

Audited Consolidated Financial Statements and  
Other Financial Information of

**CORPORATION OF THE TOWN  
OF PRESCOTT**

Year ended December 31, 2022

Audited Consolidated Financial Statements and Other Financial Information of

# CORPORATION OF THE TOWN OF PRESCOTT

Year ended December 31, 2022

## CORPORATION OF THE TOWN OF PRESCOTT

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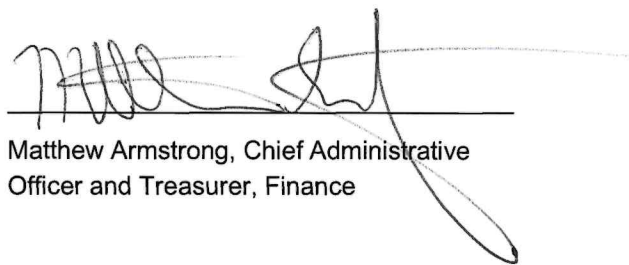
### **Management's Responsibility for the Consolidated Financial Statements**

The accompanying consolidated financial statements of the Corporation of the Town of Prescott (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 the significant accounting policies is contained in note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, 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 the consolidated financial statements. These systems are monitored and evaluated by management.

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



Matthew Armstrong, Chief Administrative  
Officer and Treasurer, Finance



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## **INDEPENDENT AUDITOR'S REPORT**

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Town of Prescott

### ***Opinion***

We have audited the consolidated financial statements of the Corporation of the Township of Prescott (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statement of operations and accumulated municipal equity for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

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

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

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



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### ***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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

December 4, 2023

# CORPORATION OF THE TOWN OF PRESCOTT

## Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
<b>Financial assets:</b>		
Cash and short-term deposits	\$ 1,007,823	\$ 3,328,690
Taxes receivable	619,891	566,295
User charges receivable	1,429,505	598,915
Accounts receivable	8,415,335	858,969
Inventory	20,068	11,709
Investments (note 9)	1,179,049	1,124,230
Investment in Rideau St. Lawrence Holdings Inc. (note 4)	1,988,521	1,991,535
	<u>14,660,192</u>	<u>8,480,343</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	3,348,850	1,965,908
Employee future benefit obligations (note 5)	29,438	30,769
Deferred revenue (note 6)	434,046	1,024,553
Long-term liabilities (note 7)	9,529,080	10,276,038
Temporary borrowings (note 8)	8,780,663	—
Total liabilities	<u>22,122,077</u>	<u>13,297,268</u>
Net debt	(7,461,885)	(4,816,925)
<b>Non-financial assets:</b>		
Tangible capital assets (note 16)	72,114,169	62,031,544
Inventories	28,036	37,628
Prepaid expenses	272,193	232,402
Total non-financial assets	<u>72,414,398</u>	<u>62,301,574</u>
Contingent liabilities (note 14)		
Commitments (note 15)		
Accumulated municipal equity (note 10)	<u>\$ 64,952,513</u>	<u>\$ 57,484,649</u>

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

# CORPORATION OF THE TOWN OF PRESCOTT

## Consolidated Statement of Operations and Accumulated Municipal Equity

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

	Budget 2022 (note 18)	Actual 2022	Actual 2021
<b>Revenue:</b>			
Property taxation	\$ 5,888,327	\$ 5,873,195	\$ 5,651,216
Taxation from other governments	362,733	364,346	357,515
User charges	3,217,899	3,174,812	3,049,193
Government grants	2,123,117	2,243,604	2,291,221
Licenses and permits	99,725	103,922	85,614
Investment income	145,793	97,567	108,299
Penalties and interest on taxes	80,000	63,356	76,840
Provincial offenses	37,381	16,415	24,862
Other	477,612	781,376	743,596
Gain on sale of tangible capital assets	–	–	352,325
Net equity increase in investment in Rideau St. Lawrence Holdings Inc. (note 4)	57,100	52,774	59,329
<b>Total revenue</b>	<b>12,489,687</b>	<b>12,771,367</b>	<b>12,800,010</b>
<b>Expenses (note 17):</b>			
General government	1,160,230	1,230,294	1,167,790
Environmental services	3,347,186	3,387,106	3,251,638
Protection to persons and property	2,250,704	2,228,858	2,107,706
Health services	440,706	518,702	466,087
Social and family services	563,047	627,678	705,545
Transportation services	2,943,576	3,043,944	2,618,765
Recreation and culture services	1,564,421	1,597,115	1,339,661
Planning and development	534,193	889,458	713,495
<b>Total expenses</b>	<b>12,804,063</b>	<b>13,523,155</b>	<b>12,370,687</b>
<b>Annual operating surplus (deficit)</b>	<b>(314,376)</b>	<b>(751,788)</b>	<b>429,323</b>
<b>Other:</b>			
Grants and transfers related to capital:			
Deferred revenues earned	–	–	519,868
Government transfers	–	6,731,633	530,407
Other	–	1,488,019	–
	–	8,219,652	1,050,275
<b>Annual surplus (deficit)</b>	<b>(314,376)</b>	<b>7,467,864</b>	<b>1,479,598</b>
<b>Accumulated municipal equity, beginning of year</b>	<b>57,484,649</b>	<b>57,484,649</b>	<b>56,005,051</b>
<b>Accumulated municipal equity, end of year (note 10)</b>	<b>\$ 57,170,273</b>	<b>\$ 64,952,513</b>	<b>\$ 57,484,649</b>

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



# CORPORATION OF THE TOWN OF PRESCOTT

## Consolidated Statement of Changes in Net Debt

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

	Budget 2022 (note 18)	Actual 2022	Actual 2021
Annual surplus (deficit)	\$ (314,376)	\$ 7,467,864	\$ 1,479,598
Acquisition of tangible capital assets	(2,694,356)	(12,072,730)	(4,442,506)
Amortization of tangible capital assets	1,901,000	1,901,353	1,904,418
Loss (gain) on sale of tangible capital assets	—	88,752	(352,325)
Proceeds on disposal of tangible capital assets	—	—	482,864
Acquisition of prepaid expenses	—	(39,791)	(33,147)
Change in inventories of supplies	—	9,592	(7,358)
Change in net debt	(1,107,732)	(2,644,960)	(968,456)
Net debt, beginning of year	(4,816,925)	(4,816,925)	(3,848,469)
Net debt, end of year	\$ (5,924,657)	\$ (7,461,885)	\$ (4,816,925)

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

# CORPORATION OF THE TOWN OF PRESCOTT

## Consolidated Statement of Cash Flows

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

	2022	2021
Operating activities:		
Annual surplus	\$ 7,467,864	\$ 1,479,598
Item not involving cash:		
Amortization of tangible capital assets	1,901,353	1,904,418
Loss (gain) on sale of tangible capital assets	88,752	(352,325)
Change in non-cash operating working capital:		
Decrease (increase) in taxes receivable	(53,596)	117,320
Decrease (increase) in user charges receivable	(830,589)	282,642
Increase in accounts receivable	(7,556,366)	(404,819)
Increase in inventories	(8,358)	(3,669)
Increase in accounts payable and accrued liabilities	1,382,941	758,360
Decrease in employee future benefits obligations	(1,332)	(1,969)
Decrease in deferred revenue	(590,507)	(1,990)
Increase in prepaid expenses	(39,791)	(33,147)
Increase (decrease) in inventory not for resale	9,592	(7,358)
	(7,688,006)	705,370
Net change in cash from operations	1,769,963	3,737,061
Capital activities:		
Acquisition of tangible capital assets	(12,072,730)	(4,442,506)
Proceeds of disposal of tangible capital assets	-	482,864
	(12,072,730)	(3,959,642)
Investing activities:		
Increase (decrease) in investment in Rideau St. Lawrence Holdings Inc.	3,014	(4,082)
Reinvested investment income	(54,819)	(91,403)
	(51,805)	(95,485)
Financing activities:		
Debt principal repayments	(746,958)	(806,248)
Draw on temporary borrowings	8,780,663	-
	8,033,705	(806,248)
Decrease in cash and short-term deposits	(2,320,867)	(1,124,314)
Cash and short-term deposits, beginning of year	3,328,690	4,453,004
Cash and short-term deposits, end of year	\$ 1,007,823	\$ 3,328,690

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

# CORPORATION OF THE TOWN OF PRESCOTT

## Notes to Consolidated Financial Statements

Year ended December 31, 2022

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The Corporation of the Town of Prescott (the "Town") was incorporated in 1834 and assumed its responsibilities as a police village. The Town operates as a single tier government in the United Counties of Leeds and Grenville, 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 Prescott (the "Town") are the representation of management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

These consolidated financial statements reflect the assets, liabilities, revenue 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  
Cemetery Board

(ii) Investment in Rideau St. Lawrence Holdings Inc.:

The investment in Rideau St. Lawrence Holdings Inc. ("RSL") is accounted for on a modified equity basis, consistent with Canadian public sector accounting standards. Under the modified equity basis, the business enterprises accounting principles are not adjusted to conform to those of the Town and inter-organizational transactions and balance are not eliminated. The Town recognizes its equity interest in the annual income or loss of RSL in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends the Town may receive from RSL will be reflected as reductions in the investment asset account.

(iii) Accounting for School Board transactions:

The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal fund balances of these consolidated financial statements.

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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## 1. Significant accounting policies (continued):

### (b) Basis of accounting:

- (i) The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.
- (ii) Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus (deficit), provides the change in net financial assets for the year.

### (c) Tangible capital assets:

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

Asset	Useful Life - Years
Land improvements	40
Buildings	15 to 60
Machinery and equipment	5 to 20
Vehicles	5 to 20
Linear assets:	
Roads	15 to 40
Bridges	15 to 40
Sidewalks	10 to 15
Water distribution	50 to 80
Wastewater collection	80
Storm sewer collection	80

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

The Town has a capitalization threshold of \$10,000 for vehicles and equipment and \$10,000 to \$50,000 for linear assets and 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.

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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## 1. Significant accounting policies (continued):

### (c) Tangible capital assets (continued):

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

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.

### (d) 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.

### (e) Inventories and prepaid expenses:

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

### (f) 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.

### (g) Cash and short-term deposits:

The Town considers cash and short-term deposits to be highly liquid investments with original maturities of three months or less.

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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## 1. Significant accounting policies (continued):

### (h) Government transfers:

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

### (i) Deferred revenue:

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

### (j) Deferred revenue - obligatory reserve funds:

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

### (k) Investments:

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

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

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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## 1. Significant accounting policies (continued):

### (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:

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) the Town:
  - is directly responsible; or
  - accepts responsibility;
- (iv) it is expected that future economic benefit will be given up; and
- (v) 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) Property taxation:

The Town recognizes property tax revenue using the approved tax rate and the anticipated assessment. Taxes receivable and tax revenue are recognized when they meet the definition of an asset, the tax is authorized and the taxable event has occurred. The standard requires that property tax revenue be reported net of tax concessions. Tax transfers are reported as an expense and taxes levied on behalf of others in a flow through arrangement are not reported in the consolidated statement of operations and accumulated municipal equity.

### (n) Use of estimates:

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

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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## 2. Operations of school boards:

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

	2022	2021
Property taxes	\$ 932,611	\$ 934,442
Amounts requisitioned and paid	\$ 932,611	\$ 934,442

## 3. Bank indebtedness:

The Town's financial agreement with its bank provides for an operating credit facility of up to \$1,000,000 to finance expenses, pending receipt of property taxes and other income. Interest on funds drawn is charged at the Bank of Montreal's prime rate. As at December 31, 2022, there was \$Nil (2021 - \$Nil) drawn on the facility.



# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

## 4. Investment in Rideau St. Lawrence Holdings Inc.:

Rideau St. Lawrence Holdings Inc. ("RSL"), a government business enterprise, is accounted for on the modified equity basis by the Town for its proportionate share of ownership. The Town owns approximately 34.53% (2021 - 34.53%) of RSL. The principal business of RSL is to distribute electric power to four communities including the Town.

The following tables present condensed supplementary financial information for the Town's proportionate investment in RSL for the year ended December 31.

	2022	2021
<b>Financial Position</b>		
Current assets	\$ 1,512,228	\$ 1,283,618
Capital assets	3,478,317	3,127,755
Net regulatory assets	409,712	251,623
	<u>5,400,257</u>	<u>4,662,996</u>
Current liabilities	3,234,335	2,480,063
Deferred tax liabilities	4,982	-
Long-term debt	172,419	191,398
	<u>3,411,736</u>	<u>2,671,461</u>
<b>Net assets</b>	<b>\$ 1,988,521</b>	<b>\$ 1,991,535</b>
Share capital	\$ 1,184,486	\$ 1,184,486
Accumulated earnings	812,083	813,927
Accumulated other comprehensive loss	(8,048)	(6,878)
<b>Investment in government business enterprises</b>	<b>\$ 1,988,521</b>	<b>\$ 1,991,535</b>
	<u>2022</u>	<u>2021</u>
<b>Results of Operations</b>		
Revenue	\$ 6,015,658	\$ 5,697,323
Operating expenses	(5,962,254)	(5,635,071)
Net earnings	53,404	62,252
Dividends paid during the year	(55,248)	(55,248)
	<u>(1,844)</u>	<u>7,004</u>
Accumulated earnings, beginning of year	813,927	806,923
<b>Accumulated earnings, end of year</b>	<b>\$ 812,083</b>	<b>\$ 813,927</b>

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

## 5. Employee future benefit obligations:

The Town provides life insurance premiums to employees who were previously employed by Prescott Public Utilities Commission. Beginning in 2006, the accrued benefit obligation has been recognized using a present value approach with a discount rate of 3%.

At December 31, 2022 the Town's accrued benefit liability for life insurance benefits is estimated at \$29,438 (2021 - \$30,769).

## 6. Deferred revenue:

(a) A requirement of the CPA Canada Public Sector Accounting Handbook is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve fund of the Town are:

	2022	2021
Balance, beginning of year	\$ 150,239	\$ 621,365
Revenue:		
Contributions from developers	26,508	48,742
Ontario Community Infrastructure Funding	253,790	–
Interest on Community Infrastructure Funding	3,509	–
Interest on Federal Gas Tax Funding	–	–
Canada Community Building Fund	267,803	–
	551,610	48,742
Utilization:		
Transfers for capital	(267,803)	(519,868)
Balance, end of year	\$ 434,046	\$ 150,239

Comprised as follows:

	2022	2021
Development charges	\$ 176,747	\$ 150,239
Ontario Community Infrastructure Funding	257,299	–
Balance, end of year	\$ 434,046	\$ 150,239

(b) The Town has other deferred revenue related to fundraising activities of \$Nil (2021 - \$874,314).

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

## 7. Long-term liabilities:

- (a) The balance of long-term liabilities reported on the consolidated statement of financial position is comprised of the following:

	2022	2021
Ontario Project Infrastructure Corporation		
Maturity date 2023 and interest rate of 4.83%	\$ 19,372	\$ 56,756
Maturity date 2023 and interest rate of 3.26%	25,337	49,867
Maturity date 2024 and interest rate of 5.61%	102,736	149,997
Maturity date 2025 and interest rate of 4.71%	512,577	668,134
Maturity date 2027 and interest rate of 4.87%	251,104	300,120
Maturity date 2030 and interest rate of 1.51%	219,520	246,960
Maturity date 2036 and interest rate of 4.75%	3,397,763	3,573,897
Maturity date 2047 and interest rate of 3.70%	1,303,366	1,334,631
Maturity date 2050 and interest rate of 1.97%	3,644,444	3,777,778
Royal Bank of Canada, maturity 2023-2025, 0% interest	52,861	117,898
	<b>\$ 9,529,080</b>	<b>\$ 10,276,038</b>

- (b) Principal payments are due as follows:

	Principal	Interest	Total
2023	\$ 718,650	\$ 320,930	\$ 1,039,580
2024	684,526	293,585	978,111
2025	635,733	266,957	902,690
2026	468,862	243,735	712,597
2027	450,915	226,201	677,116
2028 and thereafter	6,570,394	1,678,869	8,249,263
	<b>\$ 9,529,080</b>	<b>\$ 3,030,277</b>	<b>\$ 12,559,357</b>

- (c) Interest expense on long term liabilities in 2022 amounted to \$341,362 (2021 - \$367,076).
- (d) These payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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## **8. Temporary borrowings:**

The Town had construction loans through the Ontario Infrastructure and Lands Corporation ("OILC") to finance the construction of a recreation complex to a maximum value of \$15,000,000. The monthly interest payments on funds advanced will be based on a floating rate per annum as determined by OILC throughout the term of the loan until they are replaced by a debenture. Repayment terms of principal and interest will be determined upon completion of the capital project. At December 31, 2022, \$8,780,663 (2021 - \$Nil) of the facility was used.

## **9. Investments:**

Investments, which consist primarily of Canadian equities, have a market value of \$1,435,514 at December 31, 2022 (2021 - \$1,559,299).

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

## 10. Municipal equity:

	2022	2021
Investment in tangible capital assets:		
Tangible capital assets	\$ 72,114,169	\$ 62,031,544
Long-term liabilities	(9,529,080)	(10,276,038)
	<u>62,585,089</u>	<u>51,755,506</u>
Unexpended Capital Financing (Unfinanced Capital) Projects:		
Road infrastructure	(617,253)	(617,253)
Industrial park	(262,401)	(262,401)
Public works addition	(237,114)	(237,114)
Streetlights	(664,756)	(664,756)
Water Tower Replacement	(20,091)	-
Fire Truck – 2024 Delivery	(48,010)	-
New arena	(4,540,433)	(2,360,039)
Edward Street Overpass	(43,339)	(26,707)
Active Transportation	-	(97,545)
Sidewalk plow	(163,223)	(163,223)
	<u>(6,596,620)</u>	<u>(4,429,038)</u>
Reserves set aside for specific purposes by Council:		
For capital expenses:		
Working capital	880,000	880,000
Business improvement	54,748	52,470
Elections	5,210	17,123
	<u>939,958</u>	<u>949,593</u>
For operating expenses:		
Fiscal policy	121,089	563,770
General government	74,102	54,245
Infrastructure	634,256	423,957
Municipal modernization	140,148	370,918
Protection services	102,789	144,640
Public Transit	5,520	-
Transportation services	94,836	86,088
Recreation and cultural	123,011	251,640
Library	55,717	54,238
Museum	-	14,665
Cemetery	29,920	24,959
Planning and development	142,143	191,506
Water and sewer	4,512,034	5,036,427
	<u>6,035,565</u>	<u>7,217,053</u>
Total reserves	<u>6,975,523</u>	<u>8,166,646</u>
Investment in Government Business Enterprises (note 4)	1,988,521	1,991,535
<b>Total accumulated municipal equity</b>	<b>\$ 64,952,513</b>	<b>\$ 57,484,649</b>

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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## 11. Pension contributions:

The Town makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 31 members of its staff (2021 - 30). As a result, the Town does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2022. At that time, the plan reported a \$6.7 billion actuarial deficit (2021 - \$3.1 billion actuarial deficit).

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.

The amount contributed to OMERS for current service in 2022 was \$183,158 (2021 - \$173,741) and is included as an expense on the Consolidated Statement of Operations and Accumulated Municipal Equity.

## 12. Trust funds:

Trust funds administered by the Town amounting to \$121,152 (2021 - \$118,630) 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.

## 13. Provincial Offences Administration (POA):

The United Counties of Leeds and Grenville has assumed the administration of the Provincial Offences office for all County of Leeds and Grenville 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 License Act, Municipal Bylaws 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 has been consolidated with these financial statements. The revenue of the court office consists of fines levied under Parts I and 111 (including delay penalties) for POA charges filed in the County court.

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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## 13. 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 shares net POA revenues based on weighted assessment.

## 14. Contingent liabilities:

- (a) The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims at December 31, 2022, management believes that the Town has valid defences and appropriate insurance coverages in place. In the event any claims are successful, the amount of any potential liability is not determinable; therefore, no amount has been accrued in the consolidated financial statements.
- (b) In 1997, the Town assumed ownership of property that was identified as being contaminated. Phase I and Phase II environmental assessments have been carried out with a conclusion that the land was contaminated beyond a minimally acceptable level. A further assessment was carried out, including soil sampling, which revealed that the contamination did not present an immediate risk to human health or the environment. Based upon existing environmental regulations, the Town would be required to remediate this land subject to future development. The cost of such remediation is unknown. As at December 31, 2022, the Town has no plans to develop this land. Due to the uncertainty surrounding the timing and nature of the remediation, no liability has been recognized in the Town's consolidated financial statements.
- (c) The Town is contingently liable under a letter of credit issued by its bankers in regard to the requirement from the Town's agreement with the Canadian Actors' Equity Association. The aggregate borrowing is up to \$46,500.

As at December 31, 2022, there is no amount outstanding under the facility (2021 - \$Nil).

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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## 15. Commitments:

- (a) The Town has entered into an agreement with Ontario Clean Water Agency to manage the water treatment plant and the sewage treatment plant. The contract provides for a management fee for each plant plus the operating and capital costs of the two plants. The management fee is adjusted for inflation on an annual basis. The contract was renewed effective December 1, 2018. Payments for the water treatment plant were \$435,468 (2021 - \$328,770). Payments for the sewage treatment plant were \$606,607 (2021 - \$574,360).
- (b) The Town has negotiated a long-term contract with the Ontario Provincial Police for the provision of policing services. The contract ends December 31, 2024. Annual charges are determined based on the level of service and are reconciled to actual costs in the following year. During the year, the contract costs were \$1,258,560 (2021 - \$1,202,916).
- (c) The Town has negotiated a contract for waste collection with Limerick Environmental which expires in February 2025, with an option to extend for an additional two, one year consecutive terms, at the sole discretion of the Town. Fees are based on the residential household count and are adjusted annually for inflation plus the cost to drop the waste materials off at the depot based on tonnage. During the year, the contract costs were \$185,553 (2021 - \$171,523).
- (d) The Town has negotiated a contract for the collection and disposal of recycled materials, with Limerick Environmental which expires in February 2025, with an option to extend for an additional two, one year consecutive terms, at the sole discretion of the Town. Fees are based on population count and area adjusted annually for inflation plus the cost to drop off the recyclable matters at the depot based on tonnage. During the year, the contract costs were \$94,667 (2021 - \$88,894).
- (e) The estimated commitment to complete construction-in-progress and major equipment purchases for the new arena project at December 31, 2022 is approximately \$6,151,819 (2021 - \$15,396,542).



# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

## 16. Tangible capital assets :

Cost	Balance at December 31, 2021	Transfers and additions	Disposals and adjustments	Balance at December 31, 2022
Land	\$ 1,362,764	\$ 33,098	\$ -	\$ 1,395,862
Land improvements	3,285,011	-	-	3,285,011
Buildings	41,841,747	116,243	-	41,957,990
Machinery and equipment	3,890,127	462,531	(37,008)	4,315,650
Vehicles	2,327,186	-	-	2,327,186
Linear assets	18,851,554	1,710,634	(96,373)	20,465,815
Sewer infrastructure	6,969,256	616,306	(43,226)	7,542,336
Water infrastructure	6,741,569	562,911	(89,270)	7,215,210
Construction-in-progress	5,329,628	8,571,007	-	13,900,635
<b>Total</b>	<b>\$ 90,598,842</b>	<b>\$ 12,072,730</b>	<b>\$ (265,877)</b>	<b>\$ 102,405,695</b>

Accumulated amortization	Balance at December 31, 2021	Amortization and adjustments	Transfers, and disposals	Balance at December 31, 2022
Land improvements	\$ 436,219	\$ 84,082	\$ -	\$ 520,301
Buildings	12,789,373	909,871	-	13,699,244
Machinery and equipment	1,990,404	230,754	(37,008)	2,184,150
Vehicles	1,368,313	128,965	-	1,497,278
Linear assets	7,403,286	363,136	(80,682)	7,685,740
Sewer infrastructure	2,235,748	86,949	(18,865)	2,303,832
Water infrastructure	2,343,955	97,596	(40,570)	2,400,981
<b>Total</b>	<b>\$ 28,567,298</b>	<b>\$ 1,901,353</b>	<b>\$ (177,125)</b>	<b>\$ 30,291,526</b>

	Net book value December 31, 2021	Net book value December 31, 2022
Land	\$ 1,362,764	\$ 1,395,862
Land improvements	2,848,792	2,764,710
Buildings	29,052,374	28,258,746
Machinery and equipment	1,899,723	2,131,500
Vehicles	958,873	829,908
Linear assets	11,448,268	12,780,075
Sewer infrastructure	4,733,508	5,238,504
Water infrastructure	4,397,614	4,814,229
Construction-in-progress	5,329,628	13,900,635
<b>Total</b>	<b>\$ 62,031,544</b>	<b>\$ 72,114,169</b>

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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## **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 financial activities.

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

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

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

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

## 17. Segmented information (continued):

	2022							Total
	General Government	Environmental Services	Protection to Persons and Property	Health Services	Social and Family Services	Transportation Services	Recreation and Cultural Services	
<b>Revenue</b>								
Taxation								
Property Taxation	\$ 5,873,195	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxation other governments	364,346	-	-	-	-	-	-	-
User charges	4,037	2,882,189	66,902	-	8,525	1,201	211,958	-
Government transfers	1,588,400	41,463	37,145	-	116,232	366,553	53,511	40,300
Investment income	42,748	54,819	-	-	-	-	-	-
Licenses and permits	10,158	-	91,689	-	-	2,075	-	-
Net income Rideau St. Lawrence	52,774	-	-	-	-	-	-	-
Other	17,090	341,021	53,294	20,481	215	77,685	199,849	71,741
Penalties and interest on taxes	63,356	-	-	-	-	-	-	-
Provincial offenses	-	-	16,415	-	-	-	-	-
<b>Other</b>								
Capital other	-	29,568	-	-	-	300,489	6,401,576	-
Total revenue	8,016,104	3,349,060	265,445	20,481	124,972	748,003	6,866,894	112,041
<b>Expenses</b>								
Salaries and wages	623,835	370,163	468,481	-	82,276	1,293,790	393,427	290,286
Operating materials and services	549,691	2,067,816	1,475,155	332,708	511,039	1,278,182	857,684	599,172
External transfers to other	-	-	-	86,734	-	-	-	-
Debt interest	-	164,427	76,407	-	34,363	17,398	48,767	-
Amortization	56,768	784,700	208,815	99,260	-	454,574	297,237	-
Total expenses	1,230,294	3,387,106	2,228,858	518,702	627,678	3,043,944	1,597,115	889,458
Excess of revenue over expenses (expenses over revenue) before taxation	\$ 6,785,810	\$ (38,046)	\$ (1,963,413)	\$ (498,221)	\$ (502,706)	\$ (2,295,941)	\$ 5,269,779	\$ (777,417)
								\$ 5,979,845

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

## 17. Segmented information (continued):

	2021							Total
	General Government	Environmental Services	Protection to Persons and Property	Health Services	Social and Family Services	Transportation Services	Recreation and Cultural Services	
<b>Revenue</b>								
Taxation								
Property Taxation	\$ 5,651,216	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxation other governments	357,515	-	-	-	-	-	-	-
User charges	4,997	2,756,691	56,703	-	6,600	3,137	221,065	-
Government transfers	1,708,335	34,859	33,100	-	171,454	292,026	12,048	39,399
Investment income	16,896	91,403	-	-	-	-	-	-
Licenses and permits	7,558	-	77,656	-	-	400	-	-
Net income Rideau St. Lawrence	59,329	-	-	-	-	-	-	-
Other	7,073	262,337	111,112	22,629	92,571	41,762	141,237	64,875
Gain on sale of tangible capital assets	-	-	-	-	-	-	27,619	324,706
Penalties and interest on taxes	76,840	-	-	-	-	-	-	-
Provincial offenses	-	-	24,862	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Capital other	-	-	-	-	-	1,050,275	-	-
Total revenue	7,889,759	3,145,290	303,433	22,629	270,625	1,387,600	401,969	428,980
<b>Expenses</b>								
Salaries and wages	563,462	289,708	386,719	-	73,687	1,165,986	322,259	283,155
Operating materials and services	535,361	2,009,056	1,431,973	281,639	587,731	978,496	674,433	430,340
External transfers to other	-	-	-	85,188	-	-	-	-
Debt interest	-	174,405	81,370	-	44,127	17,002	50,172	-
Amortization	68,967	778,469	207,644	99,260	-	457,281	292,797	-
Total expenses	1,167,790	3,251,638	2,107,706	466,087	705,545	2,618,765	1,339,661	713,495
Excess of revenue over expenses (expenses over revenue) before taxation	\$ 6,721,969	\$ (106,348)	\$ (1,804,273)	\$ (443,458)	\$ (434,920)	\$ (1,231,165)	\$ (937,692)	\$ (284,515)
								\$ 1,479,598

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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## 18. Budget figures:

Budget figures reported on the Consolidated Statement of Operations and Accumulated Municipal Equity are based on the 2022 municipal and other local board operating budgets as approved by Council on March 21, 2022.

Approved budget figures also include council approved budget estimates for Public Sector Accounting Board ("PSAB") reporting requirements. The chart below reconciles the approved Town operating budgets and PSAB budget estimates to the total consolidated budget figures as reported on the Consolidated Statement of Operations and Accumulated Municipal Equity.

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	Budget 2022
<b>Operational budget</b>	
Revenue:	
Cash budget approved by Council	\$ 12,981,431
Less: Transfer from reserves	(77,000)
Less: Deferred Revenue	(253,790)
Less: Library funding consolidation	(160,954)
	<hr/> \$ 12,489,687 <hr/>
Expenses:	
Cash budget approved by Council	\$ 12,981,431
Less: Transfers to reserves	(1,429,526)
Less: Library funding upon consolidation	(160,954)
Less: Principal payments	(746,913)
Add: Operational projects	271,000
Add: Amortization expense	1,901,000
Less: Capitalization of books budget	(11,975)
	<hr/> \$ 12,804,063 <hr/>

# CORPORATION OF THE TOWN OF PRESCOTT

Schedule A: Business Improvement Area Committee

## Statement of Revenue and Expenses and Accumulated Surplus

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

	2022	2021
Revenue:		
Taxation	\$ 29,064	\$ 29,288
Expenses:		
Downtown	7,944	6,105
Contracted services	10,063	6,438
Advertising and promotion	8,536	3,679
Supplies	243	238
	26,786	16,460
Excess of revenue over expenses	2,278	12,828
Accumulated surplus, beginning of year	52,470	39,642
Accumulated surplus, end of year	\$ 54,748	\$ 52,470