

Audited Consolidated Financial Statements and
Other Financial Information of

**CORPORATION OF THE TOWN
OF PRESCOTT**

Year ended December 31, 2020

Audited Consolidated Financial Statements and Other Financial Information of

CORPORATION OF THE TOWN OF PRESCOTT

Year ended December 31, 2020

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 Auditors' 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 AUDITORS' 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, 2020;
- 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, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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



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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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



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

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

November 1, 2021

CORPORATION OF THE TOWN OF PRESCOTT

Consolidated Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
		(Recast note 19)
Assets		
Financial assets:		
Cash and short-term deposits	\$ 4,433,448	\$ 3,846,693
Taxes receivable	683,615	789,311
User charges receivable	881,558	868,605
Accounts receivable	473,706	467,959
Inventory	8,040	21,003
Investments (note 9)	1,032,827	1,000,000
Investment in Rideau St. Lawrence Holdings Inc. (note 4)	1,987,453	1,907,663
	<u>9,500,647</u>	<u>8,901,234</u>
Liabilities and deferred revenue:		
Accounts payable and accrued liabilities	1,207,548	1,465,723
Employee future benefit obligations (note 5)	32,738	34,677
Deferred revenue (note 6)	1,026,544	640,595
Long-term liabilities (note 7)	11,082,286	7,763,666
Temporary borrowings (note 8)	—	3,696,384
Total liabilities	<u>13,349,116</u>	<u>13,601,045</u>
Net debt	(3,848,469)	(4,699,811)
Non-financial assets:		
Tangible capital assets (note 16)	59,623,995	60,169,560
Inventories	30,270	6,108
Prepaid expenses	199,255	185,594
Total non-financial assets	<u>59,853,520</u>	<u>60,361,262</u>
Contingent liabilities (note 14)		
Commitments (note 15)		
Accumulated municipal equity (note 10)	<u>\$ 56,005,051</u>	<u>\$ 55,661,451</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, 2020, with comparative information for 2019

	Budget 2020 (note 18)	2020	2019 (Recast note 19)
Revenue:			
Property taxation	\$ 5,536,549	\$ 5,546,317	\$ 5,558,003
Taxation from other governments	345,000	352,704	350,620
User charges	3,091,996	3,013,685	3,032,150
Government grants	2,032,259	2,312,574	2,553,586
Licenses and permits	78,650	69,289	51,735
Investment income	202,993	81,946	94,119
Penalties and interest on taxes	120,000	96,175	110,790
Provincial offenses	31,232	12,653	35,188
Other	412,600	597,948	466,055
Net equity increase in investment in Rideau St. Lawrence Holdings Inc. (note 4)	57,100	79,790	55,167
Total revenue	11,908,379	12,163,081	12,307,413
Expenses (note 17):			
General government	1,162,216	1,180,560	1,215,182
Environmental services	3,116,259	3,071,005	3,408,931
Protection to persons and property	2,095,046	1,990,431	1,978,260
Health services	441,548	393,504	464,148
Social and family services	671,829	662,086	656,613
Transportation services	2,512,846	2,847,194	2,464,526
Recreation and culture services	1,185,518	1,140,573	1,250,591
Planning and development	478,517	549,128	611,589
Total expenses	11,663,779	11,834,481	12,049,840
Annual operating surplus	244,600	328,600	257,573
Other:			
Grants and transfers related to capital:			
Deferred revenues earned	–	–	18,542
Government transfers	–	–	362,657
Other	–	15,000	144,633
	–	15,000	525,832
Annual surplus	244,600	343,600	783,405
Accumulated municipal equity, beginning of year, as previously stated	55,420,943	55,420,943	54,540,063
Correction of errors (note 19)	–	240,508	337,983
Accumulated municipal equity, beginning of year, as restated	55,420,943	55,661,451	54,878,046
Accumulated municipal equity, end of year (note 10)	\$ 55,665,543	\$ 56,005,051	\$ 55,661,451

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

CORPORATION OF THE TOWN OF PRESCOTT

Consolidated Statement of Change in Net Debt

Year ended December 31, 2020, with comparative information for 2019

	Budget 2020 (note 18)	2020	2019 (Recast note 19)
Annual surplus	\$ 244,600	\$ 343,600	\$ 783,405
Acquisition of tangible capital assets	(809,500)	(1,331,216)	(1,668,160)
Amortization of tangible capital assets	1,876,300	1,745,892	1,850,567
Disposal of tangible capital assets	—	130,889	—
Acquisition of prepaid expenses	—	(13,661)	(29,160)
Change in inventories of supplies	—	(24,162)	(401)
Change in net debt	1,311,400	851,342	936,251
Net debt, beginning of year	(4,486,235)	(4,699,811)	(5,636,062)
Net debt, end of year	\$ (3,174,835)	\$ (3,848,469)	\$ (4,699,811)

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, 2020, with comparative information for 2019

	2020	2019
Operating activities:		
Annual surplus	\$ 343,600	\$ 783,405
Item not involving cash:		
Amortization of tangible capital assets	1,745,892	1,850,567
Unrealized gain on investments	(32,827)	-
Change in non-cash operating working capital:		
Decrease in taxes receivable	105,696	219,599
Increase in user charges receivable	(12,953)	(42,245)
Decrease (increase) in accounts receivable	(5,747)	197,070
Decrease in inventories	12,963	1,709
Decrease in accounts payable and accrued liabilities	(258,175)	(532,987)
Decrease in employee future benefits obligations	(1,939)	(1,021)
Increase in deferred revenue	385,949	531,352
Increase in prepaid expenses	(13,661)	(29,160)
Increase in inventory not for resale	(24,162)	(401)
	187,971	343,916
Net change in cash from operations	2,244,636	2,977,888
Capital activities:		
Acquisition of tangible capital assets	(1,331,216)	(1,668,160)
Proceeds of disposal of tangible capital assets	130,889	-
	(1,200,327)	(1,668,160)
Investing activities:		
Decrease (increase) in investment in Rideau St. Lawrence Holdings Inc.	(79,790)	80
Financing activities:		
Debt principal repayments	(955,780)	(833,728)
Proceeds from debt issuance	578,016	-
Proceeds from temporary borrowings	-	115,160
	(377,764)	(718,568)
Increase in cash and short-term deposits	586,755	591,240
Cash and short-term deposits, beginning of year	3,846,693	3,255,453
Cash and short-term deposits, end of year	\$ 4,433,448	\$ 3,846,693

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, 2020

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, 2020

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 excess of revenue over expenses, 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, 2020

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, 2020

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, 2020

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, 2020

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:

	2020	2019
Property taxes	\$ 1,099,862	\$ 1,126,593
Amounts requisitioned and paid	\$ 1,099,862	\$ 1,126,593

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

CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

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% (2019 - 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.

	2020	2019
Financial Position		
Current assets	\$ 1,388,472	\$ 1,519,014
Capital assets	2,871,207	2,763,689
Net regulatory assets	208,447	54,137
	4,468,126	4,336,840
Current liabilities	2,196,001	2,172,956
Long-term debt	284,672	256,221
	2,480,673	2,429,177
Net assets	\$ 1,987,453	\$ 1,907,663
Share capital	\$ 1,184,486	\$ 1,184,486
Accumulated earnings	806,923	727,133
Accumulated other comprehensive loss	(3,956)	(3,956)
Investment in Government Business Enterprises	\$ 1,987,453	\$ 1,907,663
Results of Operations		
Revenue	\$ 6,336,510	\$ 5,653,764
Operating expenses	(6,256,721)	(5,596,065)
Net earnings	79,789	57,699
Dividends paid during the year	-	(55,247)
	79,789	2,452
Accumulated earnings, beginning of year	727,133	724,681
Accumulated earnings, end of year	\$ 806,922	\$ 727,133

CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

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, 2020 the Town's accrued benefit liability for life insurance benefits is estimated at \$32,738 (2019 - \$34,677).

6. Deferred revenue:

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:

	2020	2019
Balance, beginning of year	\$ 640,595	\$ 109,243
Revenue:		
Contributions from developers	12,723	1,490
Contributions other	114,600	287,162
Interest on Federal Gas Tax Funding	2,467	–
Federal Gas Tax Funding	256,159	261,242
	385,949	549,894
Utilization:		
Transfers for capital	–	18,542
Balance, end of year	\$ 1,026,544	\$ 640,595

Comprised as follows:

	2020	2019
Development charges	\$ 101,497	\$ 88,774
Federal Gas Tax	519,868	261,242
Other	405,179	290,579
Balance, end of year	\$ 1,026,544	\$ 640,595

CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

7. Long-term liabilities:

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

	2020	2019
Fixed rate bank loan with maturity date in 2021 and interest rate of 2.60%	\$ 82,936	\$ 408,808
Ontario Project Infrastructure Corporation		
Maturity date 2023 and interest rate of 4.83%	92,398	126,380
Maturity date 2023 and interest rate of 3.26%	73,617	96,611
Maturity date 2024 and interest rate of 5.61%	194,717	237,031
Maturity date 2025 and interest rate of 4.71%	816,614	958,341
Maturity date 2027 and interest rate of 4.87%	346,833	391,352
Maturity date 2030 and interest rate of 1.51%	274,400	-
Maturity date 2037 and interest rate of 4.75%	3,741,954	3,902,303
Maturity date 2047 and interest rate of 3.70%	1,364,772	1,393,827
Maturity date 2050 and interest rate of 1.97%	3,911,111	-
Royal Bank of Canada, maturity 2022-2025, 0% interest	182,934	249,013
	\$ 11,082,286	\$ 7,763,666

- (b) Principal payments are due as follows:

	Principal	Interest	Total
2021	\$ 806,207	\$ 375,796	\$ 1,182,003
2022	746,915	348,752	1,095,667
2023	718,650	320,930	1,039,580
2024	684,526	293,585	978,111
2025	636,733	266,957	902,690
2026 and thereafter	7,490,255	2,148,804	9,639,059
	\$ 11,082,286	\$ 3,754,824	\$ 14,837,110

- (c) Interest expense on long term liabilities in 2020 amounted to \$377,877 (2019 - \$348,701).
- (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, 2020

8. Temporary borrowings:

The Town had construction loans through the Ontario Infrastructure and Lands Corporation (“OILC”) to finance the construction of fire hall replacement to a maximum value of \$5,000,000. 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. This loan was closed out in 2020 and transferred to a serial debenture with a 30 year term at 1.97%. At December 31, 2020, \$Nil (2019 - \$3,696,384) of the facility was used.

9. Investments:

Investments, which consist primarily of Canadian equities, have a market value of \$1,292,750 at December 31, 2020 (2019 - \$1,213,576).

CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

10. Municipal equity:

	2020	2019 (Recast note 19)
Investment in tangible capital assets:		
Tangible capital assets	\$ 59,623,995	\$ 60,169,560
Long-term liabilities	(11,082,287)	(11,460,050)
	<u>48,541,708</u>	<u>48,709,510</u>
Unexpended Capital Financing (Unfinanced Capital) Projects:		
Road infrastructure	(617,253)	(617,253)
Industrial park	(252,568)	(287,568)
Fire hall	-	(291,779)
Public works addition	(237,114)	(237,114)
Streetlights	(657,905)	(617,065)
Arena renovations	-	(80,453)
Dibble Street East Reconstruction	(27,670)	-
New arena	(399,901)	(215,354)
Sidewalk plow	(163,223)	-
	<u>(2,355,634)</u>	<u>(2,346,586)</u>
Reserves set aside for specific purposes by Council:		
For capital expenses:		
Working capital	880,000	880,000
Business improvement	39,642	35,942
Elections	12,023	6,923
	<u>931,665</u>	<u>922,865</u>
For operating expenses:		
Fiscal policy	(81,815)	(42,939)
COVID-19 funding	107,000	-
General government	29,695	18,561
Infrastructure	227,051	164,169
Municipal Modernization	572,483	591,400
Protection services	147,358	150,411
Transportation services	26,537	23,510
Health services	4,170	4,170
Recreation and cultural	127,364	129,583
Library	43,655	35,481
Museum	94,447	81,010
Cemetery	18,654	16,135
Planning and development	172,147	152,990
Water and sewer	5,411,113	5,143,518
	<u>6,899,859</u>	<u>6,467,999</u>
Total reserves	<u>7,831,524</u>	<u>7,390,864</u>
Investment in Government Business Enterprises (note 4)	1,987,453	1,907,663
Total accumulated municipal equity	<u>\$ 56,005,051</u>	<u>\$ 55,661,451</u>

CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

11. Pension contributions:

The Town makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 28 members of its staff (2019 - 27). 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, 2020. At that time, the plan reported a \$3.2 billion actuarial deficit (2019 - \$3.4 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 2020 was \$170,206 (2019 - \$174,635) 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 \$113,660 (2019 - \$112,511) 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, 2020

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 Corporation of the Town of Prescott 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, 2020, management believes that the Town has valid defences and appropriate insurance coverages in place. In the event any claims are successful, the amount of any potential liability is not determinable; therefore, no amount has been accrued in the consolidated financial statements.
- (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, 2020, 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 Towns' 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, 2020, there is no amount outstanding under the facility.

CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

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 \$355,481 (2019 - \$367,089). Payments for the sewage treatment plant were \$562,272 (2019 - \$601,527).
- (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 \$1,197,454 (2019 - \$1,159,212).
- (c) The Town has negotiated a contract for waste collection with Limerick Environmental which expired February 2020 but was extended to February 2021. Subsequent to year-end, a new agreement has been signed 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 \$157,888 (2019 - \$114,428).
- (d) The Town has negotiated a contract for the collection and disposal of recycled materials, with Limerick Environmental, which expired February 2020 but was extended to February 2021. Subsequent to year-end, a new agreement has been signed 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 \$83,331 (2019 - \$70,591).
- (e) The Town has committed funding to the Eastern Ontario Wardens Caucus Broadband Project in the amount of \$13,981 per year for the period 2015 to 2023.
- (f) The estimated commitment to complete construction-in-progress and major equipment purchases at December 31, 2020 is approximately \$Nil (2019 - \$Nil). Subsequent to year-end, the Town signed an agreement with a general contractor in the amount of \$17.3 million to complete construction of a new arena.

CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

16. Tangible capital assets (recast – note 19):

Cost	Balance at December 31, 2019	Transfers and additions	Disposals and adjustments	Balance at December 31, 2020
Land	\$ 1,409,596	\$ –	\$ –	\$ 1,409,596
Land improvements	3,285,011	–	–	3,285,011
Buildings	41,460,066	594,844	(85,369)	41,969,541
Machinery and equipment	3,757,376	329,430	(27,550)	4,059,256
Vehicles	2,501,723	274,399	(298,005)	2,478,117
Linear assets	19,532,205	(630,365)	(50,286)	18,851,554
Sewer infrastructure	6,771,408	301,647	(103,799)	6,969,256
Water infrastructure	6,478,807	331,921	(69,159)	6,741,569
Construction-in-progress	1,112,451	129,340	–	1,241,791
Total	\$ 86,308,643	\$ 1,331,216	\$ (634,168)	\$ 87,005,691

Accumulated amortization	Balance at December 31, 2019	Amortization and adjustments	Transfers, and disposals	Balance at December 31, 2020
Land improvements	\$ 268,052	\$ 84,085	\$ –	\$ 352,137
Buildings	10,968,317	1,270,110	(85,369)	12,153,058
Machinery and equipment	2,033,645	46,006	(27,550)	2,052,101
Vehicles	1,655,760	32,524	(298,005)	1,390,279
Linear assets	6,839,324	235,187	(35,490)	7,039,021
Sewer infrastructure	2,196,370	(20,147)	(27,423)	2,148,800
Water infrastructure	2,177,615	98,127	(29,442)	2,246,300
Total	\$ 26,139,083	\$ 1,745,892	\$ (503,279)	\$ 27,381,696

	Net book value December 31, 2019	Net book value December 31, 2020
Land	\$ 1,409,596	\$ 1,409,596
Land improvements	3,016,959	2,932,874
Buildings	30,491,749	29,816,483
Machinery and equipment	1,723,731	2,007,155
Vehicles	845,963	1,087,838
Linear assets	12,692,881	11,812,533
Sewer infrastructure	4,575,038	4,820,456
Water infrastructure	4,301,192	4,495,269
Construction-in-progress	1,112,451	1,241,791
Total	\$ 60,169,560	\$ 59,623,995

CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

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, 2020

17. Segmented information (continued):

2020	General Government	Environmental Services	Protection to Persons and Property	Health Services	Social and Family Services	Transportation Services	Recreation and Cultural Services	Planning & Development	Total
Revenue									
Taxation									
Taxation comm and indust	\$ 1,500,370	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,500,370
Taxation other governments	352,704	-	-	-	-	-	-	-	352,704
Taxation residential	4,045,947	-	-	-	-	-	-	-	4,045,947
User charges									
Environmental	-	2,726,814	-	-	-	-	-	-	2,726,814
Marina	-	-	-	-	-	-	219,949	-	219,949
Other	6,724	-	40,937	-	6,000	4,773	871	-	59,305
Recreation and culture	-	-	-	-	-	-	7,617	-	7,617
Government transfers	1,819,199	36,504	29,559	-	123,492	267,026	11,044	25,750	2,312,574
Investment income	2,772	79,174	-	-	-	-	-	-	81,946
Licenses and permits	5,001	-	59,213	-	-	5,075	-	-	69,289
Net income Rideau St. Law rence	79,790	-	-	-	-	-	-	-	79,790
Other	12,093	247,086	52,263	20,683	-	102	152,955	112,766	597,948
Penalties and interest on taxes	96,175	-	-	-	-	-	-	-	96,175
Provincial offenses	-	-	12,653	-	-	-	-	-	12,653
Other									
Capital other	-	-	-	-	-	-	15,000	-	15,000
Total revenue	7,920,775	3,089,578	194,625	20,683	129,492	276,976	407,436	138,516	12,178,081
Expenses									
Salaries and wages	599,330	298,708	308,698	-	73,932	1,063,746	276,589	209,877	2,830,880
Operating materials and services	514,729	2,037,949	1,413,107	263,449	534,631	953,097	607,541	339,251	6,663,754
External transfers to other	-	-	-	85,188	-	-	-	-	85,188
Debenture interest	-	186,805	66,818	-	53,523	19,553	51,177	-	377,876
Loss on disposal	-	-	-	-	-	130,888	-	-	130,888
Amortization	66,501	547,543	201,808	44,867	-	679,910	205,266	-	1,745,895
Total expenses	1,180,560	3,071,005	1,990,431	393,504	662,086	2,847,194	1,140,573	549,128	11,834,481
Annual surplus (deficit)	\$ 6,740,215	\$ 18,573	\$ (1,795,806)	\$ (372,821)	\$ (532,594)	\$ (2,570,218)	\$ (733,137)	\$ (410,612)	\$ 343,600

CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

17. Segmented information (continued):

2019	General Government	Environmental Services	Protection to Persons and Property	Health Services	Social and Family Services	Transportation Services	Recreation and Cultural Services	Planning & Development	Total
Revenue									
Taxation									
Taxation comm and indust	\$ 1,510,949	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,510,949
Taxation other governments	350,620	-	-	-	-	-	-	-	350,620
Taxation residential	4,047,054	-	-	-	-	-	-	-	4,047,054
User charges									
Environmental	-	2,732,439	-	-	-	-	-	-	2,732,439
Marina	-	-	-	-	-	-	198,362	-	198,362
Other	3,520	-	49,875	-	12,918	2,619	3,005	-	71,937
Recreation and culture	-	-	-	-	-	-	29,412	-	29,412
Government transfers	2,142,500	36,469	47,928	-	135,057	175,220	12,755	3,657	2,553,586
Investment income	94,119	-	-	-	-	-	-	-	94,119
Licenses and permits	14,080	-	34,175	-	-	3,480	-	-	51,735
Net income Rideau St. Lawrence	55,167	-	-	-	-	-	-	-	55,167
Other	35,531	155,843	8,554	35,543	-	60	156,778	73,746	466,055
Penalties and interest on taxes	110,790	-	-	-	-	-	-	-	110,790
Provincial offenses	-	-	35,188	-	-	-	-	-	35,188
Other									
Capital deferred income	-	-	18,542	-	-	-	-	-	18,542
Capital government transfers	-	-	-	-	-	362,657	-	-	362,657
Capital other	-	-	-	-	-	-	144,633	-	144,633
Total revenue	8,364,330	2,924,751	194,262	35,543	147,975	544,036	544,945	77,403	12,833,245
Expenses									
Salaries and wages	578,224	343,319	308,316	-	73,315	1,186,601	383,698	215,334	3,088,807
Operating materials and services	539,001	2,056,426	1,434,074	291,058	521,025	898,587	548,177	396,255	6,684,603
External transfers to other	-	-	-	77,161	-	-	-	-	77,161
Debenture interest	-	212,742	10,689	-	62,273	10,865	52,133	-	348,702
Amortization	97,957	796,444	225,181	95,929	-	368,473	266,583	-	1,850,567
Total expenses	1,215,182	3,408,931	1,978,260	464,148	656,613	2,464,526	1,250,591	611,589	12,049,840
Annual surplus (deficit)	\$ 7,149,148	\$ (484,180)	\$ (1,783,998)	\$ (428,605)	\$ (508,638)	\$ (1,920,490)	\$ (705,646)	\$ (534,186)	\$ 783,405

CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

18. Budget figures:

Budget figures reported on the Consolidated Statement of Operations are based on the 2020 municipal and other local board operating budgets as approved by Council on April 23, 2019.

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.

	Budget 2020
Operational budget	
Revenue:	
Cash budget approved by Council	\$ 12,092,300
Less: Transfer from reserves	(30,000)
Less: Library funding consolidation	(153,921)
	<hr/> \$ 11,908,379
Expenses:	
Cash budget approved by Council	\$ 12,092,300
Less: Transfers to reserves	(1,247,120)
Less: Library funding upon consolidation	(153,921)
Less: Principal payments	(955,780)
Add: Operational Projects	64,000
Add: Amortization expense	1,876,300
Less: Capitalization of books budget	(12,000)
	<hr/> \$ 11,663,779

CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

19. Recast of comparative information:

During the year, management became aware that the Town's tangible capital assets and investments were incorrectly reported in prior years. The impact of the corrections have been recorded retroactively and the cumulative effect up to January 1, 2019 has been recorded as an increase of \$363,804 to tangible capital assets, a decrease of \$25,821 to investments and an increase of \$337,983 to accumulated municipal equity.

	2020	2019
Accumulated municipal equity, beginning of year, as previously reported	\$ 55,420,943	\$ 54,540,063
To correct errors in relation to:		
Understatement of tangible capital assets	454,084	363,804
Overstatement of investments	(213,576)	(25,821)
Accumulated municipal equity, beginning of year, as recast	\$ 55,661,451	\$ 54,878,046
		2019
Annual surplus, as previously reported		\$ 880,880
To correct errors in relation to:		
Overstatement of amortization expense		90,280
Overstatement of investment income		(187,755)
Annual surplus, as recast		\$ 783,405

20. Impact of COVID-19 pandemic:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian, Ontario and municipal governments, enacting emergency measures to combat the spread of the virus. The pandemic has had significant operational and financial impacts as a result of social and market disruption.

The Town continues to experience impacts of the pandemic in the 2021 fiscal year.

Impacts have been mitigated by associated funding and other cost saving measures. The outcome and time frame for a recovery from the pandemic is unknown, and therefore it is not practicable to estimate and disclose its financial effect on future operations at this time.

CORPORATION OF THE TOWN OF PRESCOTT

Schedule A: Business Improvement Area Committee

Statement of Revenue and Expenses and Accumulated Surplus

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Taxation	\$ 29,000	\$ 29,000
Expenses:		
Downtown	18,106	–
Contracted services	3,700	5,850
Advertising and promotion	2,220	8,684
Supplies	1,275	300
Special events	–	1,000
	25,301	15,834
Excess of revenue over expenses	3,699	13,166
Accumulated surplus, beginning of year	35,943	22,777
Accumulated surplus, end of year	\$ 39,642	\$ 35,943