

Consolidated Financial Statements of

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

And Independent Auditor's Report thereon

Year ended December 31, 2023

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Year ended December 31, 2023

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Independent Auditor's Report

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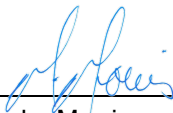
MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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.

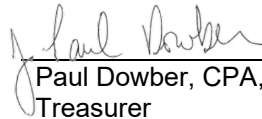
The Town's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely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

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

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



Malcolm Morris
Chief Administrative Officer



Paul Dowber, CPA, CGA
Treasurer



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

- the consolidated statement of financial position as at December 31, 2023
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

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

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

Emphasis of Matter – Change in Accounting Policy

We draw attention to note 19 to the financial statements which indicates that the Entity has



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changed its accounting policy for Asset Retirement Obligations, as a result of adoption of PS 3280, Asset Retirement Obligations, and has applied the change using the prospective method.

Our opinion is not modified in respect of this matter.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- 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

December 11, 2024

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Financial assets:		
Cash	\$ 20,932,330	\$ 19,145,242
Taxes receivable	1,098,033	1,455,427
Accounts receivable	3,487,191	3,714,197
Long-term receivable	8,262	9,512
Investment in Smiths Falls Hydro-Electric Generation Co. Ltd. (note 4)	5,428	5,428
	<u>25,531,244</u>	<u>24,329,806</u>
Financial liabilities:		
Accounts payable and accrued liabilities	3,928,389	2,805,119
Prepaid property taxes	613,750	601,944
Other current liabilities	2,185,356	1,182,853
Asset retirement obligations (note 7)	865,614	–
Employee future benefit obligations (note 5)	2,500,302	2,494,575
Deferred revenue (note 6)	4,552,861	3,283,819
Long term liabilities (note 8)	15,094,663	16,067,450
	<u>29,740,935</u>	<u>26,435,760</u>
Net debt	(4,209,691)	(2,105,954)
Non-financial assets:		
Tangible capital assets (note 15)	108,170,552	102,386,230
Inventory of land	1,115,754	1,044,754
Inventories	149,263	130,179
Prepaid expenses	636,724	110,585
	<u>110,072,293</u>	<u>103,671,748</u>
Contingent liabilities (note 13)		
Commitments (note 14)		
Accumulated surplus (note 9)	<u>\$ 105,862,602</u>	<u>\$ 101,565,794</u>

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, 2023, with comparative information for 2022

	2023 Budget (note 18)	2023 Actual	2022 Actual
Revenue:			
Taxation	\$ 18,731,133	\$ 18,926,147	\$ 17,922,613
Government transfers	8,367,551	7,301,553	10,078,073
User charges	7,074,852	7,153,682	6,815,804
Other municipalities	1,394,739	1,382,340	1,170,098
Investment income	107,000	1,054,621	429,463
Licenses and permits	515,800	603,240	471,489
Other income	30,750	425,100	484,558
Contribution from developers	–	–	455,717
Penalties and interest on taxes	178,000	332,916	177,760
Write-down of tangible capital assets	–	(150,881)	(91,429)
	<u>36,399,825</u>	<u>37,028,718</u>	<u>37,914,146</u>
Expenses (note 17):			
General government	2,526,057	2,411,930	2,256,061
Protection to persons and property	7,436,869	8,393,104	7,703,510
Transportation services	3,842,864	4,240,817	3,945,716
Environmental services	5,673,254	8,745,582	7,914,253
Health services	1,161,012	1,077,022	929,032
Social and family services	3,073,792	2,620,147	2,420,749
Recreation and cultural services	3,443,767	4,023,809	3,885,468
Planning and development	1,305,529	1,213,772	1,129,184
Post-retirement benefits	–	5,727	86,026
	<u>28,463,144</u>	<u>32,731,910</u>	<u>30,269,999</u>
Annual surplus	7,936,681	4,296,808	7,644,147
Accumulated surplus, beginning of year	101,565,794	101,565,794	93,921,647
Accumulated surplus, end of year	<u>\$ 109,502,475</u>	<u>\$ 105,862,602</u>	<u>\$ 101,565,794</u>

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Consolidated Statement of Changes in Net Debt

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget (note 18)	2023 Actual	2022 Actual
Annual surplus	\$ 7,936,681	\$ 4,296,808	\$ 7,644,147
Amortization of tangible capital assets	–	4,481,129	3,720,766
Acquisition of tangible capital assets	(17,873,821)	(10,416,332)	(8,284,172)
Contribution from developers	–	–	(455,717)
Write-down of tangible capital assets	–	150,881	91,429
Inventory of land for resale restated	–	(71,000)	(1,044,754)
Acquisition of inventories	–	(19,084)	(33,328)
Acquisition of prepaid expenses	–	(526,139)	(20,265)
	(17,873,821)	(6,400,545)	(6,026,041)
Decrease (increase) in net debt	(9,937,140)	(2,103,737)	1,618,106
Net debt, beginning of year	(2,105,954)	(2,105,954)	(3,724,060)
Net debt, end of year	\$ (12,043,094)	\$ (4,209,691)	\$ (2,105,954)

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Consolidated Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 4,296,808	\$ 7,644,147
Items not involving cash:		
Amortization of tangible capital assets	4,481,129	3,720,766
Contribution from developers	–	(455,717)
Write-down of tangible capital assets	150,881	91,429
Asset retirement obligations	865,614	–
Employee future benefit obligations	5,727	86,026
Change in non-cash operating working capital:		
Taxes receivable	357,394	(541,507)
Accounts receivable	227,006	(1,814,083)
Inventory of land for resale	(71,000)	(234,589)
Long-term receivable	1,250	1,250
Inventories	(19,084)	(33,328)
Prepaid expenses	(526,139)	(20,265)
Accounts payable and accrued liabilities	1,123,270	581,020
Prepaid property taxes	11,806	23,937
Other current liabilities	1,002,503	480,920
Deferred revenue	1,269,042	(15,973)
Net change in cash from operating activities	13,176,207	9,514,033
Capital activities:		
Acquisition of tangible capital assets	(10,416,332)	(8,284,172)
Financing activities:		
Repayment of long-term debt	(972,787)	(942,539)
Increase in cash	1,787,088	287,322
Cash, beginning of year	19,145,242	18,857,920
Cash, end of year	\$ 20,932,330	\$ 19,145,242

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements

Year ended December 31, 2023

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

1. Significant accounting policies:

The consolidated financial statements of the Town are the representations of management and have been prepared in all material respects in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting entity:

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

- Public Library Board
- Business Improvement Area Committee

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

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

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

(b) Basis of accounting:

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

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

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

(c) Taxation and related revenues:

Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established by Town Council, incorporating amounts to be raised for local services and amounts the Town is required to collect on behalf of the Province of Ontario in respect of education taxes.

Taxation revenues are recorded at the time tax billings are issued. Adjustments to taxation revenue can occur during the year related to the issuance of supplementary tax billings and/or assessment appeals. These adjustments are recorded when the amount of the adjustments can be quantified. The Town is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period in which the interest and penalties are applied.

(d) Tangible capital assets:

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

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

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

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(d) Tangible capital assets (continued):

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

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

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the Consolidated Statement of Operations and Accumulated Surplus in the year of disposal.

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

(e) Financial instruments:

On January 1, 2023, the Town adopted PS 3450 Financial Instruments which establishes accounting and reporting for all types of financial instruments, including derivatives as disclosed in Note 19. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost.

Management has not elected to record any investments at fair value as they are not managed and evaluated on a fair value basis.

On application of this standard, unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses which records the remeasurement gains and losses for financial instruments measured at fair value. Unrealized gains and losses are realized upon settlement of the financial instrument when the financial instrument is sold or reaches maturity through the Consolidated Statement of Operations and Accumulated Surplus. Changes in the fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met, upon which the gain or loss is recognized in the Consolidated Statement of Operations and Accumulated Surplus.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(e) Financial Instruments (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Consolidated Statement of Operations and Accumulated Surplus and any unrealized gain is adjusted through the Consolidated Statement of Remeasurement Gains and Losses.

Long-term debt is recorded at amortized cost.

Establishing fair value:

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

Fair value hierarchy:

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(f) Foreign currency

Foreign currency transactions are recorded at the exchange rate at the time of the transaction.

Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the Consolidated Statement of Remeasurement Gains and Losses. In the period of settlement, the realized foreign exchange gains and losses are recognized in the Consolidated Statement of Operations and Accumulated Surplus and the unrealized balances are reversed from the Consolidated Statement of Remeasurement Gains and Losses.

(g) Statement of Remeasurement Gains and Losses:

A Statement of Remeasurement Gains and Losses has not been provided as there are no significant unrealized gains or losses at December 31, 2023 or 2022.

(h) 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.

(i) Inventories:

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

(j) 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.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(k) Land inventory for resale:

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

(l) Government transfers:

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made, except when and to the extent that stipulations by the transferor give rise to an obligation that meets the definition of a liability. Government transfers that meet the definition of a liability are recorded as deferred revenue and recognized as revenue as the liability is extinguished.

(m) Deferred revenue:

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

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

(n) Asset retirement obligations:

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

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

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(n) Asset retirement obligations (continued):

The liability for the removal of asbestos in several of the buildings owned by the Town has been recognized based on estimated undiscounted future expenses. Under the prospective method, the assumptions used on initial recognition are those as of the date of adoption in the standard. Assumptions used in the subsequent calculations are revised yearly.

Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liabilities are recognized in the Consolidated Statement of Operations and Accumulated Surplus at the time of remediation.

The recognition of the ARO liability resulted in an accompanying increase to the respective tangible capital assets. Building tangible capital assets affected by the asbestos liability are being amortized with the building following the amortization accounting policies outlined in Note 1(d).

(o) 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.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(p) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Significant areas requiring the use of management's estimates include the actuarial assumptions used to develop the employee future benefit obligations, asset retirement obligations and the carrying value of tangible capital assets. Actual results could differ from those estimates.

2. Operations of the school boards:

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

	2023	2022
Property taxes	\$ 2,520,854	\$ 2,483,157
Taxation from other governments	817	1,305
	<u>\$ 2,521,671</u>	<u>\$ 2,484,462</u>

3. Bank indebtedness:

The Town's financial agreement with the Royal Bank of Canada provides for an operating credit facility of up to \$3,000,000 to finance expenses, pending receipt of property taxes and other income. Interest on funds borrowed is drawn at the Bank's prime rate minus 0.5% per annum. As at December 31, 2023 there was \$nil (2022 - \$Nil) drawn on the facility.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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:

	2023	2022
Financial position:		
Capital assets	\$ 92,317	\$ 92,317
Due to Town	\$ 86,889	\$ 86,889
Promissory note (no fixed terms of repayment)	900,000	900,000
Shareholder's deficit	(894,572)	(894,572)
	\$ 92,317	\$ 92,317
Results of operations		
Net revenue	\$ –	\$ –
Operating expenses	–	–
Net loss	\$ –	\$ –

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

5. Employee future benefits obligations:

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

The accrued benefit liability relating to the employee non-pension retirement benefits has been actuarially determined using the projected benefit method pro-rated on services. Based on the full actuarial valuation completed as at December 31, 2022, the accrued benefit obligation was \$2,500,302 (2022 - \$2,494,575).

Actuarial gains and losses are amortized on a straight line basis over the expected average remaining service life of the related employee groups, which is estimated to be 12.14 years (2022 - 10.8 years).

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

Discount Rate	4.32% (2022 - 4.32%)
Trend Rates	7.5% (2022 - 7.5%) decreasing by 0.5% annually to 4.0% (2022 – 0.5% to 4%)
Employee Turnover	4.5% (2022 - 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 2023 is as follows:

	2023	2022
Balance, beginning of year	\$ 2,494,575	\$ 2,408,549
Current service costs	97,581	150,000
Interest costs	86,654	55,000
Benefits paid	(140,000)	(160,000)
Amortization of actuarial loss (gain)	(38,508)	41,026
Balance, end of year	\$ 2,500,302	\$ 2,494,575

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

5. Employee future benefits obligations (continued):

The accrued benefit liability at December 31, 2023 includes the following:

	2023	2022
Accrued benefit obligation	\$ 2,071,318	\$ 2,027,083
Unamortized actuarial gain (loss)	428,984	467,492
Balance, end of year	\$ 2,500,302	\$ 2,494,575

6. Deferred revenue:

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

The transactions for the year are summarized below:

	Infrastructure funding	Canada Community Building Fund	Development Charges	Parkland	Building permit	Total
January 1, 2023	\$ –	\$ 116,991	\$ 1,058,438	\$ 110,394	\$ 1,997,996	\$ 3,283,819
Government grants	1,336,185	581,132	–	–	–	1,917,317
Development charges collected	–	–	1,135,249	–	–	1,135,249
Interest income	15,976	6,767	63,550	5,785	57,691	149,769
Recognized as revenue	(1,352,161)	(581,132)	–	–	–	(1,933,293)
December 31, 2023	\$ –	\$ 123,758	\$ 2,257,237	\$ 116,179	\$ 2,055,687	\$ 4,552,861
January 1, 2022	\$ 1,187,790	\$ 677,060	\$ –	\$ 42,500	\$ 1,392,442	\$ 3,299,792
Government grants	1,157,043	556,918	–	66,000	–	1,779,961
Development charges collected	–	–	1,050,012	–	581,563	1,631,575
Interest income	11,806	2,802	8,426	1,894	23,991	48,919
Recognized as revenue	(2,356,639)	(1,119,789)	–	–	–	(3,476,428)
December 31, 2022	\$ –	\$ 116,991	\$ 1,058,438	\$ 110,394	\$ 1,997,996	\$ 3,283,819

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

7. Asset retirement obligations:

The Town owns and operates several buildings and sewage collection pipes that are known to have asbestos, which represents a health hazard upon demolition of the building and of the pipes and there is a legal obligation to remove it. Following the adoption of PS 3280 Asset Retirement Obligations, the Town assessed an obligation relating to the removal and post-removal care of the asbestos in these building and pipes as estimated at January 1, 2023. Post-closure care is estimated to extend for up to a year post the closure of the building, while demolition and construction continues. Estimated costs have not been discounted as the date of demolition is unknown.

The change in the estimated obligation during the year consists of the following:

	2023
Liabilities for asset retirement obligation, beginning of year	\$ –
Opening adjustment on adoption of PS 3280 asset retirement obligations	865,614
Accretion expense	–
	865,614
Liabilities settled during the year	–
Balance, December 31, 2023	\$ 865,614

8. Long-term liabilities:

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

	2023	2022
Fixed rate bank loans with Royal Bank of Canada with maturity dates between 2023 and 2031 and interest rates between 2.13% and 4.17%	\$ 7,139,205	\$ 7,811,313
Fixed rate loans with Ontario Infrastructure Projects Corporation with interest rates between 3.90% to 4.83%, maturing 2041	7,922,411	8,218,090
Smiths Falls Flying Club for capital works, non-interest bearing loan, repayable in annual instalments of \$5,000, maturing 2030	33,047	38,047
	\$ 15,094,663	\$ 16,067,450

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

8. Long-term liabilities (continued):

(b) Principal payments fall due as follows:

2024	\$ 1,531,894
2025	2,626,388
2026	1,267,301
2027	684,859
2028	710,252
2029 and thereafter	8,273,969
	<hr/>
	\$ 15,094,663

(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 2023 amounted to \$640,961 (2022 - \$656,605).

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

9. Accumulated surplus:

	2023	2022
Investment in tangible capital assets:		
Tangible capital assets	\$ 108,170,552	\$ 102,386,230
Unfunded asset retirement obligation	(865,614)	—
Unfinanced capital projects	(2,588,981)	(1,395,230)
Long-term liabilities	(15,094,663)	(16,067,450)
Long-term receivable	8,262	9,512
Total investment in tangible capital assets	89,629,556	84,933,062
Unrestricted surplus:		
Town surplus	1,302,371	—
Business Improvement Area surplus	25,905	22,736
Inventory not for resale	149,263	130,179
Total unrestricted surplus	1,477,539	152,915
Unfunded liabilities:		
Employee future benefit obligations	(2,500,302)	(2,494,575)
Reserves and reserve funds (Schedule 1):		
Reserves	17,238,068	18,957,264
Reserve funds	12,313	11,700
	17,250,381	18,968,964
Equity in Smiths Falls Hydro-Electric Generation Co. Ltd.	5,428	5,428
Total accumulated surplus	\$ 105,862,602	\$ 101,565,794

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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 last available report was at December 31, 2023, and at that time, the plan reported a \$4.2 billion actuarial deficit (2022 - \$6.7 billion actuarial deficit).

The amount contributed to OMERS was \$904,538 (2022 - \$852,595) for current services and is included as an expense on the Consolidated Statement of Operations and Accumulated Surplus classified under the appropriate functional expenditure.

11. Trust funds:

Trust funds administered by the Town amounting to \$667,436 (2022 - \$648,089) 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.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

12. Provincial Offences Administration ("POA") (continued):

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

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

13. Contingent liabilities:

(a) Contaminated sites:

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

(b) Litigation:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time as well as pending assessment appeals. With respect to claims as at December 31, 2023, 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 2025. Annual charges under the contract are determined based on the number of households. The prices are adjusted annually for inflation. Payments under the contract for 2023 were \$268,874 (2022 - \$268,395).

(b) The Town has negotiated a long-term contract with Glenview Iron and Metal for the collection and disposal of solid waste. The contract expires December 2025. Annual charges under the contract are determined based on the number of households for collection and tonnage for disposal. The prices are adjusted annually for inflation. Payments under the contract for 2023 were \$526,678 (2022 - \$524,433).

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

14. Commitments (continued):

- (c) 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	Costs incurred to date
Catherine and Oak Street reconstruction	\$ 3,872,082	\$ 2,252,122

- (d) Subsequent to year-end, the Town entered into agreements for certain capital projects. The total value of these commitments is \$12,832,789.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements

Year ended December 31, 2023

15. Tangible capital assets:

Cost	Balance at December 31, 2022 as previously stated	Asset Retirement Obligations	Balance at December 31, 2022, restated	Additions	Disposals/ Adjustments	Balance at December 31, 2023
Land	\$ 896,479	–	896,479	\$ –	\$ –	\$ 896,479
Land improvements	79,656	–	79,656	1,561,293	–	1,640,949
Buildings:						
Memorial Community Centre	12,988,203	–	12,988,203	53,831	–	13,042,034
Youth Centre	1,950,182	–	1,950,182	–	–	1,950,182
Other recreation facilities	2,957,758	–	2,957,758	9,677	(6,544)	2,960,891
Water plant	28,563,112	–	28,563,112	645,832	(432,662)	28,776,282
Wastewater facility	29,865,618	–	29,865,618	–	–	29,865,618
Other	10,342,227	92,388	10,434,615	2,947,306	(1,349)	13,380,572
Machinery and equipment:						
Traffic and streetlights	3,732,055	–	3,732,055	–	–	3,732,055
Roads	1,167,713	–	1,167,713	59,315	(208,659)	1,018,369
Recreation and cultural	1,611,348	–	1,611,348	130,261	–	1,741,609
Other	1,604,546	–	1,604,546	1,174,526	–	2,779,072
Computer hardware and software	236,895	–	236,895	22,713	–	259,608
Vehicles:						
Fire	2,464,460	–	2,464,460	–	–	2,464,460
Police	356,670	–	356,670	55,518	–	412,188
Public works	989,990	–	989,990	461,471	(183,745)	1,267,716
Other	248,126	–	248,126	–	(82,016)	166,110
Linear assets:						
Roads	33,911,062	–	33,911,062	1,227,330	(251,829)	34,886,563
Bridges	6,640,861	–	6,640,861	–	–	6,640,861
Water and sewer	41,594,587	773,226	42,367,813	1,156,719	(36,252)	43,488,280
Construction in progress	4,099,807	–	4,099,807	44,926	–	4,144,733
Total	\$ 186,301,355	\$ 865,614	\$ 187,166,969	\$ 9,550,718	\$ (1,203,056)	\$ 195,514,631

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements

Year ended December 31, 2023

15. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2022	Disposals/ Adjustments	Amortization expense	Balance at December 31, 2023
Land	\$ –	\$ –	\$ –	\$ –
Land improvements	79,656	–	7,240	86,896
Buildings:				
Memorial Community Centre	4,689,711	–	259,431	4,949,142
Youth Centre	1,273,780	–	28,922	1,302,702
Other recreation facilities	1,130,043	(2,356)	112,877	1,240,564
Water plant	12,778,551	(382,779)	557,927	12,953,699
Wastewater facility	16,058,956	–	705,523	16,764,479
Other	2,994,787	(1,349)	296,064	3,289,502
Machinery and equipment:				
Traffic and streetlights	1,080,895	–	104,950	1,185,845
Roads	668,909	(155,961)	60,089	573,037
Recreation and cultural	1,327,467	–	73,383	1,400,850
Other	1,090,860	–	91,061	1,181,921
Computer hardware and software	213,194	–	6,578	219,772
Vehicles:				
Fire	1,192,112	–	99,325	1,291,437
Police	171,234	–	41,613	212,847
Public works	847,162	(170,659)	66,743	743,246
Other	208,032	(92,905)	20,719	135,846
Linear assets:				
Roads	17,944,596	(209,915)	714,643	18,449,324
Bridges	2,421,203	–	106,667	2,527,870
Water and sewer	17,743,977	(36,251)	1,127,374	18,835,100
Construction in progress	–	–	–	–
Total	\$ 83,915,125	\$ (1,052,175)	\$ 4,481,129	\$ 87,344,079

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements

Year ended December 31, 2023

15. Tangible capital assets (continued):

	Net book value December 31, 2023	Net book value December 31, 2022
Land	\$ 896,479	\$ 896,479
Land improvements	1,554,053	–
Buildings:		
Memorial Community Centre	8,092,892	8,298,492
Youth Centre	647,480	676,402
Other recreation facilities	1,720,327	1,827,715
Water plant	15,822,583	15,784,561
Wastewater facility	13,101,139	13,806,662
Other	10,091,070	7,347,440
Machinery and equipment:		
Traffic and streetlights	2,546,210	2,651,160
Roads	445,332	498,804
Recreation and cultural	340,759	283,881
Other	1,597,151	513,686
Computer hardware and software	39,836	23,701
Vehicles:		
Fire	1,173,023	1,272,348
Police	199,341	185,436
Public works	524,470	142,828
Other	30,264	40,094
Linear assets:		
Roads	16,437,239	15,966,466
Bridges	4,112,991	4,219,658
Water and sewer	24,653,180	23,850,610
Construction in progress	4,144,733	4,099,807
Total	\$ 108,170,552	\$ 102,386,230

16. Financial instruments and risk management:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Town is exposed to credit risk with respect to accounts receivable and investments on the Statement of Financial Position.

The Town assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Town at December 31, 2023 is the carrying value of these assets. The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Consolidated Statement of Operations and Accumulated Surplus. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Consolidated Statement of Operations and Accumulated Surplus.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

16. Financial instruments and risk management (continued):

(a) Credit risk (continued):

	Current	Past due	Gross receivables	Allowances	Net receivables
Accounts receivable	\$ 3,355,549	\$ 131,642	\$ 3,487,191	\$ –	\$ 3,487,191
Taxes receivable	547,703	564,411	1,112,114	(14,081)	1,098,033
Total	\$ 3,903,252	\$ 696,053	\$ 4,599,305	\$ (14,081)	\$ 4,585,224

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, impact the Town's income or the value of its holdings of financial instruments. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

There have been no significant changes to the market risk exposure from 2022.

(i) Currency risk:

Currency risk arises from the Town's operations in different currencies and converting non-Canadian earnings at different points in time at different foreign currency levels when adverse changes in foreign currency rates occur. The Town does not have any material transactions or financial instruments denominated in foreign currencies.

(ii) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Town to cash flow interest rate risk.

The Town's management monitors the interest rate fluctuations on a continuous basis and acts accordingly with regards to long-term debt as described in note 8. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the long-term debt.

There has been no change to the interest rate risk exposure from 2022.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

16. Financial instruments and risk management (continued):

(b) Market risk (continued):

(iii) Equity risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Town is not exposed to this risk based on the current investment portfolio.

(c) Liquidity risk:

Liquidity risk is the risk that the Town will not be able to meet all of its cash outflow obligations as they come due. The Town mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. Accounts payable are all current and the terms of the long-term debt are disclosed in note 8.

There have been no significant changes from the previous year in the Town's exposure to liquidity risk or policies, procedures and methods used to measure the risk.

17. Segmented Information:

The Town is a diversified municipal government that provides a wide range of services to its citizens. The services are provided by departments and their activities are reported in the Consolidated Statement of Operations and Accumulated Surplus.

Departments have been separately disclosed in the segmented information, along with the service they provide, are set out in the schedule below.

For each reported segment, expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 1.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

17. Segmented Information (continued):

2023

	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	2023
Revenue:										
Taxation	\$ 18,926,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,926,147
User charges	27,577	80,405	90,137	5,739,550	106,670	328,249	738,224	42,870	-	7,153,682
Government transfers	3,486,093	897,432	2,209,018	152,700	-	-	394,260	162,050	-	7,301,553
Other municipalities	-	398,607	-	10,900	-	653,208	292,625	27,000	-	1,382,340
Licenses and permits	7,240	596,000	-	-	-	-	-	-	-	603,240
Investment income	1,024,312	-	-	-	30,309	-	-	-	-	1,054,621
Penalties and interest on taxes	332,916	-	-	-	-	-	-	-	-	332,916
Other	10,000	271,775	183	-	-	12,040	49,665	81,437	-	425,100
Write down of tangible capital assets	-	-	(145,683)	-	(1,010)	-	(4,188)	-	-	(150,881)
	23,814,285	2,244,219	2,153,655	5,903,150	135,969	993,497	1,470,586	313,357	-	37,028,718
Expenses:										
Salaries, wages and employee benefits	1,349,000	6,358,946	1,708,169	1,812,307	81,720	883,490	1,701,242	749,149	5,727	14,649,750
Debenture debt interest	-	109,135	6,710	410,122	-	-	114,994	-	-	640,961
Materials and services	1,059,471	1,474,342	1,508,969	4,077,785	22,361	94,002	1,475,426	355,364	-	10,067,720
External transfers	-	61,656	-	-	960,451	1,633,762	135,275	101,206	-	2,892,350
Interfunctional adjustment	-	64,000	(67,902)	3,902	-	-	-	-	-	-
Amortization	3,459	325,025	1,084,871	2,441,466	12,490	8,893	596,872	8,053	-	4,481,129
	2,411,930	8,393,104	4,240,817	8,745,582	1,077,022	2,620,147	4,023,809	1,213,772	5,727	32,731,910
Annual surplus (deficit)	\$ 21,402,355	\$ (6,148,885)	\$ (2,087,162)	\$ (2,842,432)	\$ (941,053)	\$ (1,626,650)	\$ (2,553,223)	\$ (900,415)	\$ (5,727)	\$ 4,296,808

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

17. Segmented Information (continued):

2022

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Developme nt Services	Post- retirement benefits	2022 Total
Revenue:										
Taxation	\$ 17,922,613	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,922,613
User charges	48,096	117,257	65,432	5,510,639	104,772	418,377	489,006	62,225	-	6,815,804
Government transfers	3,635,799	234,229	4,550,207	89,984	-	-	1,195,643	372,211	-	10,078,073
Other municipalities	-	418,569	11,528	10,900	-	431,318	271,783	26,000	-	1,170,098
Licenses and permits	8,530	462,959	-	-	-	-	-	-	-	471,489
Investment income	417,790	-	-	-	11,673	-	-	-	-	429,463
Penalties and interest on taxes	177,760	-	-	-	-	-	-	-	-	177,760
Other	10,000	216,370	-	-	-	1,475	22,124	234,589	-	484,558
Contribution from developers	-	-	455,717	-	-	-	-	-	-	455,717
Write down of tangible capital assets	-	(5,759)	(70,211)	-	(12,151)	-	(3,308)	-	-	(91,429)
	22,220,588	1,443,625	5,012,673	5,611,523	104,294	851,170	1,975,248	695,025	-	37,914,146
Expenses:										
Salaries, wages and employee benefits	1,247,919	6,224,839	1,549,590	1,720,295	93,688	787,377	1,544,199	652,789	86,026	13,906,722
Debenture debt interest	-	103,212	7,533	417,921	-	-	127,939	-	-	656,605
Materials and services	1,004,683	903,471	1,629,271	3,833,691	14,342	136,673	1,508,995	370,507	-	9,401,633
External transfers	-	53,384	-	-	819,578	1,479,217	134,259	97,835	-	2,584,273
Interfunctional adjustment	-	64,000	(208,858)	144,858	-	-	-	-	-	-
Amortization	3,459	354,604	968,180	1,797,488	1,424	17,482	570,076	8,053	-	3,720,766
	2,256,061	7,703,510	3,945,716	7,914,253	929,032	2,420,749	3,885,468	1,129,184	86,026	30,269,999
Annual surplus (deficit)	\$ 19,964,527	\$ (6,259,885)	\$ 1,066,957	\$ (2,302,730)	\$ (824,738)	\$ (1,569,579)	\$ (1,910,220)	\$ (434,159)	\$ (86,026)	\$ 7,644,147

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

18. Budget figures:

The 2023 budget amounts that were approved were not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Board Standards). The budget included capital items such as infrastructure replacements and estimated costs for constructed assets, as program expenses, but the actual expenses have been removed in the Consolidated Statement of Operations and Accumulated Surplus. The revenues attributable to these items continue to be included in the Consolidated Statement of Operations and Accumulated Surplus, resulting in a significant variance. The following analysis is provided to assist readers in their understanding of differences between the approved budget and the audited financial statements:

	Budget	Actual
Total revenue	\$ 36,399,825	\$ 37,028,718
Total expenses	28,463,144	32,731,910
Net revenue	7,936,681	4,296,808
Amortization	–	4,481,129
Funds available	7,936,681	8,777,937
Capital expenses	(17,873,821)	(10,416,332)
Write-down of tangible capital assets	–	150,881
Disposal of inventory	–	(19,084)
Utilization of prior year BIA surplus	(56)	–
Prior year surplus	–	–
Principal repayments	(1,016,787)	(971,537)
Net long-term debt acquired	4,031,774	–
Increase in unfunded post-employment benefits	–	5,727
Increase in unfunded asset retirement obligations	–	865,614
Decrease in operating surplus	\$ (6,922,209)	\$ (1,606,794)

Allocated as follows:

Operating surplus (deficit)	\$ –	\$ 1,302,371
Increase in BIA surplus	–	3,169
Net transfers to reserves	(7,023,864)	(1,718,583)
Net increase in unfinanced capital	101,655	(1,193,751)
	\$ (6,922,209)	\$ (1,606,794)

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

19. Change in accounting policy – adoption of new accounting standards:

- (a) The Town adopted the following standards concurrently beginning January 1, 2023 prospectively: PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation*, PS 3041 *Portfolio Investments*, and PS 3450 *Financial Instruments*.

PS 1201 *Financial Statement Presentation* replaces PS 1200 *Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Consolidated Statement of Operations and Accumulated Surplus. Requirements in PS 2601 *Foreign Currency Translation*, PS 3450 *Financial Instruments*, and PS 3041 *Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denoted in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses.

PS 3041 *Portfolio Investments* replaces PS 3040 *Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 *Financial Instruments*. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 *Temporary Investments* no longer applies.

PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.

- (i) Establishing fair value:

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

19. Change in accounting policy – adoption of new accounting standards (continued):

(a) (continued):

(ii) Fair value hierarchy:

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

In accordance with PS 3450 *Financial Instruments*, the financial statements of prior periods were not restated on transition. Consequently, the accounting policies for recognition, derecognition and measurement of financial instruments applied to the comparative information reflect those disclosed in the 2022 financial statements.

On application of this standard, a new statement, the Statement of Remeasurement Gains and Losses has not been included in these financial statements as there are no unrealized gains or losses to report.

Any difference between the financial instruments' fair values as at January 1, 2023 and previous carrying amounts as at December 31, 2022, excluding previously recognized exchange gains and losses, were recognized as an adjustment to the opening balance of accumulated remeasurement gains and losses. Hence, no comparative amounts are reported in the Statement of Remeasurement Gains and Losses due to prospective application of this standard.

(b) PS 3280 *Asset Retirement Obligations* ("ARO") establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use. This standard was adopted on January 1, 2023 on a prospective basis with no prior period restatement.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

19. Change in accounting policy – adoption of new accounting standards (continued):

(b) (continued):

In the past, the Town has reported its obligations related to the retirement of tangible capital assets in the period when the asset was retired directly as an expense. The new standard requires the recognition of a liability for legal obligations that exist as a result of the acquisition, construction or development of a tangible capital asset, or that result from the normal use of the asset when the asset is recorded, and replaces Section PS 3270 *Solid Waste Landfill Closure and Post-Closure Liability*. Such obligation justifies recognition of a liability and can result from existing legislation, regulation, agreement, contract, or that is based on a promise and an expectation of performance. The estimate of the liability includes costs directly attributable to asset retirement activities. Costs include post-retirement operation, maintenance, and monitoring that are an integral part of the retirement of the tangible capital asset (if applicable). When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the associated assets and amortized over the asset's estimated useful life. The amortization of the asset retirement costs follows the same method of amortization as the associated tangible capital asset.

A significant part of asset retirement obligations results from the removal and disposal of designated substances such as asbestos from Town buildings and post-closure activities. The Town reports liabilities related to the legal obligations where the Town is obligated to incur costs to retire a tangible capital asset.

The Town's ongoing efforts to assess the extent to which designated substances exist in Town assets, and new information obtained through regular maintenance and renewal of Town assets may result in additional asset retirement obligations from better information on the nature and extent the substance exists or from changes in the estimated cost to fulfil the obligation. The measurement of assets retirement obligations is also impacted by activities that occurred to settle all or part of the obligation, or any changes in the legal obligation. Revisions to the estimated cost of the obligation will result in the carrying amount of the associated assets that are in productive use and amortized as part of the asset on an ongoing basis. When obligations have reliable cash flow projections, the liability may be estimated using the present value of future cash flows. Subsequently, accretion of the discounted liability due to the passage of time is recorded as an in-year expense (if applicable).

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

19. Change in accounting policy – adoption of new accounting standards (continued):

(b) (continued)

To estimate the liability for similar buildings that do not have information on asbestos and other designated substances, the Town uses buildings with assessments on the extent and nature of the designated substances in the building to measure the liability and those buildings and this information is extrapolated to a group of similar assets that do not have designated substances reports. As more information becomes available on specific assets, the liability is revised to be asset specific. In other situations, where the building might not be part of a large portfolio, other techniques are used such as using industry data, experts or basing the estimate on a specific asset that is similar (if applicable).

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Schedule 1 – Continuity of Reserves and Reserve Funds

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget (note 18)	2023 Actual	2022 Actual
Revenue:			
Investment income	\$ –	\$ 613	\$ 229
Net transfers from (to) other funds:			
Transfers from operations	3,013,781	3,804,581	6,751,489
Transfers to capital acquisitions	(10,037,645)	(5,523,777)	(3,879,648)
	(7,023,864)	(1,719,196)	2,871,841
Reserves and reserve fund balances, change in year	(7,023,864)	(1,718,583)	2,872,070
Reserves and reserve fund balances, beginning of year	18,968,964	18,968,964	16,096,894
Reserves and reserve fund balances, end of year	\$ 11,945,100	\$ 17,250,381	\$ 18,968,964

Continuity of reserves and reserve funds:

	2023 Actual	2022 Actual
Reserves set aside for specific purposes by Council:		
For operating purposes:		
Working capital	\$ 3,410,632	\$ 3,249,858
Insurance	37,983	37,983
Contingencies	3,860,429	3,863,724
Water and sewer operations	666,669	633,804
Economic development	128,000	128,000
Library purposes	46,000	46,000
	8,149,713	7,959,369
For capital purposes:		
Industrial development	209,106	209,106
Recreation and culture	176,059	132,006
Library purposes	540,500	540,500
Airport	26,490	23,990
Protective inspection	74,834	53,339
Child development centre	42,021	42,021
Water and sewer	3,398,651	3,894,043
Capital projects	4,620,694	6,102,890
	9,088,355	10,997,895
	17,238,068	18,957,264
Reserve funds:		
Parking	12,313	11,700
Total reserves and reserve funds	\$ 17,250,381	\$ 18,968,964



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

- the statement of financial position as at December 31, 2023
- 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, 2023, and its results of operations for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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



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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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



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attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

December 11, 2024

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Trust Funds Statement of Financial Position

December 31, 2023, with comparative information for 2022

	Pardy Flag Trust	Esther Lewis Trust	Hillcrest Cemetery Trust	2023	2022
Assets					
Cash	\$ 5,848	\$ 73,605	\$ 587,983	\$ 667,436	\$ 648,089
Fund Balances					
Fund balance	\$ 5,848	\$ 73,605	\$ 587,983	\$ 667,436	\$ 648,089

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, 2023, with comparative information for 2022

	Pardy Flag Trust	Esther Lewis Trust	Hillcrest Cemetery Trust	2023	2022
Revenue:					
Bank interest	\$ 291	\$ 3,665	\$ 30,286	\$ 34,242	\$ 13,208
Sale of cemetery plots	–	–	15,391	15,391	20,109
	291	3,665	45,677	49,633	33,317
Expenses:					
Transfer to revenue fund	–	–	30,286	30,286	11,673
	–	–	30,286	30,286	11,673
Annual surplus	291	3,665	15,391	19,347	21,644
Fund balance, beginning of year	5,557	69,940	572,592	648,089	626,445
Fund balance, end of year	\$ 5,848	\$ 73,605	\$ 587,983	\$ 667,436	\$ 648,089

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Trust Funds

Notes to Financial Statements

Year ended December 31, 2023

1. Significant accounting policies:

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

(a) Reporting entity:

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

(b) Basis of accounting:

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

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

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition, and reported on the Statement of Financial Position.

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

All financial assets are assessed for impairment on an annual basis. Where a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations and any unrealized gain is adjusted through the Statement of Remeasurement Gains and Losses. On sale, the statement of remeasurement gains and losses associated with that instrument are reversed and recognized in the Statement of Operations.

(d) Statement of remeasurement gains and losses:

A statement of remeasurement gains and losses has not been provided as there are no significant unrealized gains or losses at December 31, 2023 or 2022.

(e) Use of estimates:

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

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Trust Funds

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Statement of Cash Flows:

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

3. Esther Jean Lewis Trust Fund:

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

4. Hillcrest Cemetery Trust Fund:

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

5. Pardy Flag Trust Fund:

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

6. Financial instruments:

The Trust Fund's financial instruments consist of cash and due to the Towns of Smith Falls are carried at cost. Unless otherwise noted, it is management's opinion that the Trust Fund is not exposed to significant credit, liquidity or market risks arising from these financial instruments. The fair value of the Trust Fund's financial instruments approximates their carrying value due to their short-term nature.

THE CORPORATION OF THE TOWN OF SMITHS FALLS

Trust Funds

Notes to Financial Statements (continued)

Year ended December 31, 2023

6. Change in accounting policies – adoption of new accounting standards:

The Trust Funds adopted the following standards concurrently beginning January 1, 2023 prospectively: PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation*, PS 3041 *Portfolio Investments*, and PS 3450 *Financial Instruments*.

- (i) PS 1201 *Financial Statement Presentation* replaces PS 1200 *Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 *Foreign Currency Translation*, PS 3450 *Financial Instruments*, and PS 3041 *Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.
- (ii) PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denoted in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses.
- (iii) PS 3041 *Portfolio Investments* replaces PS 3040 *Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 *Financial Instruments*. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 *Temporary Investments* no longer applies.
- (iv) PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.