

Consolidated Financial Statements of

**THE CORPORATION OF
THE TOWN OF SMITHS FALLS**

And Independent Auditor's Report thereon

Year ended December 31, 2022

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Year ended December 31, 2022

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Corporation of the Town of Smiths Falls (the "Town") are the responsibility of the Town'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 Town'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.

The Committee of the Whole 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 Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.



Malcolm Morris
Chief Administrative Officer



Stephen Dickey
Interim Treasurer



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Town of Smiths Falls:

Opinion

We have audited the consolidated financial statements of the Corporation of the Town of Smiths Falls (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net debt 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, 2022, 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.



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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

February 20, 2024

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets:		
Cash	\$ 19,145,242	\$ 18,857,920
Taxes receivable	1,455,427	913,920
Accounts receivable	3,714,197	1,900,114
Inventory of land for resale	1,044,754	810,165
Long-term receivable	9,512	10,762
Investment in Smiths Falls Hydro-Electric Generation Co. Ltd. (note 4)	5,428	5,428
	<u>25,374,560</u>	<u>22,498,309</u>
Financial liabilities:		
Accounts payable and accrued liabilities	2,805,119	2,224,099
Prepaid property taxes	601,944	578,007
Other current liabilities	1,182,853	701,933
Employee future benefit obligations (note 5)	2,494,575	2,408,549
Deferred revenue (note 6)	3,283,819	3,299,792
Long term liabilities (note 7)	16,067,450	17,009,989
	<u>26,435,760</u>	<u>26,222,369</u>
Net debt	(1,061,200)	(3,724,060)
Non-financial assets:		
Tangible capital assets (note 14)	102,386,230	97,458,536
Inventories	130,179	96,851
Prepaid expenses	110,585	90,320
	<u>102,626,994</u>	<u>97,645,707</u>
Contingent liabilities (note 12)		
Commitments (note 13)		
Accumulated surplus (note 8)	\$ 101,565,794	\$ 93,921,647

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2022, with comparative information for 2021

	2022 Budget (note 16)	2022 Actual	2021 Actual
Revenue:			
Taxation	\$ 17,828,812	\$ 17,922,613	\$ 17,870,424
Government transfers	11,772,755	10,078,073	5,856,555
User charges	6,672,412	6,815,804	6,291,220
Other municipalities	1,061,052	1,170,098	1,043,535
Other income	65,900	484,558	580,619
Licenses and permits	765,700	471,489	339,296
Contribution from developers	-	455,717	-
Investment income	73,925	429,463	106,347
Penalties and interest on taxes	178,000	177,760	163,597
Smiths Falls Hydro-Electric Generation Co. Ltd. net loss (note 4)	-	-	(16,600)
	<u>38,418,556</u>	<u>38,005,575</u>	<u>32,234,993</u>
Expenses (note 15):			
General government	2,414,731	2,256,061	1,956,133
Protection to persons and property	8,031,947	7,709,269	6,965,972
Transportation services	3,933,697	4,015,927	4,280,428
Environmental services	8,598,198	7,914,253	6,819,913
Health services	1,052,096	941,183	917,019
Social and family services	2,669,697	2,420,749	2,563,969
Recreation and cultural services	3,852,190	3,888,776	3,263,387
Planning and development	1,145,756	1,129,184	1,474,310
Post-retirement benefits	270,480	86,026	112,480
	<u>31,968,792</u>	<u>30,361,428</u>	<u>28,353,611</u>
Annual surplus	6,449,764	7,644,147	3,881,382
Accumulated surplus, beginning of year	93,921,647	93,921,647	90,040,265
Accumulated surplus, end of year	<u>\$ 100,371,411</u>	<u>\$ 101,565,794</u>	<u>\$ 93,921,647</u>

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Consolidated Statement of Changes in Net Debt

Year ended December 31, 2022, with comparative information for 2021

	2022 Budget (note 16)	2022 Actual	2021 Actual
Annual surplus (deficit)	\$ 6,449,764	\$ 7,644,147	\$ 3,881,382
Amortization of tangible capital assets	4,972,688	3,720,766	3,712,163
Acquisition of tangible capital assets	(15,313,802)	(8,284,172)	(1,679,085)
Contribution from developers	–	(455,717)	–
Write-down of tangible capital assets	–	91,429	201,106
Acquisition of inventories	–	(33,328)	(4,079)
Acquisition (disposal) of prepaid expenses	–	(20,265)	869
	(10,341,114)	(4,981,287)	2,230,974
Decrease (increase) in net debt	(3,891,350)	2,662,860	6,112,356
Net debt, beginning of year	(3,724,060)	(3,724,060)	(9,836,416)
Net debt, end of year	\$ (7,615,410)	\$ (1,061,200)	\$ (3,724,060)

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Consolidated Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 7,644,147	\$ 3,881,382
Items not involving cash:		
Amortization of tangible capital assets	3,720,766	3,712,163
Contribution from developers	(455,717)	-
Write-down of tangible capital assets	91,429	201,106
Employee future benefit obligations	86,026	112,480
Change in non-cash operating working capital:		
Taxes receivable	(541,507)	126,001
Accounts receivable	(1,814,083)	1,034,373
Inventory of land for resale	(234,589)	(931)
Long-term receivable	1,250	1,250
Inventories	(33,328)	(4,079)
Prepaid expenses	(20,265)	869
Accounts payable and accrued liabilities	581,020	(1,113,699)
Prepaid property taxes	23,937	88,100
Other current liabilities	480,920	43,051
Deferred revenue	(15,973)	1,236,206
Net change in cash from operating activities	9,514,033	9,318,272
Capital activities:		
Acquisition of tangible capital assets	(8,284,172)	(1,679,085)
Net change in cash from capital activities	(8,284,172)	(1,679,085)
Investing activities:		
Decrease in investment in Smiths Falls Hydro-Electric Generation Co. Ltd.	-	16,600
Net change in cash from investing activities	-	16,600
Financing activities:		
Repayment of long-term debt	(942,539)	(901,137)
Net change in cash from financing activities	(942,539)	(901,137)
Increase in cash	287,322	6,754,650
Cash, beginning of year	18,857,920	12,103,270
Cash, end of year	\$ 19,145,242	\$ 18,857,920

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements

Year ended December 31, 2022

The Corporation of the Town of Smiths Falls (the "Town") was incorporated January 1, 1883 and assumed its responsibilities under the authority of the Provincial Secretary. The Town operates as a single 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 Corporation of the Town are the representations of management and have been prepared in all material respects in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting entity:

(i) The consolidated financial statements reflect financial assets, liabilities, revenue, expenses, reserves, reserve funds and changes in investment in tangible capital assets of the Town. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Town and which are owned or controlled by the Town. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated. These consolidated financial statements include:

- Public Library Board
- Business Improvement Area Committee

(ii) The Town's investment in Smiths Falls Hydro-Electric Generation Co. Ltd. is accounted for on a modified equity basis, consistent with generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise accounting principles are not adjusted to conform with those of the Town and inter-organizational transactions and balances are not eliminated.

(iii) The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these consolidated financial statements.

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

(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.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

- (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 (net debt) for the year.

(c) Taxation and related revenues:

Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established by Town Council, incorporating amounts to be raised for local services and amounts the Town 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 revenue 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 Town 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 cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	30
Buildings	20 to 50
Machinery and equipment	7 to 30
Computer hardware and software	10
Vehicles	8 to 20
Linear assets:	
Roads	30 to 65
Bridges	30 to 65
Water and sewer	60 to 100

Assets under construction are not amortized until the asset is available for productive use, at which time it is capitalized.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(d) Tangible capital assets (continued):

The Town has a capitalization threshold of \$5,000 for vehicles and equipment, \$50,000 for linear assets and \$15,000 for buildings so that individual capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons.

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

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value 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 Surplus in the year of disposal.

When conditions indicate that a tangible capital asset no longer contributes to the Town'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 Surplus.

(e) Leases:

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

(f) Inventories:

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

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(g) Pension and employee benefits:

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

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

The Town accrues its obligation for employee benefit plans which will require funding in future periods. The cost of post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Actuarial gains and losses which can arise from changes in the actuarial assumptions used to determine the accrued benefit obligation will be amortized over the average remaining service life of active employees.

(h) Land inventory for resale:

Land inventory for resale is recorded at the lower of cost and net realizable value. Cost includes improvements to prepare the land for sale.

(i) Government transfers:

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

(j) Deferred revenue:

The Town receives contributions pursuant to legislation, regulations or agreement that may only be used for certain programs or on the completion of specific work. In addition, certain user charges are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenses are incurred, or services performed.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(j) Deferred revenue (continued):

The Town also receives restricted contributions under the authority of Federal and Provincial legislation and Town by-laws. Government transfers of the Ontario Community Infrastructure Fund and Canada Community Building Fund (formerly Federal Gas Tax), development charges collected under the Development Charges Act, 1997, parkland collected under the Planning Act and building surpluses earned under the Building Code Act are restricted in their use, and until applied to applicable costs, are recorded as deferred revenue, obligatory reserve funds on the Consolidated Statement of Financial Position. These amounts are recognized as revenue in the fiscal year the services are performed, or related expenses incurred.

(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 Town:
 - (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.

(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. Significant areas requiring the use of management's estimates include the actuarial assumptions used to develop the employee future benefit obligations. Actual results could differ from those estimates.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

2. Operations of the school boards:

The Town collects and makes property tax transfers, including payments in lieu of property taxes, to the School Boards as follows:

	2022	2021
Property taxes	\$ 2,483,157	\$ 2,538,967
Taxation from other governments	1,305	1,305
	<u>\$ 2,484,462</u>	<u>\$ 2,540,272</u>

3. Bank indebtedness:

The Town's financial agreement with the Royal Bank of Canada provides for an operating credit facility of up to \$3,000,000 to finance expenses, pending receipt of property taxes and other income. Interest on funds borrowed is drawn at the Bank's prime rate minus 0.5% per annum. As at December 31, 2022 there was \$Nil (2021 - \$Nil) drawn on the facility.

4. Investment in Smiths Falls Hydro-Electric Generation Co. Ltd.:

The Town of Smiths Falls is the sole shareholder of the Smiths Falls Hydro-Electric Generation Co. Ltd. ("SFGC"), a government business enterprise. The principal business of SFGC is to generate electric power for the Town of Smiths Falls, however, SFGC has not been in operation since 2002.

The following table presents condensed supplementary financial information for SFGC for the year ended December 31:

	2022	2021
Financial position:		
Capital assets	\$ 92,317	\$ 92,317
Due to Town	\$ 86,889	\$ 86,889
Promissory note (no fixed terms of repayment)	900,000	900,000
Shareholder's deficit	(894,572)	(894,572)
	<u>\$ 92,317</u>	<u>\$ 92,317</u>
Results of operations		
Net revenue	\$ —	\$ —
Operating expenses	—	(16,600)
Net loss	<u>\$ —</u>	<u>\$ (16,600)</u>

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

5. Employee future benefits obligations:

The Town provides non- pension retirement benefits for extended health care, dental and other benefits to specific groups of employees. Eligibility is based upon unreduced retirement with at least 20 years of service until age 65. The Town's cost is 100% of the monthly premium.

The accrued benefit liability relating to the employee non-pension retirement benefits has been actuarially determined using the projected benefit method pro-rated on services. Based on the full actuarial valuation completed as at December 31, 2022, the accrued benefit obligation was \$2,494,575 (2021 - \$2,408,549).

Actuarial gains and losses are amortized on a straight line basis over the expected average remaining service life of the related employee groups, which is estimated to be 12.14 years (2021 - 10.8 years).

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

Discount Rate	4.32%
Trend Rates	7.5% decreasing by 0.5% annually to 4.0%
Employee Turnover	4.5% decreasing to 1.0% after 25 years of service, none after age 55
Retirement Age	Earlier of age 65 or age plus service totals 90 with at least 30 years of service (age 60 or 85 with at least 20 years of service for Police and Fire)

The continuity of post-employment benefits liability for 2022 is as follows:

	2022	2021
Balance, beginning of year	\$ 2,408,549	\$ 2,296,069
Current service costs	150,000	147,877
Interest costs	55,000	54,980
Benefits paid	(160,000)	(158,000)
Amortization of actuarial loss	41,026	67,623
Balance, end of year	\$ 2,494,575	\$ 2,408,549

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

5. Employee future benefits obligations (continued):

The accrued benefit liability at December 31, 2022 includes the following:

	2022	2021
Accrued benefit obligation	\$ 2,027,083	\$ 3,054,348
Unamortized actuarial gain (loss)	467,492	(645,799)
Balance, end of year	\$ 2,494,575	\$ 2,408,549

6. Deferred revenue:

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

The transactions for the year are summarized below:

	Infrastructure funding	Canada Community Building Fund	Development Charges	Parkland	Building permit	Total
January 1, 2022	\$1,187,790	\$ 677,060	\$ –	\$ 42,500	\$ 1,392,442	\$ 3,299,792
Government grants	1,157,043	556,918	–	66,000	–	1,779,961
Development charges collected	–	–	1,050,012	–	581,563	1,631,575
Interest income	11,806	2,802	8,426	1,894	23,991	48,919
Recognized as revenue	(2,356,639)	(1,119,789)	–	–	–	(3,476,428)
December 31, 2022	\$ –	\$ 116,991	\$ 1,058,438	\$ 110,394	\$ 1,997,996	\$ 3,283,819

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

7. Long-term liabilities:

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

	2022	2021
Fixed rate bank loans with Royal Bank of Canada with maturity dates between 2023 and 2031 and interest rates between 2.13% and 4.17%	\$ 7,811,313	\$ 8,466,592
Fixed rate loans with Ontario Infrastructure Projects Corporation with interest rates between 3.90% to 4.83%, maturing 2041	8,218,090	8,500,350
Smiths Falls Flying Club for capital works, non-interest bearing loan, repayable in annual instalments of \$5,000, maturing 2030	38,047	43,047
	<u>\$ 16,067,450</u>	<u>\$ 17,009,989</u>

- (b) Principal payments fall due as follows:

2023	\$ 3,805,183
2024	1,295,472
2025	637,018
2026	660,470
2027	684,875
2028 and thereafter	8,984,432
	<u>\$ 16,067,450</u>

- (b) These payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing:

- (c) Interest expense on long term liabilities in 2022 amounted to \$656,605 (2021 - \$712,312).

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

8. Accumulated surplus:

	2022	2021
Investment in tangible capital assets:		
Tangible capital assets	\$ 102,386,230	\$ 97,458,536
Long-term liabilities	(16,067,450)	(17,009,989)
Long-term receivable	9,512	10,762
Total investment in tangible capital assets	86,328,292	80,459,309
Unfinanced capital	(1,395,230)	(1,271,053)
Unrestricted surplus:		
Business Improvement Area surplus	22,736	42,282
Invested in land for resale	1,044,754	810,165
Inventory not for resale	130,179	96,851
Prepaid expenses	110,585	90,320
Total unrestricted surplus	1,308,254	1,039,618
Unfunded liabilities:		
Employee future benefit obligations	(2,494,575)	(2,408,549)
Reserves and reserve funds (Schedule 1):		
Reserves	17,801,925	16,086,923
Reserve funds	11,700	9,971
	17,813,625	16,096,894
Equity in Smiths Falls Hydro-Electric Generation Co. Ltd.	5,428	5,428
Total accumulated surplus	\$ 101,565,794	\$ 93,921,647

9. Pension contributions:

The Town 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 Town does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

The last available report was at December 31, 2022, and at that time, the plan reported a \$6.7 billion actuarial deficit (2021 - \$3.1 billion actuarial deficit).

The amount contributed to OMERS was \$852,595 (2021 - \$789,022) for current services and is included as an expense on the Consolidated Statement of Operations and Accumulated Surplus classified under the appropriate functional expenditure.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

10. Trust funds:

Trust funds administered by the Town amounting to \$648,089 (2021 - \$626,445) are presented in a separate financial statement of trust fund balances and operations. As such balances are held in trust by the Town for the benefit of others, they are not presented as part of the Town's financial position or financial activities.

11. Provincial Offences Administration ("POA")

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

The POA is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor Licence Act, Municipal By-Laws and minor federal offences. The POA governs all aspects of legal process from serving notice to a defendant, to conducting trials, including sentencing and appeals.

The Town's share of net revenues arising from operation of the POA office have been consolidated with these consolidated financial statements. The revenue of the court office consists of fines levied under Parts I and III (including delay penalties) for POA charges filed in the Perth court.

If fines are paid at other court offices, the receipt is recorded in the Integrated Courts Operation Network System ("ICON") operated by the Province of Ontario. Revenue is recognized when receipt of funds is recorded by the provincial ICON system regardless of the location where payment is made.

The Town of Smiths Falls shares net POA revenues based on weighted assessment.

12. Contingent liabilities:

(a) Contaminated sites:

The Town has identified a potential liability for a contaminated site located at 25 Old Mill Road. This site was previously used as a water treatment facility. The Town completed an environmental assessment of the property and determined the soil is contaminated. An estimate of the liability for the contaminated site, cannot be reasonably estimated at this time. The site is currently vacant and no remediation is required at this time. A liability for contaminated sites will be recognized in these consolidated financial statements, if required, when a future use of the site is known. Estimated recoveries from the redevelopment of the property will be applied towards any remediation costs.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

12. Contingent liabilities (continued):

(b) Litigation:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time as well as pending assessment appeals. With respect to claims as at December 31, 2022, management believes that the Town has valid defences and appropriate 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.

13. Commitments:

- (a) The Town has negotiated a long-term contract with Glenview Iron and Metal for the collection and disposal of recycled materials. The contract expires December 2025. Annual charges under the contract are determined based on the number of households. The prices are adjusted annually for inflation. Payments under the contract for 2022 were \$268,395 (2021 - \$219,696).
- (b) The Town has negotiated a long-term contract with Glenview Iron and Metal for the collection and disposal of solid waste. The contract expires December 2025. Annual charges under the contract are determined based on the number of households for collection and tonnage for disposal. The prices are adjusted annually for inflation. Payments under the contract for 2022 were \$524,433 (2021 - \$408,974).
- (c) The Town has entered into a revenue sharing agreement with the Township of Montague regarding the realignment of the municipal boundary between the Town and the Township of Montague. The Town has agreed to annual payments, in perpetuity, to the Township of Montague of 50% of the municipal levy on the annexed area. The amount in 2022 was \$145,631 (2021 - \$145,632)
- (d) The Corporation of the Town of Smiths Falls has previously entered into the following capital contracts and funding commitments:

Description of the Project	Capital commitment (000's)	Costs incurred to date (000's)
Beckwith Street Construction - Phase 2	\$ 4,720	\$ 161
Wastewater treatment plant upgrades	437	31
Town Hall renovation phase III	2,530	2,110

- (e) Subsequent to year-end, the Town entered into agreements for certain capital projects. The total value of these commitments is \$7,042,017.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

14. Tangible capital assets:

Cost	Balance at December 31, 2021	Additions	Disposals/ Adjustments	Balance at December 31, 2022
Land	\$ 896,479	\$ –	\$ –	\$ 896,479
Land improvements	79,656	–	–	79,656
Buildings:				
Memorial Community Centre	12,988,203	–	–	12,988,203
Youth Centre	1,950,182	–	–	1,950,182
Other recreation facilities	2,957,758	–	–	2,957,758
Water plant	28,472,105	91,007	–	28,563,112
Wastewater facility	29,790,139	75,479	–	29,865,618
Other	10,304,367	37,860	–	10,342,227
Machinery and equipment:				
Traffic and streetlights	3,179,475	644,810	(92,230)	3,732,055
Roads	1,139,719	27,994	–	1,167,713
Recreation and cultural	1,590,826	37,880	(17,358)	1,611,348
Other	1,635,307	19,393	(50,154)	1,604,546
Computer hardware and software	236,895	–	–	236,895
Vehicles:				
Fire	2,464,460	–	–	2,464,460
Police	328,549	58,280	(30,159)	356,670
Public works	989,990	–	–	989,990
Other	248,126	–	–	248,126
Linear assets:				
Roads	31,735,145	2,396,227	(220,310)	33,911,062
Bridges	6,640,861	–	–	6,640,861
Water and sewer	39,716,703	1,890,735	(12,851)	41,594,587
Construction in progress	639,583	3,460,224	–	4,099,807
Total	\$ 177,984,528	\$ 8,739,889	\$ (423,062)	\$ 186,301,355

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

14. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2021	Disposals/ Adjustments	Amortization expense	Balance at December 31, 2022
Land	\$ –	\$ –	\$ –	\$ –
Land improvements	79,656	–	–	79,656
Buildings:				
Memorial Community Centre	4,425,261	–	264,450	4,689,711
Youth Centre	1,244,478	–	29,302	1,273,780
Other recreation facilities	1,045,175	–	84,868	1,130,043
Water plant	12,290,839	–	487,712	12,778,551
Wastewater facility	15,353,433	–	705,523	16,058,956
Other	2,679,883	–	314,904	2,994,787
Machinery and equipment:				
Traffic and streetlights	1,065,899	(83,080)	98,076	1,080,895
Roads	605,680	–	63,229	668,909
Recreation and cultural	1,259,109	(5,208)	73,566	1,327,467
Other	1,049,506	(42,657)	84,011	1,090,860
Computer hardware and software	206,616	–	6,578	213,194
Vehicles:				
Fire	1,083,949	–	108,163	1,192,112
Police	163,008	(28,588)	36,814	171,234
Public works	799,602	–	47,560	847,162
Other	191,345	–	16,687	208,032
Linear assets:				
Roads	17,493,274	(165,296)	616,618	17,944,596
Bridges	2,314,536	–	106,667	2,421,203
Water and sewer	17,174,743	(6,804)	576,038	17,743,977
Construction in progress	–	–	–	–
Total	\$ 80,525,992	\$ (331,633)	\$ 3,720,766	\$ 83,915,125

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

14. Tangible capital assets (continued):

	Net book value December 31, 2022	Net book value December 31, 2021
Land	\$ 896,479	\$ 896,479
Land improvements	-	-
Buildings:		
Memorial Community Centre	8,298,492	8,562,942
Youth Centre	676,402	705,704
Other recreation facilities	1,827,715	1,912,583
Water plant	15,784,561	16,181,266
Wastewater facility	13,806,662	14,436,706
Other	7,347,440	7,624,484
Machinery and equipment:		
Traffic and streetlights	2,651,160	2,113,576
Roads	498,804	534,039
Recreation and cultural	283,881	331,717
Other	513,686	585,801
Computer hardware and software	23,701	30,279
Vehicles:		
Fire	1,272,348	1,380,511
Police	185,436	165,541
Public works	142,828	190,388
Other	40,094	56,781
Linear assets:		
Roads	15,966,466	14,241,871
Bridges	4,219,658	4,326,325
Water and sewer	23,850,610	22,541,960
Construction in progress	4,099,807	639,583
Total	\$ 102,386,230	\$ 97,458,536

15. Segmented Information:

The Town 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 Surplus.

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.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

15. Segmented Information (continued):

2022

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development Services	Post-retirement benefits	2022 Total
Revenue:										
Taxation	\$ 17,922,613	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,922,613
Government transfers	3,635,799	234,229	4,550,207	89,984	-	-	1,195,643	372,211	-	10,078,073
User charges	48,096	117,257	65,432	5,510,639	104,772	418,377	489,006	62,225	-	6,815,804
Other municipalities	-	418,569	11,528	10,900	-	431,318	271,783	26,000	-	1,170,098
Other income	10,000	216,370	-	-	-	1,475	22,124	234,589	-	484,558
Licenses and permits	8,530	462,959	-	-	-	-	-	-	-	471,489
Contribution from developers	-	-	455,717	-	-	-	-	-	-	455,717
Investment income	417,790	-	-	-	11,673	-	-	-	-	429,463
Penalties and interest on taxes	177,760	-	-	-	-	-	-	-	-	177,760
Smiths Falls Hydro-Electric Generation Co. Ltd. (net loss)	-	-	-	-	-	-	-	-	-	-
	22,220,588	1,449,384	5,082,884	5,611,523	116,445	851,170	1,978,556	695,025	-	38,005,575
Expenses:										
Salaries, wages and employee benefits	1,247,919	6,224,839	1,549,590	1,720,295	93,688	787,377	1,544,199	652,789	86,026	13,906,722
Materials and services	1,004,683	903,471	1,629,271	3,833,691	14,342	136,673	1,508,995	370,507	-	9,401,633
Amortization of tangible capital assets	3,459	354,604	968,180	1,797,488	1,424	17,482	570,076	8,053	-	3,720,766
External transfers	-	53,384	-	-	819,578	1,479,217	134,259	97,835	-	2,584,273
Debenture debt interest	-	103,212	7,533	417,921	-	-	127,939	-	-	656,605
Write-down of tangible capital assets	-	5,759	70,211	-	12,151	-	3,308	-	-	91,429
Interfunctional adjustment	-	64,000	(208,858)	144,858	-	-	-	-	-	-
	2,256,061	7,709,269	4,015,927	7,914,253	941,183	2,420,749	3,888,776	1,129,184	86,026	30,361,428
Annual surplus (deficit)	\$ 19,964,527	\$ (6,259,885)	\$ 1,066,957	\$ (2,302,730)	\$ (824,738)	\$ (1,569,579)	\$ (1,910,220)	\$ (434,159)	\$ (86,026)	\$ 7,644,147

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

15. Segmented Information (continued):

2021

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development Services	Post-retirement benefits	2021 Total
Revenue:										
Taxation	\$ 17,870,424	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,870,424
User charges	56,361	43,314	12,878	5,368,990	113,019	331,844	306,474	58,340	-	6,291,220
Government transfers	4,107,530	89,509	1,245,846	95,985	-	-	123,167	194,518	-	5,856,555
Other municipalities	-	389,860	14,612	10,600	-	443,361	248,648	(63,546)	-	1,043,535
Other	5,200	20,941	-	-	-	-	554,478	-	-	580,619
Licenses and permits	5,970	333,326	-	-	-	-	-	-	-	339,296
Penalties and interest on taxes	163,597	-	-	-	-	-	-	-	-	163,597
Investment income	102,427	-	-	-	3,920	-	-	-	-	106,347
Smiths Falls Hydro-Electric Generation Co. Ltd. (net loss)	(16,600)	-	-	-	-	-	-	-	-	(16,600)
	22,294,909	876,950	1,273,336	5,475,575	116,939	775,205	1,232,767	189,312	-	32,234,993
Expenses:										
Salaries, wages and employee benefits	1,240,935	5,641,033	1,216,259	1,557,812	91,615	847,315	1,390,048	596,008	112,480	12,693,505
Materials and services	711,739	745,133	2,235,030	2,990,699	24,601	78,522	985,652	538,725	-	8,310,101
Amortization of tangible capital assets	3,459	354,262	931,902	1,789,506	1,838	17,482	596,854	16,860	-	3,712,163
External transfers	-	51,407	-	-	798,965	1,620,650	132,467	120,935	-	2,724,424
Debenture debt interest	-	110,444	8,215	433,949	-	-	158,366	1,338	-	712,312
Write-down of tangible capital assets	-	-	662	-	-	-	-	200,444	-	201,106
Interfunctional adjustment	-	63,693	(111,640)	47,947	-	-	-	-	-	-
	1,956,133	6,965,972	4,280,428	6,819,913	917,019	2,563,969	3,263,387	1,474,310	112,480	28,353,611
Annual surplus (deficit)	\$ 20,338,776	\$ (6,089,022)	\$ (3,007,092)	\$ (1,344,338)	\$ (800,080)	\$ (1,788,764)	\$ (2,030,620)	\$ (1,284,998)	\$ (112,480)	\$ 3,881,382

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

16. Budget Figures

The 2022 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 Consolidated Statement of Operations and Accumulated Surplus. The revenues attributable to these items continue to be included in the Consolidated Statement of Operations and Accumulated Surplus, 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 financial statements:

	Budget	Actual
Total revenue	\$ 38,418,556	\$ 38,005,575
Total expenses	31,968,792	30,361,428
Net revenue	6,449,764	7,644,147
Amortization	4,972,688	3,720,766
Adjusted net revenue	11,422,452	11,364,913
Capital revenue	–	–
Funds available	11,422,452	11,364,913
Acquisition of tangible capital assets	(15,313,802)	(8,284,172)
Contribution from developers	–	(455,717)
Write-down of tangible capital assets	–	91,429
Acquisition of land inventory	–	(234,589)
Acquisition of inventory	–	(33,328)
Disposal of prepaid expense	–	(20,265)
Prior year surplus	7,486	–
Principal repayments	(943,437)	(942,539)
Net long-term debt acquired	584,844	–
Increase in unfunded post-employment benefits	270,480	86,026
Increase (decrease) in operating surplus	\$ (3,971,977)	\$ 1,571,758

Allocated as follows:

Operating surplus (deficit)	\$ –	\$ (20,796)
Net transfers to reserves	(1,752,757)	1,716,731
Net increase in unfinanced capital	(2,219,220)	(124,177)
	\$ (3,971,977)	\$ 1,571,758

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Schedule 1 – Continuity of Reserves and Reserve Funds

Year ended December 31, 2022, with comparative information for 2021

	2022 Budget	2022 Actual	2021 Actual
Revenue:			
Investment income	\$ –	\$ 229	\$ 72
Total net revenue	–	229	72
Net transfers from (to) other funds:			
Transfers from operations	4,446,662	5,596,150	7,859,812
Transfers to capital acquisitions	(6,199,419)	(3,879,648)	(2,062,425)
	(1,752,757)	1,716,502	5,797,387
Reserves and reserve fund balances, change in year	(1,752,757)	1,716,731	5,797,459
Reserves and reserve fund balances, beginning of year	16,096,894	16,096,894	10,299,435
Reserves and reserve fund balances, end of year	\$ 14,344,137	\$ 17,813,625	\$ 16,096,894

Continuity of reserves and reserve funds:

	2022 Actual	2021 Actual
Reserves set aside for specific purposes by Council:		
For operating purposes:		
Working capital	\$ 3,249,858	\$ 2,964,732
Insurance	37,983	37,983
Contingencies	2,708,385	1,597,849
Water and sewer operations	633,804	681,702
Economic development	128,000	61,038
Library purposes	46,000	54,331
	6,804,030	5,397,635
For capital purposes:		
Industrial development	209,106	224,168
Recreation and culture	132,006	187,191
Library purposes	540,500	540,500
Airport	23,990	21,490
Protective inspection	53,339	428,971
Child development centre	42,021	42,021
Water and sewer	3,894,043	3,234,086
Capital projects	6,102,890	6,010,861
	10,997,895	10,689,288
	17,801,925	16,086,923
Reserve funds:		
Parking	11,700	9,971
Total reserves and reserve funds	\$ 17,813,625	\$ 16,096,894



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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Town of Smiths Falls:

Opinion

We have audited the financial statements of the Trust Funds of the Corporation of the Town of Smiths Falls (the Entity), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of financial activities and changes in fund balances 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, 2022, 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- 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

February 20, 2024

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Trust Funds Statement of Financial Position

December 31, 2022, with comparative information for 2021

	Pardy Flag Trust	Esther Lewis Trust	Hillcrest Cemetery Trust	2022	2021
Assets					
Cash	\$ 5,557	\$ 69,940	\$ 572,592	\$ 648,089	\$ 626,445
Fund Balances					
Fund balance	\$ 5,557	\$ 69,940	\$ 572,592	\$ 648,089	\$ 626,445

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Trust Funds

Statement of Financial Activities and Changes in Fund Balances

December 31, 2022, with comparative information for 2021

	Pardy Flag Trust	Esther Lewis Trust	Hillcrest Cemetery Trust	2022	2021
Revenue:					
Bank interest	\$ 113	\$ 1,422	\$ 11,673	\$ 13,208	\$ 4,453
Sale of cemetery plots	–	–	20,109	20,109	18,300
	113	1,422	31,782	33,317	22,753
Expenses:					
Transfer to revenue fund	–	–	11,673	11,673	3,920
Administration	–	–	–	–	2,499
	–	–	11,673	11,673	6,419
Annual surplus	113	1,422	20,109	21,644	16,334
Fund balance, beginning of year	5,444	68,518	552,483	626,445	610,111
Fund balance, end of year	\$ 5,557	\$ 69,940	\$ 572,592	\$ 648,089	\$ 626,445

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Trust Funds
Notes to Financial Statements

Year ended December 31, 2022

1. Significant accounting policies:

The financial statements of the Corporation of the Town of Smiths Falls (the "Town") Trust Funds (the "financial statements") are prepared by management in accordance with Canadian public sector accounting standards.

(a) Reporting entity:

These statements reflect the assets, liabilities, revenue, and expenses of the Trust Funds.

(b) Basis of accounting:

The financial statements are prepared using the accrual basis of accounting.

The accrual basis recognizes revenue as they become available and measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

(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 expenses 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 it would not provide additional meaningful information.

3. Esther Jean Lewis Trust Fund:

The Esther Jean Lewis Trust Fund was established by a bequest from the late Esther Jean Lewis in 1991 to provide a source of income to the Heritage House Museum.

4. Hillcrest Cemetery Trust Fund:

The Hillcrest Cemetery Trust Fund was established to provide funds for care and maintenance of the cemetery. Interest is transferred to the Town on an annual basis to provide funds for expenses.

5. Pardy Flag Trust Fund:

The trust fund was established to provide a source of income to replace flags at the Town Hall.