

Consolidated Financial Statements of

**CORPORATION OF THE
TOWNSHIP OF LANARK
HIGHLANDS**

Year ended December 31, 2021

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Consolidated Financial Statements

Year ended December 31, 2021

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

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.

CAO/Deputy Clerk

Treasurer



KPMG LLP
22 Wilson Street, West
Perth ON K7H 2M9
Canada
Tel 613-267-6580
Fax 613-267-7563

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, 2021;
- 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, 2021, 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.



Page 2

Emphasis of Matter – Comparative Information

We draw attention to Note 15 to the financial statements (“Note 15”), which explains that certain comparative information presented for the year ended December 31, 2020 has been restated.

Note 15 explains the reason 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

The financial statements as at and for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on October 4, 2021.

As part of our audit of the financial statements for the year ended December 31, 2021, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2020. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year ended December 31, 2020.

Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

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.
- 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.



Page 4

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

June 27, 2023

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
		(Restated - note 15)
Financial assets:		
Cash	\$ 12,148,004	\$ 12,277,049
Taxes receivable	1,025,055	1,124,224
Accounts receivable	508,670	274,721
	13,681,729	13,675,994
Financial Liabilities:		
Accounts payable and accrued liabilities	1,089,172	1,301,849
Accrued landfill closure and post closure (note 8)	2,331,823	2,230,297
Prepaid property taxes	340,340	295,406
Deferred revenue – obligatory reserve funds (note 3)	713,331	474,372
	4,474,666	4,301,924
Net financial assets	9,207,063	9,374,070
Non-financial assets:		
Tangible capital assets (note 11)	12,489,487	12,484,007
Inventory	52,969	52,969
Prepaid expenses	28,409	–
	12,570,865	12,536,976
Commitments (note 9)		
Contingent liabilities (note 10)		
Accumulated municipal equity (note 4)	\$ 21,777,928	\$ 21,911,046

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, 2021, with comparative information for 2020

	Budget 2021 (note 13)	2021	2020 (Restated - note 15)
Revenue:			
Property taxation	\$ 5,023,729	\$ 5,012,362	\$ 5,016,673
User charges	148,075	317,546	442,226
Government grants	1,986,910	2,396,677	2,163,943
Contribution from developers	332,044	105,036	345,534
Licences and permits	50,000	60,294	55,584
Investment income	209,000	106,570	140,151
Penalties and interest on taxes	164,800	170,165	169,021
Provincial offences	-	17,458	21,077
Other	207,363	37,166	21,387
Total revenue	8,121,921	8,223,274	8,375,596
Expenses (note 12):			
General government	1,193,548	1,264,597	1,260,247
Protection to persons and property	2,111,363	1,875,605	1,923,606
Transportation services	2,272,980	3,077,406	2,872,795
Environmental services	752,045	960,363	813,078
Social and health services	500	375	207
Recreation and cultural services	811,195	1,029,968	921,689
Planning and development	179,403	142,835	164,868
Landfill closure and post-closure costs	-	5,243	(394,104)
Total expenses	7,321,034	8,356,392	7,562,386
Annual surplus (deficit) before the undernoted	800,887	(133,118)	813,210
Accumulated municipal equity, beginning of year:			
As previously stated		23,090,481	22,671,375
Correction of an error (note 15)		(1,179,435)	(1,573,539)
As restated		21,911,046	21,097,836
Accumulated municipal equity, end of year	\$	\$ 21,777,928	\$ 21,911,046

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, 2021, with comparative information for 2020

	Budget 2021 (note 13)	2021	2020 (Restated - note 15)
Annual surplus (deficit)	\$ 800,887	\$ (133,118)	\$ 813,210
Amortization of tangible capital assets	11,000	908,080	852,232
Acquisition of tangible capital assets	(1,176,701)	(913,558)	(908,487)
Acquisition of prepaid expenses	-	(28,411)	-
Change in net financial assets	(364,814)	(167,007)	756,955
Net financial assets, beginning of year	10,553,505	9,374,070	8,617,115
Net financial assets, end of year	\$ 10,188,691	\$ 9,207,063	\$ 9,374,070

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, 2021, with comparative information for 2020

	2021	2020 (Restated - note 15)
Operating activities:		
Annual surplus (deficit)	\$ (133,118)	\$ 813,210
Item not involving cash:		
Amortization of tangible capital assets	908,080	852,232
Change in non-cash operating working capital:		
Taxes receivable	99,169	30,298
Accounts receivable	(233,949)	104,560
Accounts payable and accrued liabilities	(212,677)	447,242
Accrued landfill closure and post closure	101,526	(299,104)
Prepaid property taxes	44,934	11,974
Deferred revenue	238,959	(170,694)
Prepaid expenses	(28,411)	-
	784,513	1,789,718
Capital activities:		
Acquisition of tangible capital assets	(913,558)	(908,487)
Change in cash	(129,045)	881,231
Cash, beginning of year	12,277,049	11,395,818
Cash, end of year	\$ 12,148,004	\$ 12,277,049

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, 2021

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, 2021

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 United Counties of Leeds and Grenville 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, 2021

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, at which time they are capitalized.

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

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) Inventory:

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.

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(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.

(h) Deferred revenue:

The Township receives 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) Investments:

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

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

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(j) Landfill closure and post-closure liabilities:

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

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

(k) 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.

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(l) 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.

2. Operations of the school boards and County of Lanark

During 2021, the Township collected and made property tax transfers including payments in lieu of property taxes, to the County of Lanark and School Boards as follows:

	School Boards		County of Lanark	
	2021	2020	2021	2020
Property taxes	\$ 1,393,248	\$ 1,417,154	\$ 3,275,561	\$ 3,219,867
Taxation from other governments	676	–	40,339	32,044
Amounts requisitioned and paid	\$ 1,393,924	\$ 1,417,154	\$ 3,315,900	\$ 3,251,911

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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:

	Federal gas tax	Development charges	Parkland	2021 Total	2020 Total
Balance, beginning of year	\$ 89,264	\$ 249,161	\$ 135,947	\$ 474,372	\$ 645,066
Government grants	332,044	–	–	332,044	1,800
Contributions from developers	–	–	4,200	4,200	161,935
Interest	2,989	3,081	1,681	7,751	11,105
Amounts utilized	(105,036)	–	–	(105,036)	(345,534)
Balance, end of year	\$ 319,261	\$ 252,242	\$ 141,828	\$ 713,331	\$ 474,372

4. Accumulated municipal equity:

	2021	2020 (Restated - note 15)
Investment in tangible capital assets:		
Tangible capital assets	\$ 12,489,487	\$ 12,484,007
Unrestricted surplus:		
Township	216,238	360,366
Museum Boards	47,100	38,967
	12,752,825	399,333
Reserves (Schedule 1)	10,209,781	10,207,141
Unfinanced landfill closure and post-closure costs	(1,184,678)	(1,179,435)
Total accumulated municipal equity	\$ 21,777,928	\$ 21,911,046

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

5. 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, 2021. At that time, the plan reported a \$3.1 billion actuarial deficit (2020 - \$4.3 billion actuarial deficit).

The amount contributed to OMERS was \$126,482 (2020 - \$245,409) 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.

6. Trust funds:

Trust funds administered by the Township amounting to \$188,676 (2020 - \$184,787) 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.

7. 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.

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

7. Provincial Offences Administration (POA) (continued):

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.

8. Landfill closure and post-closure liability:

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

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

The Township currently has three active landfill sites. Two of the landfill sites have been closed temporarily and are used as waste transfer sites. The active sites have varying estimated lives which range from approximately 2 years to 8 years.

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

Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the Township's average long term borrowing rate of 4.0% (2020 - 4.0%) and using an assumed rate of 1.6% (2020 - 1.6%) for inflation. The estimated total landfill closure and post-closure care Expenses are calculated to be approximately \$2.9 million. For sites that are inactive, the estimated liability for these expenses is recognized immediately. Included in financial liabilities on the Consolidated Statement of Financial Position at December 31, 2021 is an amount of \$2,331,823 (2020 - \$2,230,297, restated - Note 15) with respect to landfill closure and post-closure liabilities recognized to date.

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

9. Commitments:

The Township has negotiated a long term contract with the Ontario Provincial Police for the provision of policing services. The contract ends December 31, 2022. Annual charges are determined based on the level of service and are reconciled to actual costs in the following year. The contract for 2021 was \$1,052,128 (2020 - \$1,095,106).

The Township has negotiated a long term contract with Ewen Alexander for the provision of waste and recycling services at waste sites/transfer stations owned by the Township. The contract ends December 31, 2020 with two one-year options for renewal. The contract for 2021 was \$432,460 (2020 - \$419,703).

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, 2021, 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.

11. Tangible capital assets:

Cost	Balance at December 31, 2020	Additions	Disposals	Balance at December 31, 2021
Land	\$ 406,128	\$ –	\$ –	\$ 406,128
Buildings	4,637,741	–	–	4,637,741
Vehicles	6,417,844	279,067	–	6,696,911
Equipment	2,669,130	246,561	–	2,915,691
Bridges and culverts	5,387,691	–	–	5,387,691
Streetlights	557,781	34,766	–	592,547
Roads	11,592,191	353,164	–	11,945,355
Sewer lines	214,613	–	–	214,613
Total	\$ 31,883,119	\$ 913,558	\$ –	\$ 32,796,677

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

11. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2020	Amortization	Disposals	Balance at December 31, 2021
Land	\$ —	\$ —	\$ —	\$ —
Buildings	2,657,729	109,399	—	2,767,128
Vehicles	3,952,448	247,531	—	4,199,979
Equipment	1,722,786	127,996	—	1,850,782
Bridges and culverts	2,816,640	87,518	—	2,904,157
Streetlights	557,781	3,477	—	561,258
Roads	7,480,179	331,942	—	7,812,120
Sewer lines	211,549	217	—	211,766
Total	\$ 19,399,112	\$ 908,080	\$ —	\$ 20,307,190

	Net book value 2020	Net book value 2021
Land	\$ 406,128	\$ 406,128
Buildings	1,980,012	1,870,613
Vehicles	2,465,396	2,496,932
Equipment	946,344	1,064,909
Bridges and culverts	2,571,051	2,483,534
Streetlights	—	31,289
Roads	4,112,012	4,133,235
Sewer lines	3,064	2,847
Total	\$ 12,484,007	\$ 12,489,487

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

12. 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, 2021

12. Segmented information (continued):

2021	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	1,907,100	9,352	225,511	187,220	-	67,494	-	2,396,677
Licenses and permits	-	-	-	-	-	-	60,294	60,294
User fees	45,148	23,662	25,542	96,394	-	108,328	18,472	317,546
Provincial offences	-	17,458	-	-	-	-	-	17,458
Other	9,900	27,266	-	-	-	-	-	37,166
	1,962,148	77,738	251,053	283,614	-	175,822	78,766	2,829,141
Expenses								
Salaries and wages	660,907	403,563	772,762	33,035	-	346,532	110,357	2,327,156
Debt interest	-	-	-	-	-	-	-	-
Materials and services	580,797	1,287,341	1,696,862	920,275	375	508,565	32,478	5,026,693
External transfers	-	36,892	-	-	-	57,571	-	94,463
Amortization	22,893	147,809	607,782	12,296	-	117,300	-	908,080
	1,264,597	1,875,605	3,077,406	965,606	375	1,029,968	142,835	8,356,392
Excess of revenue over expenses (expenses over revenue)	697,551	(1,797,867)	(2,826,353)	(681,992)	(375)	(854,146)	(64,069)	(5,527,251)
Funding through								
Taxation								5,012,362
Penalties and interest								170,165
Investment income								106,570
Transfer payments								105,036
								5,394,133
Annual deficit								\$ (133,118)

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

12. Segmented information (continued):

2020 (Restated - note 15)	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	1,839,286	6,625	201,186	82,327	-	34,519	-	2,163,943
Licenses and permits	-	-	-	-	-	-	55,584	55,584
User fees	14,500	40,697	16,943	92,121	-	248,215	29,750	442,226
Provincial offences	-	21,077	-	-	-	-	-	21,077
Other	14,887	-	-	-	-	6,500	-	21,387
	1,868,673	68,399	218,129	174,448	-	289,234	85,334	2,704,217
Expenses								
Salaries and wages	694,621	383,699	737,917	25,552	-	323,743	104,616	2,270,148
Debt interest	-	-	2,602	-	-	-	-	2,602
Materials and services	549,025	1,329,209	1,601,380	375,164	207	366,061	60,252	4,281,298
External transfers	-	35,678	-	-	-	120,428	-	156,106
Amortization	16,601	175,020	530,896	18,258	-	111,457	-	852,232
	1,260,247	1,923,606	2,872,795	418,974	207	921,689	164,868	7,562,386
Excess of revenue over expenses (expenses over revenue)	608,426	(1,855,207)	(2,654,666)	(244,526)	(207)	(632,455)	(79,534)	(4,858,169)
Funding through								
Taxation								5,016,673
Penalties and interest								169,021
Investment income								140,151
Transfer payments								345,534
								5,671,379
Annual surplus								\$ 813,210

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

13. Budget figures:

The 2021 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.

	Budget 2021
Total revenues	\$ 8,121,921
Total expenses	(7,321,034)
Annual surplus	800,887
Amortization	11,000
Funds available	811,887
Acquisition of tangible capital assets	(1,176,701)
Decrease net financial assets	\$ (364,814)
Allocated as follows:	
Year-end operating:	
Township	\$ 19,805
Museum Boards	10,962
Net transfers (from) to reserves	(395,581)
	\$ (364,814)

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

14. Impact of COVID-19 pandemic:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian, Ontario and municipal governments, enacting emergency measures to combat the spread of the virus. The pandemic has had significant operational and financial impacts as a result of social and market disruption.

The Township continued to experience impacts of the pandemic in the 2021 fiscal year and beyond.

Impacts have been mitigated by associated funding and other cost saving measures. The outcome and time frame for a recovery from the pandemic is unknown, and therefore it is not practicable to estimate and disclose its financial effect on future operations at this time.

15. Restatement of comparative information:

During the year, management became aware that the landfill site post-closure and monitoring costs were calculated using incomplete information. The impact of this correction has been recorded retroactively in the December 31, 2020 comparative information and the cumulative effect up to January 1, 2020 has been recorded as a \$1,573,539 decrease to accumulated municipal equity. As a result of this correction, the annual surplus for 2020 as reported on the Statement of Operations and Accumulated Municipal Equity has increased by \$394,104 to \$813,210:

	2020
Accumulated surplus, beginning of year, as previously stated	\$ 22,671,375
To correct an error in relation to understatement of accrued landfill post-closure costs	(1,573,539)
Accumulated surplus, beginning of year, as restated	\$ 21,097,836
	2020
Annual surplus, as previously stated	\$ 419,106
To correct an error in relation to understatement of accrued landfill post-closure costs	394,104
Annual surplus, as restated	\$ 813,210

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

15. Restatement of comparative information (continued):

	2020
Accrued landfill post-closure, as previously stated	\$ 1,050,862
To correct an error in relation to understatement of accrued landfill post-closure costs	1,179,435
Annual surplus, as restated	\$ 2,230,297

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Schedule 1: Continuity of Reserves and Reserve Funds

Year ended December 31, 2021, with comparative information for 2020

	Budget (note 13)	2021	2020
Net transfers from (to) other funds			
Transfers from operations	\$ 511,445	\$ 589,992	\$ 171,084
Transfers to capital acquisitions	(907,026)	(587,352)	(134,196)
<u>Transfers</u>	<u>(395,581)</u>	<u>2,640</u>	<u>36,888</u>
Reserves and reserve fund balances, beginning of year	10,207,141	10,207,141	10,170,253
Reserves and reserve fund balances, end of year	<u>\$ 9,811,560</u>	<u>\$ 10,209,781</u>	<u>\$ 10,207,141</u>

Composition of Reserves and Reserve Funds

	2021	2020
Reserves set aside for specific purposes by Council:		
Reserves set aside for specific purposes by Council		
Working capital	\$ 953,805	\$ 921,135
Contingency	33,503	35,503
Museums	35,988	9,742
Recreation	5,116	5,116
Election	40,000	30,000
200 th Anniversary	3,731	-
Former Ward of Darling Township	255	255
	<u>1,072,398</u>	<u>1,001,751</u>
For capital purposes:		
Acquisition of capital assets	8,195,042	8,311,465
Fire purposes	775,847	694,705
Community centre funds	60,986	115,646
<u>Library purposes</u>	<u>105,508</u>	<u>83,574</u>
	<u>9,137,383</u>	<u>9,205,390</u>
Total reserves and reserve funds	\$ 10,209,781	\$ 10,207,141



KPMG LLP
22 Wilson Street, West
Perth ON K7H 2M9
Canada
Tel 613-267-6580
Fax 613-267-7563

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 Trust Funds of the Corporation of the Township of Lanark Highlands (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2021
- 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, 2021, 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.

Other Matter – Comparative Information

The financial statements as at and for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on October 4, 2021.



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.



- 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

June 27, 2023

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Trust Funds
Statement of Financial Position

December 31, 2021, with comparative information for 2020

			2021	2020
	Cemeteries	OHRP	Total	Total
Assets				
Cash	\$ 110,330	\$ 10,273	\$ 120,603	\$ 132,389
Long term receivables	-	13,875	13,875	13,875
Investments, at cost - Public Trustee	54,198	-	54,198	38,523
	\$ 164,528	\$ 24,148	\$ 188,676	\$ 184,787
Fund Balance				
Fund balance	\$ 164,528	\$ 24,148	\$ 188,676	\$ 184,787

See accompanying notes to financial statements.

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Trust Funds
Statement of Financial Activities and Fund Balance

December 31, 2021, with comparative information for 2020

	Cemeteries	OHRP	2021 Total	2020 Total
Revenue:				
Bank interest	\$ -	\$ -	\$ -	\$ 123
Perpetual care fees	3,889	-	3,889	6,200
	3,889	-	3,889	6,323
Expenses				
	-	-	-	-
Excess of revenue over expenses	3,889	-	3,889	6,323
Fund balance, beginning of year	160,639	24,148	184,787	178,464
Fund balance, end of year	\$ 164,528	\$ 24,148	\$ 188,676	\$ 184,787

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Trust Funds
Notes to Financial Statements

Year ended December 31, 2021

1. Significant accounting policy:

The financial statements of the Trust Funds of The Corporation of the Township of Lanark Highlands 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) Investments:

Investments are recorded at cost.

(c) 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. Ontario Home Renewal Program (OHRP):

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

Ontario Home Renewal Program loans receivable at December 31, 2021 are repayable by the owner occupant. In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balances of the loan immediately become due and payable by the homeowner.

The OHRP program was discontinued by the Ontario Ministry of Housing in July 1993. At that time the Ministry requested the repayment of all trust funds held by the Township.

3. Statement of cash flows:

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



KPMG LLP
22 Wilson Street, West
Perth ON K7H 2M9
Canada
Tel 613-267-6580
Fax 613-267-7563

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, 2021
- 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, 2021, 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.

Other Matter – Comparative Information

The financial statements as at and for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on October 4, 2021.



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.
- 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

June 27, 2023

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Lanark and District Museum Board
Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets:		
Cash	\$ 39,207	\$ 37,048
Financial liabilities:		
Accounts payable and accrued liabilities	–	3,324
Net financial assets	39,207	33,724
Accumulated surplus	\$ 39,207	\$ 33,724

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, 2021, with comparative information for 2020

	Budget 2021	Actual 2021	Actual 2020
Revenue:			
Government grants:			
Federal grants	\$ –	\$ –	\$ 5,000
Municipal grants – Lanark Highlands	5,000	5,000	7,450
Municipal grants – Drummond/North Elmsley	500	500	500
User charges, fees and donations	1,100	1,372	3,283
Other income:			
Sales, miscellaneous	–	330	5,377
	6,600	7,202	21,610
Expenses:			
Wages	2,600	–	–
Utilities	3,300	1,572	3,080
Books and other supplies	700	147	449
Services, rents and miscellaneous	–	–	161
	6,600	1,719	3,690
Annual surplus	–	5,483	17,920
Accumulated surplus, beginning of year	33,724	33,724	15,804
Accumulated surplus	\$ 33,724	\$ 39,207	\$ 33,724

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, 2021

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.



KPMG LLP
22 Wilson Street, West
Perth ON K7H 2M9
Canada
Tel 613-267-6580
Fax 613-267-7563

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, 2021
- 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, 2021, 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.

Other Matter – Comparative Information

The financial statements as at and for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on October 4, 2021.



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.
- 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

June 27, 2023

CORPORATION OF THE TOWNSHIP OF LANARK HIGHLANDS

Lanark Township Museum Board
Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets:		
Cash	\$ 17,635	\$ 15,345
Net financial assets	17,635	15,345
Accumulated surplus	\$ 17,635	\$ 15,345

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, 2021, with comparative information for 2020

	Budget 2021	Actual 2021	Actual 2020
Revenue:			
Government grants:			
Municipal grants – Lanark Highlands	\$ 5,000	\$ 5,000	\$ 10,900
Other grants	–	3,100	–
User charges, admissions and donations	5,950	4,812	2,551
	<u>10,950</u>	<u>12,912</u>	<u>13,451</u>
Expenses:			
Contracted services and utilities	3,000	3,793	3,145
Supplies, maintenance and rent	10,000	6,829	4,179
Capital improvements	–	–	21,196
	<u>13,000</u>	<u>10,622</u>	<u>28,520</u>
Annual surplus (deficit)	(2,050)	2,290	(15,069)
Accumulated surplus, beginning of year	15,345	15,345	30,414
Accumulated surplus	<u>\$ 13,295</u>	<u>\$ 17,635</u>	<u>\$ 15,345</u>

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, 2021

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.