows:

	School Boards \$	County \$
Property taxes	1,531,593	2,886,014
Taxation from other governments	---	36,414
Amounts requisitioned and paid	1,531,593	2,922,428

4. Deferred Revenues

A requirement of the public sector accounting standards of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded.

Township of Lanark Highlands
Notes to the Consolidated Financial Statements

December 31, 2016

4. Deferred Revenues / continued

The balances in the obligatory reserve funds of the Township are summarized below:

	Federal Gas Tax	Development Charges	Parkland	Total
	\$	\$	\$	\$
January 1, 2016	508,698	357,210	112,534	978,442
Contributions from developers	---	---	3,200	3,200
Government grants	148,483	---	---	148,483
Interest	7,425	4,596	1,447	13,468
Transfer to capital fund	(267,000)	---	---	(267,000)
December 31, 2016	397,606	361,806	117,181	876,593

5. Long Term Liabilities

(a) The balance of long term liabilities reported on the "Consolidated Statement of Financial Position" is comprised of the following:

	2016	2015
	\$	\$
Ontario Infrastructure Projects Corporation loan (4.73%), with semi annual blended payments, due June 2017.	70,159	205,652
Ontario Infrastructure Projects Corporation loan (2.00%), with semi-annual blended payments of \$85,025, due March 2019.	412,297	571,390
Net long term liabilities at the end of the year	482,456	777,042

(b) Principal payments fall due as follows:

	General Revenues
	\$
2017	232,547
2018	165,751
2019	84,158
	482,456

(c) Interest expense on long term liabilities in 2016 amounted to \$35,190 (2015 \$51,568).

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

**Township of Lanark Highlands
Notes to the Consolidated Financial Statements**

December 31, 2016

6. Municipal Equity

Municipal equity consists of:

	2016	2015
	\$	\$
Investment in tangible capital assets		
Invested in tangible capital assets	10,457,982	10,842,907
Long term liabilities	(482,456)	(777,042)
Unfinanced Capital Projects		
Roads	(484,601)	(594,885)
	9,490,925	9,470,980
Unrestricted (deficit) surplus	(32,569)	15,567
Reserves (Schedule 1)	10,683,998	9,983,384
Reserve Funds (Schedule 1)	6,992	6,992
Total Municipal Equity	20,149,346	19,476,923

7. Pension Contributions

The Township makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all permanent members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employers and employees contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Township does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

The amount contributed to OMERS was \$220,033 (2015 \$208,269) for current services and is included as an expenditure on the Consolidated Statement of Operations classified under the appropriate functional expenditure. Contributions by employees were a similar amount.

8. Trust Funds

Trust funds administered by the Township amounting to \$162,702 (2015 \$157,732) are presented in a separate financial statement of trust fund balances and operations. As such balances are held in trust by the Township for the benefit of others, they are not presented as part of the Township's financial position or financial activities.

Township of Lanark Highlands

Notes to the Consolidated Financial Statements

December 31, 2016

9. Provincial Offences Administration (POA)

The Town of Perth has assumed the administration of the Provincial Offences office for all County of Lanark resident municipalities. The transfer of administration from the Ministry of Attorney General to the Town was a result of the Provincial Offences Act (POA) 1997, which provides the framework for the transfer of responsibility and administration of POA courts.

The 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 legal process from serving notice to a defendant, to conducting trials, including sentencing and appeals.

The Township's share of net revenues arising from 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 Perth court.

If fines are paid at other court offices, the 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.

The Township of Lanark Highland's share is based on weighted assessment.

10. Landfill Closure and Post Closure Liability

The Environment Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liabilities is based on estimates and assumptions with respect to events extending over a twenty-five year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The Township currently has three active landfill sites. The active sites have varying estimated lives which range from approximately 5 years to 16 years.

Township of Lanark Highlands
Notes to the Consolidated Financial Statements

December 31, 2016

10. Landfill Closure and Post Closure Liability / continued

The existing capacity, anticipated lifespan, estimated closure costs and post closure costs are as follows:

	Remaining Capacity (Cubic Metres)	Anticipated Lifespan	Estimated Closure Costs	Estimated Post Closure Costs per Year
			\$	\$
McDonalds Corners	25,425	6 years	760,000	12,000
Watsons Corners	---	0 years	---	12,000
Snye Road	20,645	16 years	380,000	12,000
Middleville	---	0 years	---	12,000
Lavant	14,500	5 years	220,000	12,000
Lanark	---		---	12,000

The anticipated closure plan involves covering the site with a clay cap and placement of top soil over the buried waste, landscaping and revegetation and ongoing annual monitoring.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a twenty-five year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the Township's average long term borrowing rate of 4.75% and using an assumed rate of 2.0% for inflation. The estimated total landfill closure and post-closure care expenditures are calculated to be approximately \$2.94414 million. For sites that are inactive, the estimated liability for these expenditures is recognized immediately. Included in liabilities on the Consolidated Statement of Financial Position at December 31, 2016 is an amount of \$670,861 (2015 \$598,095) with respect to landfill closure and post-closure liabilities recognized to date.

11. Contractual Obligations

The Township has negotiated a long term contract with the Ontario Provincial Police for the provision of policing services. The contract ends December 31, 2019. Annual charges are determined based on the level of service and are reconciled to actual costs in the following year. The contract for 2016 was \$925,394 (2015 \$722,580).

The Township has negotiated a long term contract with Waste Management of Canada for the disposal of household waste and recyclable materials. The contract ends December 31, 2016, with two - one year options for renewal. The contract for 2016 was \$47,168 (2015 \$50,637).

The Township has negotiated a long term contract with Ewen Alexander for the provision of waste and recycling services at waste sites / transfer stations owned by the Township. The contract ends December 31, 2016, with two - one year options for renewal. The contract for 2016 was \$313,974 (2015 \$311,814).

Township of Lanark Highlands

Notes to the Consolidated Financial Statements

December 31, 2016

12. Contingent Liabilities

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2016, management believes that the Township has valid defences reserves 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 Township's financial position.

13. Risk Management

In the normal course of operations, the Township is exposed to a variety of financial risks which are actively managed by the Township.

The Township's financial instruments consist of cash, investments, accounts receivable and accounts payable and accrued liabilities. The fair values of cash, investments, accounts payable and accrued liabilities approximate their carrying values because of their expected short term maturity and treatment on normal trade terms.

The Township's exposure to and management of risk has not changed materially from December 31, 2015.

Credit Risk

Credit risk arises from the possibility that the entities to which the Township provides services to may experience difficulty and be unable to fulfill their obligations. The Township is exposed to financial risk that arises from the credit quality of the entities to which it provides services. The Township does not have a significant exposure to any individual customer or counter party. As a result, the requirement for credit risk related reserves for accounts receivable is minimal.

Interest Rate Risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Township is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates on its cash and cash equivalents and operating loan. Changes in variable interest rates could cause unanticipated fluctuations in the Township's operating results.

Liquidity Risk

Liquidity risk is the risk that the Township will not be able to meet its obligations as they fall due. The Township requires working capital to meet day-to-day operating activities. Management expects that the Township's cash flows from operating activities will be sufficient to meet these requirements.

Township of Lanark Highlands
Notes to the Consolidated Financial Statements

December 31, 2016

14. Tangible Capital Assets

	2016	2015
	\$	\$
Land	369,921	369,921
Buildings	2,143,536	2,253,036
Vehicles	1,328,596	1,583,042
Equipment	860,895	939,789
Bridges and Culverts	2,469,277	2,549,341
Street Lights	2,912	3,640
Roads	3,278,914	3,139,988
Sewer Lines	3,931	4,150
	10,457,982	10,842,907

For additional information, see Schedule 2 ▶ Tangible Capital Assets.

15. Segmented Information

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

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

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

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 2.

Township of Lanark Highlands
Notes to the Consolidated Financial Statements

December 31, 2016

15. Segmented Information / continued

2016	Salaries, Wages & Employee Benefits	Debenture Debt Interest	Materials & Services	External Transfers	Amortization	Total
\$	\$	\$	\$	\$	\$	\$
General Government						
Governance	99,923	---	10,772	---	---	110,695
Corporate Management & Program Support	442,693	---	349,162	---	11,559	803,414
Protection to Persons and Property						
Fire	298,717	---	200,189	6,252	164,414	669,572
Police	600	---	930,124	---	---	930,724
Conservation Authority	---	---	---	29,326	---	29,326
Protective Inspection	89,284	---	16,286	---	---	105,570
Emergency Measures	---	---	3,838	---	---	3,838
Transportation						
Roadways	715,887	28,062	1,072,926	---	578,456	2,395,331
Winter Control	---	---	299,493	---	---	299,493
Street Lighting	---	---	49,355	---	---	49,355
Environmental						
Waste Collection	9,167	---	418,527	---	---	427,694
Sanitary Sewer	---	---	72,767	---	21,744	94,511
Waste Disposal	21,569	---	88,247	---	---	109,816
Health Services						
Cemeteries	---	---	475	300	---	775
Recreation and Cultural Services						
Recreation Facilities & Programs	126,342	7,128	176,491	5,965	76,649	392,575
Libraries	58,748	---	24,072	1,490	15,143	99,453
Cultural Services	500	---	19,489	---	---	19,989
Planning and Development						
Planning & Zoning	65,181	---	37,162	---	---	102,343
2016	1,928,611	35,190	3,769,375	43,333	867,965	6,644,474

Township of Lanark Highlands
Notes to the Consolidated Financial Statements

December 31, 2016

15. Segmented Information / continued

2015	Salaries, Wages & Employee Benefits	Debenture Debt Interest	Materials & Services	External Transfers	Amortization	Total
	\$	\$	\$	\$	\$	\$
General Government						
Governance	---	---	---	---	---	---
Corporate Management & Program Support	554,968	---	350,452	---	11,559	916,979
Protection to Persons and Property						
Fire	323,231	---	199,787	10,000	166,913	699,931
Police	650	---	730,540	---	---	731,190
Conservation Authority	---	---	---	28,558	---	28,558
Protective Inspection	79,352	---	30,671	---	---	110,023
Emergency Measures	---	---	2,400	---	---	2,400
Transportation						
Roadways	747,077	38,429	1,160,033	---	533,969	2,479,508
Winter Control	---	---	239,840	---	---	239,840
Street Lighting	---	---	43,544	---	---	43,544
Environmental						
Waste Collection	---	---	525,124	---	---	525,124
Sanitary Sewer	---	---	4,986	---	21,253	26,239
Waste Disposal	2,638	---	71,492	---	---	74,130
Health Services						
Cemeteries	---	---	1,092	262	---	1,354
Recreation and Cultural Services						
Recreation Facilities & Programs	102,699	13,139	159,097	21,188	76,649	372,772
Libraries	55,229	---	25,362	---	16,003	96,594
Cultural Services	5,158	---	22,861	---	---	28,019
Planning and Development						
Planning & Zoning	78,221	---	59,279	---	---	137,500
2015	1,949,223	51,568	3,626,560	60,008	826,346	6,513,705

16. Budget Figures

The operating budget approved by Township Council, for 2016 is reflected on the Consolidated Statement of Operations. The budgets established for capital investment in tangible capital assets are on a project oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. As well, the Township does not budget activity within Reserves and Reserve Funds, with the exception being those transactions, which affect either operations or capital investments. Budget figures have been reclassified for the purposes of these consolidated financial statements to comply with PSAB reporting requirements.

Township of Lanark Highlands
Schedule 1 ▶ Continuity of Reserves and Reserve Funds

For the year ended December 31	(Note 16) Budget	2016	2015
	\$	\$	\$
Revenues			
Investment income	---	101,112	72,025
Net Transfers From / (To) Other Funds			
Transfers from operations	8,000	76,000	180,719
Transfers to (from) capital acquisitions	(219,050)	523,502	507,670
Total Net Transfers	(211,050)	599,502	688,389
Reserves and Reserve Fund Balances, Change in Year	(211,050)	700,614	760,414
Reserves and Reserve Fund Balances, Beginning of Year	9,990,376	9,990,376	9,229,962
Reserves and Reserve Fund Balances, End of Year	9,779,326	10,690,990	9,990,376

Composition of Reserves and Reserve Funds

For the year ended December 31	2016	2015
	\$	\$
Reserves set aside for specific purposes by Council:		
▶ for working capital	863,043	794,047
▶ for contingency	47,503	47,503
▶ for acquisition of capital assets	8,737,102	8,384,362
▶ for fire purposes	788,854	542,088
▶ for community centre funds	119,732	106,082
▶ for library purposes	68,485	70,983
▶ for museums	9,742	9,742
▶ for recreation	25,539	11,579
▶ for election	23,743	16,743
▶ for the former Ward of Darling Township	255	255
Total Reserves	10,683,998	9,983,384
Reserve Funds		
▶ for museum purposes	6,992	6,992
Total Reserve Funds	6,992	6,992
Total Reserves and Reserve Funds	10,690,990	9,990,376

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

Township of Lanark Highlands
Schedule 2 ▶ 2016 Tangible Capital Assets

Asset Class	Cost 01/01/16	Additions	(Disposals)	Cost 31/12/16
	\$	\$	\$	\$
Land	369,921	---	---	369,921
Buildings	4,356,884	---	---	4,356,884
Vehicles	4,523,337	---	---	4,523,337
Equipment	2,377,481	30,834	---	2,408,315
Bridges and Culverts	4,944,587	---	---	4,944,587
Street Lights	557,781	---	---	557,781
Roads	9,026,060	452,206	---	9,478,266
Sewer Line	214,613	---	---	214,613
	26,370,664	483,040	---	26,853,704

Asset Class	Accumulated Amortization 01/01/16	Amortization	(Disposals)	Accumulated Amortization 31/12/16	Net Book Value 31/12/16
	\$	\$	\$	\$	\$
Land	---	---	---	---	369,921
Buildings	2,103,848	109,500	---	2,213,348	2,143,536
Vehicles	2,940,295	254,446	---	3,194,741	1,328,596
Equipment	1,437,692	109,728	---	1,547,420	860,895
Bridges and Culverts	2,395,246	80,064	---	2,475,310	2,469,277
Street Lights	554,141	728	---	554,869	2,912
Roads	5,886,072	313,280	---	6,199,352	3,278,914
Sewer Line	210,463	219	---	210,682	3,931
	15,527,757	867,965	---	16,395,722	10,457,982

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

Township of Lanark Highlands
Schedule 2 ▶ 2015 Tangible Capital Assets

Asset Class	Cost 01/01/15	Additions	(Disposals)	Cost 31/12/15
	\$	\$	\$	\$
Land	369,921	---	---	369,921
Buildings	4,356,884	---	---	4,356,884
Vehicles	4,891,472	---	(368,135)	4,523,337
Equipment	2,312,971	82,978	(18,468)	2,377,481
Bridges and Culverts	3,706,424	1,238,163	---	4,944,587
Street Lights	557,781	---	---	557,781
Roads	9,026,060	---	---	9,026,060
Sewer Line	214,613	---	---	214,613
	25,436,126	1,321,141	(386,603)	26,370,664

Asset Class	Accumulated Amortization 01/01/15	Amortization	(Disposals)	Accumulated Amortization 31/12/15	Net Book Value 31/12/15
	\$	\$	\$	\$	\$
Land	---	---	---	---	369,921
Buildings	1,994,348	109,500	---	2,103,848	2,253,036
Vehicles	3,053,984	254,446	(368,135)	2,940,295	1,583,042
Equipment	1,343,255	112,905	(18,468)	1,437,692	939,789
Bridges and Culverts	2,315,181	80,065	---	2,395,246	2,549,341
Street Lights	553,413	728	---	554,141	3,640
Roads	5,618,009	268,063	---	5,886,072	3,139,988
Sewer Line	209,824	639	---	210,463	4,150
	15,088,014	826,346	(386,603)	15,527,757	10,842,907

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Corporation of the Township of Lanark Highlands as at December 31, 2016 which comprise the statement of financial position of the trust funds and the statement of financial activities of the trust funds for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Corporation of the Township of Lanark Highlands's management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust funds of the Corporation of the Township of Lanark Highlands as at December 31, 2016 and the financial activities for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario,
August 8, 2017.

Draft for Discussion Purposes Only

**Township of Lanark Highlands
Trust Funds
Statement of Financial Position**

December 31	Cemeteries	OHRP	2016	2015
	\$	\$	\$	\$
ASSETS				
Cash	102,816	9,598	112,414	107,444
Long term receivables	---	13,875	13,875	13,875
Investments, at cost ▶ Public Trustee	36,413	---	36,413	36,413
	139,229	23,473	162,702	157,732
LIABILITIES				
Fund balance	139,229	23,473	162,702	157,732

Statement of Financial Activities

For the year ended December 31	Cemeteries	OHRP	2016	2015
	\$	\$	\$	\$
REVENUES				
Loan interest	---	---	---	28
Bank interest	---	110	110	1,073
Perpetual care fees	4,860	---	4,860	6,450
NET REVENUES FOR THE YEAR	4,860	110	4,970	7,551
BALANCE AT THE BEGINNING OF THE YEAR	134,369	23,363	157,732	150,181
BALANCE AT THE END OF THE YEAR	139,229	23,473	162,702	157,732

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

**Township of Lanark Highlands
Trust Funds
Notes to the Financial Statements**

December 31, 2016

1. Significant Accounting Policies

Reporting Entity

Perpetual care receipts are reported on the cash basis of accounting and interest income is reported on the accrual basis of accounting.

Expenditures are reported on the cash basis of accounting with the exception of administrative expenses which are reported on the accrual basis of accounting, which recognizes expenditures as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

2. Ontario Home Renewal Program (O.H.R.P.)

The Ontario Home Renewal Program was established by the Ontario Ministry of Housing in 1973 to provide grants for municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards. Individual loans are limited to \$7,500 of which the maximum forgivable portion is \$4,000.

Ontario Home Renewal Program loans receivable at December 31, are repayable by the owner occupant. In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balances of the loan immediately become due and payable by the homeowner.

The OHRP program was discontinued by the Ontario Ministry of Housing in July 1993. At that time the Ministry requested the repayment of all trust funds held by the Township. The cash accumulated in the trust fund is being repaid to the Ministry on an annual basis.

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Township of Lanark Highlands Public Library Board are the responsibility of the Board's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of significant accounting policies are described in note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Board'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 financial statements. These systems are monitored and evaluated by management.

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

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

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Inhabitants and Ratepayers of the Township of Lanark Highlands Public Library Board:

We have audited the accompanying financial statements of the Corporation of the Township of Lanark Highlands Public Library Board which comprise the statement of financial position as at December 31, 2016 and the statement of operations, changes in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Corporation of the Township of Lanark Highlands Public Library Board's management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Township of Lanark Highlands Public Library Board as at December 31, 2016 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario,
April 26, 2017.

Draft for Discussion Purposes Only

**Township of Lanark Highlands
Public Library Board
Statement of Financial Position**

December 31	2016	2015
	\$	\$
ASSETS		
Financial Assets		
Cash	76,814	79,644
Accounts receivable	970	2,653
	77,784	82,297
LIABILITIES		
Accounts payable and accrued liabilities	7,320	9,689
Deferred revenue	1,979	1,625
	9,299	11,314
NET FINANCIAL ASSETS	68,485	70,983
NON-FINANCIAL ASSETS		
Tangible capital assets (note 5) (Schedule 2)	32,842	38,416
ACCUMULATED SURPLUS (note 4)	101,327	109,399

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

**Township of Lanark Highlands
Public Library Board
Statement of Operations**

For the year ended December 31	(Note 6) Budget	2016	2015
	\$	\$	\$
REVENUES			
Government Grants			
Municipal Grants			
▶ Lanark Highlands	55,197	55,200	54,115
▶ Development charges	---	---	2,126
▶ Capital asset replacement	2,472	2,764	2,424
▶ Other	7,338	7,338	7,224
Provincial Grants	12,865	12,865	12,865
▶ Operating			
Other Income			
Special grants	---	4,125	12,500
Fines, donations, other	7,250	7,036	6,801
Investment income	360	563	416
TOTAL REVENUES	85,482	89,891	98,471
EXPENDITURES			
Salaries, wages and employee benefits	57,390	58,748	55,229
Amortization of books	9,150	15,143	16,003
Other supplies	5,820	7,696	4,189
Communications	850	840	885
Maintenance	3,750	3,266	3,556
Insurance, audit, conferences and other	5,950	7,515	5,144
Small equipment and furnishings	100	624	62
Special grant expenses	---	4,131	11,231
TOTAL EXPENDITURES	83,010	97,963	96,299
ANNUAL (DEFICIT) SURPLUS	2,472	(8,072)	2,172
ACCUMULATED SURPLUS, BEGINNING OF YEAR	109,399	109,399	107,227
ACCUMULATED SURPLUS, END OF YEAR	111,871	101,327	109,399

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

**Township of Lanark Highlands
Public Library Board
Statement of Changes in Net Financial Assets**

For the year ended December 31	2016	2015
	\$	\$
ANNUAL (DEFICIT) SURPLUS	(8,072)	2,172
Amortization of tangible capital assets	15,143	16,003
Acquisition of tangible capital assets	(9,569)	(12,631)
	5,574	3,372
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	(2,498)	5,544
NET FINANCIAL ASSETS, BEGINNING OF YEAR	70,983	65,439
NET FINANCIAL ASSETS, END OF YEAR	68,485	70,983

Statement of Cash Flows

For the year ended December 31	2016	2015
	\$	\$
OPERATING ACTIVITIES		
Annual (deficit) surplus for the year	(8,072)	2,172
Amortization	15,143	16,003
	7,071	18,175
Net Change in Non-Cash Working Capital Items		
Accounts receivable	1,683	(1,008)
Accounts payable and accrued liabilities	(2,369)	3,148
Deferred revenue	354	1,625
	(332)	3,765
Working Capital from Operations	6,739	21,940
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(9,569)	(12,631)
NET (DECREASE) INCREASE IN CASH	(2,830)	9,309
CASH, BEGINNING OF YEAR	79,644	70,335
CASH, END OF YEAR	76,814	79,644

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

**Township of Lanark Highlands
Public Library Board
Notes to the Financial Statements**

December 31, 2016

1. Status of the Board

The Township of Lanark Highlands Public Library Board (the 'Board') was established July 1, 1997 on the amalgamation of the Village of Lanark, the Township of Lanark, the Township of Lavant, Dalhousie, North Sherbrooke and the Township of Darling.

2. Significant Accounting Policies

The financial statements of the Township of Lanark Highlands Public Library Board are the representations of management prepared in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies by the Board are as follows:

Reporting Entity

The financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves, reserve funds and changes in investment in tangible capital assets of the Board.

Basis of Accounting

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

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

Tangible Capital Assets

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

Assets	Estimated Useful Life
Books	7 years
Computer Hardware and Software	5 years

Amortization is charged from the date of acquisition. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of other assets as of the date of transfer.

**Township of Lanark Highlands
Public Library Board
Notes to the Financial Statements**

December 31, 2016

2. Significant Accounting Policies / continued

Tangible Capital Assets / continued

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

When conditions indicate that a tangible capital asset no longer contributes to the Board's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the statement of operations.

Cash and Cash Equivalents

The Board considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

Government Transfers

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Deferred Revenues

The Board defers recognition of user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

The Board receives restricted contributions under the authority of Federal and Provincial legislation and Board by-laws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

Deferred revenue represents certain user charges and fees which have been collected but for which the related services have yet to be performed. Deferred revenue also represents contributions that the Board has received pursuant to legislation, regulation or agreement that may only be used for certain programs or in the completion of specific work. These amounts are recognized as revenue in the fiscal year the services are performed or related expenses incurred.

Financial Instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Board has classified each financial instrument into one of the following categories: held-for-trading financial assets and liabilities, loans and receivables, held-to-maturity financial assets and other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

**Township of Lanark Highlands
Public Library Board
Notes to the Financial Statements**

December 31, 2016

2. Significant Accounting Policies / continued

Financial Instruments / continued

Held-for-trading financial assets and liabilities are subsequently measured at fair value with changes in those fair values recognized in net revenues.

Loans and receivables, held-to-maturity financial assets and other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Board classifies cash and cash equivalents as held-for-trading financial assets, accounts receivable as loans and receivables, and accounts payable and accrued liabilities as other financial liabilities.

Measurement Uncertainty

The preparation of 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 financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

3. Risk Management

In the normal course of operations, the Board is exposed to a variety of financial risks which are actively managed by the Board.

The Board's financial instruments consist of cash, investments, accounts receivable and accounts payable and accrued liabilities. The fair values of cash, investments and accounts payable and accrued liabilities approximate their carrying values because of their expected short term maturity and treatment on normal trade terms.

The Board's exposure to and management of risk has not changed materially from December 31, 2015.

Credit Risk

Credit risk arises from the possibility that the entities to which the Board provides services to may experience difficulty and be unable to fulfill their obligations. The Board is exposed to financial risk that arises from the credit quality of the entities to which it provides services. The Board does not have a significant exposure to any individual customer or counter party. As a result, the requirement for credit risk related reserves for accounts receivable is minimal.

Interest Rate Risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Board is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates on its cash and cash equivalents and operating loan. Changes in variable interest rates could cause unanticipated fluctuations in the Board's operating results.

**Township of Lanark Highlands
Public Library Board
Notes to the Financial Statements**

December 31, 2016

3. Risk Management / continued

Liquidity Risk

Liquidity risk is the risk that the Board will not be able to meet its obligations as they fall due. The Board requires working capital to meet day-to-day operating activities. Management expects that the Board's cash flows from operating activities will be sufficient to meet these requirements.

4. Accumulated Surplus

Accumulated surplus consists of individual fund surplus (deficit) and reserves as follows:

	2016	2015
	\$	\$
Surplus		
Invested in tangible capital assets	32,842	38,416
Reserves		
Capital Reserve	16,395	13,631
Working Fund Reserve	44,013	49,065
Super Conference Reserve	1,500	1,500
Special Donation Reserve		
▸ Literacy Grant	6,577	6,787
Total Reserves	68,485	70,983
Accumulated Surplus	101,327	109,399

5. Tangible Capital Assets

	2016	2015
	\$	\$
Books	32,043	34,601
Computer Hardware and Software	799	3,815
	32,842	38,416

For additional information, see Schedule 2 ▸ Tangible Capital Assets.

6. Budget Figures

Township of Lanark Highlands Public Library Board reviews its operating and capital budgets each year. The approved operating budget for 2016 is included in the budget figures presented in the Statement of Operations.

**Township of Lanark Highlands
Public Library Board
Continuity of Reserves ▶ Schedule 1**

For the year ended December 31	(Note 6) Budget	2016	2015
	\$	\$	\$
Net Transfer From / (To) Other Funds	2,424	(2,498)	5,544
Total Net Transfers Approved By Board	2,424	(2,498)	5,544
Reserves, Change in Year	2,424	(2,498)	5,544
Reserves, Beginning of Year	70,983	70,983	65,439
Reserves, End of Year	73,407	68,485	70,983

Composition of Reserves

For the year ended December 31	2016	2015
	\$	\$
Reserves		
Capital Reserve	16,395	13,631
Working Fund Reserve	44,013	49,065
Super Conference Reserve	1,500	1,500
Literacy Grant	6,577	6,787
Total Reserves	68,485	70,983

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

**Township of Lanark Highlands
Public Library Board
Tangible Capital Assets ▶ Schedule 2**

December 31, 2016

Assets	Cost 01/01/16	Additions	(Disposals)	Cost 31/12/16	Accumulated Amortization 01/01/16	Amortization 2016	Disposal Amortization	Accumulated Amortization 31/12/16	Net Book Value 31/12/16
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Books									
Computer	90,908	9,569	(15,589)	84,888	56,307	12,127	(15,589)	52,845	32,043
Hardware & Software	15,080	---	---	15,080	11,265	3,016	---	14,281	799
	105,988	9,569	(15,589)	99,968	67,572	15,143	(15,589)	67,126	32,842

December 31, 2015

Assets	Cost 01/01/15	Additions	(Disposals)	Cost 31/12/15	Accumulated Amortization 01/01/15	Amortization 2015	Disposal Amortization	Accumulated Amortization 31/12/15	Net Book Value 31/12/15
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Books									
Computer	98,076	11,300	(18,468)	90,908	61,785	12,988	(18,466)	56,307	34,601
Hardware & Software	13,749	1,331	---	15,080	8,250	3,015	---	11,265	3,815
	111,825	12,631	(18,468)	105,988	70,035	16,003	(18,466)	67,572	38,416

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

**Township of Lanark Highlands
Lanark and District Museum Board
Statement of Financial Position**

December 31	2016	2015
	\$	\$
ASSETS		
Financial Assets		
Cash	3,613	4,939
NET FINANCIAL ASSETS	3,613	4,939
ACCUMULATED SURPLUS	3,613	4,939

Draft for Discussion Purposes Only

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

**Township of Lanark Highlands
Lanark and District Museum Board
Statement of Operations**

For the year ended December 31	(Note 16) Budget	2016	2015
	\$	\$	\$
REVENUES			
Government Grants			
Municipal Grants ▶ Lanark Highlands	3,500	3,182	3,120
▶ Drummond/North Elmsley	500	500	500
User charges, fees and donations	1,500	880	1,800
Other Income			
Sales, miscellaneous	400	150	---
TOTAL REVENUES	5,900	4,712	5,420
EXPENDITURES			
Wages	500	500	5,158
Utilities	5,000	5,000	5,001
Books and other supplies	300	192	326
Services, rents and maintenance	100	346	94
TOTAL EXPENDITURES	5,900	6,038	10,579
ANNUAL DEFICIT	---	(1,326)	(5,159)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	4,939	4,939	10,098
ACCUMULATED SURPLUS, END OF YEAR	4,939	3,613	4,939

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

**Township of Lanark Highlands
Lanark Township Museum Board
Statement of Financial Position**

December 31	2016	2015
	\$	\$
ASSETS		
Financial Assets		
Cash	7,257	10,940
NET FINANCIAL ASSETS	7,257	10,940
ACCUMULATED SURPLUS	7,257	10,940

Draft for Discussion Purposes Only

**Township of Lanark Highlands
Lanark Township Museum Board
Statement of Operations**

For the year ended December 31	(Note 16) Budget	2016	2015
	\$	\$	\$
REVENUES			
Government Grants			
Municipal Grants ▶ Lanark Highlands	3,000	3,182	3,120
User charges, admissions and donations	5,949	7,086	13,462
TOTAL REVENUES	8,949	10,268	16,582
EXPENDITURES			
Contracted services and utilities	3,000	2,504	2,563
Supplies, maintenance and rent	10,500	11,447	11,552
TOTAL EXPENDITURES	13,500	13,951	14,115
ANNUAL (DEFICIT) SURPLUS	(4,551)	(3,683)	2,467
ACCUMULATED SURPLUS, BEGINNING OF YEAR	10,940	10,940	8,473
ACCUMULATED SURPLUS, END OF YEAR	6,389	7,257	10,940

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