

Consolidated Financial Statements of

**CORPORATION OF THE
TOWNSHIP OF LANARK
HIGHLANDS**

Year ended December 31, 2024

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Consolidated Financial Statements

Year ended December 31, 2024

Page

Management's Responsibility for the Consolidated Financial Statements

Independent Auditor's Report

Consolidated Financial Statements:

Consolidated Statement of Financial Position	1
Consolidated Statement of Operations and Accumulated Municipal Equity.....	2
Consolidated Statement of Changes in Net Financial Assets	3
Consolidated Statement of Cash Flows.....	4
Notes to Consolidated Financial Statements.....	5

Lanark and District Museum Board:

Independent Auditor's Report	24
Statement of Financial Position	27
Statement of Financial Activities and Fund Balance.....	28
Notes to Financial Statements	29

Lanark Township Museum Board:

Independent Auditor's Report	31
Statement of Financial Position	34
Statement of Financial Activities and Fund Balance.....	35
Notes to Financial Statements	36

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

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

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, 2024
- 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, 2024, 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.



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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Page 3

- 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 and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

November 25, 2025

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Consolidated Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Financial assets:		
Cash	\$ 8,539,165	\$ 9,568,171
Taxes receivable	1,508,139	1,073,914
Accounts receivable	747,618	863,758
	10,794,922	11,505,843
Financial Liabilities:		
Accounts payable and accrued liabilities	1,584,421	1,867,623
Asset retirement obligations (note 4)	4,699,695	4,524,980
Deferred revenue	199,586	130,927
Prepaid property taxes	399,952	366,065
Deferred revenue - obligatory reserve funds (note 3)	127,078	449,789
	7,010,732	7,339,384
Net financial assets	3,784,190	4,166,459
Non-financial assets:		
Tangible capital assets (note 11)	15,966,482	15,165,312
Prepaid expenses	22,022	12,362
	15,988,504	15,177,674
Commitments (note 9)		
Contingent liabilities (note 10)		
Accumulated municipal equity (note 5)	\$ 19,772,694	\$ 19,344,133

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, 2024, with comparative information for 2023

	2024 Budget (note 14)	2024 Actual	2023 Actual
Revenue:			
Property taxation	\$ 6,495,102	\$ 6,629,976	\$ 5,775,888
User charges	439,819	441,644	450,788
Government grants	2,597,536	2,699,406	2,555,673
Licences and permits	66,375	51,567	83,412
Investment income	160,000	468,443	605,391
Penalties and interest on taxes	165,000	183,698	171,588
Provincial offences	19,166	21,165	25,590
Other	39,400	52,740	32,481
	9,982,398	10,548,639	9,700,811
Expenses (note 13):			
General government	1,661,063	1,711,624	1,380,171
Protection to persons and property	2,074,565	2,232,287	2,028,901
Transportation services	2,978,368	3,498,740	3,600,294
Environmental services	1,285,746	1,387,373	1,274,971
Social and health services	13,925	4,009	11,955
Recreation and cultural services	1,140,112	1,498,802	1,254,634
Planning and development	176,144	127,582	140,841
	9,329,923	10,460,417	9,691,767
Operating surplus before the undernoted	652,475	88,222	9,044
Other:			
Contributions from developers	—	357,341	—
Loss on disposal of tangible capital assets	—	(17,002)	—
	—	340,339	—
Annual surplus	652,475	428,561	9,044
Accumulated municipal equity, beginning of year	19,344,133	19,344,133	19,335,089
Accumulated municipal equity, end of year	\$ 19,996,608	\$ 19,772,694	\$ 19,344,133

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, 2024, with comparative information for 2023

	2024 Budget (note 14)	2024 Actual	2023 Actual
Annual surplus	\$ 652,475	\$ 428,561	\$ 9,044
Amortization of tangible capital assets	—	1,276,932	1,066,290
Acquisition of tangible capital assets	(2,326,050)	(2,095,104)	(2,986,417)
Loss on disposal of tangible capital assets	—	17,002	—
Acquisition (utilization) of prepaid expenses	—	(9,660)	265
Change in net financial assets	(1,673,575)	(382,269)	(1,910,818)
Net financial assets, beginning of year	4,166,459	4,166,459	6,077,277
Net financial assets, end of year	\$ 2,492,884	\$ 3,784,190	\$ 4,166,459

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, 2024, with comparative information for 2023

	2024	2023
Operating activities:		
Annual surplus	\$ 428,561	\$ 9,044
Item not involving cash:		
Amortization of tangible capital assets	1,276,932	1,066,290
Change in asset retirement obligations	174,715	167,996
Loss on disposal of tangible capital assets	17,002	—
Change in non-cash operating working capital:		
Taxes receivable	(434,225)	265,832
Prepaid property taxes	33,887	(22,827)
Accounts receivable	116,140	(382,406)
Accounts payable and accrued liabilities	(283,202)	495,721
Deferred revenue	68,659	130,927
Deferred revenue - obligatory reserve funds	(322,711)	38,417
Prepaid expenses	(9,660)	265
	1,066,098	1,769,259
Capital activities:		
Acquisition of tangible capital assets	(2,095,104)	(2,986,417)
Investing activities:		
Proceeds on disposal of investments	—	52,665
Decrease in cash	(1,029,006)	(1,164,493)
Cash, beginning of year	9,568,171	10,732,664
Cash, end of year	\$ 8,539,165	\$ 9,568,171

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, 2024

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, 2024

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
Land improvements	10 to 50
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, 2024

1. Significant accounting policies (continued):

(d) Tangible capital assets (continued):

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:

The Township records derivatives and portfolio investments in equity instruments that are quoted in an active market at fair value. 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.

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, 2024

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, 2024

1. Significant accounting policies (continued):

(f) 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, 2024 or 2023.

(g) Inventory and prepaid expenses:

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

(h) 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.

(i) 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.

(j) Revenue recognition:

Government transfers and funding for projects are recognized in the consolidated financial statements as revenue when the transfer is authorized, any eligible criteria has been met and the amount can be reasonably estimated, except when and to the extent that stipulations by the transferor give rise to an obligation that meets the definition of a liability.

Township generated funds, generally consisting of user fees, licenses and permits, are recognized when the goods are sold or the services are provided, performance obligations fulfilled, and future economic benefits are measurable and expected to be obtained.

Other restricted contributions received in advance of the related expenditure are deferred until the related expenditure is incurred.

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

1. Significant accounting policies (continued):

(k) 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.

(l) Asset retirement obligations:

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

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

The liability for 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. Assumptions used in the 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. 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, 2024

1. Significant accounting policies (continued):

(m) Liability for contaminated sites:

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

- (a) an environmental standard exists;
- (b) contamination exceeds the environmental standard;
- (c) the 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.

(n) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

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

During 2024, 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	
	2024	2023	2024	2023
Property taxes	\$ 1,444,060	\$ 1,427,988	\$ 3,696,347	\$ 3,516,919
Taxation from other governments	899	1,308	42,929	41,907
Amounts requisitioned and paid	\$ 1,444,959	\$ 1,429,296	\$ 3,739,276	\$ 3,558,826

3. 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	2024 Total	2023 Total
Balance, beginning of year	\$ —	\$ 280,282	\$ 169,507	\$ 449,789	\$ 411,372
Government grants	183,009	—	—	183,009	176,433
Contributions from developers	—	—	7,249	7,249	7,800
Interest	—	17,059	10,322	27,381	30,617
Amounts utilized	(183,009)	(297,341)	(60,000)	(540,350)	(176,433)
Balance, end of year	\$ —	\$ —	\$ 127,078	\$ 127,078	\$ 449,789

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

4. 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, 2024, the landfills had an estimated remaining useful life of 2 to 10 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% (2023 - 4.00%) per annum and an inflation rate of 4.53% (2023 - 4.53%) per annum.

(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. 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 2024	Total 2023
Liabilities for asset retirement obligations, beginning of year	\$ 4,367,886	\$ 157,094	\$ 4,524,980	\$ 4,356,984
Accretion expense	174,715	—	174,715	167,996
Liabilities for asset retirement obligations, end of year	\$ 4,542,601	\$ 157,094	\$ 4,699,695	\$ 4,524,980

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

5. Accumulated municipal equity:

	2024	2023
Investment in tangible capital assets:		
Tangible capital assets	\$ 15,966,482	\$ 15,165,312
Reserves (Schedule 1)	7,073,762	7,366,656
Unfinanced asset retirement obligations:		
Landfill closure and post-closure costs	(3,110,456)	(3,030,741)
Building remediation	(157,094)	(157,094)
Total accumulated municipal equity	\$ 19,772,694	\$ 19,344,133

6. 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, 2024. At that time, the plan reported a \$2.9 billion actuarial deficit (2023 - \$4.2 billion actuarial deficit).

The amount contributed to OMERS was \$151,683 (2023 - \$135,269) 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.

7. Trust funds:

Trust funds administered by the Township amounting to \$199,260 (2023 - \$196,319) 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, 2024

8. 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.

9. Commitments:

The Township has an agreement with the Ontario Provincial Police for the provision of policing services. Annual charges are determined based on the level of service and are reconciled to actual costs in the following year. The amount paid for 2024 was \$1,053,660 (2023 - \$1,030,944).

During the year, the Township entered into agreements for the purchase of two vehicles. The vehicles are expected to be delivered in 2026 with an estimated cost of \$1,548,000, to be funded through external financing.

10. 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, 2024, 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 (continued)

Year ended December 31, 2024

11. Tangible capital assets:

Cost	Balance at December 31, 2023	Additions	Disposals	Balance at December 31, 2024
Land	\$ 406,128	\$ 186,601	\$ —	\$ 592,729
Land improvements	484,482	—	—	484,482
Buildings	4,881,567	101,677	—	4,983,244
Vehicles	7,204,823	720,940	(161,341)	7,764,422
Equipment	3,142,295	188,266	(17,002)	3,313,559
Bridges and culverts	7,321,475	103,157	—	7,424,632
Streetlights	592,547	—	—	592,547
Roads	13,605,618	794,463	—	14,400,081
Sewer lines	214,613	—	—	214,613
Total	\$ 37,853,548	\$ 2,095,104	\$ (178,343)	\$ 39,770,309

Accumulated amortization	Balance at December 31, 2023	Amortization	Disposals	Balance at December 31, 2024
Land	\$ —	\$ 3,426	\$ —	\$ 3,426
Land improvements	439,290	8,965	—	448,255
Buildings	3,140,405	118,363	—	3,258,768
Vehicles	4,704,878	304,463	(161,341)	4,848,000
Equipment	1,927,282	225,389	—	2,152,671
Bridges and culverts	3,082,935	142,183	—	3,225,118
Streetlights	568,212	—	—	568,212
Roads	8,610,621	474,143	—	9,084,764
Sewer lines	214,613	—	—	214,613
Total	\$ 22,688,236	\$ 1,276,932	\$ (161,341)	\$ 23,803,827

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

11. Tangible capital assets (continued):

	2023	2024
	Net book value	Net book value
Land	\$ 406,128	\$ 589,303
Land improvements	45,192	36,227
Buildings	1,741,162	1,724,476
Vehicles	2,499,945	2,916,422
Equipment	1,215,013	1,160,888
Bridges and culverts	4,238,540	4,199,514
Streetlights	24,335	24,335
Roads	4,994,997	5,315,317
Sewer lines	—	—
Total	\$ 15,165,312	\$ 15,966,482

Included in tangible capital assets is \$Nil (2023 - \$Nil) of assets under construction.

12. 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, 2024 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, 2024

12. Financial instruments and risk management (continued):

(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 2023.

13. 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, 2024

13. Segmented information (continued):

2024	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	\$ 1,702,400	\$ 55,588	\$ 461,677	\$ 185,294	\$ -	\$ 294,447	\$ -	\$ 2,699,406
Licenses and permits	2,351	44,877	4,339	-	-	-	-	51,567
User fees	26,944	38,380	21,949	124,842	-	185,195	44,334	441,644
Provincial offences	21,165	-	-	-	-	-	-	21,165
Contribution from developers	-	39,546	235,494	-	-	60,595	21,706	357,341
Other	-	14,523	-	-	-	38,217	-	52,740
Write down of tangible capital assets	(17,002)	-	-	-	-	-	-	(17,002)
	1,735,858	192,914	723,459	310,136	-	578,454	66,040	3,606,861
Expenses								
Salaries and wages	853,468	507,749	843,347	62,111	-	579,202	29,530	2,875,407
Debenture interest	-	-	-	-	-	-	-	-
Materials and services	834,449	1,522,367	1,804,498	1,309,968	4,009	666,331	98,052	6,239,674
External transfers	574	42,473	-	-	-	25,357	-	68,404
Amortization	23,133	159,698	850,895	15,294	-	227,912	-	1,276,932
	1,711,624	2,232,287	3,498,740	1,387,373	4,009	1,498,802	127,582	10,460,417
Excess of revenue over expenses (expenses over revenue)	24,234	(2,039,373)	(2,775,281)	(1,077,237)	(4,009)	(920,348)	(61,542)	(6,853,556)
Funding through								
Taxation								6,629,976
Penalties and interest								183,698
Investment income								468,443
								7,282,117
Annual surplus								\$ 428,561

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

13. 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, 2024

14. Budget information:

The 2024 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.

	2024 Budget
Total revenues	\$ 9,982,398
Total expenses	(9,329,923)
Annual surplus	652,475
Amortization	—
Funds available	652,475
Capital expenditures	(2,326,050)
Loss on disposal of tangible capital assets	—
Change in unfunded ARO	—
Decrease net financial assets	\$ (1,673,575)
Allocated as follows:	
Net transfers to reserves	\$ (1,673,575)

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

15. Change in accounting policy - adoption of new accounting standards:

The Township adopted the following standards concurrently beginning January 1, 2024 prospectively: PS 3160 *Public Private Partnerships*, PS 3400 *Revenue* and PSG-8 *Purchased Intangibles*.

- PS 3400 *Revenue* establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligations (i.e. the payor expects a good or service from the public sector entity), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions.

For exchange transactions, revenue is recognized when a performance obligation is satisfied. For non-exchange transactions, revenue is recognized when there is authority to retain an inflow of economic resources and a past event that gave rise to an asset has occurred.

- PSG-8 *Purchased Intangibles* provides guidance on the accounting and reporting for purchased intangible assets that are acquired through arm's length exchange transactions between knowledgeable, willing parties that are under no compulsion to act.
- PS 3160 *Public Private Partnerships* (P3s) provides specific guidance on the accounting and reporting for P3s between public and private sector entities where the public sector entity procures infrastructure using a private sector partner.

There was no impact to the financial statements as a result of adopting the new accounting standards.

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Schedule 1: Continuity of Reserves and Reserve Funds

Year ended December 31, 2024, with comparative information for 2023

	2024 Budget (note 14)	2024 Actual	2023 Actual
Net transfers from (to) other funds			
Transfers from operations	\$ 830,315	\$ 1,787,876	\$ 1,564,601
Transfers to capital acquisitions	(2,503,890)	(2,080,770)	(2,751,058)
Transfers	(1,673,575)	(292,894)	(1,186,457)
Reserves and reserve fund balances, beginning of year	7,366,656	7,366,656	8,553,113
Reserves and reserve fund balances, end of year	\$ 5,693,081	\$ 7,073,762	\$ 7,366,656

Composition of Reserves and Reserve Funds

	2024	2023
Reserves set aside for specific purposes by Council:		
Reserves set aside for specific purposes by Council		
Working capital	\$ 893,674	\$ 599,110
Contingency	180,278	33,503
Museums	26,246	26,246
Recreation	24,077	21,918
Election	36,000	22,500
Planning	75,105	61,466
	1,235,380	764,743
For capital purposes:		
Acquisition of capital assets	4,413,481	5,361,891
Fire purposes	1,176,144	975,248
Community centre funds	81,515	81,515
Library purposes	91,259	109,270
Museum boards	75,983	73,989
	5,838,382	6,601,913
Total reserves and reserve funds	\$ 7,073,762	\$ 7,366,656



KPMG LLP

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

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, 2024
- the statement of financial activities and 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, 2024, 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.



Page 26

- 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

Kingston, Canada

November 25, 2025

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Lanark and District Museum Board
Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Financial assets:		
Cash	\$ 22,303	\$ 24,869
Investments (note 3)	28,482	27,206
	50,785	52,075
Net financial assets	50,785	52,075
Accumulated surplus	\$ 50,785	\$ 52,075

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, 2024, with comparative information for 2023

	2024 Budget	2024 Actual	2023 Actual
Revenue:			
Government grants:			
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	4,514	6,046	1,740
Other income:			
Sales, miscellaneous	150	1,840	1,298
	10,164	13,386	8,538
Expenses:			
Utilities and maintenance	5,200	8,386	3,675
Supplies and services	6,197	6,290	1,198
	11,397	14,676	4,873
Annual surplus (deficit)	(1,233)	(1,290)	3,665
Accumulated surplus, beginning of year	52,075	52,075	48,410
Accumulated surplus, end of year	\$ 50,842	\$ 50,785	\$ 52,075

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, 2024

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.

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Lanark and District Museum Board
Notes to Financial Statements (continued)

Year ended December 31, 2024

4. Change in accounting policy - adoption of new accounting standards:

The Museum Board adopted the following standards concurrently beginning January 1, 2024 prospectively: PS 3160 *Public Private Partnerships*, PS 3400 *Revenue* and PSG-8 *Purchased Intangibles*.

- PS 3400 *Revenue* establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligations (i.e. the payor expects a good or service from the public sector entity), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions.

For exchange transactions, revenue is recognized when a performance obligation is satisfied. For non-exchange transactions, revenue is recognized when there is authority to retain an inflow of economic resources and a past event that gave rise to an asset has occurred.

- PSG-8 *Purchased Intangibles* provides guidance on the accounting and reporting for purchased intangible assets that are acquired through arm's length exchange transactions between knowledgeable, willing parties that are under no compulsion to act.
- PS 3160 *Public Private Partnerships* (P3s) provides specific guidance on the accounting and reporting for P3s between public and private sector entities where the public sector entity procures infrastructure using a private sector partner.

There was no impact to the financial statements as a result of adopting the new accounting standards.



KPMG LLP

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

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, 2024
- the statement of financial activities and 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, 2024, 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.



Page 33

- 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

Kingston, Canada

November 25, 2025

**CORPORATION OF THE TOWNSHIP OF LANARK
HIGHLANDS**

Lanark Township Museum Board
Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Financial assets:		
Cash	\$ 25,198	\$ 21,914
Net financial assets	25,198	21,914
Accumulated surplus	\$ 25,198	\$ 21,914

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, 2024, with comparative information for 2023

	2024 Budget	2024 Actual	2023 Actual
Revenue:			
Government grants:			
Municipal grants - Township of Lanark Highlands	\$ 5,000	\$ 5,000	\$ 5,000
Other grants	5,000	6,913	26,903
User charges, admissions and donations	8,000	10,535	8,551
	18,000	22,448	40,454
Expenses:			
Program display	1,000	2,595	—
Contracted services and utilities	6,150	4,902	5,904
Supplies, administration and rent	6,662	11,667	14,165
Repairs and maintenance	—	—	22,432
	13,812	19,164	42,501
Annual surplus (deficit)	4,188	3,284	(2,047)
Accumulated surplus, beginning of year	21,914	21,914	23,961
Accumulated surplus, end of year	\$ 26,102	\$ 25,198	\$ 21,914

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, 2024

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.

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Lanark Township Museum Board
Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Change in accounting policy - adoption of new accounting standards:

The Museum Board adopted the following standards concurrently beginning January 1, 2024 prospectively: PS 3160 *Public Private Partnerships*, PS 3400 *Revenue* and PSG-8 *Purchased Intangibles*.

- PS 3400 *Revenue* establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligations (i.e. the payor expects a good or service from the public sector entity), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions.

For exchange transactions, revenue is recognized when a performance obligation is satisfied. For non-exchange transactions, revenue is recognized when there is authority to retain an inflow of economic resources and a past event that gave rise to an asset has occurred.

- PSG-8 *Purchased Intangibles* provides guidance on the accounting and reporting for purchased intangible assets that are acquired through arm's length exchange transactions between knowledgeable, willing parties that are under no compulsion to act.
- PS 3160 *Public Private Partnerships* (P3s) provides specific guidance on the accounting and reporting for P3s between public and private sector entities where the public sector entity procures infrastructure using a private sector partner.

There was no impact to the financial statements as a result of adopting the new accounting standards.