

Consolidated Financial Statements of

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

And Independent Auditors' Report thereon

Year ended December 31, 2021

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Year ended December 31, 2021

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Corporation of the Town of Smiths Falls (the "Town") are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of significant accounting policies are described in note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

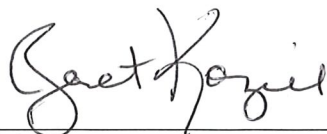
The Town's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of consolidated financial statements. These systems are monitored and evaluated by management.

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

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



Malcolm Morris
CAO



Janet Koziel
Treasurer



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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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



Other Matter – Comparative Information

The financial statements as at and for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 7, 2021.

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

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

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

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

Auditors' 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 auditors' report that includes our opinion.

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

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

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



We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.



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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

August 2, 2022

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets:		
Cash	\$ 18,857,920	\$ 12,103,270
Taxes receivable	913,920	1,039,921
Accounts receivable	1,900,114	2,934,487
Inventory of land for resale	810,165	809,234
Long-term receivable	10,762	12,012
Investment in Smiths Falls Hydro-Electric Generation Co. Ltd. (note 4)	5,428	22,028
	<u>22,498,309</u>	<u>16,920,952</u>
Financial liabilities:		
Accounts payable and accrued liabilities	2,224,099	3,337,798
Prepaid property taxes	578,007	489,907
Other current liabilities	701,933	658,882
Employee future benefit liabilities (note 5)	2,408,549	2,296,069
Deferred revenue (note 6)	3,299,792	2,063,586
Long term liabilities (note 7)	17,009,989	17,911,126
	<u>26,222,369</u>	<u>26,757,368</u>
Net debt	(3,724,060)	(9,836,416)
Non-financial assets:		
Tangible capital assets (note 15)	97,458,536	99,692,720
Inventories	96,851	92,772
Prepaid expenses	90,320	91,189
	<u>97,645,707</u>	<u>99,876,681</u>
Contingent liabilities (note 13)		
Commitments (note 14)		
Accumulated surplus (note 8)	\$ 93,921,647	\$ 90,040,265

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Consolidated Statement of Operations and Accumulated Surplus

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

	Budget 2021	Actual 2021	Actual 2020
	(note 17)		
Revenue:			
Taxation:			
Residential	\$ 10,645,282	\$ 10,652,533	\$ 10,341,546
Commercial	4,179,000	6,575,557	4,091,787
Other governments	686,179	642,334	670,921
User charges:			
Sewer and water	5,339,992	5,345,197	5,316,715
Recreation and culture	599,900	306,426	335,863
Social and family	557,211	331,844	235,072
Other	167,295	307,753	216,782
Government transfers	3,788,390	4,600,050	4,286,306
Other municipalities	1,162,202	1,043,535	1,093,451
Licenses and permits	509,100	339,296	327,971
Investment income	75,900	106,347	163,007
Penalties and interest on taxes	178,000	163,597	96,324
Other	17,400	580,619	43,443
Smiths Falls Hydro-Electric Generation Co. Ltd. (net loss)	—	(16,600)	(16,600)
	27,905,851	30,978,488	27,202,588
Expenses (note 16):			
General government	2,089,137	1,956,133	1,794,748
Protection to persons and property	7,746,381	6,965,972	6,834,120
Transportation services	3,736,121	4,279,766	3,794,351
Environmental services	7,379,980	6,819,913	7,480,723
Health services	973,621	917,019	884,086
Social and family services	2,822,475	2,563,969	2,389,708
Recreation and cultural services	3,441,563	3,263,387	3,348,512
Planning and development	1,147,827	1,273,866	1,211,084
Post-retirement benefits actuarial valuation	271,901	112,480	148,902
	29,609,006	28,152,505	27,886,234
Net earnings (loss) from operations	(1,703,155)	2,825,983	(683,646)
Other income (loss):			
Grants and transfers related to capital:			
Government transfers	1,700,354	1,256,505	5,256,740
Other	—	—	91,959
Write-down of tangible capital assets	—	(201,106)	(516,175)
	1,700,354	1,055,399	4,832,524
Annual surplus (deficit)	(2,801)	3,881,382	4,148,878
Accumulated surplus, beginning of year	90,040,265	90,040,265	85,891,387
Accumulated surplus, end of year	\$ 90,037,464	\$ 93,921,647	\$ 90,040,265

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Consolidated Statement of Change in Net Debt

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

	Budget 2021 (note 17)	Actual 2021	Actual 2020
Annual surplus (deficit)	\$ (2,801)	\$ 3,881,382	\$ 4,148,878
Amortization of tangible capital assets	3,755,913	3,712,163	3,943,863
Acquisition of tangible capital assets	(5,531,376)	(1,679,085)	(10,770,995)
Disposal of tangible capital assets	–	–	18,051
Write-down of tangible capital assets	–	201,106	516,175
Disposal of supplies inventories	–	(4,079)	6,432
Acquisition of prepaid expenses	–	869	(8,662)
	(1,775,463)	2,230,974	(6,295,136)
Decrease (increase) in net debt	(1,778,264)	6,112,356	(2,146,258)
Net debt, beginning of year	(9,836,416)	(9,836,416)	(7,690,158)
Net debt, end of year	\$(11,614,680)	\$ (3,724,060)	\$ (9,836,416)

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Consolidated Statement of Cash Flows

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

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 3,881,382	\$ 4,148,878
Items not involving cash:		
Amortization of tangible capital assets	3,712,163	3,943,863
Write-down of tangible capital assets	201,106	516,175
Change in non-cash operating working capital:		
Taxes receivable	126,001	425,408
Accounts receivable	1,034,373	(635,900)
Inventory for resale	(931)	(373,344)
Accounts payable and accrued liabilities	(1,113,699)	140,574
Prepaid property taxes	88,100	34,043
Other current liabilities	43,051	(80,395)
Employee future benefit liabilities	112,480	148,902
Deferred revenue	1,236,206	(2,685,777)
Inventories	(4,079)	6,432
Prepaid expenses	869	(8,662)
Long-term receivable	1,250	1,250
Net change in cash from operating activities	9,318,272	5,581,447
Capital activities:		
Acquisition of tangible capital assets	(1,679,085)	(10,770,995)
Disposal of tangible capital assets	–	18,051
Net change in cash from capital activities	(1,679,085)	(10,752,944)
Investing activities:		
Decrease in investment in Smiths Falls Hydro-Electric Generation Co. Ltd.	16,600	16,600
Net change in cash from investing activities	16,600	16,600
Financing activities:		
Debt issues for Town purposes	–	1,105,670
Repayment of long-term debt	(901,137)	(754,945)
Net change in cash from financing activities	(901,137)	350,725
Increase (decrease) in cash	6,754,650	(4,804,172)
Cash, beginning of year	12,103,270	16,907,442
Cash, end of year	\$ 18,857,920	\$ 12,103,270

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements

Year ended December 31, 2021

The Town of Smiths Falls (the "Town") was incorporated January 1, 1883 and assumed its responsibilities under the authority of the Provincial Secretary. The Town operates as a single tier government in the County of Lanark, in the Province of Ontario, Canada and provides municipal services such as police, fire, public works, planning, parks and recreation, library and other general government operations.

1. Significant accounting policies:

The consolidated financial statements of the Corporation of the Town 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 as follows:

(a) 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

(ii) The Town's investment in 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.

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

(b) Basis of consolidation:

(i) The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

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

(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.

(c) Taxation and related revenues:

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

(d) Tangible capital assets:

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

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

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

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(d) Tangible capital assets (continued):

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

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

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

(e) Leases:

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

(f) Inventories:

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

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(g) Pension and employee benefits:

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

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

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

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

(h) Cash:

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

(i) 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.

(j) Deferred revenue:

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, 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.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(k) 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 development charges and parkland obligatory reserve funds is added to the fund balance and forms part of respective deferred revenue balances.

(l) Liability for contaminated sites:

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

- (a) an environmental standard exists;
- (b) contamination exceeds the environmental standard;
- (c) the Town:
 - (i) is directly responsible; or
 - (ii) accepts responsibility
- (d) it is expected that future economic benefit will be given up; and
- (e) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

(m) Use of estimates:

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

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

2. Operations of the school boards:

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

	2021	2020
Property taxes	\$ 2,538,967	\$ 2,484,738
Taxation from other governments	1,305	1,305
Amounts requisitioned and paid	\$ 2,540,272	\$ 2,486,043

3. Bank indebtedness:

The Town's financial agreement with the Royal Bank of Canada provides for an operating credit facility of up to \$3,000,000 to finance expenses, pending receipt of property taxes and other income. Interest on funds borrowed is drawn at the Bank's prime rate minus 0.5% per annum. As at December 31, 2021 there was \$Nil (2020 - \$Nil) drawn on the facility.

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

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

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

	2021	2020
Financial position:		
Capital assets	\$ 92,317	\$ 108,917
Due to Town	\$ 86,889	\$ 86,889
Promissory note (no fixed terms of repayment)	900,000	900,000
Shareholder's deficit	(894,572)	(877,972)
	\$ 92,317	\$ 108,917
Results of operations		
Net revenue	\$ -	\$ -
Operating expenses	(16,600)	(16,600)
Net loss	\$ (16,600)	\$ (16,600)

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

5. Employee future benefits liabilities:

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.

Actuarial gains and losses are amortized on a straight line basis over the expected average remaining service life of the related employee groups, which is estimated to be 10.8 years (2020 - 10.8 years).

The accrued benefit liability relating to the employee non-pension retirement benefits has been actuarially determined using the projected benefit method pro-rated on services. At December 31, 2021, based on actuarial update, the accrued benefit obligation was \$2,408,549 (2020 - \$2,296,069).

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)

The continuity of post-employment benefits liability for 2021 is as follows:

	2021	2020
Balance, beginning of year	\$ 2,296,069	\$ 2,147,167
Current service costs	147,877	145,219
Interest costs	54,980	53,885
Benefits paid	(158,000)	(123,000)
Amortized actuarial gain	67,623	72,798
Balance, end of year	\$ 2,408,549	\$ 2,296,069

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

5. Employee future benefits liabilities (continued):

The accrued benefit liability at December 31, 2021 includes the following:

	2021	2020
Accrued benefit obligation	\$ 3,054,348	\$ 3,009,490
Unamortized actuarial loss	(645,799)	(713,421)
Balance, end of year	\$ 2,408,549	\$ 2,296,069

6. Deferred revenue:

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

The transactions for the year are summarized below:

	Infrastructure funding	Federal gas tax	Safe restart	Parkland	Building permit	Total
January 1, 2021	\$ 53,389	\$ 271,407	\$ 314,201	\$ 42,194	\$ 1,382,395	\$ 2,063,586
Government grants	1,132,457	401,611	-	-	-	1,534,068
Interest	1,944	4,042	-	306	10,047	16,339
Transfer to operating budget	-	-	(314,201)	-	-	(314,201)
December 31, 2021	\$ 1,187,790	\$ 677,060	\$ -	\$ 42,500	\$ 1,392,442	\$ 3,299,792

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

7. Long-term liabilities:

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

	2021	2020
Fixed rate with Royal Bank of Canada bank loans with maturity dates between 2023 and 2031 and interest rates between 2.13% and 4.17%	\$ 8,466,592	\$ 9,093,279
Ontario Infrastructure Projects Corporation with interest rates between 3.90% to 4.83%, maturing 2041	8,500,350	8,769,800
Smiths Falls Flying Club for capital works, non-interest bearing, repayable in annual instalments of \$5,000, maturing 2030	43,047	48,047
	<u>\$ 17,009,989</u>	<u>\$ 17,911,126</u>

- (b) Principal payments fall due as follows:

	General revenues	User charges	Total
2022	\$ 622,006	\$ 322,923	\$ 944,929
2023	2,938,786	338,055	3,276,841
2024	985,614	353,902	1,339,516
2025	312,532	370,496	683,028
2026 to 2030	320,547	387,871	708,418
2031 and thereafter	2,720,134	7,337,123	10,057,257
	<u>\$ 7,899,619</u>	<u>\$ 9,110,370</u>	<u>\$ 17,009,989</u>

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

- (c) Interest expense on long term liabilities in 2021 amounted to \$712,312 (2020 - \$751,122).

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

8. Accumulated surplus:

	2021	2020
Tangible capital assets	\$ 97,458,536	\$ 99,692,720
Unfinanced capital projects:		
Funded through internal borrowing	(457,231)	(520,753)
Funded from long-term debt	(813,822)	(287,480)
Long-term liabilities	(17,009,989)	(17,911,126)
Long-term receivable	10,762	12,012
Unrestricted surplus:		
Business Improvement Area surplus	42,282	36,303
Invested in land for resale	810,165	809,234
Inventory not for resale	96,851	92,772
Prepaid expenses	90,320	91,189
Unfunded employee future benefits	(2,408,549)	(2,296,069)
Reserves (Schedule 1)	16,086,923	10,289,536
Reserve Funds (Schedule 1)	9,971	9,899
Equity in Smiths Falls Hydro-Electric Generation Co. Ltd.	5,428	22,028
Total accumulated surplus	\$ 93,921,647	\$ 90,040,265

9. Pension contributions:

The Town makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all permanent members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employers and employees contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Town does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

The last available report was at December 31, 2021, and at that time, the plan reported a \$3.1 billion actuarial deficit (2020 - \$3.2 billion actuarial deficit).

The amount contributed to OMERS was \$789,022 (2020 - \$781,885) for current services and is included as an expense on the Consolidated Statement of Operations classified under the appropriate functional expenditure.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

10. Trust funds:

Trust funds administered by the Town amounting to \$626,445 (2020 - \$610,111) are presented in a separate financial statement of trust fund balances and operations. As such balances are held in trust by the Town for the benefit of others, they are not presented as part of the Town's financial position or financial activities.

11. Provincial Offences Administration ("POA")

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

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

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

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

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

12. Contingent 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 completed an environmental assessment of the property and determined the soil is contaminated. An estimate of the liability for the contaminated site, cannot be reasonably estimated at this time. The site is currently vacant and no remediation is required at this time. A liability for contaminated sites will be recognized in these consolidated financial statements, if required, when a future use of the site is known. Estimated recoveries from the redevelopment of the property will be applied towards any remediation costs.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

13 Contingent liabilities:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time as well as pending assessment appeals. With respect to claims as at December 31, 2021, 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.

14. 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 2021 were \$219,696 (2020 - \$213,752).
- (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 2021 were \$408,974 (2021 - \$406,985).
- (c) The Town has entered into a revenue sharing agreement with the Township of Montague regarding the realignment of the municipal boundary between the Town and the Township of Montague. The Town has agreed to annual payments, in perpetuity, to the Township of Montague of 50% of the Municipal levy on the annexed area. The amount in 2021 was \$145,632 (2020 - \$143,909)
- (d) The Corporation of the Town of Smiths Falls has previously entered into the following capital contracts and funding commitments:

Description of the Project	Capital commitment (000's)	Costs incurred to date (000's)
Beckwith Street Construction Administration	\$ 360	\$ 161
Wastewater treatment plant upgrades	437	31
Town Hall renovation phase III	2,530	—

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

15. Tangible capital assets:

Cost	Balance at December 31, 2020	Additions	Disposals/ Adjustments	Balance at December 31, 2021
Land	\$ 886,479	\$ 10,000	\$ –	\$ 896,479
Land improvements	79,656	–	–	79,656
Buildings:				
Memorial Community Centre	12,988,203	–	–	12,988,203
Youth Centre	1,950,182	–	–	1,950,182
Other recreation facilities	2,895,879	61,879	–	2,957,758
Water plant	28,373,891	98,214	–	28,472,105
Wastewater facility	29,743,100	47,039	–	29,790,139
Other	10,502,883	8,127	(206,643)	10,304,367
Machinery and equipment:				
Traffic and streetlights	2,344,077	835,398	–	3,179,475
Roads	1,097,936	41,783	–	1,139,719
Recreation and cultural	1,563,112	27,714	–	1,590,826
Other	1,540,960	94,347	–	1,635,307
Computer hardware and software	236,895	–	–	236,895
Vehicles:				
Fire	2,464,460	–	–	2,464,460
Police	311,404	50,539	(33,394)	328,549
Public works	989,990	–	–	989,990
Other	248,126	–	–	248,126
Linear assets:				
Roads	30,794,396	1,203,113	(262,364)	31,735,145
Bridges	6,640,861	–	–	6,640,861
Water and sewer	39,716,703	–	–	39,716,703
Construction in progress	1,438,651	(799,068)	–	639,583
Total	\$ 176,807,844	\$ 1,679,085	\$ (502,401)	\$ 177,984,528

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

15. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2020	Disposals/ Adjustments	Amortization expense	Balance at December 31, 2021
Land	\$ –	\$ –	\$ –	\$ –
Land improvements	77,958	–	1,698	79,656
Buildings:				
Memorial Community Centre	4,134,829	–	290,432	4,425,261
Youth Centre	1,214,796	–	29,682	1,244,478
Other recreation facilities	966,497	–	78,678	1,045,175
Water plant	11,810,485	–	480,354	12,290,839
Wastewater facility	14,650,891	–	702,542	15,353,433
Other	2,365,262	(6,199)	320,820	2,679,883
Machinery and equipment:				
Traffic and streetlights	989,955	–	75,944	1,065,899
Roads	545,413	–	60,267	605,680
Recreation and cultural	1,175,023	–	84,086	1,259,109
Other	962,908	–	86,598	1,049,506
Computer hardware and software	200,040	–	6,576	206,616
Vehicles:				
Fire	975,784	–	108,165	1,083,949
Police	164,327	(33,394)	32,075	163,008
Public works	744,041	–	55,561	799,602
Other	172,519	–	18,826	191,345
Linear assets:				
Roads	17,159,271	(261,702)	595,705	17,493,274
Bridges	2,207,869	–	106,667	2,314,536
Water and sewer	16,597,256	–	577,487	17,174,743
Construction in progress	–	–	–	–
Total	\$ 77,115,124	(301,295)	3,712,163	\$ 80,525,992

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

15. Tangible capital assets (continued):

	Net book value December 31, 2021	Net book value December 31, 2020
Land	\$ 896,479	\$ 886,479
Land improvements	–	1,698
Buildings:		
Memorial Community Centre	8,562,942	8,853,374
Youth Centre	705,704	735,386
Other recreation facilities	1,912,583	1,929,382
Water plant	16,181,266	16,563,406
Wastewater facility	14,436,706	15,092,209
Other	7,624,484	8,137,621
Machinery and equipment:		
Traffic and streetlights	2,113,576	1,354,122
Roads	534,039	552,523
Recreation and cultural	331,717	388,089
Other	585,801	578,052
Computer hardware and software	30,279	36,855
Vehicles:		
Fire	1,380,511	1,488,676
Police	165,541	147,077
Public works	190,388	245,949
Other	56,781	75,607
Linear assets:		
Roads	14,241,871	13,635,125
Bridges	4,326,325	4,432,992
Water and sewer	22,541,960	23,119,447
Construction in progress	639,583	1,438,651
Total	\$ 97,458,536	\$ 99,692,720

16. 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 1.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

16. Segmented Information (continued)

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development Services	Post- retirement benefits	2021 Total
Expenses:										
Salaries, wages and employee benefits	\$ 1,240,935	\$ 5,641,033	\$ 1,216,259	\$ 1,557,812	\$ 91,615	\$ 847,315	\$ 1,390,048	\$ 596,008	\$ 112,480	\$ 12,693,505
Debenture debt interest	-	110,444	8,215	433,949	-	-	158,366	1,338	-	712,312
Materials and services	695,092	704,595	1,345,585	2,802,332	24,601	78,522	863,878	538,725	-	7,053,330
Materials - non-TCA	16,647	40,538	889,445	188,367	-	-	121,774	-	-	1,256,771
External transfers	-	51,407	-	-	798,965	1,620,650	132,467	120,935	-	2,724,424
Interfunctional adjustment	-	63,693	(111,640)	47,947	-	-	-	-	-	-
Amortization	3,459	354,262	931,902	1,789,506	1,838	17,482	596,854	16,860	-	3,712,163
	\$ 1,956,133	\$ 6,965,972	\$ 4,279,766	\$ 6,819,913	\$ 917,019	\$ 2,563,969	\$ 3,263,387	\$ 1,273,866	\$ 112,480	\$ 28,152,505

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development Services	Post- retirement benefits	2020 Total
Expenses:										
Salaries, wages and employee benefits	\$ 1,143,092	\$ 5,417,354	\$ 1,262,676	\$ 1,539,691	\$ 94,717	\$ 736,261	\$ 1,196,444	\$ 582,147	\$ 148,902	\$ 12,121,284
Debenture debt interest	-	118,234	6,060	448,139	-	-	176,955	1,734	-	751,122
Materials and services	648,197	714,380	1,209,022	3,091,002	18,771	61,364	934,184	452,184	-	7,129,104
Materials - non-TCA	-	185,299	522,302	293,976	-	-	234,231	-	-	1,235,808
External transfers	-	49,844	-	-	768,760	1,574,602	157,821	154,026	-	2,705,053
Interfunctional adjustment	-	63,000	(77,762)	14,762	-	-	-	-	-	-
Amortization	3,459	286,009	872,053	2,093,153	1,838	17,481	648,877	20,993	-	3,943,863
	\$ 1,794,748	\$ 6,834,120	\$ 3,794,351	\$ 7,480,723	\$ 884,086	\$ 2,389,708	\$ 3,348,512	\$ 1,211,084	\$ 148,902	\$ 27,886,234

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

17. Budget Figures

The 2021 budget amounts that were approved were not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Board Standards). The budget included capital items such as infrastructure replacements and estimated costs for constructed assets, as program expenses, but the actual expenses have been removed in the Consolidated Statement of Operations. The revenues attributable to these items continue to be included in the Consolidated 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 revenue	\$ 27,905,851	\$ 30,978,488
Total expenses	29,609,006	28,152,505
Net revenue	(1,703,155)	2,825,983
Amortization	3,755,913	3,712,163
Adjusted net revenue	2,052,758	6,538,146
Capital revenue	1,700,354	1,055,399
Funds available	3,753,112	7,593,545
Capital expenses	(5,531,376)	(1,679,085)
Write-down of capital assets	–	201,106
Net loss Smiths Falls Generating Company	–	16,600
Acquisition of land inventory	–	(931)
Acquisition of inventory	–	(4,079)
Disposal of prepaid expense	–	869
Prior year surplus	59,312	–
Principal repayments	(995,611)	(899,887)
Net long-term debt acquired	898,007	–
Increase in unfunded post-employment benefits	271,901	112,480
Increase (decrease) in operating surplus	\$ (1,544,655)	\$ 5,340,618

Allocated as follows:

Year end surplus	\$ –	\$ 5,979
Net transfers to reserves	(1,544,655)	5,797,459
Net increase in unfinanced capital	–	(462,820)
	\$ (1,544,655)	\$ 5,340,618

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

18. 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 Town.

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 Town in future periods. The Town continues to closely monitor and assess the impact on its operations. It is management's assessment that the Town will have sufficient resources to mitigate the potential losses in 2022 as a result of COVID-19.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Schedule 1 – Continuity of Reserves and Reserve Funds

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

	Budget 2021	Actual 2021	Actual 2020
Revenue:			
Investment income	\$ -	\$ 72	\$ 115
Net transfers from (to) other funds:			
Transfers from operations	2,421,690	7,859,812	3,677,930
Transfers to capital acquisitions	(3,966,345)	(2,062,425)	(4,850,251)
	(1,544,655)	5,797,387	(1,172,321)
Reserves and reserve fund balances, change in year	(1,544,655)	5,797,459	(1,172,206)
Reserves and reserve fund balances, beginning of year	10,299,435	10,299,435	11,471,641
Reserves and reserve fund balances, end of year	\$ 8,754,780	\$ 16,096,894	\$ 10,299,435

Continuity of reserves and reserve funds:

	Actual 2021	Actual 2020
Reserves set aside for specific purposes by Council:		
Working capital	\$ 2,964,732	\$ 3,288,380
Insurance	37,983	37,983
Contingencies	1,597,849	123,746
Water and sewer operations	681,702	403,631
Economic development	61,038	234,913
Library purposes	54,331	44,340
	5,397,635	4,132,993
For capital purposes:		
Industrial development	224,168	273,794
Recreation and culture	187,191	182,779
Library purposes	540,500	-
Airport	21,490	13,990
Protective inspection	428,971	484,308
Child development centre	42,021	42,021
Water and sewer	3,234,086	2,150,273
Capital projects	6,010,861	3,009,378
	10,689,288	10,289,536
Reserve funds		
Parking	9,971	9,899
Total reserves and reserve funds	\$ 16,096,894	\$ 10,299,435



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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the statement of financial position as at December 31, 2021
- the statement of financial activities and changes in fund balances for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its results of operations for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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



Other Matter – Comparative Information

The financial statements as at and for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 7, 2021.

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

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

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

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

Auditors' 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 auditors' report that includes our opinion.

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

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

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



We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

August 2, 2022

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Trust Funds Statement of Financial Position

December 31, 2021, with comparative information for 2020

	Pardy Flag Trust	Esther Lewis Trust	Hillcrest Cemetery Trust	OHRP	2021	2020
Assets						
Cash	\$ 5,444	\$ 68,518	\$ 552,483	\$ -	\$ 626,445	\$ 613,831
Long-term receivables	-	-	-	-	-	2,499
	\$ 5,444	\$ 68,518	\$ 552,483	\$ -	\$ 626,445	\$ 616,330
Fund Balances						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,219
Fund balance	5,444	68,518	552,483	-	626,445	610,111
	\$ 5,444	\$ 68,518	\$ 552,483	\$ -	\$ 626,445	\$ 616,330

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Trust Funds

Statement of Financial Activities and Changes in Fund Balances

December 31, 2021, with comparative information for 2020

	Pardy Flag Trust	Esther Lewis Trust	Hillcrest Cemetery Trust	OHRP	2021	2020
Revenue:						
Bank interest	\$ 39	\$ 494	\$ 3,920	\$ -	\$ 4,453	\$ 7,082
Sale of cemetery plots	-	-	18,300	-	18,300	8,968
	39	494	22,220	-	22,753	16,050
Expenses:						
Transfer to revenue fund	-	-	3,920	-	3,920	6,219
Administration	-	-	-	2,499	2,499	12
	-	-	3,920	2,499	6,419	6,231
Net earnings (loss)	39	494	18,300	(2,499)	16,334	9,819
Fund balance, beginning of year	5,405	68,024	534,183	2,499	610,111	600,292
Fund balance, end of year	\$ 5,444	\$ 68,518	\$ 552,483	\$ -	\$ 626,445	\$ 610,111

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Trust Funds
Notes to Financial Statements

Year ended December 31, 2021

1. Significant accounting policies:

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

(a) Basis of accounting:

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

(b) Revenue recognition:

Revenue and expenses are recorded on an accrual basis.

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

(c) Use of estimates:

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

2. Statement of Cash Flows:

A statement of cash flows has not been included in these financial statements as it would not provide additional meaningful information.

3. Ontario Home Renewal Program:

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. In 2021, the loan balance was written off as uncollectible.

4. 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.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Trust Funds

Notes to Financial Statements (continued)

Year ended December 31, 2021

5. 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.

6. Pardy Flag Trust

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