

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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**Town of Smiths Falls
Consolidated
Financial Statements
December 31, 2020**

Town of Smiths Falls
Five Year Financial Review
(not subject to audit)

December 31	2020	2019	2018	2017	2016
Population (Statistics Canada)	8,780	8,780	8,780	8,780	8,780
Number of Households (MPAC)	4,393	4,391	4,356	4,351	4,348
<hr/>					
Taxable Assessment (000's)	\$	\$	\$	\$	\$
Residential and farm	591,315	576,432	559,555	548,921	552,782
Commercial and industrial	118,894	111,899	110,750	119,203	128,432
Total	710,209	688,331	670,305	668,124	681,214
Commercial, industrial as % of assessment	16.74%	16.26%	16.52%	17.84%	18.85%
<hr/>					
Rates of Taxation					
Residential					
▸ for general municipal purposes	1.658916	1.658916	1.633093	1.633093	1.589494
▸ for school board purposes	0.153000	0.161000	0.170000	0.179000	0.188000
Total	1.811916	1.819916	1.803093	1.812093	1.777494
Multi-Residential (total)	3.470832	3.478832	3.436186	3.445186	3.447735
Commercial (total)	4.511603	4.551603	4.550832	4.600832	4.525113
Industrial (total)	5.098938	5.138178	5.265540	5.360196	5.364320
Tax Arrears ▸ percentage of current levy (<10%)**	6.74%	9.75%	12.86%	11.91%	14.01%
Taxes Transferred (000's)					
▸ School Boards	2,486	2,394	2,397	2,645	2,698
<hr/>					
Revenues (000's)	\$	\$	\$	\$	\$
▸ Taxation and payments in lieu	15,104	14,335	13,714	13,370	13,401
▸ Government transfers	5,380	5,282	5,239	5,169	4,921
▸ Fees and service charges	6,104	6,471	6,494	6,048	5,963
▸ Other	614	1,587	2,846	1,154	929
▸ Revenues related to capital assets	4,833	2,029	3,002	2,618	2,920
Total	32,035	29,704	31,295	28,359	28,134
<hr/>					
Expenses (000's)					
▸ Operations	27,886	27,960	27,002	27,962	26,214
▸ Amortization	3,944	4,348	4,238	4,231	4,181
<hr/>					
Net Financial Assets (Net Debt)					
▸ % of Operating Revenue (>(20%))**	(36.16%)	(29.21%)	(30.64%)	(51.90%)	(57.47%)
▸ % of Taxation and User Charges (>(50%))**	(47.89%)	(38.19%)	(46.04%)	(71.25%)	(77.51%)

**Represents the Provincial Low Risk Indicator.

(Note: All dollar amounts are in thousands of dollars.)

Town of Smiths Falls
Five Year Financial Review
(not subject to audit)

December 31	2020	2019	2018	2017	2016
	\$	\$	\$	\$	\$
Long Term Debt					
▸ Net long term debt (000's)	17,911	17,560	17,458	18,202	18,996
▸ Long term debt charges (000's)	1,506	1,443	1,529	1,617	1,731
▸ Total annual repayment limit (000's)	5,779	5,159	5,075	4,861	4,573
▸ Long term debt per household	4,077	3,999	4,008	4,183	4,369
▸ Debt charges (000's)					
▸ rate supported ▸ water & sewer	750	730	816	903	901
▸ tax supported	756	713	713	714	830
	1,506	1,443	1,529	1,617	1,731
Municipal Equity (000's)					
▸ Surplus and Reserves	9,033	9,999	9,393	5,063	4,558
▸ Invested in capital assets	80,985	75,853	76,049	76,069	76,161
▸ Equity in Smiths Falls Hydro-Electric Generation Co. Ltd.	22	39	55	72	88
▸ Asset consumption ratio	43.62%	45.06%	42.59%	41.17%	39.72%
▸ Reserves as % of operating expenses (>20%)**	36.93%	41.03%	39.84%	23.88%	21.90%
Financial Indicators					
▸ Sustainability					
▸ financial assets to liabilities	0.63	0.73	0.63	0.45	0.42
▸ financial assets to liabilities excluding long term debt	1.90	1.87	2.26	1.78	1.74
▸ long term debt to tangible capital assets	17.97%	18.80%	18.51%	19.28%	19.97%
▸ capital reserves to accumulated amortization	7.98%	10.34%	9.99%	5.38%	4.21%
▸ Flexibility					
▸ Debt charges to total operating revenue (<5%)**	5.54%	5.87%	5.20%	6.28%	6.87%
▸ Total operating revenue to taxable assessment	3.83%	3.82%	4.22%	3.85%	3.70%
▸ Working capital to operating expenses (>10%)**	28.96%	35.30%	31.33%	17.32%	17.23%
▸ Vulnerability					
▸ Operating government transfers ▸ to operating revenue	15.76%	15.50%	14.49%	16.46%	16.45%
▸ Total government transfers ▸ to total revenues	29.79%	21.20%	21.62%	23.69%	25.04%



SMITHS FALLS

RISE AT THE FALLS

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Town of Smiths Falls 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 2 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

Malcom Morris, CAO

Janet Koziel, Treasurer



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 Town of Smiths Falls (the 'Entity'), which comprise:

- the consolidated statement of financial position as at December 31, 2020;
- 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 the 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 consolidated financial position of the Entity as at December 31, 2020, and its consolidated results of operations, its consolidated changes in net debt and its consolidated 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 '**Auditors' 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 judgement 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 of 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 auditors' 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 auditors' 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.



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario
June 7, 2021.

**Town of Smiths Falls
Consolidated Statement of Financial Position**

December 31	2020	2019
	\$	\$
ASSETS		
Financial Assets		
Cash and short term deposits	12,103,270	16,907,442
Taxes receivable (net of allowance of \$101,000)	1,039,921	1,465,329
Accounts receivable	2,934,487	2,298,587
Inventory for resale	809,234	435,890
Long term receivable	12,012	13,262
Investment in Smiths Falls Hydro-Electric Generation Co. Ltd. (note 5)	22,028	38,628
	16,920,952	21,159,138
LIABILITIES		
Financial Liabilities		
Accounts payable and accrued liabilities	3,337,798	3,197,224
Prepaid property taxes	489,907	455,864
Other current liabilities	658,882	739,277
Employee future benefit obligations (note 6)	2,296,069	2,147,167
Deferred revenues (note 7)	2,063,586	4,749,363
Long term liabilities (note 8)	17,911,126	17,560,401
	26,757,368	28,849,296
NET DEBT	(9,836,416)	(7,690,158)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 17)	99,692,720	93,399,814
Inventories	92,772	99,204
Prepaid expenses	91,189	82,527
	99,876,681	93,581,545
Commitments (note 15) Contingent Liabilities (note 13 & 14)		
MUNICIPAL EQUITY (note 9)	90,040,265	85,891,387

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

Town of Smiths Falls Consolidated Statement of Operations

For the year ended December 31	(Note 19) Budget	2020	2019
	\$	\$	\$
REVENUES			
Taxation ▶ residential	10,217,003	10,341,546	10,020,274
▶ commercial	4,266,730	4,091,787	3,645,817
▶ other governments	692,179	670,921	669,242
User charges ▶ sewer and water	5,308,600	5,316,715	5,125,158
▶ recreation and culture	619,200	335,863	580,345
▶ social and family	392,991	235,072	407,883
▶ other	189,635	216,782	357,579
Government transfers	3,785,893	4,286,306	4,079,277
Other municipalities	1,115,163	1,093,451	1,203,040
Deferred revenues earned (note 7)	29,426	---	---
Licences and permits	413,100	327,971	944,130
Investment income	78,000	163,007	269,126
Penalties and interest on taxes	235,000	96,324	292,922
Other ▶ sales	14,400	8,501	11,125
▶ other	21,900	34,942	85,687
Smiths Falls Hydro-Electric Generation Co. Ltd. (net loss)	---	(16,600)	(16,600)
TOTAL REVENUES	27,379,220	27,202,588	27,675,005
EXPENSES			
General government	1,883,566	1,794,748	1,854,402
Protection to persons and property	7,364,982	6,834,120	6,625,519
Transportation services	5,213,222	3,794,351	3,613,995
Environmental services	8,562,334	7,480,723	7,759,101
Health services	956,001	884,086	929,017
Social and family services	2,334,880	2,389,708	2,602,695
Recreation and cultural services	3,867,460	3,348,512	3,325,745
Planning and development	1,070,302	1,211,084	1,142,300
Post retirement benefits actuarial valuation	227,859	148,902	106,858
TOTAL EXPENSES	31,480,606	27,886,234	27,959,632
NET EXPENSES FROM OPERATIONS	(4,101,386)	(683,646)	(284,627)
OTHER			
Grants and transfers related to capital			
Deferred revenues earned (note 7)	4,083,536	3,041,216	370,623
Government transfers	2,401,608	2,215,524	1,559,741
Other	---	91,959	172,822
Write down of capital assets	---	(516,175)	(74,165)
Transfer to obligatory reserve fund	---	---	(1,350,000)
	6,485,144	4,832,524	679,021
ANNUAL SURPLUS	2,383,758	4,148,878	394,394
MUNICIPAL EQUITY, BEGINNING OF YEAR	85,891,387	85,891,387	85,496,993
MUNICIPAL EQUITY, END OF YEAR	88,275,145	90,040,265	85,891,387

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

**Town of Smiths Falls
Consolidated Statement of Changes in Net Debt**

For the year ended December 31	(Note 19) Budget	2020	2019
	\$	\$	\$
ANNUAL SURPLUS	2,383,758	4,148,878	394,394
Amortization of tangible capital assets	4,404,861	3,943,863	4,348,374
Acquisition of tangible capital assets	(12,701,318)	(10,770,995)	(3,514,583)
Disposal of tangible capital assets	---	18,051	3,816
Write down of capital assets	---	516,175	74,165
Disposal of supplies inventories	---	6,432	16,306
Acquisition of prepaid expenses	---	(8,662)	(13,912)
	(8,296,457)	(6,295,136)	914,166
(INCREASE) DECREASE IN NET DEBT	(5,912,699)	(2,146,258)	1,308,560
NET DEBT, BEGINNING OF YEAR	(7,690,158)	(7,690,158)	(8,998,718)
NET DEBT, END OF YEAR	(13,602,857)	(9,836,416)	(7,690,158)

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

Town of Smiths Falls Consolidated Statement of Cash Flows

For the year ended December 31	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Annual surplus for the year	4,148,878	394,394
Amortization	3,943,863	4,348,374
Write down of capital assets	516,175	74,165
	8,608,916	4,816,933
Net Change in Non-Cash Working Capital Balances		
Taxes receivable	425,408	419,965
Accounts receivable	(635,900)	849,826
Inventory for resale	(373,344)	6,385
Accounts payable and accrued liabilities	140,574	775,659
Prepaid property taxes	34,043	53,458
Other current liabilities	(80,395)	232,516
Employee future benefit obligations	148,902	106,858
Deferred revenues	(2,685,777)	3,398,010
Inventories	6,432	16,306
Prepaid expenses	(8,662)	(13,912)
Long term receivable	1,250	1,250
	(3,027,469)	5,846,321
Working Capital from Operations	5,581,447	10,663,254
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(10,770,995)	(3,514,583)
Disposal of capital assets	18,051	3,816
Net investment in tangible capital assets	(10,752,944)	(3,510,767)
INVESTING ACTIVITIES		
Decrease in investment in Smiths Falls Hydro-Electric Generation Co. Ltd.	16,600	16,600
Net decrease in cash from investing activities	16,600	16,600
FINANCING ACTIVITIES		
Debt issued for Town purposes	1,105,670	786,742
Debt principal repayments	(754,945)	(684,817)
Net increase in cash from financing activities	350,725	101,925
NET (DECREASE) INCREASE IN CASH	(4,804,172)	7,271,012
CASH, BEGINNING OF YEAR	16,907,442	9,636,430
CASH, END OF YEAR	12,103,270	16,907,442

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

Town of Smiths Falls

Notes to the Consolidated Financial Statements

December 31, 2020

1. Status of the Town of Smiths Falls

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.

2. Significant Accounting Policies

The consolidated financial statements of the Town of Smiths Falls 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:

Reporting Entity

- (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 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

The Smiths Falls Hydro-Electric Generation Co. Ltd. (Smiths Falls Generation) 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.

- (ii) 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.

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 excess of revenues over expenses, provides the change in net financial assets for the year.

Town of Smiths Falls
Notes to the Consolidated Financial Statements

December 31, 2020

2. Significant Accounting Policies / continued

Basis of Accounting / continued

- (iii) 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.

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.

Tangible Capital Assets

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

Land	
Land Improvements	30 years
Buildings	50 years
Machinery and Equipment	7 - 30 years
Computer Hardware and Software	10 years
Vehicles	8 - 20 years
Linear Assets	
Roads	30 - 65 years
Water and Sewer	60 - 65 years
Construction in Progress	

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

One half of the annual amortization is charged in the year of acquisition and in the year of disposal for purchased assets. Constructed assets are charged amortization in the year following completion.

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 operations reasons.

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

Town of Smiths Falls

Notes to the Consolidated Financial Statements

December 31, 2020

2. Significant Accounting Policies / continued

Tangible Capital Assets / continued

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

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

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.

Inventories and Prepaid Expenses

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

Pension and Employee Benefits

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

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

Cash and Cash Equivalents

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

Town of Smiths Falls

Notes to the Consolidated Financial Statements

December 31, 2020

2. Significant Accounting Policies / continued

Government Transfers

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

Deferred Revenues

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

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

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

Investments

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

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

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.

Town of Smiths Falls
Notes to the Consolidated Financial Statements

December 31, 2020

2. Significant Accounting Policies / continued

Liability for Contaminated Sites / continued

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.

Financial Instruments

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

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

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

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

Measurement Uncertainty

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the consolidated financial statements in the period in which they become known.

3. Operations of the School Boards

During 2020, the Town collected and made property tax transfers including payments in lieu of property taxes, to the School Boards as follows:

	2020	2019
	\$	\$
Property taxes	2,484,738	2,392,775
Taxation from other governments	1,305	1,285
Amounts requisitioned and paid	2,486,043	2,394,060

Town of Smiths Falls

Notes to the Consolidated Financial Statements

December 31, 2020

4. 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, 2020 there was \$Nil (2019 \$Nil) drawn on the facility.

5. 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, the company has not been in operation since 2002.

The following table presents condensed supplementary financial information for the company for the year ended December 31.

	2020	2019
	\$	\$
Financial Position		
Capital assets	108,917	125,117
Due to Town	86,889	86,889
Promissory note (no fixed terms of repayment)	900,000	900,000
Shareholders' deficit	(877,972)	(861,372)
	108,917	125,117
Results of Operations		
Net Revenue	---	---
Operating Expenses	(16,600)	(16,600)
Net Loss for the Year	(16,600)	(16,600)

6. 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.

An independent actuarial study of the employee non-pension benefits has been undertaken. The most recent valuation of the employee future benefit was effective January 1, 2020.

The accrued benefit obligation relating to the employee non-pension retirement benefits has been actuarially determined using the projected benefit method pro-rated on services. At December 31, 2020, based on actuarial update, the accrued benefit obligation was \$2,296,069 (2019 \$2,147,167).

Town of Smiths Falls

Notes to the Consolidated Financial Statements

December 31, 2020

6. Employee Future Benefits Obligations / continued

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

Discount Rate	1.83%
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)

7. Deferred Revenues

A requirement of 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 legislation, regulation or agreement 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	Federal Gax Tax	Safe Restart	Parkland	Building Permit	Total
	\$	\$	\$	\$	\$	\$
January 1, 2020	2,202,994	1,138,312	---	41,704	1,366,353	4,749,363
Government grants	---	---	314,201	---	---	314,201
Interest earned	14,184	10,522	---	490	16,042	41,238
Transfer to capital acquisitions	(2,163,789)	(877,427)	---	---	---	(3,041,216)
December 31, 2020	53,389	271,407	314,201	42,194	1,382,395	2,063,586

8. Long Term Liabilities

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

	2020	2019
	\$	\$
Fixed rate with Royal Bank of Canada bank loans with maturity dates between 2024 and 2035 and interest rates between 2.13% and 4.43%.	9,093,279	8,480,327

Town of Smiths Falls
Notes to the Consolidated Financial Statements

December 31, 2020

8. Long Term Liabilities / continued

(a) continued

	2020	2019
	\$	\$
Ontario Infrastructure Projects Corporation with interest rates between 3.90% to 4.83%, maturing 2041.	8,769,800	9,027,027
Smiths Falls Flying Club for capital works, non-interest bearing, repayable in annual instalments of \$5,000, maturing 2030.	48,047	53,047
Net long term liabilities at the end of the year	17,911,126	17,560,401

(b) Principal payments fall due as follows:

	General Revenues	User Charges	Total
	\$	\$	\$
2021	583,576	308,469	892,045
2022	604,324	322,923	927,247
2023	2,922,202	338,055	3,260,257
2024	972,473	353,902	1,326,375
2025	301,900	370,496	672,396
2026 to 2030	1,677,710	2,130,105	3,807,815
2031 and thereafter	1,430,420	5,594,573	7,024,993
	8,492,605	9,418,523	17,911,128

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

(d) Interest expense on long term liabilities in 2020 amounted to \$751,122 (2019 \$757,759).

Town of Smiths Falls
Notes to the Consolidated Financial Statements

December 31, 2020

9. Municipal Equity

Municipal equity consists of:

	2020	2019
	\$	\$
Investment in tangible capital assets		
Tangible capital assets	99,692,720	93,399,814
Unfinanced capital projects		---
Funded through internal borrowing	(520,753)	---
Funded from long term debt	(287,480)	---
Long term liabilities	(17,911,126)	(17,560,401)
Long term receivable	12,012	13,262
	80,985,373	75,852,675
Unrestricted surplus		
Business Improvement Area surplus	36,303	57,989
Invested in land for resale	809,234	435,890
Inventory not for resale	92,772	99,204
Prepaid expenses	91,189	82,527
Unfunded employee future benefits	(2,296,069)	(2,147,167)
Reserves (Schedule 1)	10,289,536	11,461,857
Reserve Funds (Schedule 1)	9,899	9,784
Equity in Smiths Falls Hydro-Electric Generation Co. Ltd.	22,028	38,628
Total Municipal Equity	90,040,265	85,891,387

10. 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 amount contributed to OMERS was \$781,885 (2019 \$786,218) for current services and is included as an expenditure on the Consolidated Statement of Operations classified under the appropriate functional expenditure. Contributions by employees were a similar amount.

Town of Smiths Falls

Notes to the Consolidated Financial Statements

December 31, 2020

11. Trust Funds

Trust funds administered by the Town amounting to \$610,111 (2019 \$600,292) 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.

12. 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.

13. Contingent Liability – 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 is completing an environmental assessment of the property to determine if the soil is contaminated, the nature of the contamination and a remediation plan. An estimate of the liability for the contaminated site, if any, 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.

Town of Smiths Falls
Notes to the Consolidated Financial Statements

December 31, 2020

14. 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, 2020, 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.

15. 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 2022. 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 2020 were \$213,752 (2019 - \$223,172).
- (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 2022. 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 2020 were \$406,985 (2019 \$393,458).
- (c) The Town has entered into an agreement with Frontenac Municipal Law Enforcement Incorporated for by-law enforcement. Fees for the contract are based on hours of service and a vehicle kilometre reimbursement. The contract is for the period February 2017 to December 2020. Either party may terminate the agreement with thirty days notice. Payments under the contract for 2020 were \$60,426 (2019 \$57,870).
- (d) 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.
- (e) The Town has entered into computer and equipment leases, the minimum future lease commitments are:

	\$
2021	32,326
2022	26,581
2023	20,486
2024	1,615
2025	1,615

- (f) The Town has entered into additional contractual obligations as follows:

For road construction on Beckwith Street for a contract cost of \$8,240,229. Costs incurred to December 31, 2020 were approximately \$7,273,000 (2019 \$729,000). The project is to be completed in 2021 and will be funded from government grants, reserves and the proceeds of long term debt.

Town of Smiths Falls
Notes to the Consolidated Financial Statements

December 31, 2020

16. Risk Management

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

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

The Town's exposure to and management of risk has not changed materially from December 31, 2019.

Credit Risk

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

Interest Rate Risk

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

Liquidity Risk

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

Town of Smiths Falls
Notes to the Consolidated Financial Statements

December 31, 2020

17. Tangible Capital Assets

	2020	2019
	\$	\$
Land	886,479	886,479
Land Improvement	1,698	3,394
Buildings		
Memorial Community Centre	8,853,374	9,241,097
Youth Centre	735,386	789,892
Other recreation facilities	1,929,382	2,008,144
Water plant	16,563,406	17,315,039
Wastewater facility	15,092,209	15,760,874
Other	8,137,621	4,884,136
Machinery and Equipment		
Traffic and street lights	1,354,122	844,642
Roads	552,523	657,117
Recreation and cultural	388,089	459,816
Other	578,052	514,326
Computer Hardware and Software	36,855	43,433
Vehicles		
Fire	1,488,676	930,007
Police	147,077	142,755
Public works	245,949	303,052
Other	75,607	68,723
Linear Assets		
Roads	13,635,125	11,712,869
Bridges	4,432,992	4,539,659
Water and Sewer	23,119,447	20,113,850
Construction in Progress	1,438,651	2,180,510
	99,692,720	93,399,814

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

18. 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.

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 2.

**Town of Smiths Falls
Notes to the Consolidated Financial Statements**

December 31, 2020

18. Segmented Information / continued

2020	Salaries, Wages & Employee Benefits	Debenture Debt Interest	Materials & Services	Materials Non TCA	External Transfers	Interfunc- tional Adjustments	Amortization	Total
	\$	\$	\$	\$	\$	\$	\$	\$
General Government								
Governance	153,205	---	54,989	---	---	---	---	208,194
Corporate Management & Program Support	989,887	---	593,208	---	---	---	3,459	1,586,554
Protection to Persons and Property								
Fire	1,106,083	34,192	187,116	185,299	---	---	120,799	1,696,489
Police	4,121,233	84,042	416,157	---	---	63,000	165,210	4,786,642
Conservation Authority	---	---	---	---	49,844	---	---	49,844
Protective Inspection	190,038	---	111,107	---	---	---	---	301,145
Transportation								
Roadways	1,120,429	4,822	851,036	507,618	---	---	859,020	3,342,925
Winter Control	84,561	---	129,761	---	---	(77,762)	---	136,560
Parking	55,852	1,238	85,879	---	---	---	8,500	151,469
Street Lighting	1,834	---	119,129	---	---	---	---	120,963
Airport	---	---	23,217	14,684	---	---	4,533	42,434
Environmental								
Sanitary Sewer	564,484	79,338	1,109,819	237,137	---	77,762	1,013,395	3,081,935
Waterworks	938,479	368,801	1,209,382	56,839	---	(63,000)	1,079,758	3,590,259
Waste Services	36,728	---	771,801	---	---	---	---	808,529
Health Services								
Public Health Services	---	---	---	---	177,155	---	---	177,155
Hospitals	---	---	---	---	174,341	---	---	174,341
Ambulance	---	---	---	---	417,264	---	---	417,264
Cemeteries	94,717	---	18,771	---	---	---	1,838	115,326
Social and Family Services								
General Assistance	---	---	---	---	459,180	---	---	459,180
Assistance to Aged Persons	---	---	---	---	530,852	---	---	530,852
Child Care	736,261	---	61,364	---	90,000	---	17,481	905,106
Social Housing	---	---	---	---	494,570	---	---	494,570
Recreation and Cultural Services								
Parks	175,545	---	186,251	---	---	---	---	361,796
Recreation Facilities & Programs	649,684	173,243	646,436	234,231	157,821	---	584,886	2,446,301
Libraries	279,799	3,712	74,798	---	---	---	60,550	418,859
Cultural Services	91,416	---	26,699	---	---	---	3,441	121,556
Planning and Development								
Planning & Zoning	233,090	---	21,101	---	39,026	---	---	293,217
Commercial & Industrial	349,057	1,734	431,083	---	115,000	---	20,993	917,867
Post Retirement Benefits								
	148,902	---	---	---	---	---	---	148,902
2020	12,121,284	751,122	7,129,104	1,235,808	2,705,053	---	3,943,863	27,886,234

Town of Smiths Falls
Notes to the Consolidated Financial Statements

December 31, 2020

18. Segmented Information / continued

2019	Salaries, Wages & Employee Benefits	Debenture Debt Interest	Materials & Services	Materials Non TCA	External Transfers	Interfunc- tional Adjustments	Amortization	Total
	\$	\$	\$	\$	\$	\$	\$	\$
General Government								
Governance	152,565	---	64,175	---	---	---	---	216,740
Corporate Management & Program Support	1,036,956	---	578,684	18,563	---	---	3,459	1,637,662
Protection to Persons and Property								
Fire	1,054,585	36,168	206,814	42,270	---	62,727	105,777	1,508,341
Police	4,085,415	86,473	422,240	---	---	---	183,699	4,777,827
Conservation Authority	---	---	---	---	48,643	---	---	48,643
Protective Inspection	169,890	---	120,818	---	---	---	---	290,708
Transportation								
Roadways	1,110,270	5,032	925,477	306,469	---	(196,078)	838,646	2,989,816
Winter Control	121,236	---	190,643	---	---	---	---	311,879
Parking	23,589	1,509	45,682	26,810	---	---	8,500	106,090
Street Lighting	1,699	---	132,479	---	---	---	23,213	157,391
Airport	---	---	28,786	15,586	---	---	4,447	48,819
Environmental								
Sanitary Sewer	506,257	74,213	1,111,604	62,254	---	196,078	1,024,355	2,974,761
Waterworks	1,034,728	380,238	1,199,926	20,561	---	(62,727)	1,407,787	3,980,513
Waste Services	47,273	---	756,554	---	---	---	---	803,827
Health Services								
Public Health Services	---	---	---	---	160,830	---	---	160,830
Hospitals	---	---	---	---	174,341	---	---	174,341
Ambulance	---	---	---	---	478,641	---	---	478,641
Cemeteries	93,444	---	19,923	---	---	---	1,838	115,205
Social and Family Services								
General Assistance	---	---	---	---	661,022	---	---	661,022
Assistance to Aged Persons	---	---	---	---	425,203	---	---	425,203
Child Care	689,854	---	74,593	147,536	93,646	---	14,028	1,019,657
Social Housing	---	---	---	---	496,813	---	---	496,813
Recreation and Cultural Services								
Parks	163,462	---	216,930	20,571	---	---	---	400,963
Recreation Facilities & Programs	660,676	168,244	688,894	75,888	75,276	---	651,996	2,320,974
Libraries	343,315	3,769	67,475	---	---	---	62,288	476,847
Cultural Services	90,133	---	33,387	---	---	---	3,441	126,961
Planning and Development								
Planning & Zoning	156,487	---	23,289	---	34,758	---	---	214,534
Commercial & Industrial	330,158	2,113	550,555	---	30,040	---	14,900	927,766
Post Retirement Benefits								
	106,858	---	---	---	---	---	---	106,858
2019	11,978,850	757,759	7,458,928	736,508	2,679,213	---	4,348,374	27,959,632

Town of Smiths Falls
Notes to the Consolidated Financial Statements

December 31, 2020

19. Budget Figures

The 2020 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. The revenues attributable to these items continue to be included in the Statement of Operations, 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 Revenues	27,379,220	27,202,588
Total Expenses	31,480,606	27,886,234
Net Expenses	(4,101,386)	(683,646)
Amortization	4,404,861	3,943,863
Adjusted Net Revenues	303,475	3,260,217
Capital Revenues	6,485,144	4,832,524
Funds Available	6,788,619	8,092,741
Capital Expenses	(12,701,318)	(10,770,995)
Disposal of Tangible Capital Assets	---	18,051
Write down of Capital Assets	---	516,175
Net Loss Smiths Falls Generating Company	---	16,600
Acquisition of Land Inventory	---	(373,344)
Acquisition of Inventory	---	6,432
Disposal of Prepaid Expense	---	(8,662)
Prior Year Surplus	16,700	21,686
Principal Repayments	(756,936)	(753,695)
Net Long Term Debt Acquired	1,877,916	1,105,670
Increase in Unfunded Post Employment Benefits	227,859	148,902
Decrease in Operating Surplus	(4,547,160)	(1,980,439)
Allocated as follows:		
Net transfers to reserves	(4,547,160)	(1,172,206)
Net increase in unfinanced capital	---	(808,233)
	(4,547,160)	(1,980,439)

Town of Smiths Falls
Notes to the Consolidated Financial Statements

December 31, 2020

20. Impact of COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ('COVID-19') as a pandemic. This 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 including service reductions, declines in associated user fee revenues and additional costs. While impacts have been mitigated by associated funding and other cost saving measures, the pandemic has created uncertainty over current and future year operations and the financial position of the Municipality.

The duration and impact of COVID-19 are unknown at this time. It is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and conditions of the Municipality in future periods. The Municipality continues to closely monitor and assess the impact on its operations. It is management's assessment that the Municipality will have sufficient resources to mitigate the potential losses in 2021 as a result of COVID-19.

Town of Smiths Falls
Schedule 1 ▶ Continuity of Reserves and Reserve Funds

For the year ended December 31	(Note 19) Budget	2020	2019
	\$	\$	\$
Revenues			
Investment income	---	115	215
Total Net Revenues	---	115	215
Net Transfers From / (To) Other Funds			
Transfers from operations	2,931,437	3,677,930	2,478,143
Transfers to capital acquisitions	(7,478,597)	(4,850,251)	(1,763,015)
Total Net Transfers	(4,547,160)	(1,172,321)	715,128
Reserves and Reserve Fund Balances, Change in Year	(4,547,160)	(1,172,206)	715,343
Reserves and Reserve Fund Balances, Beginning of Year	11,471,641	11,471,641	10,756,298
Reserves and Reserve Fund Balances, End of Year	6,924,481	10,299,435	11,471,641

Composition of Reserves and Reserve Funds

For the year ended December 31	2020	2019
	\$	\$
Reserves set aside for specific purposes by Council:		
For Operating Purposes		
▶ for working capital	3,288,380	2,906,306
▶ for insurance	37,983	49,328
▶ for contingencies	123,746	134,746
▶ for water and sewer operations	403,631	298,644
▶ for economic development	234,913	271,178
▶ for library purposes	44,340	39,245
▶ for community programs	---	45,414
▶ for fire operations	---	60,649
	4,132,993	3,805,510
For Capital Purposes		
▶ for industrial development	273,794	556,327
▶ for recreation and culture	182,779	169,411
▶ for airport	13,990	13,990
▶ for protective inspection	484,308	1,285,566
▶ for child development centre	42,021	42,021
▶ for water and sewer	2,150,273	1,385,904
▶ for capital projects	3,009,378	4,203,128
	6,156,543	7,656,347
Total Reserves	10,289,536	11,461,857
Reserve Funds ▶ for parking	9,899	9,784
Total Reserves and Reserve Funds	10,299,435	11,471,641

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

Town of Smiths Falls
Schedule 2 ▶ 2020 Tangible Capital Assets

Asset Class	Cost 01/01/20	Additions	(Disposals)	Cost 31/12/20
	\$	\$	\$	\$
Land	886,479	---	---	886,479
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	2,895,879	---	---	2,895,879
Water Plant	28,314,187	59,704	---	28,373,891
Wastewater facility	29,704,039	39,061	---	29,743,100
Other	7,140,626	3,481,429	(119,172)	10,502,883
Machinery & Equipment				
Traffic & street lights	2,027,164	982,264	(665,351)	2,344,077
Roads	1,251,254	5,556	(158,874)	1,097,936
Recreation and cultural services	1,549,202	21,835	(7,925)	1,563,112
Other	1,592,956	161,468	(213,464)	1,540,960
Computer Hardware & Software	236,895	---	---	236,895
Vehicles				
Fire	1,813,892	650,568	---	2,464,460
Police	295,288	48,544	(32,428)	311,404
Public works	989,990	---	---	989,990
Other	226,810	31,316	(10,000)	248,126
Linear Assets				
Roads	28,476,252	2,481,076	(162,932)	30,794,396
Bridges	6,640,861	---	---	6,640,861
Water and Sewer	36,189,820	3,550,033	(23,150)	39,716,703
Construction in Progress	2,180,510	(741,859)	---	1,438,651
	167,430,145	10,770,995	(1,393,296)	176,807,844

Asset Class	Accumulated Amortization 01/01/20	Additions	(Disposals)	Accumulated Amortization 31/12/20	Net Book Value 31/12/20
	\$	\$	\$	\$	\$
Land	---	---	---	---	886,479
Land Improvements	76,262	1,696	---	77,958	1,698
Buildings					
Memorial Community Centre	3,747,106	387,723	---	4,134,829	8,853,374
Youth Centre	1,160,290	54,506	---	1,214,796	735,386
Other recreation facilities	887,735	78,762	---	966,497	1,929,382
Water Plant	10,999,148	811,337	---	11,810,485	16,563,406
Wastewater facility	13,943,165	707,726	---	14,650,891	15,092,209
Other	2,256,490	202,673	(93,901)	2,365,262	8,137,621
Machinery & Equipment					
Traffic & street lights	1,182,522	48,201	(240,768)	989,955	1,354,122
Roads	594,137	63,620	(112,344)	545,413	552,523
Recreation and cultural services	1,089,386	92,373	(6,736)	1,175,023	388,089
Other	1,078,630	80,901	(196,623)	962,908	578,052
Computer Hardware & Software	193,462	6,578	---	200,040	36,855
Vehicles					
Fire	883,885	91,899	---	975,784	1,488,676
Police	152,533	30,035	(18,241)	164,327	147,077
Public works	686,938	57,103	---	744,041	245,949
Other	158,087	18,807	(4,375)	172,519	75,607
Linear Assets					
Roads	16,763,383	558,820	(162,932)	17,159,271	13,635,125
Bridges	2,101,202	106,667	---	2,207,869	4,432,992
Water and Sewer	16,075,970	544,436	(23,150)	16,597,256	23,119,447
Construction in Progress	---	---	---	---	1,438,651
	74,030,331	3,943,863	(859,070)	77,115,124	99,692,720

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

Town of Smiths Falls
Schedule 2 ▶ 2019 Tangible Capital Assets

Asset Class	Cost 01/01/19	Additions	(Disposals)	Cost 31/12/19
	\$	\$	\$	\$
Land	886,479	---	---	886,479
Land Improvements	79,656	---	---	79,656
Buildings				
Memorial Community Centre	12,480,815	507,388	---	12,988,203
Youth Centre	1,950,182	---	---	1,950,182
Other recreation facilities	2,673,808	222,071	---	2,895,879
Water Plant	28,134,957	179,230	---	28,314,187
Wastewater facility	29,369,162	334,877	---	29,704,039
Other	6,831,148	309,478	---	7,140,626
Machinery & Equipment				
Traffic & street lights	2,027,164	---	---	2,027,164
Roads	1,060,171	377,172	(186,089)	1,251,254
Recreation and cultural services	1,455,171	94,031	---	1,549,202
Other	1,537,383	93,038	(37,465)	1,592,956
Computer Hardware & Software	236,895	---	---	236,895
Vehicles				
Fire	1,820,181	---	(6,289)	1,813,892
Police	331,242	---	(35,954)	295,288
Public works	988,401	24,107	(22,518)	989,990
Other	250,917	(24,107)	---	226,810
Linear Assets				
Roads	28,368,942	107,310	---	28,476,252
Bridges	6,449,016	266,010	(74,165)	6,640,861
Water and Sewer	35,806,381	383,439	---	36,189,820
Construction in Progress	1,539,971	640,539	---	2,180,510
	164,278,042	3,514,583	(362,480)	167,430,145

Asset Class	Accumulated Amortization 01/01/19	Additions	(Disposals)	Accumulated Amortization 31/12/19	Net Book Value 31/12/19
	\$	\$	\$	\$	\$
Land	---	---	---	---	886,479
Land Improvements	74,566	1,696	---	76,262	3,394
Buildings					
Memorial Community Centre	3,308,424	438,682	---	3,747,106	9,241,097
Youth Centre	1,080,959	79,331	---	1,160,290	789,892
Other recreation facilities	812,863	74,872	---	887,735	2,008,144
Water Plant	9,851,002	1,148,146	---	10,999,148	17,315,039
Wastewater facility	13,227,503	715,662	---	13,943,165	15,760,874
Other	2,060,992	195,498	---	2,256,490	4,884,136
Machinery & Equipment					
Traffic & street lights	1,127,313	55,209	---	1,182,522	844,642
Roads	743,692	36,534	(186,089)	594,137	657,117
Recreation and cultural services	997,757	91,629	---	1,089,386	459,816
Other	1,004,751	111,344	(37,465)	1,078,630	514,326
Computer Hardware & Software	186,884	6,578	---	193,462	43,433
Vehicles					
Fire	811,329	75,635	(3,079)	883,885	930,007
Police	154,740	33,141	(35,348)	152,533	142,755
Public works	650,548	58,908	(22,518)	686,938	303,052
Other	139,988	18,099	---	158,087	68,723
Linear Assets					
Roads	16,199,244	564,139	---	16,763,383	11,712,869
Bridges	1,998,628	102,574	---	2,101,202	4,539,659
Water and Sewer	15,535,273	540,697	---	16,075,970	20,113,850
Construction in Progress	---	---	---	---	2,180,510
	69,966,456	4,348,374	(284,499)	74,030,331	93,399,814

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



INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

- the statement of financial position as at December 31, 2020;
- the statement of financial activities for the year then ended;
- and the 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, 2020, and its financial activities 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 '**Auditors' 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 judgement 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 of 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 auditors' 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 auditors' 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.



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario
June 7, 2021.

**Town of Smiths Falls
Trust Funds
Statement of Financial Position**

December 31	Pardy Flag Trust	Esther Lewis Trust	Hillcrest Cemetery Trust	OHRP	2020	2019
	\$	\$	\$	\$	\$	\$
ASSETS						
Cash	5,405	68,024	540,402	---	613,831	610,473
Long term receivables	---	---	---	2,499	2,499	2,499
	5,405	68,024	540,402	2,499	616,330	612,972
LIABILITIES						
Accounts payable	---	---	6,219	---	6,219	12,680
Fund balance	5,405	68,024	534,183	2,499	610,111	600,292
	5,405	68,024	540,402	2,499	616,330	612,972

Statement of Financial Activities

For the year ended December 31	Pardy Flag Trust	Esther Lewis Trust	Hillcrest Cemetery Trust	OHRP	2020	2019
	\$	\$	\$	\$	\$	\$
REVENUES						
Bank interest	62	789	6,219	12	7,082	13,282
Sale of cemetery plots	---	---	8,968	---	8,968	12,728
	62	789	15,187	12	16,050	26,010
EXPENSES						
Transfer to revenue fund	---	---	6,219	---	6,219	11,664
Administration costs and supplies	---	---	---	12	12	22
	---	---	6,219	12	6,231	11,686
NET REVENUES FOR THE YEAR	62	789	8,968	---	9,819	14,324
BALANCE AT THE BEGINNING OF THE YEAR	5,343	67,235	525,215	2,499	600,292	585,968
BALANCE AT THE END OF THE YEAR	5,405	68,024	534,183	2,499	610,111	600,292

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

**Town of Smiths Falls
Trust Funds
Notes to the Financial Statements**

December 31, 2020

1. Significant Accounting Policies

Reporting Entity

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

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

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

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

Ontario Home Renewal Program loans receivable at December 31, 2020 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 Town. The cash accumulated in the trust fund is being repaid to the Ministry on an annual basis.

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

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



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the Town of Smiths Falls Library Board (the 'Entity'), which comprise:

- the statement of financial position as at December 31, 2020;
- the statement of operations and accumulated surplus for the year then ended;
- the statement of changes in net financial assets for the year then ended;
- the statement of cash flows for the year then ended;
- and the 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, 2020, and its results of operations, its changes in net financial assets 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 '**Auditors' 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 judgement 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 of 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 auditors' 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 auditors' 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.



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario
June 7, 2021.

**Town of Smiths Falls
Public Library Board
Statement of Financial Position**

December 31	2020	2019
	\$	\$
ASSETS		
Financial Assets		
Due from the Town	44,340	39,245
NET FINANCIAL ASSETS		
	44,340	39,245
NON-FINANCIAL ASSETS		
Tangible capital assets (note 4)	572,434	598,308
ACCUMULATED SURPLUS (note 3)		
	616,774	637,553

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

**Town of Smiths Falls
Public Library Board
Statement of Operations**

For the year ended December 31	(Note 5) Budget	2020	2019
	\$	\$	\$
REVENUES			
Government Grants			
Municipal Grants ▶ Smiths Falls	441,882	350,222	386,543
▶ Montague	14,470	14,750	14,750
Province of Ontario	20,921	22,109	22,109
Other grants	---	2,376	13,396
User Charges			
Fees and service charges	7,900	3,533	7,295
Other			
Sales	1,900	542	2,906
Donations	---	4,338	21,988
Rentals and fines	2,000	211	1,864
TOTAL REVENUES	489,073	398,081	470,851
EXPENSES			
Salaries, wages, employee benefits	357,625	279,799	343,314
Books, periodicals and library	16,222	12,236	7,643
Automation	3,700	1,006	1,768
Insurance	10,900	11,195	10,133
Building and equipment maintenance	33,171	26,578	23,947
Supplies	21,937	15,473	12,927
Utilities	9,401	8,311	9,083
Interest on long term debt	3,701	3,712	3,769
Amortization	66,054	60,550	62,289
TOTAL EXPENSES	522,711	418,860	474,873
NET EXPENSES FROM OPERATIONS	(33,638)	(20,779)	(4,022)
ANNUAL DEFICIT	(33,638)	(20,779)	(4,022)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	637,553	637,553	641,575
ACCUMULATED SURPLUS, END OF YEAR	603,915	616,774	637,553

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

**Town of Smiths Falls
Public Library Board
Statement of Changes in Net Financial Assets**

For the year ended December 31	2020	2019
	\$	\$
ANNUAL DEFICIT	(20,779)	(4,022)
Amortization of tangible capital assets	60,550	62,289
Acquisition of tangible capital assets	(34,676)	(79,373)
	25,874	(17,084)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	5,095	(21,106)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	39,245	60,351
NET FINANCIAL ASSETS, END OF YEAR	44,340	39,245

Statement of Cash Flows

For the year ended December 31	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Annual deficit	(20,779)	(4,022)
Amortization	60,550	62,289
	39,771	58,267
Net Change in Non-Cash Working Capital Items (Increase) decrease in due from Town	(5,095)	21,106
Working Capital from Operations	34,676	79,373
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(34,676)	(79,373)
NET INCREASE IN CASH	---	---
CASH, BEGINNING OF YEAR	---	---
CASH, END OF YEAR	---	---

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

**Town of Smiths Falls
Public Library Board
Notes to the Financial Statements**

December 31, 2020

1. Status of the Board

The Smiths Falls Public Library Board (the 'Board') was established by By-law No. 5019-85 in 1985 under Provisions of Bill 93, Chapter 57; the Public Libraries Act.

2. Significant Accounting Policies

The financial statements of the Town of Smiths Falls Public Library Board 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 Board are as follows:

Reporting Entity

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

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. 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.

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

Tangible Capital Assets

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

Assets	Estimated Useful Life
Building	50 years
Books and Equipment	7 to 10 years

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

One half of the annual amortization is charged in the year of acquisition and the year of disposal. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

**Town of Smiths Falls
Public Library Board
Notes to the Financial Statements**

December 31, 2020

2. Significant Accounting Policies / continued

Tangible Capital Assets / continued

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

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

Cash and Cash Equivalents

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

Government Transfers

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

Deferred Revenues

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

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

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

**Town of Smiths Falls
Public Library Board
Notes to the Financial Statements**

December 31, 2020

2. Significant Accounting Policies / continued

Financial Instruments

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

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

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

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

Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

3. Accumulated Surplus

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

	2020	2019
	\$	\$
Surplus		
Invested in tangible capital asset	572,434	598,308
Reserves	44,340	39,245
Accumulated Surplus	616,774	637,553

**Town of Smiths Falls
Public Library Board
Notes to the Financial Statements**

December 31, 2020

4. Tangible Capital Assets

Net Book Value of Assets	2020	2019
	\$	\$
Buildings	405,898	441,255
Books and Equipment	91,551	94,909
Construction in Progress	74,985	62,144
	572,434	598,308

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

5. Budget Figures

Smiths Falls Public Library Board reviews its operating and capital budgets each year. The approved operating budget for 2020 is included in the budget figures presented in the Statement of Operations.

**Town of Smiths Falls
Public Library Board**

Schedule 1 ▶ Continuity of Reserves and Reserve Funds

For the year ended December 31	(Note 5) Budget	2020	2019
	\$	\$	\$
Net Transfers from (to) Other Funds			
Transfer from (to) current fund	---	5,095	(43,810)
Total Net Transfers	---	5,095	(43,810)
Reserves and Reserve Fund Balance, Change in Year	---	5,095	(43,810)
Reserves and Reserve Fund Balance, Beginning of Year	39,245	39,245	83,055
Reserves and Reserve Fund Balance, End of Year	39,245	44,340	39,245

Composition of Reserves

For the year ended December 31	2020	2019
	\$	\$
Reserves		
Children's programs	44,340	39,245

**Town of Smiths Falls
Public Library Board
Schedule 2 ▶ Tangible Capital Assets**

December 31, 2020

Assets	Cost 01/01/20	Additions (Disposals)	Cost 31/12/20	Accumulated Amortization 01/01/20	Amortization 2020	Accumulated Amortization 31/12/20	Net Book Value 31/12/20
	\$	\$	\$	\$	\$	\$	\$
Building	782,014	---	782,014	340,759	35,357	376,116	405,898
Books & Equipment	649,033	21,835	670,868	554,124	25,193	579,317	91,551
Construction in Progress	62,144	12,841	74,985	---	---	---	74,985
	1,493,191	34,676	1,527,867	894,883	60,550	955,433	572,434

December 31, 2019

Assets	Cost 01/01/19	Additions (Disposals)	Cost 31/12/19	Accumulated Amortization 01/01/19	Amortization 2019	Accumulated Amortization 31/12/19	Net Book Value 31/12/19
	\$	\$	\$	\$	\$	\$	\$
Building	782,014	---	782,014	305,402	35,357	340,759	441,255
Books & Equipment	627,377	21,656	649,033	527,192	26,932	554,124	94,909
Construction in Progress	4,427	57,717	62,144	---	---	---	62,144
	1,413,818	79,373	1,493,191	832,594	62,289	894,883	598,308

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



INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers
of the Town of Smiths Falls Business Improvement Area Committee:

Opinion

We have audited the financial statements of the Town of Smiths Falls Business Improvement Area Committee (the 'Entity'), which comprise:

- the statement of financial position as at December 31, 2020;
- the statement of operations and accumulated surplus for the year then ended;
- the statement of changes in net financial assets for the year then ended;
- the statement of cash flows for the year then ended;
- and the 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, 2020, and its results of operations, its changes in net financial assets 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 '**Auditors' 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 judgement 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 of 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 auditors' 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 auditors' 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.



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario
June 7, 2021.

**Town of Smiths Falls
Business Improvement Area Committee
Statement of Financial Position**

December 31	2020	2019
	\$	\$
ASSETS		
Financial Assets		
Cash and short term deposits	200	200
Due from the Town of Smiths Falls	36,103	57,789
	36,303	57,989
 NET FINANCIAL ASSETS	 36,303	 57,989
 ACCUMULATED SURPLUS (note 3)	 36,303	 57,989

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

**Town of Smiths Falls
Business Improvement Area Committee
Statement of Operations**

For the year ended December 31	(Note 4) Budget	2020	2019
	\$	\$	\$
REVENUES			
Levy on participating merchants	75,000	78,716	74,776
Municipal grant	---	---	10,000
Provincial grants	---	13,024	---
Other	---	865	300
TOTAL REVENUES	75,000	92,605	85,076
EXPENSES			
Administration	5,000	2,623	5,414
Advertising and promotion	27,800	41,106	8,907
Salaries, wages and benefits	32,700	36,409	38,655
Beautification	18,200	18,632	11,715
Special events	8,000	2,497	12,578
Digital Main Street project	---	13,024	---
TOTAL EXPENSES	91,700	114,291	77,269
ANNUAL (DEFICIT) SURPLUS	(16,700)	(21,686)	7,807
ACCUMULATED SURPLUS, BEGINNING OF YEAR	57,989	57,989	50,182
ACCUMULATED SURPLUS, END OF YEAR	41,289	36,303	57,989

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

**Town of Smiths Falls
Business Improvement Area Committee
Statement of Changes in Net Financial Assets**

For the year ended December 31	2020	2019
	\$	\$
ANNUAL (DEFICIT) SURPLUS	(21,686)	7,807
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	(21,686)	7,807
NET FINANCIAL ASSETS, BEGINNING OF YEAR	57,989	50,182
NET FINANCIAL ASSETS, END OF YEAR	36,303	57,989

Statement of Cash Flows

For the year ended December 31	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Annual (deficit) surplus	(21,686)	7,807
Net Change in Non-Cash Working Capital Items Due from the Town of Smiths Falls	21,686	(7,807)
Working Capital from Operations	---	---
NET INCREASE IN CASH	---	---
CASH, BEGINNING OF YEAR	200	200
CASH, END OF YEAR	200	200

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

**Town of Smiths Falls
Business Improvement Area Committee
Notes to the Financial Statements**

December 31, 2020

1. Status of the Committee

Pursuant to the Municipal Act, the Smiths Falls Business Improvement Area Committee (the 'Committee') was established by By-law No. 4777-82 in 1982 by the Town of Smiths Falls.

2. Significant Accounting Policies

The financial statements of the Town of Smiths Falls Business Improvement Area Committee are the representations of management and have been prepared in all material respects in accordance with Canadian Public Sector Accounting Standards for local governments as recommended by the Public Sector Accounting Board ('PSAB') of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies by the Committee are as follows:

Reporting Entity

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

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. 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.

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

Tangible Capital Assets

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

Assets	Estimated Useful Life
Equipment	7 to 10 years

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

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

**Town of Smiths Falls
Business Improvement Area Committee
Notes to the Financial Statements**

December 31, 2020

2. Significant Accounting Policies / continued

Tangible Capital Assets / continued

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

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

Cash and Cash Equivalents

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

Government Transfers

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

Deferred Revenues

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

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

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

Financial Instruments

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

**Town of Smiths Falls
Business Improvement Area Committee
Notes to the Financial Statements**

December 31, 2020

2. Significant Accounting Policies / continued

Financial Instruments / continued

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

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

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

Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

3. Accumulated Surplus

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

	2020	2019
	\$	\$
Surplus		
Business Improvement Area Committee	36,303	57,989
Accumulated Surplus	36,303	57,989

4. Budget Figures

The Town of Smiths Falls Business Improvement Area Committee reviews its operating and capital budgets each year. The approved operating budget for 2020 is included in the budget figures presented in the Statement of Operations.

**Town of Smiths Falls
Child Care Centre
Schedule of Operations**

For the year ended December 31	(Note 19) Budget	2020	2019
	\$	\$	\$
Revenues			
Municipal contribution ▶ operating	198,299	104,804	64,737
▶ capital	70,000	---	---
County ▶ fee subsidy	103,074	66,497	99,791
▶ operating subsidy	124,141	198,747	163,766
▶ other funding	105,000	192,505	215,263
Attendance fees	392,991	235,072	403,709
Fundraising	---	---	4,173
Total Revenues	993,505	797,625	951,439
Expenses			
Salaries and benefits ▶ administration	64,371	40,658	58,273
▶ dietary	41,161	27,185	42,083
▶ program	641,742	668,417	589,498
Administrative expenses	10,528	15,929	19,036
Dietary expenses	27,360	11,181	20,658
Occupancy expenses	29,505	27,078	34,549
Program expenses	3,838	6,827	350
Minor capital	175,000	350	186,992
Total Operating Expenses	993,505	797,625	951,439
Net Revenues from Operations	---	---	---

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

**Town of Smiths Falls
Memorial Community Complex
Schedule of Operations**

For the year ended December 31	(Note 19) Budget	2020	2019
	\$	\$	\$
Revenues			
User Charges	512,000	289,562	444,807
▸ Ice rental			
▸ Advertising	10,000	777	10,000
▸ Hall and floor rentals	29,500	4,096	40,178
Donations	---	---	14,940
Government grants	---	100,000	32,230
	551,500	394,435	542,155
Expenses			
Salaries, wages, employee benefits	138,323	126,669	116,074
▸ Administrative			
▸ Arena	387,630	336,267	382,140
Insurance	29,690	29,799	26,991
Maintenance and repairs	170,975	177,056	174,879
Emergency response supplies	---	11,444	---
Minor capital	32,554	34,091	6,272
Supplies	18,000	38,754	31,058
Utilities	200,300	204,494	257,934
	977,472	958,574	995,348
Canteen Operations			
Rental	11,500	2,788	15,763
Canteen and bar sales	11,400	5,563	14,253
Salaries and wages	(16,162)	(642)	(4,549)
Cost of goods sold	(4,900)	(2,050)	(5,947)
Net Revenues from Canteen	1,838	5,659	19,520
Expenses from Operations Before Reserve	(424,134)	(558,480)	(433,673)
Building Reserve	(12,663)	(12,663)	(1,307)
Expenses from Operations Before Cost Sharing	(436,797)	(571,143)	(434,980)
Cost Sharing			
Smiths Falls	198,509	190,086	219,102
Drummond / North Elmsley	39,881	34,635	43,769
Elizabethtown-Kitley	27,039	23,456	29,675
Montague	56,064	48,660	58,734
Rideau Lakes	126,337	109,678	138,655
	447,830	406,515	489,935
Net Operating (Expenses) Revenues for the Year	11,033	(164,628)	54,955

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

**Town of Smiths Falls
Memorial Community Complex
Schedule of Operations**

For the year ended December 31	(Note 19) Budget	2020	2019
	\$	\$	\$
Net Operating (Expenses) Revenues for the Year / continued	11,033	(164,628)	54,955
Other Expenses and Amortization			
Long term debt ▶ interest	(173,018)	(172,506)	(159,053)
▶ principal	(165,124)	(165,629)	(142,291)
Amortization	(458,123)	(458,123)	(533,907)
	(796,265)	(796,258)	(835,251)
Total Net Expenses Including Amortization	(785,232)	(960,886)	(780,296)

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

**Town of Smiths Falls
Other Recreational Facilities
Schedule of Operations**

For the year ended December 31	(Note 19) Budget	2020	2019
	\$	\$	\$
Revenues			
Sports field rentals	12,000	742	12,921
Seniors facility donations	3,400	---	6,461
Total Revenues	15,400	742	19,382
Expenses			
Sports Fields			
Maintenance and repairs	15,000	1,299	6,095
Utilities	1,600	672	1,480
Seniors Facility			
Maintenance and repairs	2,580	1,343	3,939
Utilities	4,200	3,048	6,059
Total Expenses	23,380	6,362	17,573
Net (Deficit) Surplus from Operations	(7,980)	(5,620)	1,809
Loss Adjustments			
Less: amortization	(9,318)	(9,318)	(9,318)
Loss from Operations	(17,298)	(14,938)	(7,509)

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



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the Smiths Falls Hydro-Electric Generation Co. (the 'Entity'), which comprise:

- the balance sheet as at December 31, 2020;
- the statement of loss and deficit for the year then ended;
- the statement of cash flows for the year then ended;
- and the 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 balance sheet of the Entity as at December 31, 2020, and its statement of loss and deficit 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 '**Auditors' 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 judgement 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 of 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 auditors' 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in cursive script, appearing to read "Allan".

Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario
June 7, 2021.

**Town of Smiths Falls
Hydro-Electric Generation Co. Ltd.
Balance Sheet**

December 31	2020	2019
	\$	\$
ASSETS		
Capital Assets (note 2)		
Turbine	663,917	663,917
Control dam	7,127	7,127
	671,044	671,044
Less: accumulated depreciation	562,127	545,527
TOTAL ASSETS	108,917	125,517
LIABILITIES AND SHAREHOLDER'S DEFICIT		
Current Liabilities		
Due to the Town of Smiths Falls	86,889	86,889
Long Term Debt		
Due to the Town of Smiths Falls (note 3)	900,000	900,000
Shareholder's Deficit		
Capital Stock		
Authorized ▶ unlimited number of preferred shares and common shares		
Issued and fully paid ▶ 200 common shares	2,000	2,000
Deficit	(879,972)	(863,372)
	(877,972)	(861,372)
TOTAL LIABILITIES AND SHAREHOLDER'S DEFICIT	108,917	125,517

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

**Town of Smiths Falls
Hydro-Electric Generation Co. Ltd.
Statement of Loss and Deficit**

For the year ended December 31	2020	2019
	\$	\$
Revenues		
Sale of power	---	---
Operating Expenses		
Amortization	16,600	16,600
Net Loss for the Year	(16,600)	(16,600)
Deficit, Beginning of Year	(863,372)	(846,772)
Deficit, End of Year	(879,972)	(863,372)

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

**Town of Smiths Falls
Hydro-Electric Generation Co. Ltd.
Statement of Cash Flows**

For the year ended December 31	2020	2019
	\$	\$
Cash Flows Provided From:		
Operating Activities		
Net loss for the year	(16,600)	(16,600)
Amortization	16,600	16,600
	---	---
Change in Cash, During the Year	---	---
Cash, Beginning of Year	---	---
Cash, End of Year	---	---

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

**Town of Smiths Falls
Hydro-Electric Generation Co. Ltd.
Notes to the Financial Statements**

December 31, 2020

1. Significant Accounting Policies

Capital Assets

Capital assets are stated at cost. Amortization is calculated using the straight line basis over the estimated useful life of the assets with the rates applied as follows:

Turbine	40 years
Control Dam	5 years

Financial Instruments

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

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

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

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

Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

2. Capital Assets

	2020			2019
	Cost \$	Accumulated Amortization \$	Net Book Value \$	Net Book Value \$
Turbine	663,917	555,000	108,917	125,517
Control Dam	7,127	7,127	---	---
	671,044	562,127	108,917	125,517

**Town of Smiths Falls
Hydro-Electric Generation Co. Ltd.
Notes to the Financial Statements**

December 31, 2020

3. Long Term Debt

Long term debt is comprised of a promissory note due to the Town of Smiths Falls with no fixed terms of repayment. Interest may be payable from time to time as determined by the Board of Directors and the corporate shareholder.
