

Consolidated Financial Statements of

**CORPORATION OF THE
TOWNSHIP OF LANARK
HIGHLANDS**

Year ended December 31, 2023

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Consolidated Financial Statements

Year ended December 31, 2023

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Township of Lanark Highlands (the "Township") 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 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The 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.

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

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

Chief Administrative Officer

Treasurer

**KPMG LLP**

22 Wilson Street, West
Perth, ON K7H 2M9
Canada
Telephone 613 267 6580
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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

- the consolidated statement of financial position as at December 31, 2023
- the consolidated statement of operations and accumulated municipal equity for the year then ended
- the consolidated statement of 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 financial position of the Entity as at December 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

Emphasis of Matter - Comparative Information

We draw attention to Note 16 to the financial statements ("Note 16") which explains that certain comparative information presented for the year ended December 31, 2022 has been restated.



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Note 16 explains the reasons for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter - Comparative Information

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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.



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

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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a long, horizontal, slightly wavy line.

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

September 9, 2025

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022 (Restated, note 16)
Financial assets:		
Cash	\$ 9,568,171	\$ 10,732,664
Investments (note 3)	—	52,665
Taxes receivable	1,073,914	1,339,746
Accounts receivable	863,758	481,352
	11,505,843	12,606,427
Financial Liabilities:		
Accounts payable and accrued liabilities	1,867,623	1,371,902
Asset retirement obligations (note 5)	4,524,980	4,356,984
Deferred revenue	130,927	—
Prepaid property taxes	366,065	388,892
Deferred revenue - obligatory reserve funds (note 4)	449,789	411,372
	7,339,384	6,529,150
Net financial assets	4,166,459	6,077,277
Non-financial assets:		
Tangible capital assets (note 12)	15,165,312	13,245,185
Prepaid expenses	12,362	12,627
	15,177,674	13,257,812
Commitments (note 10)		
Contingent liabilities (note 11)		
Accumulated municipal equity (note 6)	\$ 19,344,133	\$ 19,335,089

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

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Consolidated Statement of Operations and Accumulated Municipal Equity

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

	2023 Budget (note 15)	2023 Actual	2022 Actual (Restated, note 16)
Revenue:			
Property taxation	\$ 5,519,773	\$ 5,775,888	\$ 5,275,473
User charges	594,862	450,788	305,352
Government grants	2,362,877	2,555,673	2,701,053
Licences and permits	61,000	83,412	112,653
Investment income	150,000	605,391	197,043
Penalties and interest on taxes	160,000	171,588	165,900
Provincial offences	16,000	25,590	5,851
Other	33,000	32,481	43,673
	8,897,512	9,700,811	8,806,998
Expenses (note 14):			
General government	1,483,235	1,380,171	1,353,141
Protection to persons and property	2,067,816	2,028,901	1,827,377
Transportation services	2,845,000	3,600,294	4,071,313
Environmental services	1,079,159	1,274,971	1,056,374
Social and health services	7,425	11,955	—
Recreation and cultural services	950,372	1,254,634	949,886
Planning and development	164,200	140,841	210,969
	8,597,207	9,691,767	9,469,060
Annual surplus (deficit)	300,305	9,044	(662,062)
Accumulated municipal equity, beginning of year, as previously stated	19,335,089	19,335,089	21,777,928
Adjustment on adoption of asset retirement obligation standard (note 16)	—	—	(1,780,777)
Accumulated municipal equity, beginning of year, as restated	19,335,089	19,335,089	19,997,151
Accumulated municipal equity, end of year	\$ 19,635,394	\$ 19,344,133	\$ 19,335,089

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

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Consolidated Statement of Changes in Net Financial Assets

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

	2023 Budget (note 15)	2023 Actual	2022 Actual (Restated, note 16)
Annual surplus (deficit)	\$ 300,305	\$ 9,044	\$ (662,062)
Amortization of tangible capital assets	—	1,066,290	911,840
Acquisition of tangible capital assets	(3,315,298)	(2,986,417)	(1,584,688)
Utilization of inventory	—	—	52,969
Acquisition of prepaid expenses	—	265	15,782
Change in net financial assets	(3,014,993)	(1,910,818)	(1,266,159)
Net financial assets, beginning of year, as previously stated	6,077,277	6,077,277	9,207,063
Adjustment on adoption of asset retirement obligation standard (note 16)	—	—	(1,863,627)
Net financial assets, beginning of year, as restated	6,077,277	6,077,277	7,343,436
Net financial assets, end of year	\$ 3,062,284	\$ 4,166,459	\$ 6,077,277

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

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Consolidated Statement of Cash Flows

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

	2023	2022 (Restated, note 16)
Operating activities:		
Annual surplus (deficit)	\$ 9,044	\$ (662,062)
Item not involving cash:		
Amortization of tangible capital assets	1,066,290	911,840
Asset retirement obligations	167,996	161,534
Change in non-cash operating working capital:		
Taxes receivable	265,832	(314,691)
Prepaid property taxes	(22,827)	48,552
Accounts receivable	(382,406)	27,318
Accounts payable and accrued liabilities	495,721	282,730
Deferred revenue	130,927	—
Deferred revenue - obligatory reserve funds	38,417	(301,959)
Inventory	—	52,969
Prepaid expenses	265	15,782
	1,769,259	222,013
Capital activities:		
Acquisition of tangible capital assets	(2,986,417)	(1,584,688)
Investing activities:		
Proceeds (purchase) of investments	52,665	(52,665)
Decrease in cash	(1,164,493)	(1,415,340)
Cash, beginning of year	10,732,664	12,148,004
Cash, end of year	\$ 9,568,171	\$ 10,732,664

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

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements

Year ended December 31, 2023

The Corporation of 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.

1. Significant accounting policies:

The consolidated financial statements of the Township are the representations of management and have been prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Township are as follows:

(a) Basis of consolidation:

- (i) The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenses, reserves, reserve funds and changes in investment in tangible capital assets of the 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:

Corporation of the Township of Lanark Highlands Public Library Board
Lanark and District Museum Board
Lanark Township Museum Board

- (ii) The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal fund balances of these consolidated financial statements.

(b) Basis of accounting:

- (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. Expenses are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.
- (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 annual surplus, provides the change in net financial assets for the year.

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(b) 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 Fund Balance.

(c) Taxation and related revenues:

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC). Tax rates are established by the Township Council, incorporating amounts to be raised for local services, amounts to be raised on behalf of the Corporation of the County of Lanark for regional services, and amounts the Township is required to collect on behalf of the Province of Ontario in respect of education taxes. Taxation revenues are recorded at the time tax billings are issued. Adjustments to taxation revenues can occur during the year related to the issuance of supplementary tax billings and/or assessment appeals. These adjustments are recorded when the amount of the adjustments can be quantified. The Township is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period in which the interest and penalties are applied.

(d) Tangible capital assets:

Tangible capital assets are recorded at historical cost or where historical cost records were not available, other methods determined to provide a best estimate of historical cost and accumulated amortization of the assets. Costs include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset.

The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Buildings	30 to 40
Vehicles	5
Equipment	10 to 20
Bridges and culverts	30 to 50
Streetlights	10 to 20
Roads	5 to 20
Sewer lines	15 to 100

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(d) Tangible capital assets:

Amortization is charged from the date of acquisition. Assets under construction are not amortized until the asset is available for productive use.

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.

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

When conditions indicate that a tangible capital asset no longer contributes to the 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 and accumulated municipal equity.

(e) Financial instruments:

On January 1, 2023, the Township adopted PS 3450 *Financial Instruments* which establishes accounting and reporting for all types of financial instruments, including derivatives as disclosed in Note 16. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost.

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

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

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(e) Financial instruments (continued):

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

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Consolidated Statement of Operations and Accumulated Municipal Equity and any unrealized gain is adjusted through the Consolidated Statement of Remeasurement Gains and Losses.

Long-term debt is recorded at amortized cost.

Establishing fair value:

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

Fair value hierarchy:

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

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(f) Foreign currency:

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

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

(g) Statement of Remeasurement Gains and Losses:

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

(e) Inventory and prepaid expenses:

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

(f) 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, sick leave benefits and benefits under the Workplace Safety and Insurance Board Act. Vacation entitlements are accrued as entitlements are earned. Sick leave benefits are accrued in accordance with the Township's policy.

(g) Government transfers:

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

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(h) Deferred revenue:

The Township receives funds pursuant to legislation, regulations or agreement that may only be used for certain programs or 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 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.

(i) Asset retirement obligations:

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

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

The liability for closure of operational sites and post-closure care relating to landfill sites has been recognized based on estimated future expenses. The liability is discounted using a present value calculation and adjusted annually for accretion expense. Under the modified retroactive method, the discount rate and assumptions used on the initial recognition are those as of the date of adoption in the standard. Assumptions used in subsequent calculations are revised annually.

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

Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liabilities are recognized in the Consolidated Statement of Operations and Accumulated Surplus and Municipal Equity at the time of remediation.

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(j) Liability for contaminated sites:

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

- (a) an environmental standard exists;
- (b) contamination exceeds the environmental standard;
- (c) the 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 post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

(k) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Amounts subject to estimates include asset retirement obligations and the carrying value of capital assets. Actual results could differ from these estimates.

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

2. Operations of the school boards and the Corporation of the County of Lanark:

During 2023, the Township collected and made property tax transfers including payments in lieu of property taxes, to the Corporation of the County of Lanark and School Boards as follows:

	School Boards		Corporation of the County of Lanark	
	2023	2022	2023	2022
Property taxes	\$ 1,427,988	\$ 1,413,686	\$ 3,516,919	\$ 3,359,784
Taxation from other governments	1,308	—	41,907	93,084
Amounts requisitioned and paid	\$ 1,429,296	\$ 1,413,686	\$ 3,558,826	\$ 3,452,868

3. Long-term investments:

Long-term term investments are comprised of the following:

	Level	2023	2022
Guaranteed investment certificates (interest rates between 1.96% and 4.50% with maturities of January 2023 and November 2023)	1	\$ —	\$ 52,665

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

4. Deferred revenue - obligatory reserve funds:

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

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

	Canada Community Building Fund	Development charges	Parkland	2023 Total	2022 Total
Balance, beginning of year	\$ —	\$ 261,204	\$ 150,168	\$ 411,372	\$ 713,331
Government grants	176,433	—	—	176,433	169,295
Contributions from developers	—	—	7,800	7,800	3,300
Interest	—	19,078	11,539	30,617	16,732
Amounts utilized	(176,433)	—	—	(176,433)	(491,286)
Balance, end of year	\$ —	\$ 280,282	\$ 169,507	\$ 449,789	\$ 411,372

5. Asset retirement obligations:

The Township's asset retirement obligations consist of the following:

(a) Landfill obligation:

The Township owns and operates seven landfill sites, three of which are still active and four of which are closed. The liability for the closure of operational sites and post-closure care for all the sites has been recognized under PS 3280 *Asset Retirement Obligations*. The costs were based upon the presently known obligations that will exist at the estimated year of closure of the sites and for a minimum of 25 years post this date. As at December 31, 2023, the landfills had an estimated remaining useful life of 3 to 11 years. Post-closure care is estimated to be required for a minimum 25 years from the date of site closure. The Township recognized an obligation relating to the removal and post-removal care of the landfill. These costs were discounted using a discount rate of 4.00% per annum and an inflation rate of 4.53% per annum.

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

5. Asset retirement obligations (continued):

(b) Asbestos obligation:

The Township owns and operates several buildings that are known to have asbestos and wells, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. Following the adoption of PS 3280 *Asset Retirement Obligations*, the Township assessed an obligation relating to the removal and post-removal care of the asbestos in these building as estimated at January 1, 2023 that was lower than the thresholds set out in note 1(i). Post-closure care is estimated to extend for up to a year post the closure of the building, while demolition and construction continues. Estimated costs have not been discounted as the date of demolition is unknown.

The change in the estimated obligation during the year consists of the following:

	Landfill closure	Asbestos and other removal	Total
Liabilities for asset retirement obligations, beginning of year	\$ 2,800,809	\$ –	\$ 2,800,809
Opening adjustment on adoption of PS 3280 <i>Asset Retirement Obligations</i> (note 16):			
Tangible capital assets	–	157,094	157,094
Landfill closure and post-closure	1,399,081	–	1,399,081
As restated	4,199,890	157,094	4,356,984
Accretion expense	167,996	–	167,996
Liabilities for asset retirement obligations, end of year	\$ 4,367,886	\$ 157,094	\$ 4,524,980

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

6. Accumulated municipal equity:

	2023	2022 (Restated, note 16)
Investment in tangible capital assets:		
Tangible capital assets	\$ 15,165,312	\$ 13,245,185
Unrestricted surplus:		
Township	—	120,015
Museum Boards	—	62,629
	15,165,312	13,427,829
Reserves (Schedule 1)	7,366,656	8,553,113
Unfinanced asset retirement obligations:		
Landfill closure and post-closure costs	(3,030,741)	(2,488,759)
Building remediation	(157,094)	(157,094)
Total accumulated municipal equity	\$ 19,344,133	\$ 19,335,089

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 last available report was as at December 31, 2023. At that time, the plan reported a \$4.2 billion actuarial deficit (2022 - \$6.7 billion actuarial deficit).

The amount contributed to OMERS was \$135,269 (2022 - \$125,092) for current services and is included as an expenditure on the consolidated statement of operations and accumulated municipal equity classified under the appropriate functional expenditure.

8. Trust funds:

Trust funds administered by the Township amounting to \$196,319 (2022 - \$197,426) 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.

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

9. Provincial Offences Administration (POA):

The Corporation of the Town of Perth ("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 of Perth 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 Town of 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's share is based on weighted assessment.

10. Commitments:

- (a) The Township has negotiated a long term contract with the Ontario Provincial Police for the provision of policing services. The contract ends December 31, 2023. Annual charges are determined based on the level of service and are reconciled to actual costs in the following year. The contract for 2023 was \$1,030,944 (2022 - \$1,020,449).
- (b) The Township has entered into various capital projects with future commitments in the amount of \$720,000. These projects are expected to commence in fiscal 2023 and will be funded through internal financing.

11. Contingent liabilities:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2023, management believes that the Township has valid defences and appropriate reserves and insurance coverages in place. In the event any claims are successful, the amount of any potential liability is not determinable, therefore, no amount has been accrued in the consolidated financial statements.

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements

Year ended December 31, 2023

12. Tangible capital assets:

Cost	Balance at December 31, 2022, as previously stated	Adjustments on adoption of PS 3280 (note 16)	Balance at December 31, 2022, as restated	Additions	Disposals	Balance at December 31, 2023
Land	\$ 406,128	\$ —	\$ 406,128	\$ —	\$ —	\$ 406,128
Land improvements	—	484,482	484,482	—	—	484,482
Buildings	4,637,741	157,094	4,794,835	86,732	—	4,881,567
Vehicles	6,696,911	—	6,696,911	507,912	—	7,204,823
Equipment	3,078,590	—	3,078,590	219,515	(155,810)	3,142,295
Bridges and culverts	5,460,142	—	5,460,142	1,861,333	—	7,321,475
Streetlights	592,547	—	592,547	—	—	592,547
Roads	13,294,693	—	13,294,693	310,925	—	13,605,618
Sewer lines	214,613	—	214,613	—	—	214,613
Total	\$ 34,381,365	\$ 641,576	\$ 35,022,941	\$ 2,986,417	\$ (155,810)	\$ 37,853,548

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

12. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2022, as previously stated	Adjustments on adoption of PS 3280 (note 16)	Balance at December 31, 2022, as restated	Amortization	Disposals	Balance at December 31, 2023
Land	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Land improvements	—	430,325	430,325	8,965	—	439,290
Buildings	2,878,971	139,707	3,018,678	121,727	—	3,140,405
Vehicles	4,433,556	—	4,433,556	271,322	—	4,704,878
Equipment	1,966,667	—	1,966,667	116,425	(155,810)	1,927,282
Bridges and culverts	2,991,675	—	2,991,675	91,260	—	3,082,935
Streetlights	564,735	—	564,735	3,477	—	568,212
Roads	8,160,137	—	8,160,137	450,484	—	8,610,621
Sewer lines	211,983	—	211,983	2,630	—	214,613
Total	\$ 21,207,724	\$ 570,032	\$ 21,777,756	\$ 1,066,290	\$ (155,810)	\$ 22,688,236

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements

Year ended December 31, 2023

12. Tangible capital assets (continued):

	2022	2023
	Net book value	Net book value
	(Restated, note 16)	
Land	\$ 406,128	\$ 406,128
Land improvements	54,157	45,192
Buildings	1,776,157	1,741,162
Vehicles	2,263,355	2,499,945
Equipment	1,111,923	1,215,013
Bridges and culverts	2,468,467	4,238,540
Streetlights	27,812	24,335
Roads	5,134,556	4,994,997
Sewer lines	2,630	—
Total	\$ 13,245,185	\$ 15,165,312

Included in tangible capital assets is \$Nil (2022 - \$72,451) of assets under construction.

13. Financial instruments and risk management:

(a) Credit risk:

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

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

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

13. Financial instruments and risk management (continued):

(a) Credit risk (continued):

	Current	Past due	Gross receivables	Allowances	Net receivables
Accounts receivable	\$ 870,383	\$ 692,354	\$ 1,562,737	\$ (698,979)	\$ 863,758
Taxes receivable	630,038	523,876	1,153,914	(80,000)	1,073,914
Total	\$ 1,500,421	\$ 1,216,230	\$ 2,716,651	\$ (778,979)	\$ 1,937,672

(b) Interest rate risk:

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

(c) Liquidity risk:

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

There have been no significant changes to the Township's risk exposures from 2022.

14. 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 operations and accumulated municipal equity.

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

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

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 1.

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

14. Segmented information (continued):

2023	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Social and Health Services	Recreation and culture Services	Planning and Development	Total
Revenue								
Government conditional grants	\$ 1,854,413	\$ 6,700	\$ 503,823	\$ 109,516	\$ -	\$ 81,221	\$ -	\$2,555,673
Licenses and permits	1,021	77,241	5,150	-	-	-	-	83,412
User fees	4,914	30,347	19,452	124,604	-	174,727	96,744	450,788
Provincial offences	25,590	-	-	-	-	-	-	25,590
Other	-	-	-	-	-	32,481	-	32,481
	1,885,938	114,288	528,425	234,120	-	288,429	96,744	3,147,944
Expenses								
Salaries and wages	775,325	412,252	761,299	14,175	-	465,428	27,801	2,456,280
Debenture interest	-	-	-	-	-	-	-	-
Materials and services	581,523	1,405,319	2,107,925	1,250,375	11,955	635,531	113,040	6,105,668
External transfers	430	40,353	-	-	-	22,746	-	63,529
Amortization	22,893	170,977	731,070	10,421	-	130,929	-	1,066,290
	1,380,171	2,028,901	3,600,294	1,274,971	11,955	1,254,634	140,841	9,691,767
Excess of revenue over expenses (expenses over revenue)	505,767	(1,914,613)	(3,071,869)	(1,040,851)	(11,955)	(966,205)	(44,097)	(6,543,823)
Funding through								
Taxation								5,775,888
Penalties and interest								171,588
Investment income								605,391
								6,552,867
Annual surplus								\$ 9,044

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

14. Segmented information (continued):

2022	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Social and Health Services	Recreation and culture Services	Planning and Development	Total
Revenue								
Government conditional grants	\$ 1,712,239	\$ -	\$ 792,745	\$ 71,375	\$ -	\$ 124,694	\$ -	\$2,701,053
Licenses and permits	-	-	-	-	-	-	112,653	112,653
User fees	38,395	10,000	10,010	116,903	-	111,169	18,875	305,352
Provincial offences	-	5,851	-	-	-	-	-	5,851
Other	43,491	-	-	-	-	182	-	43,673
	1,794,125	15,851	802,755	188,278	-	236,045	131,528	3,168,582
Expenses								
Salaries and wages	721,254	382,717	814,040	25,637	-	408,852	102,644	2,455,144
Debenture interest	-	-	-	-	-	-	-	-
Materials and services	631,887	1,406,385	2,371,053	1,021,772	-	491,798	108,325	6,031,220
External transfers	-	38,275	-	-	-	32,581	-	70,856
Amortization	16,601	132,255	621,134	21,261	-	120,589	-	911,840
	1,369,742	1,959,632	3,806,227	1,068,670	-	1,053,820	210,969	9,469,060
Excess of revenue over expenses (expenses over revenue)	424,383	(1,943,781)	(3,003,472)	(880,392)	-	(817,775)	(79,441)	(6,300,478)
Funding through								
Taxation								5,275,473
Penalties and interest								165,900
Investment income								197,043
								5,638,416
Annual deficit								\$ (662,062)

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

15. Budget information:

The 2023 budget amounts that were approved were not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Board Standards). The budget included capital items such as infrastructure replacements and estimated costs for constructed assets, as program expenses, but the actual expenses have been removed in the statement of operations and accumulated municipal equity. The revenues attributable to these items continue to be included in the consolidated statement of operations and accumulated municipal equity, resulting in a significant variance. The following analysis is provided to assist readers in their understanding of differences between the approved budget and the audited consolidated financial statements.

	2023 Budget	2023 Actual
Total revenues	\$ 8,897,512	\$ 9,700,811
Total expenses	8,597,207	9,691,767
Annual surplus	300,305	9,044
Amortization	—	1,066,290
Funds available	300,305	1,075,334
Capital expenditures	(3,315,298)	(2,986,417)
Prior year surplus	—	182,644
Change in unfunded ARO	—	541,982
Decrease net financial assets	\$ (3,014,993)	\$ (1,186,457)
Allocated as follows:		
Net transfers to reserves	\$ (3,014,993)	\$ (1,186,457)

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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

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

- PS 1201 *Financial Statement Presentation* replaces PS 1200 *Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 *Foreign Currency Translation*, PS 3450 *Financial Instruments*, and PS 3041 *Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.
- PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denoted in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses.
- PS 3041 *Portfolio Investments* replaces PS 3040 *Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 *Financial Instruments*. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 *Temporary Investments* no longer applies.
- PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.

(i) Establishing fair value:

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

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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

(a) (continued)

(ii) Fair value hierarchy:

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

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

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

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

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

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

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

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

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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

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

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

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

The Township removed the accrued landfill obligation that had been recognized to date and recognized an asset retirement obligation upon adoption of PS 3280 *Asset Retirement Obligations* on January 1, 2022. The liability represents the required closure and post-closure care costs for the landfill sites owned by the Township.

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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

(b) (continued):

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

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

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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

(b) (continued):

In accordance with the provisions of the new standard, the Township reflected the following adjustments as at December 31, 2022:

	As previous reported	Adjustments	As restated
Statement of Financial Position:			
Accrued landfill closure and post closure	\$ (2,800,809)	\$ 2,800,809	\$ –
Asset retirement obligations	–	(4,356,984)	(4,356,984)
Tangible capital assets	13,173,641	71,544	13,245,185
Accumulated surplus	20,819,720	(1,484,631)	19,335,089
Statement of Change in Net Financial Assets:			
Annual deficit	(958,208)	296,146	(662,062)
Amortization of tangible capital assets	900,534	11,306	911,840
Change in net financial assets	(1,573,611)	307,452	(1,266,159)
Statement of Operations:			
Accretion expense	–	307,452	307,452
Amortization of tangible capital assets	–	(11,306)	(11,306)
Annual deficit	(958,208)	296,146	(662,062)

17. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Schedule 1: Continuity of Reserves and Reserve Funds

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

	2023 Budget (note 15)	2023 Actual	2022 Actual
Net transfers from (to) other funds			
Transfers from (to) operations	\$ 450,300	\$ 1,564,601	\$ (71,980)
Transfers to capital acquisitions	(3,465,293)	(2,751,058)	(1,584,688)
Transfers	(3,014,993)	(1,186,457)	(1,656,668)
Reserves and reserve fund balances, beginning of year	8,553,113	8,553,113	10,209,781
Reserves and reserve fund balances, end of year	\$ 5,538,120	\$ 7,366,656	\$ 8,553,113

Composition of Reserves and Reserve Funds

	2023	2022
Reserves set aside for specific purposes by Council:		
Reserves set aside for specific purposes by Council		
Working capital	\$ 599,110	\$ 545,338
Contingency	33,503	33,503
Museums	26,246	35,988
Recreation	21,918	9,102
Election	22,500	10,000
Planning	61,466	54,666
	764,743	688,597
For capital purposes:		
Acquisition of capital assets	5,361,891	6,834,635
Fire purposes	975,248	854,246
Community centre funds	81,515	60,986
Library purposes	109,270	104,907
Museum boards	73,989	9,742
	6,601,913	7,864,516
Total reserves and reserve funds	\$ 7,366,656	\$ 8,553,113



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the Township of Lanark Highlands Lanark and District Museum Board (the Entity), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of financial activities and changes in fund balance for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2023, and its results of operations for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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



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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.



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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

September 9, 2025

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Lanark and District Museum Board
Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Financial assets:		
Cash	\$ 24,869	\$ 17,355
Investments (note 3)	27,206	31,055
	52,075	48,410
Financial liabilities:		
Accounts payable and accrued liabilities	—	—
Net financial assets	52,075	48,410
Accumulated surplus	\$ 52,075	\$ 48,410

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

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Lanark and District Museum Board
Statement of Financial Activities and Fund Balance

December 31, 2023, with comparative information for 2022

	2023 Budget	2023 Actual	2022 Actual
Revenue:			
Government grants:			
Federal grants	\$ —	\$ —	\$ 5,000
Municipal grants - Township of Lanark Highlands	5,000	5,000	5,000
Municipal grants - Township of Drummond/North Elmsley	500	500	500
User charges, fees and donations	800	1,740	2,676
Other income:			
Sales, miscellaneous	150	1,298	182
	6,450	8,538	13,358
Expenses:			
Utilities and maintenance	3,500	3,675	2,080
Supplies and services	6,800	1,198	2,075
	10,300	4,873	4,155
Annual surplus (deficit)	(3,850)	3,665	9,203
Accumulated surplus, beginning of year	48,410	48,410	39,207
Accumulated surplus, end of year	\$ 44,560	\$ 52,075	\$ 48,410

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

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Lanark and District Museum Board
Notes to Financial Statements

Year ended December 31, 2023

1. Significant accounting policy:

The financial statements of the Township of Lanark Highlands Lanark and District Museum Board are prepared by management in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies are as follows:

(a) Basis of accounting:

Revenue and expenditures are recorded on an accrual basis of accounting.

The accrual basis recognizes revenues in the period in which the transactions or events occurred and are measurable. Expenditures are recognized in the period in which they are incurred and measurable and a legal obligation to pay is created. Refunds are reported in the period that they are issued.

(b) Use of estimates:

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 those estimates.

2. Statement of cash flows:

A statement of cash flows has not been included in these financial statements as the information is readily determinable.

3. Investments:

Investments are comprised of guaranteed investment certificates yielding interest between 2.8% and 5.0%, with maturities up to December 2024.



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the Township of Lanark Highlands Lanark Township Museum Board (the Entity), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of financial activities and changes in fund balance for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2023, and its results of operations for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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



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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.



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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

September 9, 2025

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Lanark Township Museum Board
Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Financial assets:		
Cash	\$ 21,914	\$ 23,961
Net financial assets	21,914	23,961
Accumulated surplus	\$ 21,914	\$ 23,961

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

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Lanark Township Museum Board
Statement of Financial Activities and Fund Balance

December 31, 2023, with comparative information for 2022

	2023 Budget	2023 Actual	2022 Actual
Revenue:			
Government grants:			
Municipal grants - Township of Lanark Highlands	\$ 5,000	\$ 5,000	\$ 5,000
Other grants	9,000	26,903	16,900
User charges, admissions and donations	8,715	8,551	27,096
	22,715	40,454	48,996
Expenses:			
Program display	9,500	—	13,979
Contracted services and utilities	3,870	5,904	3,871
Supplies, maintenance and rent	6,288	14,165	4,646
Capital improvements	—	22,432	20,174
	19,658	42,501	42,670
Annual surplus (deficit)	3,057	(2,047)	6,326
Accumulated surplus, beginning of year	23,961	23,961	17,635
Accumulated surplus, end of year	\$ 27,018	\$ 21,914	\$ 23,961

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

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Lanark Township Museum Board
Notes to Financial Statements

Year ended December 31, 2023

1. Significant accounting policy:

The financial statements of the Township of Lanark Highlands Lanark Township Museum Board are prepared by management in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies are as follows:

(a) Basis of accounting:

Revenue and expenditures are recorded on an accrual basis of accounting.

The accrual basis recognizes revenues in the period in which the transactions or events occurred and are measurable. Expenditures are recognized in the period in which they are incurred and measurable and a legal obligation to pay is created. Refunds are reported in the period that they are issued.

(b) Use of estimates:

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 those estimates.

2. Statement of cash flows:

A statement of cash flows has not been included in these financial statements as the information is readily determinable.